STRENGTHENING GROWTH

ANNUAL REPORT 2017

GROUP HIGHLIGHTS 2017

1. SALES
   RM4.92 BILLION
2. REVENUE
   RM4.52 BILLION
3. PROFIT BEFORE TAX
   RM1.27 BILLION
4. SHAREHOLDERS FUND
   RM11.94 BILLION
5. EARNINGS PER SHARE
   26.77 SEN
6. DIVIDEND PER SHARE
   15.5 SEN
7. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
   RM933 MILLION
8. ENLARGED LAND BANKS
   9,606 ACRES
9. STRONG GDV IN THE PIPELINE
   RM128.37 BILLION

10. ON-GOING PROJECTS
    44 PROJECTS

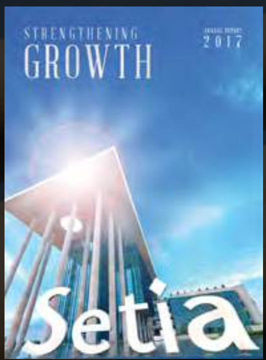
11. UNBILLED SALES
    RM7.72 BILLION

12. TOTAL STRONG DYNAMIC & DIVERSIFIED EMPLOYEES
    2,300 PEOPLE

TOTAL SALES ACHIEVED FOR FY2017 IS

RM4.92 BILLION

COVER RATIONALE



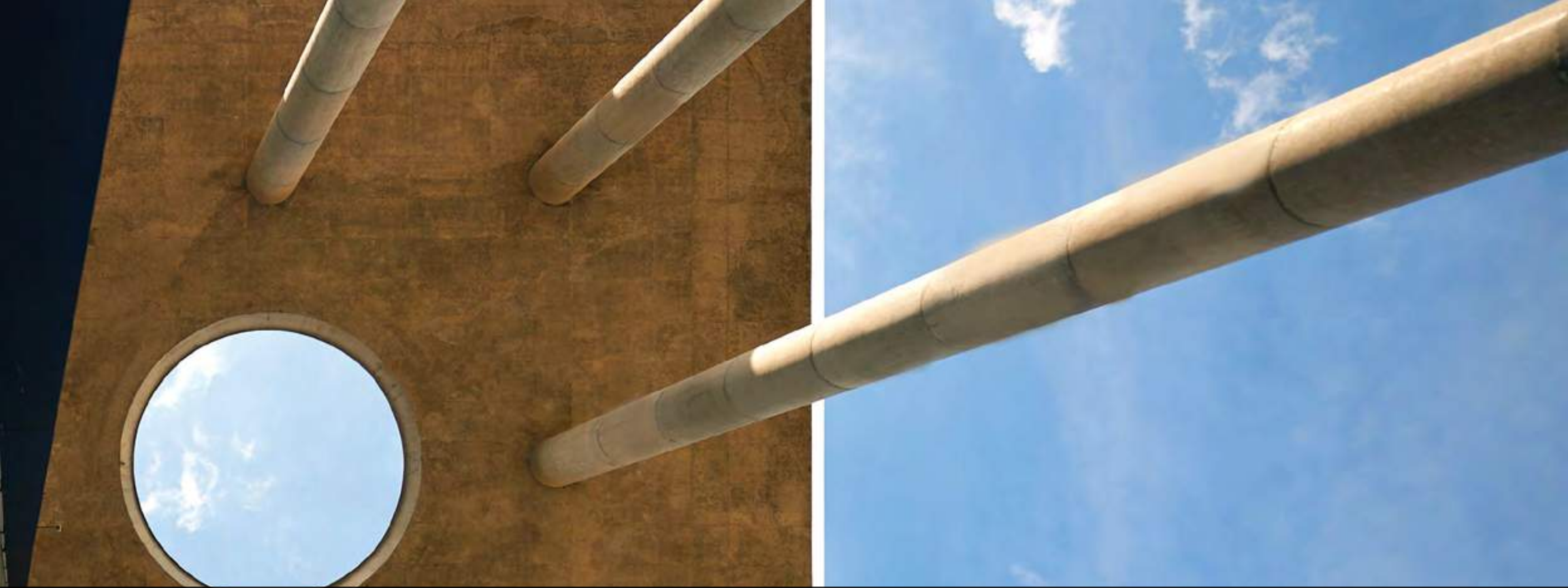
At S P Setia, the sky is not the limit. In fact, we believe that the future is limitless.

Opened to the possibilities of tomorrow, we embarked on a journey of strengthening growth, anchored by the dynamic and highly-talented Team Setia and our wide range of products.

Guided by our **livelearnworkplay** ethos, we worked together, embraced change and demonstrated our resilience in the face of challenges while at the same time, boosting our capabilities today to fortify tomorrow's opportunities.

We will continue to reinforce our strong foundations, define our path forward to build a meaningful, sustainable future, for us and for our stakeholders.

CONTENT



VISION

TO BE THE **BEST**
IN ALL WE DO

MISSION

- To provide superior customer service and satisfy customer needs through a culture of excellence
- To enhance shareholder's value
- To be a caring and responsible employer
- To be mindful of our social responsibilities

VALUES

- I build life-long relationships with my customers
- I am responsive to the expressed and unexpressed needs of my customers
- I create magical moments at every opportunity
- I embrace integrity and protect the privacy of my customers and the company's confidential information
- I understand my role and responsibility in achieving SETIA's success
- I have the opportunity to learn and grow
- I perform my work professionally and with continuous improvement
- I am responsible for ensuring a safe and clean environment
- I support and respect my fellow team members
- We are **TEAM SETIA**

OUR GOVERNANCE

OUR FINANCIAL STATEMENTS

OUR FINANCIAL STATEMENTS

OTHER INFORMATION

CORPORATE PROFILE

S P Setia Berhad is the No. 1 pure-play property developer in Malaysia.

Recognised as one of Malaysia's leading listed real estate players with a portfolio that encompasses townships, eco-sanctuaries, luxury enclaves, high-rise residences, commercial and retail as well as integrated mixed developments, S P Setia has today emerged as a strong and diversified award-winning multi-disciplinary property developer in Malaysia.

The Group is at the forefront of branding in the property industry, holding steadfast to its **livelearnworkplay** development philosophy. Our ability to connect communities, create ecological features and sustainable living environments that enrich the lives of our residents has made the Setia brand synonymous with strength, reliability and the value creation that we bring to all our developments.

S P Setia has an extensive presence in the three key economic regions of Malaysia, namely Klang Valley, Johor and Penang, as well as in Kota Kinabalu, Sabah. The Group has also gained a bigger market share in terms of land banks with its recent acquisitions. In terms of international projects, we have built a strong presence in the United Kingdom, Australia, Singapore, China and Vietnam where the Group has successfully developed high quality residential, commercial spaces and integrated developments.

Team Setia is our point of difference. With a workforce of more than 2,300 Team Setia members from diverse backgrounds, we focused on strengthening growth. We believe it is important to keep our team highly-motivated and dedicated to our core value of pursuing continuous excellence. Placing customer satisfaction at the forefront of the development value chain, these talented individuals make the experience of purchasing and owning a Setia property, uniquely Setia.

S P Setia takes its sustainability commitments seriously. As a responsible corporate citizen, we believe that we have a role to play in conserving the environment, empowering our communities and generally, being a positive agent of change in the areas where we operate. The S P Setia Foundation, helmed by our Group Chairman, implements our corporate responsibility initiatives with impactful results for the betterment of the society.

In 2017, S P Setia was ranked No. 1 in The Edge Malaysia's Top Property Developers Awards for a record-breaking ten times, the only developer to have achieved this feat. In recognition of our efforts in delivering innovation and quality in property development, we were recognised by the International Real Estate Federation ("FIABCI") seven times, including being awarded Best Master Plan Development and Best Affordable Housing at the FIABCI Malaysia Property Awards 2017. S P Setia was also recognised for its efforts in building a strong team as it won the 8th Aon Best Employers in Malaysia Award.

Ranked No. 1 in The Edge Malaysia's Top Property Developers Awards **10** times.

GLOBAL PRESENCE

MALAYSIA

Central Region

- Setia Alam
- Setia City
- Setia EcoHill
- Setia EcoHill 2
- Setia Eco Park
- Setia Eco Glades
- Setia Eco Templer
- KL Eco City
- Setia Sky Seputeh
- TRIO by Setia
- Setia Seraya Residences
- Bandar Kinrara
- TemasyaGlenmarie
- Alam Impian
- Bandar Baru Seri Petaling
- Setia AlamSari
- Kota Bayuemas
- Seri Beringin
- Alam Damai
- Alam Sutera

Setia EcoHill, Semenyih

Northern Region

- Setia Pearl Island
- Setia Greens
- Setia Sky Vista
- Setia Sky Ville
- Setia SPICE

Southern Region

- Setia Eco Cascadia
- Setia Tropika
- Setia Indah
- Setia Eco Gardens
- Bukit Indah Johor
- Setia Business Park I & II
- Setia Sky 88
- Taman Perling
- Taman Rinting
- Taman Pelangi
- Taman Pelangi Indah
- Taman Industri Jaya

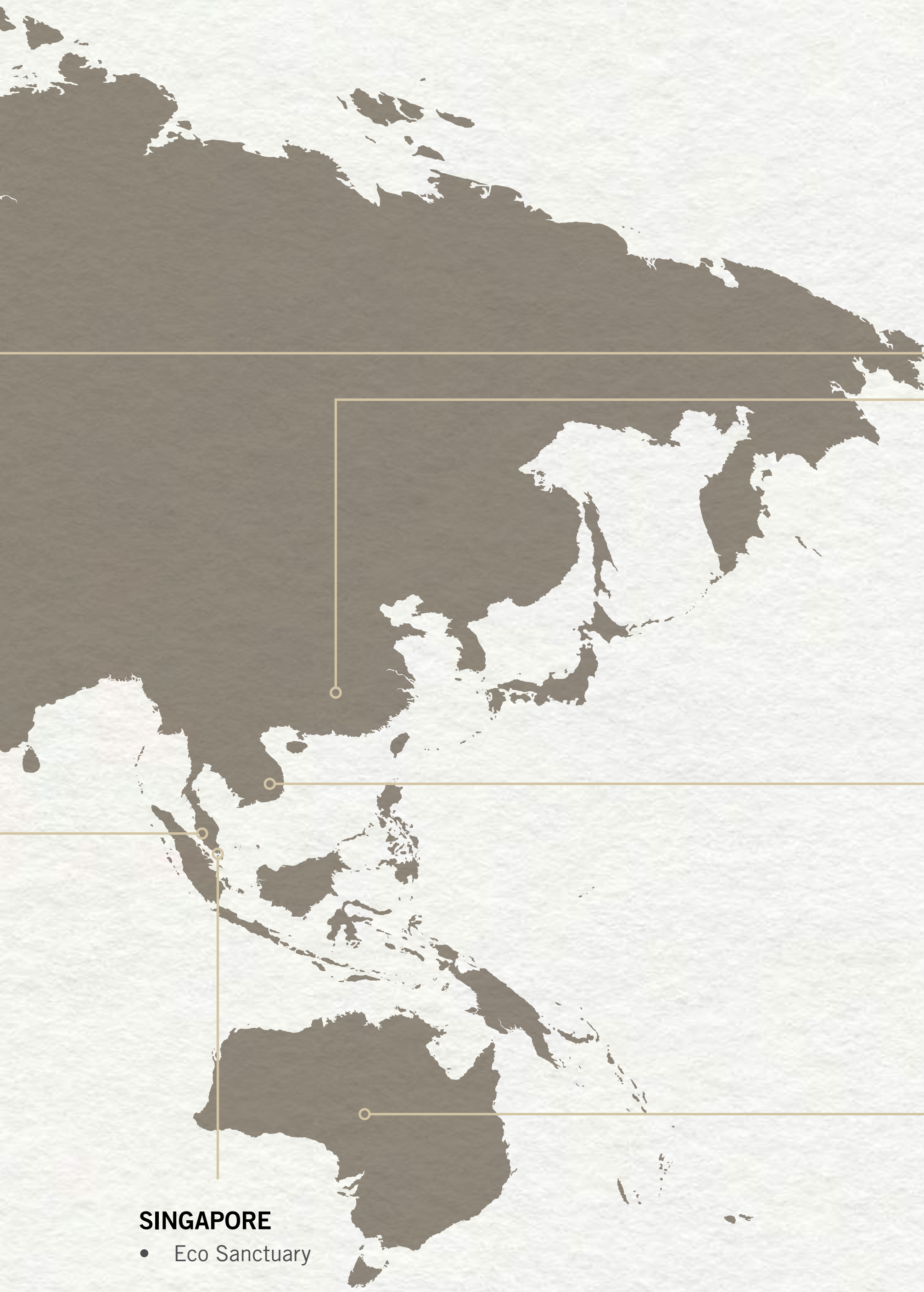
Eastern Region

- Aeropod, Kota Kinabalu

Setia SPICE, Penang

Setia Sky 88, Johor

Aeropod, Kota Kinabalu



UNITED KINGDOM
- Battersea Power Station

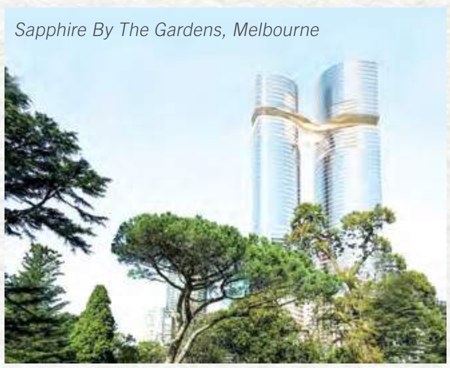
Battersea Power Station, London

CHINA
- Qinzhou Industrial Park

VIETNAM
- EcoLakes, My Phuoc
- EcoXuan, Lai Thieu

EcoLakes, Vietnam

AUSTRALIA
- MAISON, Carnegie
- Sapphire By The Gardens, Melbourne



Sapphire By The Gardens, Melbourne

SINGAPORE
- Eco Sanctuary

Eco Sanctuary, Singapore

CORPORATE STRUCTURE

Setia

PROPERTY DEVELOPMENT

- 100% Bandar Setia Alam Sdn Bhd
  - 50% Greenhill Resources Sdn Bhd
  - 100% Setia Alam Recreation Sdn Bhd
- 100% Setia Duta One Sdn Bhd#
- 50% Bandar Eco-Setia Sdn Bhd
  - 100% Setia Eco Park Recreation Sdn Bhd
- 100% Bukit Indah (Johor) Sdn Bhd
- 100% Setia Indah Sdn Bhd
- 100% Shabra Development Sdn Bhd
- 100% Syarikat Kemajuan Jerai Sdn Bhd#
  - 100% Lagavest Sdn Bhd#
    - 100% Ambleside Sdn Bhd#
- 100% Bukit Indah (Perak) Sdn Bhd
- 100% Setia Promenade Sdn Bhd
- 70% Bukit Indah Property Management Sdn Bhd
- 50% Golden Klang Valley Sdn Bhd#
- 100% Sendiman Sdn Bhd
- 100% Exceljade Sdn Bhd
- 100% Aeropod Sdn Bhd
- 70% Setia Eco Glades Sdn Bhd
- 70% Kemboja Mahir Sdn Bhd
  - 100% Ganda Anggun Sdn Bhd
- 100% Kewira Jaya Sdn Bhd
  - 100% Kay Pride Sdn Bhd
- 60% Setia Putrajaya Sdn Bhd
  - 100% Setia Putrajaya Construction Sdn Bhd#
  - 100% Setia Putrajaya Development Sdn Bhd
- 100% KL Eco City Sdn Bhd
- 100% Setia International Limited
  - 100% Setia MyPhuoc Limited
    - 55% SetiaBecamex Joint Stock Company
  - 100% Setia Land (China) Limited
  - 95% Setia Lai Thieu Limited
    - 100% Setia Lai Thieu One Member Company Limited
  - 100% Setia Australia Limited
    - 100% Setia (Melbourne) Development Company Pty Ltd
    - 100% Setia St Kilda (Melbourne) Pty Ltd
    - 100% Setia Carnegie Pty Ltd
    - 100% Setia A'Beckett (Melbourne) Pty Ltd
  - 40% Battersea Project Holding Company Limited & subsidiaries
  - 40% Battersea Power Station Development Company Limited & subsidiaries
  - 40% Battersea Power Station Estates Limited
- 100% KL East Sdn Bhd
- 100% Setia City Development Sdn Bhd
- 100% Gita Kasturi Sdn Bhd
- 50% Retro Highland Sdn Bhd
- 100% Setia Ecohill 2 Sdn Bhd
- 100% Setia Hicon Sdn Bhd
- 100% Setia Fontaines Sdn Bhd (*formerly known as Setia Recreation Sdn Bhd*)
- 50% Setia Federal Hill Sdn Bhd
- 100% Setia Bina Raya Sdn Bhd
- 100% Intra Hillside Sdn Bhd
- 100% Setia Eco Templer Sdn Bhd
  - 100% Setia Eco Templer Recreation Sdn Bhd
- 100% Setia Eco Land Sdn Bhd
- 100% Setia Ecohill Sdn Bhd
  - 100% Setia Ecohill Recreation Sdn Bhd (*formerly known as S P Setia Property Holdings Sdn Bhd*)
- 100% S P Setia International (S) Pte. Ltd.
  - 100% Setia (Bukit Timah) Pte Ltd
- 100% Wawasan Indera Sdn Bhd
- 100% I & P Group Sdn. Berhad
  - Refer page 10

CONSTRUCTION

- 100% Setia Readymix Sdn Bhd
- 100% Setia Prefab Sdn Bhd
  - 100% Setia Precast Sdn Bhd
  - 100% Manih System Construction Sdn Bhd#
    - 60% Suharta Sdn Bhd*
      - 51% Suharta Development Sdn Bhd*
      - 60% Yunikhas Sdn Bhd *
        8% investment in Yunikhas Sdn Bhd is held by S P Setia Berhad
        10% investment in Yunikhas Sdn Bhd is held by Manih System Construction Sdn Bhd
      - 100% Aneka Baru (M) Sdn Bhd#

MANUFACTURING/INVESTMENT & PROPERTY HOLDING/PROPERTY MANAGEMENT/OTHERS

- 100% Setia-Wood Industries Sdn Bhd
  - 100% S P Setia Marketing Sdn Bhd
- 100% S P Setia Management Services Sdn Bhd
- 60% S P Setia Estate Management Sdn Bhd*
- 100% S P Setia PMC Sdn Bhd
- 100% S P Setia Technology Sdn Bhd
- 100% Futurecrest (M) Sdn Bhd
  - 70% Kesas Kenangan Sdn Bhd
- 100% S P Setia (Indonesia) Sdn Bhd
- 100% Setiahomes (MM2H) Sdn Bhd
- 99.9% Kenari Kayangan Sdn Bhd#
  - 49% PTB Property Developer Sdn Bhd
- 100% Tenaga Raya Sdn Bhd
- 100% Setia Eco Green Sdn Bhd
- 45% Qinzhou Development (Malaysia) Consortium Sdn Bhd
  - 49% China-Malaysia Qinzhou Industrial Park (Guangxi) Development Co., Ltd.
- 100% Pelita Mentari Sdn Bhd
- 100% Flexrise Projects Sdn Bhd
- 100% S P Setia Property Services Sdn Bhd
- 100% Cosmotek Sdn Bhd#
  - 60% SJ Classic Land Sdn Bhd#
- 100% Indera Perasa Sdn Bhd
  - 100% Dian Mutiara Sdn Bhd#
- 100% Setia Eco Heights Sdn Bhd
- 100% S P Setia Development Pte Ltd
- 100% S P Setia DMC Sdn Bhd
- 100% Setia EM (Central) Sdn Bhd
- 100% Setia IP Holdings Sdn Bhd
- 100% Eco Meridian Sdn Bhd
- 100% Setia Ventures Excellence Sdn Bhd
- 100% S P Setia Project Management Sdn Bhd
- 100% S P Setia Eco-Projects Management Sdn Bhd

* In Creditors' Voluntary Liquidation
\# In Members' Voluntary Liquidation

CORPORATE STRUCTURE

- 100% **I & P GROUP SDN. BERHAD**
  - 100% I & P Setiawangsa Sdn Bhd
  - 100% I & P Menara Sendirian Berhad
  - 98.99% I & P Alam Impian Sdn Bhd
  - 70.09% Syarikat Perumahan Pegawai Kerajaan Sdn Bhd
    - 100% Plaza Damansara Sdn Bhd
  - 51% Perumahan Kinrara Berhad
    - 100% Kinrara Golf Sdn Bhd
    - 100% Kinrara Urusharta Sdn Bhd
    - 51%
  - 25.9% I & P Kota Bayuemas Sdn Bhd
  - 100% Petaling Garden Sdn Bhd
    - 100% Biltmore (M) Sdn Bhd
    - 100% Corporate Premier Sdn Bhd
    - 66.06% Temasya Development Co Sdn Bhd
      - 100% Alpine Affluent Sdn Bhd
      - 100% Scenic Promenade Sdn Bhd
    - 70%
  - 30% PG Resorts Sdn Bhd
  - 100% Pelangi Sdn Bhd
    - 100% Yukong Development (Pte) Limited
    - 89.14% Taman Gunong Hijau Sdn Bhd
    - 35% Tanah Sutera Development Sdn Bhd
      - 100% Tanah Sutera Management Sdn Bhd
  - 100% I & P Multi Resources Sdn Berhad
    - 100% Yong Peng Realty Sdn Bhd
    - 100% Peninsular Land Development Sdn Berhad
    - 100% I & P Supply Berhad
    - 100% I & P Development Sdn Bhd
    - 100% I & P Inderawasih Jaya Sdn Bhd
    - 100% I & P Nibong Sdn Bhd
    - 100% Perusahaan Minyak Sawit Bintang Sendirian Berhad
    - 100% Petaling Garden Industrial Estate Sdn Bhd
    - 100% Eng Lee Knitting Factory Sdn Bhd
    - 100% Pelangi Concrete Industries Sdn Bhd
    - 20% Fahim-I Hitech Sdn Bhd
    - 20% Merit Properties Sdn Bhd
    - 44.86% German Clay Products (M) Sdn Bhd+
      - 100% Hock Lam Batu Bata Sdn Bhd+

+ In the process of striking-off

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin
Non-Independent Non-Executive Chairman

Dato' Khor Chap Jen
President and Chief Executive Officer

Dato' Ahmad Pardas Bin Senin
Senior Independent Non-Executive Director

Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob
Independent Non-Executive Director

Dato' Halipah Binti Esa
Independent Non-Executive Director

Dato' Zuraidah Binti Atan
Independent Non-Executive Director

Puan Noraini Binti Che Dan
Independent Non-Executive Director

Mr Philip Tan Puay Koon
Independent Non-Executive Director

Tengku Dato' Ab. Aziz Bin Tengku Mahmud
Non-Independent Non-Executive Director

Dato' Azmi Bin Mohd Ali
Non-Independent Non-Executive Director

EXECUTIVE COMMITTEE
Dato' Halipah Binti Esa (*Chairman*)
Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob
Dato' Khor Chap Jen
Datuk Wong Tuck Wai

NOMINATION AND REMUNERATION COMMITTEE
Dato' Ahmad Pardas Bin Senin (*Chairman*)
Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin
Mr Philip Tan Puay Koon

AUDIT COMMITTEE
Puan Noraini Binti Che Dan (*Chairman*)
Mr Philip Tan Puay Koon
Dato' Azmi Bin Mohd Ali

RISK MANAGEMENT COMMITTEE
Dato' Ahmad Pardas Bin Senin (*Chairman*)
Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob
Tengku Dato' Ab. Aziz Bin Tengku Mahmud

SECRETARY
Lee Wai Kim (MAICSA 7036446)

REGISTERED OFFICE
S P Setia Berhad Corporate HQ
12 Persiaran Setia Dagang
Setia Alam, Seksyen U13
40170 Shah Alam
Selangor Darul Ehsan
Tel : +603-33482255
Fax : +603-33441568

SHARE REGISTRAR
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01 Level 32 Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-27839299
Fax : +603-27839222

BANKERS
1 Affin Bank Berhad
2 Alliance Bank Malaysia Berhad
3 Al-Rajhi Banking & Investment Corporation (Malaysia) Berhad
4 Ambank (M) Berhad
5 AmIslamic Bank Berhad
6 Bank Islam Malaysia Berhad
7 Bank Muamalat Malaysia Berhad
8 CIMB Bank Berhad
9 CIMB Islamic Bank Berhad
10 DBS Bank Ltd.
11 Exim-Import Bank of Malaysia Berhad
12 Hong Leong Bank Berhad
13 HSBC Bank Malaysia Berhad
14 Industrial and Commercial Bank of China (Malaysia) Berhad
15 Malayan Banking Berhad
16 Maybank Islamic Berhad
17 OCBC Bank (Malaysia) Berhad
18 Oversea-Chinese Banking Corporation Limited
19 Public Bank Berhad
20 RHB Bank Berhad
21 RHB Islamic Bank Berhad
22 Standard Chartered Bank Malaysia Berhad
23 Sumitomo Mitsui Banking Corporation

AUDITORS
Ernst & Young (AF 0039)
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

SOLICITORS
Lee Hishamuddin Allen & Gledhill
Shearn Delamore & Co
Wong & Partners
Zaid Ibrahim & Co

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad

INDICES
FTSE Bursa Malaysia
MSCI
Standard & Poor's

WEBSITE
www.spsetia.com

CHAIRMAN'S MESSAGE

TAN SRI DATO' SERI DR. WAN MOHD ZAHID BIN MOHD NOORDIN

Non-Independent Non-Executive Chairman

Dear shareholders,

On behalf of the Board of Directors, it is my distinct pleasure and privilege to present the Annual Report for S P Setia Berhad ("S P Setia") for the financial year ended 31 December 2017.

The year in review, challenging though it was, saw Team Setia forge ahead, thanks to the high level resiliency which has become the hallmark of S P Setia's performance. Focused on our agenda of strengthening growth, we made notable progress on implementing measures that deepened our competitive advantage. We took important steps to seize new opportunities, drive performance and ultimately, deliver long-term shareholder value.

GOVERNANCE

At S P Setia, we understand that the property landscape has always been cyclical by nature as it is strongly tied to the overall economic landscape. Notwithstanding the uncertainties, we continued to focus on what we do best – building well-planned, vibrant townships, guided by our development philosophy, livelearnworkplay. Harnessing the full potential of Team Setia, we demonstrated our unflinching commitment towards working together as a team, united in passion and purpose, to deliver on our goal of being the nation's leading township developer.

We also introduced our five-year strategic plan which focuses on diversification as well as continuous growth. This strategy will propel Team Setia towards a wider playing field and to greater heights as we aim to enhance our property management capabilities and sustain our strong financial performance. We were particularly proud of the successful acquisition of I & P Group as this resulted in an uplift in our land bank size and allowed us to gain access to wider markets. We concluded the year by overachieving our sales target and strengthening growth opportunities with new land acquisitions in Malaysia, Singapore and Australia.

While we put our business operations on a stronger footing, as Chairman of the Board, I am also fully cognisant of the role of the Board in steering Team Setia forward. As the pace of development is becoming more complex, good corporate governance practices have become indispensable. At S P Setia, these have not only become part of our operations, policies and procedures, but are also embedded in our value system. We believe that this is important in driving greater accountability and transparency as our stakeholders will now have greater clarity on the health of our Company.

Hence, we welcomed the release of the new Malaysian Code of Corporate Governance 2017 ("MCCG" or "the Code") by the Securities Commission Malaysia ("SC") to strengthen the internalisation of a corporate governance culture across both listed and non-listed entities.

Undoubtedly, the introduction of MCCG, the Corporate Governance Guide as well as the enhanced Listing Requirements reflect the importance of inculcating better corporate governance practices and meaningful disclosures. We believe that these innovations will further strengthen our corporate governance framework and heighten confidence levels amongst the investing community. It also ties in well with the business practices across the Group as we have worked hard to build a robust corporate governance mindset amongst Team Setia, anchored on a culture that promotes ethical conduct, transparency and sustainable value creation.

TEAM SETIA

On the topic of culture, we have at S P Setia a team of creative and committed individuals who are passionate, customer-focused, collaborative and innovative. They constitute our very own Team Setia, who are essentially the heart of this organisation.

In our quest for growth, it is important to have a group of highly-skilled and motivated employees. Hence in 2017, we focused on nurturing talent and unlocking the capabilities of Team Setia in order to help them achieve their full potential and remain competitive. Throughout the year, we embarked on targeted learning and development initiatives, team-building workshops as well as engagement activities to nurture future leaders who would be able to translate ideas into strategies that can support our growth plans. These programmes and activities also served as an avenue to encourage collaboration amongst Team Setia.

On that note, I would like to extend an exceptionally warm welcome to our new colleagues from the I & P Group who will now be part of Team Setia. On behalf of the Board, I would like to encourage everyone to work together, to embrace change and stand united as Team Setia moves forward towards greater achievements.

AWARDS AND ACCOLADES

Our efforts at strengthening growth did not go unrecognised. I would like to take this opportunity to extend my heartiest congratulations to Team Setia as it is because of your passion and perseverance that enabled us to be crowned the "The Edge Malaysia Top Property Developer" for the 10th time at The Edge Malaysia Property Excellence

Awards 2017. Our President and CEO, Dato' Khor Chap Jen was also honoured with The Edge Malaysia Outstanding Property CEO Award 2017. We were also recognised for our efforts in building quality affordable homes at our flagship developments as our Seri Mutiara Apartments at Setia Alam won the Affordable Urban Housing Excellence Award. These awards truly demonstrate the strength of this organisation, its people and the drive to be the best in all we do.

Moreover, at the Malaysia Property Awards 2017 by FIABCI Malaysia, we took home the much-coveted Master Plan Gold Award for Setia Eco Glades in Cyberjaya and also the Gold Award in the Affordable Housing category for our Seri Kasturi Apartments in Bandar Setia Alam, a testament of our ability in building well-designed developments and quality homes that appeal to a wide range of customers.

In 2017, we were focused on widening our range of products which cater to people from different segments of society. Our strong aptitude in understanding customer aspirations garnered us five key awards at the StarProperty.my Awards.

Our commitment towards excellence in delivering quality products across all our developments garnered us further attention at the Malaysian Construction Industry Excellence Award ("MCIEA") 2017 where our wholly-owned subsidiary, Setia Precast Sdn Bhd took home the prestigious Industrialised Building System ("IBS") Special Award for its construction of the Seri Kasturi Apartments in Setia Alam.

Another noteworthy moment was winning the Development Innovation Award for our second development in Singapore, Eco Sanctuary at the inaugural EdgeProp Singapore Excellence Awards 2017. We also won the prestigious Singapore Property Awards 2017 which was organised by FIABCI Singapore, under the Sustainable Development category that further reinforced our expertise.

It gives us so much pride to be awarded the "Best Employer" award for the eighth time at the Aon Best Employers Malaysia 2017 as it recognised our efforts in building a talented Team Setia. This award truly goes out to Team Setia for your undisputed talent, energy, dynamism and leadership in driving our business forward.

INDUSTRY OUTLOOK

Moving forward, we believe that the overall property market will continue to improve in 2018, especially in the affordable and mid-range priced segment. While we remain cautious over the future economic landscape, we believe that Team Setia is well-prepared to take advantage of new opportunities and address new challenges.

Setia Eco Glades - Winner of Best Master Plan Development

With our strategic five-year plan as a guideline, we will focus on unlocking the value of our business and work towards goal-driven outcomes. We will continue to build on the strengths of Team Setia, leveraging on our capabilities to create positive experiences for residents at our well-planned townships as well as those in the surrounding areas.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank our highly-experienced Board for your continued wisdom, guidance and support in helping us grow from strength to strength in 2017. I would also like to extend my gratitude to our Management Team who have worked tirelessly to ensure the seamless execution of all our projects. Your commitment, dedication and passion has helped translate our vision into strong business results. My personal appreciation and heartfelt thanks goes to Team Setia for your steadfast belief and perseverance in achieving our shared goals and aspirations. I would also like to record our gratitude and appreciation to all our stakeholders, especially our loyal customers for your continuous support.

Drawing confidence from 2017, we are even more energised and positive to bring about impactful outcomes in the next 12 months. Backed by our multi-talented Team Setia, guided by our strategic plan and supported by our diversified range of quality products, I believe that 2018 will be another year of strengthening growth as we cement S P Setia's dominant presence in the industry.

Thank you.

Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin
Non-Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Since our establishment as a construction company in 1974, S P Setia ("Company" or "Group") has not only evolved to be the country's dominant property developer, but has also carved a strong presence in five other countries, namely the United Kingdom, Australia, Singapore, Vietnam and China. In Malaysia, we have an extensive presence across three key economic regions, namely the Klang Valley, Johor Bahru and Penang. We also have a presence in East Malaysia via our project in Kota Kinabalu, Sabah.

At S P Setia, we believe in creating innovative and sustainable township developments that have a positive impact on the lives of our communities and those in the surrounding areas. Guided by our development philosophy, **livelearnworkplay**, we worked tirelessly in the last 12 months to build homes that are well-equipped with the right infrastructure, quality amenities and facilities to enhance the wellbeing of our residents across our developments, now and in the future. Through hard work and unbeatable team synergy, the Setia brand is today synonymous with strength, reliability and the value that we bring to all our developments.

OUR BUSINESS MODEL

Anchored by our vision, "**To be the best in all we do**", our core business is property development, supported by infrastructure and wood based manufacturing activities.

Core Business Component	What We Do
Property Development	With decades of experience in township developments, S P Setia is a pure-play property developer with a diversified range of product offerings. Our products are focused on four key areas, which are: • Mass township developments such as its flagship development, Setia Alam in Shah Alam and Bukit Indah, Johor Bahru that caters to people from all walks of life; • Eco-themed lifestyle developments like Setia Eco Park, Setia Eco Templer and Setia Eco Glades that are centred on ecological-friendly living; • Integrated developments, namely KL Eco City in the Klang Valley; and • Niche developments like TRIO by Setia and Setia Sky Seputeh. The Group is focused on cementing its leadership position as a property developer with a dominant presence in Malaysia. We have also expanded overseas to the United Kingdom, Australia, Singapore, Vietnam and China.

Throughout 2017, the Group focused on strengthening growth and we did this by executing several important initiatives that reinforced our position as an industry game-changer. Against a challenging economic backdrop, we leveraged on our growth opportunities, gained access to wider markets and secured larger land banks that would sustain development over the next 15 years. It was a year where we raised the bar, took strong actions and achieved new milestones on several strategic fronts.

FINANCIAL PERFORMANCE

Following the successful acquisition of I & P Group Sdn. Berhad on 1 December 2017, S P Setia has applied the principles of pooling of interest method in presenting the results of the enlarged Group for the financial year ended ("FY") 2017. S P Setia recorded revenue of RM4.52 billion and profit before taxation ("PBT") of RM1.27 billion in FY2017. The property development segment remained the key driver of our operations and accounted for 91% of the Group's total revenue, while revenue from construction and other operating activities accounted for 5% and 4% respectively. The revenue and PBT recorded in FY2017 are 21% and 11% respectively lower as a result of completion and handover of Parque Melbourne in Australia, many phases in KL Eco City at Jalan Bangsar and Eco Sanctuary in Singapore in FY2016.

The lower revenue recorded and PBT are also due to our strategic move to reposition our launches late in 2016, where timed our launches in response to the softer market condition back then and thus, the development stages were deferred. Therefore, the deferment of the launches resulted in lower revenue and PBT recognitions.

Despite the lower revenue recorded, gross profit margin remained healthy at 34%, representing a slight improvement as compared to the 31% gross profit margin recorded in the preceding year.

As a result of the I & P Group acquisition, the total assets of the Group has also increased to RM27.72 billion in FY2017. The total assets is supported by total equity of RM13.80 billion and this translates to net asset per share attributable to owners of RM2.85.

Though total borrowings increased to RM6.88 billion, the balance sheet was well supported by cash balances of RM5.58 billion. The additional borrowings during the year was mainly to fund capital expenditure related to the development and execution of on-going projects. Overall, the Group maintained a healthy net gearing of 0.10 times.

In line with the strong financial performance, the Group declared a final dividend of 11.5 sen per share and together with the interim dividend of 4 sen per share, this would bring the total FY2017 dividend payout to 15.5 sen, representing a payout ratio of 70.1%. Shareholders will continue to have the opportunity to participate in the Dividend Reinvestment Plan ("DRP") and receive their dividend in the form of S P Setia shares or cash. The DRP for financial period ended 2016 was well-received by our shareholders with a take-up rate of 90.87% which is a strong testament of confidence to our long term growth.

S P Setia is committed to delivering satisfactory results in 2018 and maintaining its minimum dividend payout policy of 60% of net profit.

Revenue
RM4.52 BILLION
FY 2017

Profit Before Taxation
RM1.27 BILLION
FY 2017

Total Assets
RM27.72 BILLION
FY 2017

This synergistic acquisition will further **strengthen** our brand presence nationwide and help pave the way for the creation of greater shareholder value for S P Setia.

STRENGTHENING GROWTH

The property sector remained soft throughout 2017. However, we saw rising demand in the affordable and the mid-priced category driven largely by the younger population, middle-income segment and first-time home buyers.

Against this backdrop and cognisant of the need to future proof our business, we reshaped our portfolio and repositioned our product offerings where we rolled out more "starter-homes", launching two-storey terrace homes with built up ranging from 18sf x 65sf to 20sf x 65sf. These product offerings were well received by the first-time home buyers as well as owner-occupiers. We demonstrated our ability to weather the challenges with the right strategies and right products. This in turn cemented our position as a No. 1 pure-play property developer and fortified our leadership in township development.

In 2017, we also focused on seeking new opportunities for future growth. Upon completing the consolidation of our business operations, we introduced a five-year strategic plan which is focused on diversification and growth. Driven by our goal to be the nation's leading property developer with a dominant presence, we made good progress on our strategic plan.

Establishing a Strong Foundation

At S P Setia, we are focused on building a valuable company. To realise this, we needed to expand our business operations and increase our agility as consumer preferences were constantly changing, given the dynamic environment.

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) ("ART-ASB") to commence negotiations on the proposed acquisition by S P Setia for the entire equity interest in I & P Group. Then on 22 June 2017, the Group signed a conditional sale and purchase agreement to acquire I & P Group, for RM3.65 billion. The Group's acquisition of I & P Group for a cash consideration of RM3.65 billion was completed on 1 December 2017.

This synergistic acquisition will further strengthen our brand presence nationwide and help pave the way for the creation of greater shareholder value for S P Setia. As a result of the acquisition, we experienced a significant Gross Development Value ("GDV") uplift of RM48.3 billion from the optimisation of the I & P land banks. Upon completion, our land banks size increased by 4,276 acres to 9,606 acres with a remaining GDV of RM128.37 billion.

KL Eco City Aerial View

For the FY2017, the Enlarged Group achieved sales of **RM4.92** billion.

Unlocking Capabilities in Sales and Project Management

Our ability to capitalise on opportunities and the strength of our talented Team Setia reflected in our sales performance. For the FY2017, the enlarged Group achieved sales of RM4.92 billion of which RM859 million of sales are from I & P Group.

Local projects contributed RM3.41 billion or 69% of total sales, largely driven by the Central Region which saw sales amounting to RM2.68 billion, mainly due to our success at Setia Alam, Setia EcoHill, Setia Eco Glades, KL Eco City, Bandar Kinrara and Alam Impian across the Klang Valley. The Southern, Northern and Eastern regions contributed RM731 million in sales.

Meanwhile, internationally, our presence in the United Kingdom, Australia, Singapore, Vietnam and China has further reinforced S P Setia's position as a Malaysian player in the world property market. We expanded into markets beyond Malaysia as this helped in driving sales momentum. Today, our overseas expansion continues to progress sustainably, contributing RM1.51 billion or 31% to overall sales in 2017, led mainly by Sapphire By The Gardens in Melbourne, Australia and Battersea Power Station in London, United Kingdom.

An essential part of our strategy has always been focused on improving the quality of our homes. Backed by our commitment to sustainability and innovation, we have always ensured that our township developments are strategically located, well-connected, have ease of accessibility, good infrastructure, secured, self-sustaining and surrounded by nature.

We always focus on building the right infrastructure as these are strong determinants in the long-term growth and viability of our townships. From internal road networks to interchanges, we built them to enhance connectivity within the townships, nearby towns as well as to highways and expressways. In this regard, we are not only enhancing accessibility, but also connecting communities, those at our townships with those in the vicinity.

At S P Setia, each township must be self-sustaining, safe, equipped with the right amenities and facilities such as malls, schools, commercial squares coupled with expansive green spaces. Towards this end, we have equipped these developments with the desired amenities and facilities to create an environment that fosters collaborative, community living, for both young and old. In order to do this, we have in place dedicated project management teams that looks after the needs of residents at each township. These individuals have been thoroughly trained to listen to feedback, anticipate customer needs and enhance customer experience. This is however an on-going process due to the changing demographics in homeownership trends and customers' lifecycle needs.

Additionally, our geographically-diversified portfolio and diverse product offerings has enabled us to mitigate our exposure to property cycles as we were able to respond quickly to market changes and fulfil changing customer needs. For instance, the prevailing market condition saw us playing on our strengths as we repositioned and brought forward certain launches under our mid-price landed property range at our flagship townships where the underlying demand by owner-occupiers remained favourable.

In order to promote our various products to the right segment of society, we have built a strong and experienced sales team that understands consumer aspirations and needs. Armed with in-depth knowledge on each development and its bespoke features, these accomplished individuals have been trained to provide detailed explanation to customers on the differences found at each township, the amenities, facilities and services available as this will help customers find the right home that suits their lifestyles.

As of 31 December 2017, the Group had total unbilled sales of RM7.72 billion anchored by 44 ongoing projects, effective remaining land banks of 9,606 acres and a GDV of RM128.37 million which is expected to contribute towards our earnings for the next 15 years.

We also made significant strides in the last 12 months as we completed and handed over a total of 6,124 units with a GDV of RM8.67 billion to our customers. In terms of new launches, we launched a total of 6,359 units with a combined GDV of RM4.26 billion for FY2017.

As a result of our unflinching commitment to create well-planned developments and provide high quality customer experience, we achieved an average take-up rate of approximately 74% across all our projects. This has reaffirmed our deep-seated expertise in designing townships that have not only enhanced the quality of life of our residents and communities in the surrounding areas, but also created a benchmark for eco-townships in line with living aspirations of discerning customers.

The Bund - Setia Eco Glades

Details on the performance of our projects locally and abroad are as follows:

Malaysia:
Central Region

Setia Alam

Setia Alam, S P Setia's flagship project in the Klang Valley is a mixed township development spanning 2,525 acres with a total GDV of RM20.8 billion. Just 38km from Kuala Lumpur, this freehold self-contained mixed residential township is easily accessible via the New Klang Valley Expressway ("NKVE"), which links residents to Subang Jaya, Damansara, the Kuala Lumpur International Airport ("KLIA") and other town centres. In fact, we also built the RM198 million NKVE-Setia Alam link in 2006 that connected both the NKVE and Jalan Meru to the township for the ease of residents. Another traditional route would be the Federal Highway via Jalan Meru. To further enhance connectivity and accessibility to and from Setia Alam, plans are being put in place to build another link road to the upcoming Damansara-Shah Alam Elevated Expressway ("DASH").

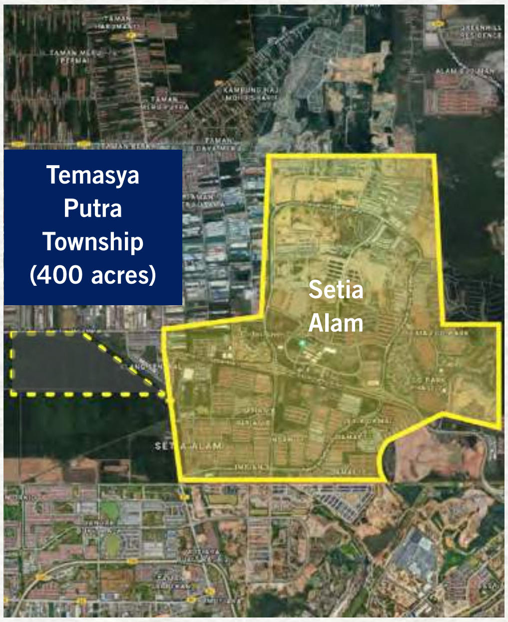
Rimba Villa Treehouse - Setia Alam

With more than 60,000 residents, Setia Alam is today a township that allows them to have a balanced lifestyle with its parks, multifaceted landscaping, good security, a myriad of local and international schools, a host of amenities and facilities within a harmonious environment, all the key must-haves highlighted by consumers and our customers. In fact, Setia Alam has more than 400 acres of parks, pocket gardens, pathways and wetland areas.

With the addition of 400 acres of Temasya Putra land banks via the I & P acquisition which is just adjacent to Setia Alam, this will extend the maturity of the township.

In total, 788 units with a GDV of RM365 million were completed and handed over in our Setia Alam township in 2017.

As at 31 December 2017, not inclusive of the 400 acres of Temasya Putra land banks, we still have 642 acres of land banks worth an estimated RM11.76 billion in remaining GDV.



Setia EcoHill and Setia EcoHill 2

The highly successful Setia EcoHill and Setia EcoHill 2 townships are located in Semenyih, set across 1,683 acres of freehold land with a combined GDV of RM10.2 billion. Given our deep regard for the natural environment, Setia EcoHill and Setia EcoHill 2 have been designed and built around its natural terrain which consists of verdant greenery, hills, brooks and parklands. In fact, 198 acres or 10% has been dedicated to parklands.

In line with our development philosophy of building an excellent infrastructure system across all our projects, we ensured that residents of Setia EcoHilll and Setia EcoHill 2 would have easy access to Kajang, Cheras, Putrajaya and Kuala Lumpur via several major highways, namely the Kajang-Seremban Highway ("LEKAS"), Kajang Dispersal Link Expressway ("SILK"), South Klang Valley Expressway ("SKVE"), Cheras-Kajang Expressway ("CKE" or "Grand Saga"), North-South Expressway ("PLUS Expressway") and the soon-to-be-completed East Klang Valley Expressway ("EKVE"), all of which will provide a shorter drive to the other main cities as well as KL city centre.

In an effort to create efficient traffic flow, we also built the RM80 million LEKAS-EcoHill link in August 2015 which connects the LEKAS highway to Setia EcoHill, and this helped alleviate congestion along Jalan Semenyih.

Club 360 - Setia EcoHill

With Setia AlamSari, Bangi, Brogaville and Glengowrie land banks situated within 5 km radius of Setia EcoHill and Setia EcoHill 2, the accessibility and connectivity to be created will be synergistic, resulting in a dominant presence in the Bangi-Kajang-Semenyih corridor for the Group.

In 2017, we completed and handed a total of 265 units with a GDV of RM307 million to our customers at both Setia EcoHill and Setia EcoHill 2.


Windsor - Setia Eco Park

Setia Eco Park

Built across 791 acres freehold land in Shah Alam with a GDV of RM5.5 billion, Setia Eco Park was designed to keep the natural environment intact, complete with its 25 award-winning pocket gardens.

Touted as the first eco-themed master-planned township development, Setia Eco Park comes complete with lush landscapes, undulating land, scenic lakes that teem with life and an integrated security system. This eco-based enclave has been designed to be a high-end, low-density enclave with about 3.7 units per acre. Up to 25% of its land is dedicated to the natural environment. Today, Setia Eco Park is also the largest freehold non-strata guarded township in Malaysia.

During the year in review, 55 units with a GDV of RM139 million were sold at Setia Eco Park. At the same time, 133 units with a GDV of RM319 million were completed and handed over to our customers.

Setia Eco Glades

Following our success thus far in introducing sustainable developments, we launched Setia Eco Glades in Cyberjaya that further enhanced our competitive advantage in designing townships that highlighted the qualities of the natural environment, interspersed with beautifully-designed bespoke homes.

Previously the site of a rubber and palm oil estate, Setia Eco Glades, which spans 268 acres with a GDV of RM2.8 billion, has been transformed into an eco-conscious development, comprising eight different designs and concepts on eight different islands, all inspired by cultural diversity, perfected by nature and technology. It is the first and one of its kind island resort-living development in the heart of the city.

Just 20 minutes to the city centre and KLIA, Setia Eco Glades is connected to a large network of highways, namely Maju Expressway ("MEX"), North-South Central Link ("ELITE"), Damansara Puchong Expressway ("LDP"), PLUS Expressway, SKVE and the Putrajaya-Cyberjaya Expressway. We believe that the upcoming MRT Line 2 in Cyberjaya and the High-Speed Rail ("HSR") station in Putrajaya will provide residents in this township added convenience.

Leveraging on the network of highways and expressways in Cyberjaya and Putrajaya, we also built the Setia Eco Glades Interchange in 2015 on the northern border to connect this township to the Putrajaya Link, a dual-carriage expressway that is directly connected to the network of highways. This was done to enhance connectivity between the various phases to the Cyberjaya road network and encourage efficient traffic flow.

Sanctuary of Western Heritage - Setia Eco Glades

Setia Eco Glades garnered a few notable awards in 2017 such as the Cornerstone Award (Excellence Winner) for Lepironia East Garden in StarProperty.my Awards 2017 and Master Plan Gold Award in FIABCI Malaysia Property Awards 2017. In 2016, it won the Excellence Award for Best Master Plan Category at the Malaysia Landscape Architecture Awards 2016 ("MLAA").

During the year in review, Setia Eco Glades contributed RM193 million in sales, with the sales of 142 units. We completed and handed over 82 units with a GDV of RM182 million to our customers.

Setia Eco Templer

One of our key strengths lies in our ability to design and create townships built on different themes and concepts, taking inspiration from the natural surroundings and the history of the land.

Located on 194 acres of the former site of the Perangsang Templer Golf Club in Templer Park with a GDV of RM2 billion, the Setia Eco Templer township is the first-of-its-kind to have landscapes built on different architectural themes such as English, Balinese and even Peranakan concepts within the same development space. Another key feature of this development is that it is backed by natural rainforests, namely the Templer Rainforest Reserve and Kanching Rainforest Reserve.

Show Village - Setia Eco Templer

Like all our other townships, we placed strong emphasis on good infrastructure to deliver better connectivity and convenience for our residents.

A total of 76 units with a combined GDV of RM103 million were sold during the year in review. With a remaining land banks of 120 acres, the Group believes that this will contribute towards future earnings growth for the next 10 years.

KL Eco City

KL Eco City

Our first integrated green luxury development located along Jalan Bangsar, KL Eco City is set across 25 acres of prime land. Designed by world-renowned Jerde Partnership International and boasting first-class infrastructure and a GDV of RM7 billion, KL Eco City is anchored by prime commercial offices, high-end retail outlets, luxury serviced-residences and residential units.

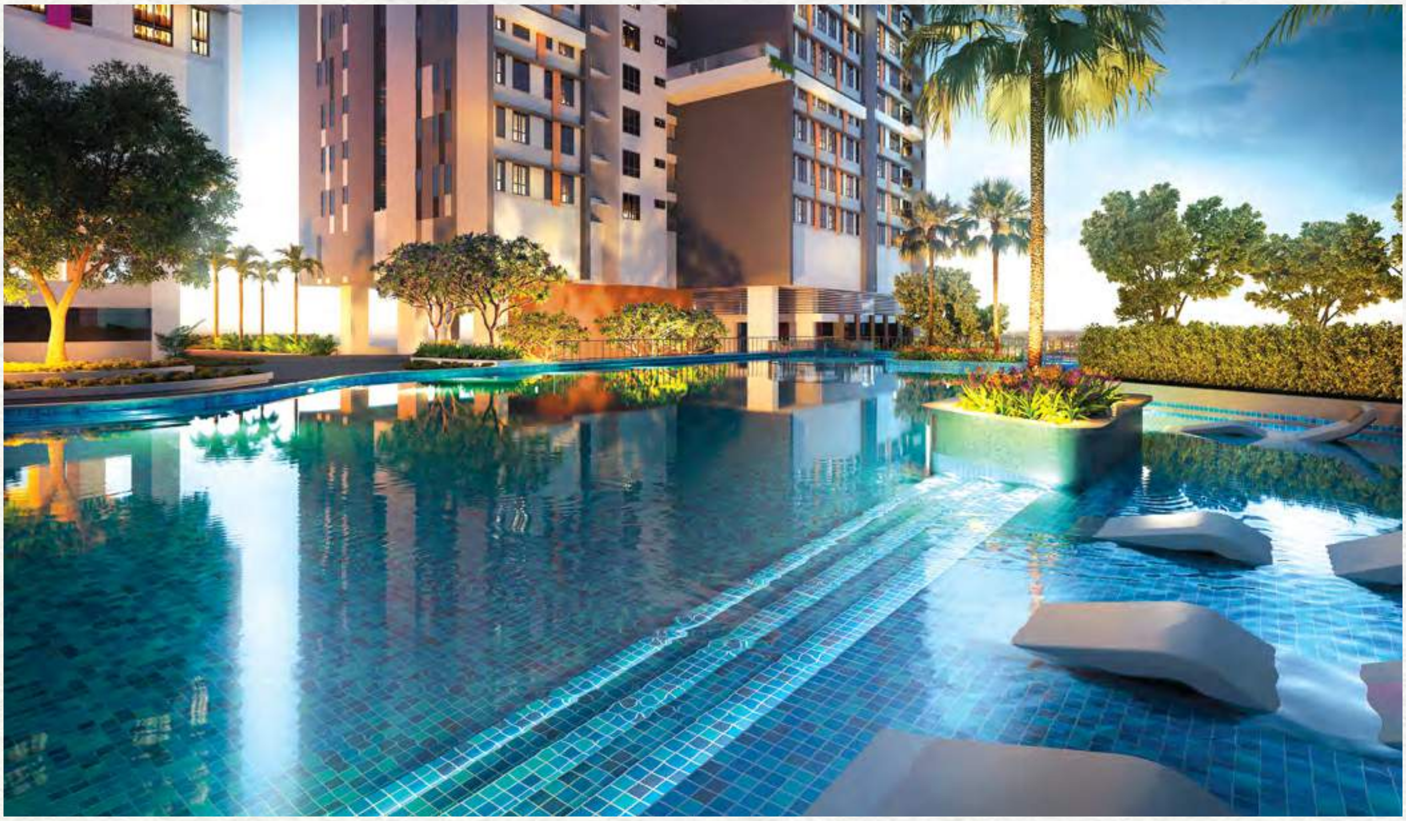
Offering seamless connectivity, extensive pedestrian links connect all components at KL Eco City above street level. A series of connecting pods, pedestrian links and green nodes integrate the various towers, providing green spaces linking all buildings within the development. As for accessibility, KL Eco City has a unique internal road system comprising an upper and lower tier which facilitates a smoother incoming and outgoing traffic flow. Six dedicated new ramps and bridges provide seamless channelling of traffic to Federal Highway, New Pantai Expressway (“NPE”), Jalan Maarof and Jalan Bangsar. In addition, an integrated rail hub provides access to the Abdullah Hukum LRT as well as the new KL Eco City KTM Komuter stations.

With the transit-oriented development concept fast catching on in the Klang Valley, KL Eco City contributed RM195 million to the Group, following the sales of 129 units for FY2017.

TRIO by Setia

We marked our entry into Bukit Tinggi in Klang with the launch of TRIO by Setia in April 2017. This transit-oriented development, comprising 914 serviced apartment units spread across three towers, 42 commercial units and a retail podium, comes with a GDV of RM571 million.

It is easily accessible via major highways such as Konsortium Expressway Shah Alam Selangor ("KESAS"), ELITE, Federal Highway and NKVE. As it is located close to the proposed Bukit Tinggi LRT Station, this will be an added convenience for residents once the LRT construction is completed and opened to the public in year 2020. During the year in review, we sold 246 units with a GDV of RM129 million.



The poolside at TRIO by Setia

I & P Group projects

The I & P Group Sdn. Berhad, that has become a part of S P Setia in December 2017 upon the completion of the acquisition, has presented the Setia group with synergistic opportunities including a significant GDV uplift from the optimisation of their vast land banks.

With the acquisition of the I & P Group, S P Setia has access to 14 ongoing projects including township developments on prime land in Klang Valley namely Alam Impian in Shah Alam, Bayuemas in Klang, Bandar Baru Seri Petaling in Kuala Lumpur and Bandar Kinrara in Puchong.

Kinrara Resort - Bandar Kinrara

Malaysia:
Southern Region

Bukit Indah Aerial View

Bukit Indah

Launched in 1995, this two-decade old township has matured into a vibrant and verdant development spanning 1,521 acres with a total GDV of RM5.2 billion. Located in Iskandar Johor, it is one of the most sought-after places to live in as it comes complete with a 20-acre park, good amenities and schools.

Strategically located in Iskandar Malaysia and just minutes away from Johor Bahru, Bukit Indah is served by a network of highways which include the Eastern Dispersal Link ("EDL"), Lebuhraya Persisiran Pantai ("Coastal Highway"), PLUS Expressway and the Second-Link Expressway.

Bukit Indah continues to contribute significantly in terms of sales as we sold 144 units with a GDV of RM115 million in 2017.

Elata Vita - Setia Tropika

Setia Tropika

Setia Tropika, located on 740 acres of land adjacent to the North-South Highway with a GDV of RM3.8 billion, offers urbanised contemporary living for those living in Johor Bahru.

Mindful that our residents want to live in connected and accessible locations, we built a designated access, known as Exit 255B, to help them travel to and from the central business district faster and easier. With the completion of the EDL, this has shortened the travel time for Setia Tropika residents to the Customs, Immigration and Quarantine Complex ("CIQ Complex") to just 13 km, from the previous 16km.

Some of the facilities available within Setia Tropika include a 12-acre award-winning town park offering picnic lawns, reflexology area, basketball courts, football field, multipurpose court and educational garden. For the health-conscious, dedicated jogging and cycling tracks are also available.

In 2017, we sold 215 units with a combined GDV of RM171 million. We also completed and handed over 96 units with a GDV amounting to RM114 million to our customers. With a remaining land banks of 211 acres, the Group believes that this will be sufficient to contribute towards earnings growth for the next 10 years.

Setia Business Park II

Following the success of Setia Business Park I, Setia Business Park II was launched in 2012 to cater to the growing need for industrial buildings in the southern state. Spanning 266 acres with a GDV of RM930 million, this green and eco-friendly development caters specifically to businesses with green credentials and those that require clean manufacturing facilities. It is strategically located and served by world-class infrastructural facilities and connectivity. In fact, it is now highly regarded as the international gateway for high value investments and business expansion.

We also launched 490 units of two-storey clustered terrace homes under the Rumah Mampu Milik Johor ("RMMJ"). With a GDV of RM74 million, these affordable homes consist of the 236-unit Sri Senja Homes and the 254-unit Sri Embun Homes.

Setia Business Park II

Malaysia: Northern Region

In Penang, our ability to design and create sustainable, ecological-friendly townships continued to demonstrate strong growth.

Based on our experience in designing and building environmentally-conscious projects, our developments – Setia Pearl Island, Setia Vista, Setia Greens, Setia V Residences and Setia Sky Ville – essentially provided residents with expansive spaces, beautifully landscaped gardens and pocket parks to unwind and relax with their family and friends in a secured area. In fact, one of our developments, Setia Greens emerged as the northern region's first GBI-certified project as it comes complete with rainwater harvesting system, water efficient fittings, solar water heaters, low volatile organic compounds ("VOC") paints and cool roof systems.

With our deep insights in building good infrastructure for the benefit of our residents, we ensured that these developments were easily accessible and well-connected to a large network of roads, bridges and highways. All our developments in Penang are easily accessible via a large network of city roads, the Jelutong and Bayan Lepas Expressways, Penang Bridge and the second Penang Bridge from Batu Maung to Batu Kawan.

Residents also have access to a plethora of amenities and facilities such as shopping complexes, hotels, schools, institutions of higher education, hospitals, the Setia SPICE Convention Centre, Penang International Airport and even the Penang Free Trade Zone in some areas. In the future, we believe that these developments will also benefit from the future infrastructure initiatives by the Penang state government.

During the year under review, our northern region contributed RM144 million in sales, with 532 units sold.

Setia SPICE

Formerly known as the Penang International Sports Arena ("PISA"), the Subterranean Penang International Convention and Exhibition Centre ("SPICE") has today emerged as Malaysia's premier integrated development which consists of five elements, namely the Setia SPICE Convention Centre, Setia SPICE Aquatic Centre, Setia SPICE Arena, Setia SPICE Canopy and a Business Class Hotel.

Five years ago, we undertook a public-private partnership ("PPP") project with the Penang Municipal Council (now known as the Penang Island City Council) to revamp PISA and its aquatic centre. In addition to that, we agreed to add three more components to the project, namely a convention centre, a hotel and retail outlets. In return, we were granted a 30-year concession by the council to manage and operate Setia SPICE upon the completion of the convention centre.

Built across 25 acres near Bayan Lepas, this iconic landmark has emerged as an ideal venue for large conventions and events as it has a total built up of 1.62 million square feet, complete with high quality facilities and amenities. SPICE also houses the largest and most comprehensive multi-purpose indoor venue in the northern region.

This world-class integrated convention centre comprises a 43,000 square feet pillar-less ballroom that can accommodate up to 400 round banquet tables or 8,000 theatre seats for any convention. In fact, for those who wish for a bigger space, event organisers can also make use of the 20,000 square feet Grand Foyer area outside the ballroom as it was designed to integrate both outdoor and indoor space seamlessly.

Cognisant of our role in driving sustainability throughout our developments, Setia SPICE Convention Centre is the World's First Hybrid Solar-Powered Convention Centre as it has solar Photovoltaic ("PV") system panels on the roof of its aquatic centre which can generate up to 980 megawatt per year (MWh). This in turn allows the solar power to be used to light up the other areas of the convention centre. As such, it is today the biggest commercial solar Photovoltaic ("PV") farm in Penang and this in turn will help in paring down Setia SPICE Convention Centre's electricity consumption.

Setia SPICE is also an Eco Green (GBI) certified convention centre.

Another unique feature is the six-acre park situated on the Centre's rooftop, allowing many of those in the vicinity as well as visitors to use it as a place to relax and exercise. This roof-top garden consists of a playground for children with special needs, a bamboo park and the largest urban spice garden in Malaysia.

In terms of delivering added value to this development, we added a retail component, known as Setia SPICE Canopy which consists of 59 retail as well as food and beverage outlets with a total lettable floor area of 92,000 square feet. This area serves as a one-stop lifestyle hub with its trendy eateries for visitors.

Meanwhile, to complement the convention centre, we refurbished and built the Setia SPICE Aquatic Centre, comprising an Olympic

Setia SPICE Aerial View

sized swimming pool, a diving pool and a kids splash pool with salt-water treatment, badminton courts, squash courts, function rooms, cafes, and a fitness centre.

The Setia SPICE Convention Centre also offers the Setia SPICE Arena which is known to be the largest indoor arena for sports, concerts and exhibitions. Even its terrace has been designed to have a 10,000-terrace seats capacity. It also comes complete with a 42,000 square feet circular concourse that connects the Arena to other sections and acts as added space for exhibitions.

To support the growth of Setia SPICE as well as the Meetings, Incentives, Conventions and Events ("MICE") Industry in the northern region, a four-star business-class Hotel is expected to be ready in 2020. The 453-room, 25 storey Hotel will also cater to businesses in the surrounding area, given its close proximity to the Penang International Airport which is just 4km away and the Bayan Lepas Free Trade Zone, located just 3km away. It is also surrounded by major roads with easy accessibility to the first and second Penang Bridge.

Setia Fontaines

In September 2017, the Group completed the RM620 million acquisition of a freehold land located within the locality of Seberang Perai Utara, Penang measuring approximately 1,675 acres which we have coined as Setia Fontaines. Setia Fontaines is an eco-themed mixed development township that has a potential GDV of RM9.6 billion spanning over 20 years.

Setia Fontaines represents our maiden entry into the mainland of Penang and it is located within the Butterworth-Sungai Petani Growth Corridor with good accessibility from North-South Highway via Bertam Interchange. Setia Fontaines is also surrounded by existing townships, retail malls, medical institute, a university campus as well as a golf course. The maiden launch of Setia Fontaines is targeted to be held in 2018.

International: Australia

Following our previous successes in Melbourne with our projects, including the ones at Fulton Lane and Parque, we launched our fifth property development, Sapphire By The Gardens, which has a GDV of AUD1.106 billion, in June 2017.

Located in the upper-east end of Melbourne's Central Business District ("CBD") on a 4,140 square meter plot at 308 Exhibition Street, Sapphire By The Gardens is part of the two-tower development designed by Cox Architects and Fender Katsalidis. Overlooking Melbourne's World Heritage-listed Carlton Gardens, residents and visitors will be the envy of many as this iconic landmark comes with the most exclusive address in Melbourne.

Sapphire By The Gardens

The first tower will consist of 351 apartment units while the second tower of the development will house a 500-room, five-star Shangri-La Hotel with three levels of amenities. It is also within walking distance of the malls and universities. In terms of connectivity, it is also close to the Melbourne Railway Station, bus routes, major roads and freeways.

The residential tower at Sapphire By The Gardens experienced a take-up rate of more than 70% during the first few days of its launch, demonstrating our keen ability to understand both market and customer needs in Melbourne. The project has since secured a take-up rate of 95% to date.

In total, we sold 382 units from all our projects in Melbourne with a combined GDV of RM1.218 billion during the year in review. We remain positive on the outlook of the property market in Australia and we will continue to look for acquisition opportunities.

International: United Kingdom

Spanning 41.7 acres with a GDV of GBP9.22 billion, the Battersea Power Station project continues to be one of London's biggest rejuvenation project. We currently have a 40% equity interest on the project.

In October 2017, we completed Phase 1 of the Battersea Power Station comprising 12 blocks or 867 units with more than 400 residents and tenants having moved into one of Europe's largest building sites. The construction of Phase 2 and Phase 3A are on target for completion in year 2020 and 2021 respectively.

The regeneration efforts have started to show results as footfall visibility has transformed Battersea Power Station into a trendy and upscale address for residents, locals and tourists to enjoy a unique blend of restaurants, shops and cultural places. As an added feather to our cap, Apple Inc. had secured the long-term lease contract in September 2016 for 500,000 square feet of office space to become the largest tenant in Battersea Power Station.

Efforts to increase connectivity has also increased with works on the Northern Line Extension ("NLE") progressing on schedule. We achieved a key milestone in October 2017 when the tunnelling for the NLE was completed. The construction of NLE has since reached an advanced stage and upon completion, the NLE is expected to further enhance the placemaking components and economically benefit the commercial activities at Battersea Power Station.

Circus West, Battersea Power Station

Diversifying into New Markets Via Land Banks Acquisition

Our geographical reach which spreads across key market centres has opened up several opportunities to expand our reach and brand presence. Apart from the acquisition of the I & P Group which added approximately 4,276 acres to our 5,330 acres of land, we also successfully acquired new land banks in Malaysia, Singapore and Australia to strengthen future growth.

On the local front, the synergistic acquisition of I & P Group has facilitated access to wider markets as I & P Group's land banks are located in the Klang Valley and Johor Bahru, mainly in the growth areas where we have established our presence. In fact, the close proximity of I & P land banks to our developments in the Klang Valley and Johor Bahru will give us the opportunity to unlock the value of these land banks, thus increasing our agility to respond to market changes and customer needs. For example, as a result of the acquisition, we now have an additional 400 acres of undeveloped land next to our Setia Alam township and this allows us to expand Setia Alam to cater to increasing demand.

Further to this, the acquisition also gave us the opportunity to extend our reach to new areas like Alam Impian, Shah Alam as well as renewing our presence in Puchong via Bandar Kinrara.

During the period under review, we have also proposed to acquire 342.5 acres of land located in Bangi ("Bangi Land") which is located near to Bandar Baru Bangi, Kajang and Semenyih for a purchase price of RM447.58 million from Seriemas Development Sdn Bhd, a subsidiary of PNB Development Sdn Bhd.

Located approximately 30km south of the Kuala Lumpur city centre and 25km from KLIA, it is accessible via several major highways namely LEKAS, PLUS Expressway as well as the SKVE. This land is also located within a 5km radius of our existing mixed development, Setia EcoHill and Setia AlamSari. In fact, our Bangi land, when combined with the Setia AlamSari land next to it, will make us a dominant player in Bangi. With an estimated GDV of RM2.74 billion, plans are underway to build a mixed development township comprising residential and commercial components.

Meanwhile, we increased our presence in Singapore with the acquisition of a 4.6-acre site at Toh Tuck Road in April 2017, making it the third development project in the Republic, after the successful 18 Woodsville and Eco Sanctuary. With a potential GDV of S$457 million, we are planning to develop a 327-unit, five-storey luxury condominium. Targeted to be launched in 2018, this project will continue to showcase our strengths in eco-themed developments with its resort-style facilities and thematic landscaping.

Underscoring the importance of accessibility and connectivity, this site is accessible via the Pan Island Expressway ("PIE") and the Bukit Timah Expressway ("BKE"). As it is also located within a walking distance from the Beauty World MRT Station, this would give future residents the ability to enjoy the natural beauty of the Bukit Timah Nature Reserve and Bukit Batok Nature Park. The site is also closely located to lifestyle clusters, shopping centres, schools and also well-known tertiary institutions.

To ensure our sustainable growth in Australia, we acquired our sixth major site, the 1,714 square meter site on A'Beckett Street in June 2017 for AUD61 million. It is also located within the Melbourne CBD and opposite Fulton Lane, the location of S P Setia's first Melbourne project. We have previewed UNO Melbourne, a 632-unit high-rise residential development with a GDV of AUD518 million in early 2018 at this site.

Funding Growth

To ensure continuous growth, we conducted a fundraising exercise to part-finance the acquisition of I & P Group and other growth initiatives.

With a potential GDV of **S$457** million, we are planning to develop a 327-unit, five-storey luxury condominium for Daintree Residence at Toh Tuck Road in Singapore.

We completed a renounceable rights issue of new ordinary shares to raise gross proceeds of RM1.0 billion and a renounceable rights issue of a new Class B Islamic Redeemable Convertible Preference Shares ("RCPS-i B") that raised gross proceeds of RM1.0 billion to part-finance the acquisition of I & P Group. We received overwhelming response to the Rights Issue and RCPS-i B as it was oversubscribed by 8.20% and 20.94% respectively. In addition to that, we have also completed a private placement that raised RM997.8 million to fund our working capital requirements as well as for on-going and future property development projects.

In 2017, we were also included into the MSCI Malaysia Index which placed us under the radar of more global fund managers and increased our visibility amongst the investment community. We also emerged as the largest property developer by market capitalisation listed on the MSCI.

Aeropod Commercial Square

Templer's Club - Setia Eco Templer

For the next 12 months, we have set a sales target of RM5.0 billion. With our sizeable land banks of 9,606 acres and remaining GDV of RM128.37 billion, both domestically and abroad, our efforts will be centred on meticulous planning to unlock the value of our enlarged land banks. We will also be supported by our strong and talented Team Setia where we will leverage on the synergistic benefits from the cross-fertilisation of resources, best practices and technical know-how as we continue with the integration process.

Moving forward into 2018, we are on-track to realise our strategic plan and emerge as a property developer with a dominant presence. Building on our achievements thus far, we are well-prepared to seize new opportunities, address future challenges with the right strategies and our diversified range of products, backed by our dynamic Team Setia.

We remain optimistic about the year ahead. We look forward to the continued support of our loyal stakeholders as we take advantage of the many opportunities to deliver strong performance and long-term shareholder value.

FUTURE PROSPECTS

In 2018, Malaysia is projected to experience a GDP growth of 5.2%, fuelled by domestic demand and improved wage growth.

Against this backdrop, we are moving into 2018 from a position of strength with total unbilled sales of RM7.72 billion, anchored by 44 ongoing projects of diversified product offerings to support future growth. This large pipeline of unbilled sales which will be delivered within the next few years will provide good earnings visibility and augurs well for the Group against the on-going sluggish property market.

Everna - Setia EcoHill 2

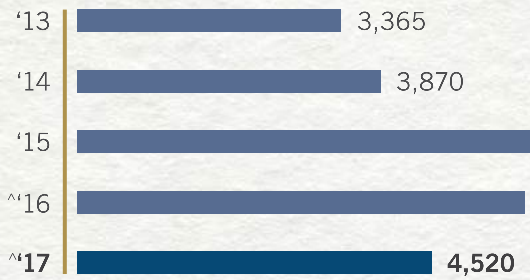
GROUP FINANCIAL SUMMARY

GROUP FIVE-YEAR SUMMARY

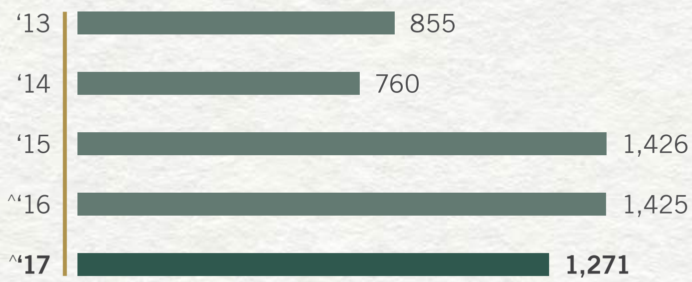
Year Ended (RM'million)	31 December 2017^	31 December 2016^ Restated	31 December 2015#&	31 October 2014& Restated	31 October 2013& Restated
Revenue	4,520	5,711	6,746	3,870@	3,365@
Profit Before Tax	1,271	1,425	1,426	760@	855@
Profit After Tax	1,069	1,067	1,011	507@	652@
Profit Attributable to Owners of the Company	933	956	918	388@	577@
Share Capital	6,694*	2,140	1,971	1,904	1,844
Share Capital - RCPS-i A	1,119*	11	-	-	-
Share Capital - RCPS-i B	1,065	-	-	-	-
Equity Attributable to Owners of the Company	11,944	9,032	7,395	6,102@	5,737@
Total Assets Employed	27,724	24,007	16,423	13,925@	12,562@
Total Net Tangible Assets	13,783	10,837	8,385	7,057@	6,009@
Earnings Per Share (sen)	26.8	30.7	35.7	15.6@	24.8@
Dividend Per Share (sen)	15.5	20.0	23.0	9.7	11.0
Net Assets Per Share Attributable to Owners of the Company (RM)	2.85	2.77	2.81	2.40@	2.33@
Return On Equity (%)	7.8	11.9~	12.4	6.4@	10.1@
Net Gearing Ratio (times)	0.10	0.11	0.18	0.28@	0.32@
Dividend Payout Ratio (%)	70.1	70.5	65.8	63.3@	45.2@
Share Price - High (RM)	4.38	3.56	3.58	3.65	3.99
Low (RM)	3.04	2.80	2.99	2.75	2.98

^ Adjusted as a result of applying the pooling of interests method in accounting for the combination arising from the acquisition of I & P Group Sdn. Berhad ("I & P Group")
& These represent financial results excluding I & P Group
@ Restated due to effects of change in accounting policies for the financial years ended 31 October 2013 to 31 October 2014
# FY2015 represents 14 months period financial results
~ After accounted for the weighted average effect of the timing of issuance of RCPS-i A on 2 December 2016
* Effects from adoption of Companies Act 2016 – transition to no par value regime.

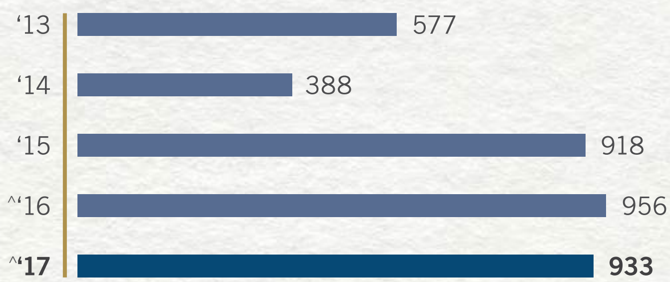
REVENUE
(RM' million)



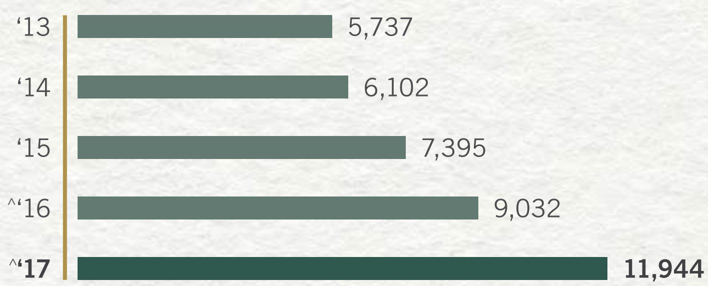
PROFIT BEFORE TAX
(RM' million)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM' million)



EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM' million)



BOARD OF DIRECTORS

01 Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin
Non-Independent Non-Executive Chairman

02 Dato' Khor Chap Jen
President and Chief Executive Officer

03 Dato' Ahmad Pardas Bin Senin
Senior Independent Non-Executive Director

04 Dato' Halipah Binti Esa
Independent Non-Executive Director

05 Puan Noraini Binti Che Dan
Independent Non-Executive Director

06 Mr Philip Tan Puay Koon
Independent Non-Executive Director

07 Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob
Independent Non-Executive Director

08 Tengku Dato' Ab. Aziz Bin Tengku Mahmud
Non-Independent Non-Executive Director

09 Dato' Azmi Bin Mohd Ali
Non-Independent Non-Executive Director

10 Dato' Zuraidah Binti Atan
Independent Non-Executive Director

DIRECTORS' PROFILES

TAN SRI DATO' SERI DR. WAN MOHD ZAHID BIN MOHD NOORDIN

NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN	AGE	NATIONALITY	GENDER
	78	Malaysian	Male

Date of Appointment as Director of S P Setia Berhad:
18 June 2009

Date of Redesignation as Chairman of S P Setia Berhad:
25 February 2016

- Bachelor of Arts (Hons) from University of Malaya
- Masters from Stanford University, Palo Alto, California
- PhD from University of California, Berkeley
- Completed an Advanced Management Programme from Harvard Business School

Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin is currently the Chairman of Management and Science University. He is a board member of Securities Industry Development Corporation. He was the Chairman of Berger International Ltd in Singapore and Deputy Chairman of International Bank Malaysia Berhad.

Tan Sri Dato' Seri Dr. Wan Mohd Zahid started his career as a teacher, moving up to principal level and eventually held various positions in the Ministry of Education before his retirement as Director General of Education. Subsequent to his retirement, Tan Sri Dato' Seri Dr. Wan Mohd Zahid was appointed as advisor with special functions to the Minister of Education.

He is a director of Perbadanan Usahawan Nasional Berhad and also holds the position of the President of Majlis Agama Islam Perak.

He does not have any family relationship with any Director and/or major shareholder of S P Setia Berhad except by virtue of being a nominee Director of Permodalan Nasional Berhad. He does not have any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATO' KHOR CHAP JEN

PRESIDENT AND CHIEF EXECUTIVE OFFICER	AGE	NATIONALITY	GENDER
	58	Malaysian	Male

Date of Appointment as Director of S P Setia Berhad:
2002 to 2009; 27 June 2013

- Bachelor of Engineering (Hons) from University of Malaya
- Fellow of the Institution of Engineers, Malaysia
- Professional Engineer registered with the Board of Engineers, Malaysia

Dato' Khor Chap Jen is the President and Chief Executive Officer ("CEO") of S P Setia Berhad, a role he assumed effective 1 April 2016. He was the Acting President and CEO from 1 January 2015 to 31 March 2016 and Acting Deputy President/Chief Operating Officer of S P Setia Berhad from 1 May 2014 to 31 December 2014. Prior to that, he was the Executive Vice President of the S P Setia Berhad Group, overseeing the northern and central region of the Property and Construction Divisions of the Group as well as the Group's overseas subsidiaries in Australia and Vietnam.

Dato' Khor joined the S P Setia Berhad Group in 1995 and was previously the General Manager of the Property Division prior to being seconded to Setia Putrajaya Sdn Bhd as the Deputy Chief Executive Officer. His secondment to this joint-venture company from 1997 to 2000 was to lead the team in the development of the Government's New Administrative Centre in Putrajaya. During his stint there, he played a prominent role in the successful completion of the prestigious Prime Minister's Office Complex and the Prime Minister's Official Residence. He has also successfully delivered over 5,000 apartment units to house the civil servants in Putrajaya.

Prior to joining the S P Setia Berhad Group, Dato' Khor was the Associate Director for Jurutera Perunding Kemajuan Sdn Bhd, an engineering consultancy firm. He was involved in the design and construction of housing, industrial, highways and infrastructure projects. Among the notable projects are the North-South Expressway and the KESAS Highway. Dato' Khor has in all, over 30 years of experience in the construction and property development industry.

Dato' Khor is the current REHDA National Vice President and Chairman of the Planning Policies & Standards Committee. He is also a director of Perumahan Kinrara Berhad.

He does not have any family relationship with any Director and/or major shareholder, or any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATO' HALIPAH BINTI ESA

INDEPENDENT NON-EXECUTIVE DIRECTOR	AGE	NATIONALITY	GENDER
	68	Malaysian	Female

Date of Appointment as Director of S P Setia Berhad:
29 August 2014

Date of Redesignation as Independent Non-Executive Director:
28 February 2018

Length of Service as Independent Non-Executive Director:
2 months

- Bachelor of Arts (Hons) in Economics from University of Malaya
- Master of Economics from University of Malaya
- Certificate in Economic Management, IMF Institute, Washington and the Kiel Institute for World Economics, Germany
- Certificate in Advanced Management Programme, Adam Smith Institute, London

Dato' Halipah Binti Esa was the Director-General of the Economic Planning Unit ("EPU") in the Prime Minister's Department. She started her career as Assistant Secretary, Administration and Diplomatic Services in 1973 in the EPU. During her tenure in the EPU, she served across various capacities in the areas of infrastructure, water supply, energy, health, education, housing, telecommunications, urban services, macro economy, international economy, distribution, human resource development, environment and regional development. She held various senior positions in the EPU and retired as the Director General in 2006. She had also served in the Ministry of Finance as Deputy Secretary General.

Her directorships in other public companies include KLCC Property Holdings Berhad, Malaysia Marine and Heavy Engineering Holdings Berhad and Cagamas Berhad. She is also a director of several private limited companies.

She does not have any family relationship with any Director and/or major shareholder, or any conflict of interest with the Company. She has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year.

DATO' AHMAD PARDAS BIN SENIN

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR	AGE	NATIONALITY	GENDER
	65	Malaysian	Male

Date of Appointment as Director of S P Setia Berhad:
17 September 2014

Length of Service as Independent Non-Executive Director:
3 years and 8 months

- Fellow of the Chartered Institute of Management Accountants
- Member of the Malaysian Institute of Accountants
- Member of the Institute of Internal Auditors Inc

Dato' Ahmad Pardas Bin Senin had more than 41 years' experience in the corporate sector, including 23 years at board level. He retired as the Managing Director and Chief Executive Officer of UEM Group Berhad in June 2009, after having served the UEM Group for more than 17 years since 1992. During his tenure at UEM Group, he held various key positions including as Managing Director of UEM World Berhad, Renong Berhad, TIME Engineering Berhad, TIME dotCom Berhad and EPE Power Corporation Berhad. He also served as Executive Director & CEO of Silterra Malaysia Sdn Bhd.

He was previously also Chairman of Malaysian Directors Academy (MINDA), Deputy Chairman of PLUS Expressways Berhad, UEM Land Holdings Berhad, UEM Builders Berhad and Costain Group plc., as well as a board member of Faber Group Berhad, Pharmaniaga Berhad, Opus Group Berhad, UEM Environment Sdn Bhd, Sime Darby Energy Sdn Bhd, Sime Darby Industrial Holdings Sdn Bhd, Universiti Teknologi MARA and Universiti Malaysia Kelantan.

Prior to UEM Group, he worked for the British American Tobacco ("BAT") Group for more than 17 years, including three years at their London office. His last position in BAT Group was as the Financial Controller of Malaysian Tobacco Company Berhad.

Dato' Ahmad Pardas is currently the Chairman of Desaru Development Corporation Sdn Bhd and Desaru Development Holdings One Sdn Bhd. He is also a member of the Board of Sime Darby Berhad, Silterra Malaysia Sdn Bhd and Themed Attractions Resorts & Hotels Sdn Bhd.

He does not have any family relationship with any Director and/or major shareholder, or any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATO' SERI IR. HJ. MOHD NOOR BIN YAACOB

INDEPENDENT NON-EXECUTIVE DIRECTOR	AGE	NATIONALITY	GENDER
	64	Malaysian	Male

Date of Appointment as Director of S P Setia Berhad:
15 October 2014

Length of Service as Independent Non-Executive Director:
3 years and 7 months

- Bachelor of Engineering from Universiti Teknologi Malaysia

Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob was the Director-General of the Public Works Department, a position he held from 2011 until 31 March 2014. He joined the civil service in 1977 as a Works Engineer in the Public Works Department and served in various capacities within the Department. He was also the President of the Board of Engineers of Malaysia.

He is a director of Prasarana Malaysia Bhd and several private limited companies.

He does not have any family relationship with any Director and/or major shareholder, or any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATO' ZURAIDAH BINTI ATAN

INDEPENDENT NON-EXECUTIVE DIRECTOR	AGE	NATIONALITY	GENDER
	59	Malaysian	Female

Date of Appointment as Director of S P Setia Berhad:
16 December 2014

Date of Re-designation as Independent Non-Executive Director:
28 February 2018

Length of Service as Independent Non-Executive Director:
2 months

- LLB (Hons) from University of Buckingham, England
- Certificate in Legal Practice, Malaysia

Dato' Zuraidah Binti Atan is a member of the Malaysian Bar. She is currently in legal practice with her own legal firm, Chambers of Zuraidah Atan, since year 2004. Starting her career as an officer in a bank, she has had more than 25 years of experience in the banking industry. She also served for a period as President/Chief Executive Officer of an investment bank.

She is an arbitrator in the KL Regional Centre for Arbitration and serves as an Honorary Advisor to National Cancer Society of Malaysia, a non-governmental organisation engaged in cancer awareness and charity. She is the Chairman of Yayasan Sukarelawan Siswa / Student Volunteers Foundation, a wholly-owned entity of Government of Malaysia (via Ministry of Higher Education) that helps build Global Student Volunteer Leaders. She is Chairman, IATSS Forum (Japan) National Committee, Malaysia, an annual ASEAN-JAPAN Leadership Training for young professionals sent to Suzuka City, Mie Prefecture, Japan.

She was an Independent member of the Consultation and Corruption Prevention Panel of Malaysian Anti-Corruption Commission. She was also a Public Interest Director of Bursa Malaysia Berhad, Bursa Malaysia Derivatives Berhad and Bursa Malaysia Derivatives Clearing Berhad.

Her directorships in other public companies include Petron Malaysia Refining and Marketing Bhd and Kenanga Islamic Investors Berhad.

She does not have any family relationship with any Director and/or major shareholder, or any conflict of interest with the Company. She has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year.

TENGKU DATO' AB. AZIZ BIN TENGKU MAHMUD

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR	AGE	NATIONALITY	GENDER
	61	Malaysian	Male

Date of Appointment as Director of S P Setia Berhad:
12 January 2015

- Diploma in Management with Merit from the Malaysian Institute of Management
- Bachelor of Science (Hons) in Civil Engineering from Loughborough University of Technology, United Kingdom
- Master in Business Administration from Cranfield Institute of Technology, United Kingdom

Tengku Dato' Ab. Aziz Bin Tengku Mahmud is currently the Chief Executive Office ("CEO") of PNB Merdeka Ventures Sdn Bhd, a wholly-owned subsidiary of Permodalan Nasional Berhad. He is responsible for the development of Warisan Merdeka project, comprising 118-storey tower, retail mall, hotels and condominiums.

Prior to his appointment as the CEO of PNB Merdeka Ventures Sdn Bhd on 1 April 2010, he was the Head, Property Development of Sime Darby Property Berhad from August 2008 to March 2010. He was responsible for the Property Development Operations in addition to the Hospitality, Leisure and Asset Management of the Property Division. He also served Kumpulan Guthrie Berhad as its Head of Property and was the CEO of Guthrie Property Development Holding Berhad from 2005 to 2007.

Tengku Dato' Ab. Aziz is a member of the Council on Tall Buildings and Urban Habitat, the Institution of Engineers Malaysia and Malaysian Institute of Management.

He does not have any family relationship with any Director and/or major shareholder of S P Setia Berhad, or any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

NORAINI BINTI CHE DAN

INDEPENDENT NON-EXECUTIVE DIRECTOR	AGE	NATIONALITY	GENDER
	62	Malaysian	Female

Date of Appointment as Director of S P Setia Berhad:
11 September 2015

Length of Service as Independent Non-Executive Director:
2 years and 8 months

- Bachelor of Arts (Hons) in Economics from University of Manchester, United Kingdom
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants

Puan Noraini Binti Che Dan was the Vice President of Finance at MISC Berhad. Prior to that, she served Pernas International Holdings Berhad for 15 years in various capacities including Group General Manager and Chief Financial Officer. She was also an Audit Senior of a public accounting firm, Hanafiah Raslan & Mohamad.

Puan Noraini is a director of Tenaga Nasional Berhad, BIMB Holdings Berhad and Bank Islam Berhad.

She does not have any family relationship with any Director and/or major shareholder of S P Setia Berhad, or any conflict of interest with the Company. She has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year.

PHILIP TAN PUAY KOON

INDEPENDENT NON-EXECUTIVE DIRECTOR	AGE	NATIONALITY	GENDER
	61	Malaysian	Male

Date of Appointment as Director of S P Setia Berhad:
11 September 2015

Length of Service as Independent Non-Executive Director:
2 years and 8 months

- Bachelor of Arts (Hons) in Business Studies (Accounting and Finance) from North-East London Polytechnic, United Kingdom
- Oxford International Executive Programme
- Stanford-NUS Executive Programme

Mr Philip Tan Puay Koon was a Managing Director in Citigroup where he served as the Chief Financial Officer of Emerging Market (EM) Sales & Trading, Asia Pacific of Citibank NA and as Director of Risk Treasury, Asia Pacific in the Regional Office in Singapore. Prior to 2001, he was the Financial Markets Head and Country Treasurer of Citibank Berhad and a Director of Citibank Malaysia (L) Limited.

He has close to three decades of experience in the field of banking and finance, principally in the areas of Treasury and Risk Management. Prior to 1995, Mr Philip Tan spent 14 years with the MUI Group in Malaysia where he served in various senior management positions.

His directorships in other public companies include Danajamin Nasional Berhad, MIDF Amanah Investment Bank Berhad, Cagamas Berhad and Citibank Berhad. Mr. Tan also serves as a member of the Corporate Debt Restructuring Committee, established by Bank Negara Malaysia.

Mr Philip Tan is an Associate Fellow of the Asian Institute Of Chartered Bankers and an adjunct faculty member of Financial Institutions Directors Education.

He does not have any family relationship with any Director and/or major shareholder of S P Setia Berhad, or any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATO' AZMI BIN MOHD ALI

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR	AGE	NATIONALITY	GENDER
	57	Malaysian	Male

Date of Appointment as Director of S P Setia Berhad:
3 March 2016

- LLB (Hons) from University of Malaya
- Master of Laws (LLM) in United States of America & Global Business Law from University of Suffolk, USA

Dato' Azmi Bin Mohd Ali is the Senior Partner of Azmi & Associates, a full service corporate and commercial law firm of close to 75 lawyers, based in Kuala Lumpur, Malaysia. The firm, Azmi & Associates under his leadership is recognised as one of the largest law firms (by size) in Malaysia.

He is an experienced and is one of the leading corporate lawyers in Malaysia with expertise in the areas of mergers and acquisitions, joint ventures, cross-border transactions, project finance, privatisation, energy, oil and gas and foreign investments.

Prior to his endeavour in private practice, Dato' Azmi has spent six years as an in-house counsel of PETRONAS. He was involved in projects of national importance for Malaysia and negotiated and concluded the NGPSA, a major gas development project for Malaysia, in 1990.

His accomplishments as a corporate lawyer are well noted and have earned him numerous awards, accolades and recognitions from reputed international legal publications. He won the prestigious International Law Office 2016 Clients Choice Award for Malaysia in Mergers & Acquisitions.

Currently, he is a Director of another listed company, namely Chemical Company of Malaysia Berhad. He has also previously served as a Director of Sime Darby Berhad for more than five years and as a Director for CCM Duopharma Biotech Berhad for close to two years. He is a Director of Perbadanan Nasional Berhad, a Government-owned company providing finance for franchise business, and Institute of Corporate Directors Malaysia, established under the auspices of Securities Commission and Bank Negara Malaysia.

He also serves as a Director of Terralex, a Florida-based world-wide network of 155 law firms with 17,000 lawyers within its member firms spanning across 100 jurisdictions world-wide.

On the academic front, he is a Director of a public university, Universiti Malaysia Kelantan and has also served as an Adjunct Professor of Law at the International Islamic University of Malaysia for more than three years and at the Universiti Kebangsaan Malaysia's Law Faculty for roughly two years.

Dato' Azmi is one of the four certified arbitrators for Malaysia for the Panel of Conciliators and the Panel of Arbitrators of International Centre for Settlement of Investment Disputes.

He does not have any family relationship with any Director and/or major shareholder of S P Setia Berhad except by virtue of being a nominee Director of Permodalan Nasional Berhad. He does not have any conflict of interest with the Company. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

SENIOR MANAGEMENT TEAM PROFILES

DATUK WONG TUCK WAI

Deputy President and Chief Operating Officer ("COO") of S P Setia Berhad

Malaysian, Male, 63 years of age

Date of Appointment as Deputy President and COO of S P Setia Berhad: 1 April 2016

Datuk Wong started his career in civil engineering projects with Syarikat Pembinaan Setia Sdn Bhd in 1976. He was then appointed as Chief Executive Officer of Setia Putrajaya Sdn Bhd in December 1999, which constructed the Prime Minister's Office, Residence and the Government residential quarters in Putrajaya between the late 1990s and early 2000s. He was subsequently appointed as Executive Vice President of S P Setia Berhad in 2013 before his appointment as Acting Deputy President & COO in 2015. On 1 April 2016, he assumed the role of Deputy President and COO of S P Setia Berhad.

Datuk Wong is currently a director of Perumahan Kinrara Berhad, I & P Supply Berhad and Pelaburan Hartanah Nasional Berhad.

Datuk Wong does not have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

CHOY KAH YEW

Executive Vice President ("EVP") and Chief Financial Officer ("CFO") of S P Setia Berhad

Malaysian, Male, 47 years of age

Date of Appointment as EVP and CFO of S P Setia Berhad: 1 April 2016

Choy Kah Yew joined S P Setia Berhad in April 2014 and was designated Acting CFO effective 16 June 2014. He has more than 25 years of working experience in audit, finance and banking, starting his career with KPMG in 1990. Choy held several senior leadership and management positions at Alliance Investment Bank Berhad between 2004 and 2014. His last held position before joining S P Setia was as the Head of Capital Markets for the investment bank. On 1 April 2016, he was appointed as EVP and CFO of S P Setia Berhad.

His professional qualifications include membership in the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

Choy is currently a director of I & P Supply Berhad. He does not have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATUK KOE PENG KANG

Executive Vice President ("EVP") of S P Setia Berhad

Malaysian, Male, 56 years of age

Date of Appointment as EVP of S P Setia Berhad: 1 July 2015

BSc (Civil Engineering), University of Leeds, UK. MSc (Construction Management), University of Birmingham, UK.

Datuk Koe was appointed as EVP of S P Setia Berhad in July 2015 after serving S P Setia for 19 years. He is responsible for the Group's eco-themed developments and sits as the Chief Executive Officer of Setia Eco Park and Setia Eco Glades, and spearheaded the team that conceptualised Setia Eco Templer. Datuk Koe also oversees the Group's developments in the Northern Region as well as the China Malaysia Qinzhou Industrial Park project in China. Prior to joining the S P Setia Group, Datuk Koe was involved in various national projects including the country's rural water supply scheme, the Sungai Selangor Water Supply Scheme Phase 1 and the Petronas Twin Towers.

Datuk Koe is a member of the Institute of Engineers Malaysia and is a Professional Engineer registered with the Board of Engineers, Malaysia. He is also a member of the National Council of FIABCI Malaysia.

Datuk Koe does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATUK TAN HON LIM

Executive Vice President ("EVP") of S P Setia Berhad

Malaysian, Male, 56 years of age

Date of Appointment as EVP of S P Setia Berhad: 1 July 2015

BSc (Civil Engineering), Louisiana State University, USA.

Datuk Tan Hon Lim joined S P Setia Berhad as a project engineer in November 1990. He was appointed as EVP of S P Setia Berhad on 1 July 2015 after serving for 26 years. He currently heads the Setia Alam, Setia EcoHill and Setia EcoHill 2 township projects for the Group. Datuk Tan was involved in the Group's first property development projects in Bukit Indah, Ampang and the Group's first township, the 700-acre Pusat Bandar Puchong. He was also involved in the Group's first international venture into Vietnam.

Datuk Tan does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATUK KOW CHOONG MING

Executive Vice President ("EVP") of S P Setia Berhad

Malaysian, Male, 57 years of age

Date of Appointment as EVP of S P Setia Berhad: 1 July 2015

Bachelor of Engineering in Civil Engineering, University Malaya, Malaysia

Datuk Kow Choong Ming joined S P Setia Berhad in Feb 1997 as Assistant General Manager. He was appointed as Director in 1999 prior to his appointment as EVP in 2015 after having served S P Setia for 19 years. He currently heads the Construction & Precast and Setia Wood & Marketing Divisions. Datuk Kow started his career at Promet Construction Sdn Bhd in 1983 before joining the Genting Group in 1986 where he last held the position of Chief Engineer.

He is a Professional Engineer registered with the Board of Engineers, Malaysia and a Fellow Member of the Institute of Engineers, Malaysia.

Datuk Kow is currently a director of Ecopark P2 Homeowners Berhad and Ecopark P5 Homeowners Berhad. He does not have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

CHOONG KAI WAI

Chief Executive Officer ("CEO") of Setia (Melbourne) Development Company Pty Ltd

Malaysian, Male, 57 years of age

Date of Appointment as CEO of Setia (Melbourne) Development Co. Pty Ltd: 1 May 2010

BSc (Hons) Mechanical Engineering, The City University London, UK

Choong Kai Wai joined S P Setia Berhad on 1 May 2010 to implement the Group's business and development strategy in Australia. He was a key figure responsible for the acquisition, design and development of S P Setia's first project in Australia, Fulton Lane, Melbourne, and has subsequently built up the Australian arm of the Group. Prior to joining S P Setia, Choong had over 20 years of experience in the property sector working with other developers as well as his own business.

Choong is a Professional Engineer registered with the Board of Engineers, Malaysia.

Choong does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

YUSLINA MOHD YUNUS

Executive Vice President ("EVP") of S P Setia Berhad

Malaysian, Female, 51 years of age

Date of Appointment as EVP of S P Setia Berhad: 1 December 2017

Advanced Diploma in Accountancy, Institute Technology MARA, Malaysia

Executive Masters of Business Administration, Universiti Teknologi MARA, Malaysia

Yuslina Mohd Yunus was the Group Managing Director for the I & P Group before assuming her role as an Executive Vice President of S P Setia this year. She currently oversees all the projects for the I & P division under Setia.

Yuslina is a member of the Malaysian Institute of Accountants.

Yuslina is currently a director of Perumahan Kinrara Berhad. She does not have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad. She has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year.

STANLEY SAW KIM SUAN

Divisional General Manager

Malaysian, Male, 51 years of age

Bachelor of Engineering (Civil), University of New South Wales, Australia

Master of Business Administration, Nottingham Trent University, UK

Stanley joined the S P Setia Group as a Project Manager in 1997 and was involved in the developments of residential and commercial units in Precinct 9, Putrajaya. He was also involved in the development of the prestigious Prime Minister's Office and Residence in Putrajaya. Thereafter, he spent five years in Vietnam as General Director of EcoXuan, a township development by S P Setia. He assumed the role of Divisional General Manager for Property Division (South) of S P Setia Berhad in May 2016.

Stanley is a Professional Engineer registered with the Board of Engineers in Malaysia and is a Member of the Institute of Engineers, Malaysia.

Stanley does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

PAUL SOH HEE PIN

Divisional General Manager

Malaysian, Male, 54 years of age

Bachelor of Engineering (Civil), University of New South Wales, Australia

Paul joined S P Setia as Senior Manager in April 1997. He was involved in the development of residential and commercial units at Precinct 9 and Precinct 15, Putrajaya. He was also involved in the development of Duta One, an early gated and guarded luxury development by S P Setia in Kuala Lumpur.

Paul was later assigned to manage the development of Fulton Lane, Melbourne, S P Setia's first foray into the Australian market. He assumed the role of Divisional General Manager, Niche Development Division in January 2015 and oversees the development of S P Setia's Niche Developments which include Setia Sky Residences, Setia Walk, TRIO by Setia and Setia Sky Seputeh.

Paul is a Member of the Institute of Engineers, Australia.

Paul does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

TONY LING THOU LUNG

Divisional General Manager

Malaysian, Male, 44 years of age

Bachelor of Engineering (Hons) in Civil Engineering, University Science of Malaysia

Master of Business Administration, Universiti Malaya

Tony joined S P Setia in 2007 as Project Manager for Setia Walk. Since then he rose through the ranks to become the Head of Technical in 2012 and in 2015 was appointed as General Manager for KL Eco City, S P Setia's first large-scale integrated mixed development project.

He assumed the role as Divisional General Manager in May 2016 and oversees S P Setia's Integrated Commercial Developments which includes KL Eco City and the new Setia Federal Hill development in Kuala Lumpur. He is also involved in Battersea Power Station, London where S P Setia is part of the consortium for this regeneration development.

Tony does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

DATUK ZAINI YUSOFF

Divisional General Manager

Malaysian, Male, 54 years of age

Bachelor of Science (Hons) in Civil Engineering, Memphis State University, Memphis, Tennesse, USA

Datuk Zaini Yusoff brings with him more than 30 years of experience providing fiscal, strategic and operations leadership in various corporations. He oversees all the projects for the I & P division under S P Setia.

Datuk Zaini is a member of the Board of Engineers of Malaysia ("BEM"), American Society of Civil Engineers ("ASCE") and Associated Productivity Specialists ("APS").

Datuk Zaini does not hold any directorship in any public companies and listed issuers. He does not have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad. He has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year.

NADIAH TAN ABDULLAH

Chief Human Resources Officer

Malaysian, Female, 49 years of age

BA (Hons) International Relations, Staffordshire University, UK

Nadiah joined S P Setia Berhad in October 2016 as Divisional General Manager, Group Human Resources. She has been in the Human Resources ("HR") line for more than twenty years specialising in Organizational Development and Change Management. Her experiences span across both local and Fortune 500 companies in various industries with local/regional and HQ roles. Her general experience has been to drive the people agenda and primarily anchored upon HR Transformation work.

Her role was re-designated to Chief Human Resources Officer in March 2017 and is instrumental in S P Setia Berhad's Diversity and Inclusion Agenda. She oversees the formulation of human capital policies and procedures, enhancement of organisational values and cultures as well as developing organisational capabilities and enhancing employee engagement within Team Setia.

Nadiah does not hold any directorship in any public companies and listed issuers. She does not have any family relationship with any Director and/or any major shareholder of S P Setia Berhad, nor any conflict of interest with S P Setia Berhad. She has not been convicted of any offences over the past five years and there was no public sanction or penalty imposed on her by the relevant regulatory bodies during the financial year.

ACHIEVEMENTS

25 FEB 2017

S P SETIA FOUNDATION LAUNCHES GREEN HOUSE AT SK FELDA, BUKIT PERMAI, JOHOR

S P Setia Foundation, under its Green Ranger Programme, launched its first Green House located at SK Felda Bukit Permai in Layang-Layang, Johor together with Feed Our Loved Ones ("FOLO") and the Bukit Permai Community.

25 FEB 2017

UNVEILING OF THE SALES GALLERY FOR TRIO BY SETIA AT BUKIT TINGGI, KLANG

S P Setia officially unveiled the sales gallery for its much awaited TRIO by Setia transit-oriented development at the actual project site. TRIO by Setia will be built on 5.49 acres of prime land in Bukit Tinggi, Klang facing the main artery road, Jalan Langat running through Klang town to the new township of Bukit Tinggi.

4 MAR 2017

THE OPENING OF SETIA SPICE CONVENTION CENTRE

Setia SPICE Convention Centre opened its doors with a maiden event in the first weekend of March.

4 MAR 2017

SETIA ECO TEMPLER IN RAWANG LAUNCHES RUMAH SELANGORKU

S P Setia officially opened its registration for its Rumah Selangorku units in Setia Eco Templer with Y.A.B Dato' Seri Mohamed Azmin Bin Ali, Dato' Menteri Besar of Selangor officiating the event.

21 MAR 2017

LAUNCH OF SETIA WOMEN'S NETWORK - WOMEN OF INSPIRATION @ SETIA

Setia recognises gender diversity and the Setia Women's Network was established to provide a support system that encourages the women of Setia to follow their career aspirations.

21 MAR 2017

S P SETIA WINS BIG AT THE STARPROPERTY.MY AWARDS 2017

Setia bagged 5 accolades at the StarProperty.my Awards 2017 namely, The All Star Award - Top Ranked Developers of the Year, the StarProperty.my Readers' & Voters' Choice Award, The Cornerstone Award (Excellence Winner) for Lepironia East Garden of Setia Eco Glades, the Just Walk Award (Merit Winner) for KL Eco City for being one of the best integrated development and the Skyline Award (Honours Winner) for Setia Sky 88 for being one of the best high-rise residential development.

14 APR 2017

S P SETIA BERHAD ANNOUNCES INTENTION TO ACQUIRE I & P GROUP SDN. BERHAD

S P Setia Berhad signed a conditional share purchase agreement to acquire I & P Group Sdn. Berhad for RM3.6 billion.

19 APR 2017

LAUNCH OF THE NATIONWIDE S.E.A.L CAMPAIGN BY S P SETIA

S P Setia launched its Setia Express Advance Loan ("S.E.A.L") - a differential sum loan scheme that offers interest rates as low as 5.5% per annum and up to 30% of the intended property purchase price.

20 APR 2017

S P SETIA WINS PLATINUM AWARD AT THE READER'S DIGEST TRUSTED BRAND AWARD 2017

S P Setia was named as the Platinum award winner in the Reader's Digest Trusted Brand Award 2017 in the Property Development Category.

22 APR 2017

A COLLECTION OF AWARDS FOR S P SETIA AT THE 9TH MALAYSIA LANDSCAPE ARCHITECTURE AWARDS ("MLAA") 2016

Setia bagged 5 awards at the 9th Malaysia Landscape Architecture Award ("MLAA") 2016. For the developer category's Landscape Development Award, the Excellence Award went to Charms of Nusantara at Setia Eco Glades, the Special Honour Award went to Wetlands@Setia Alam and the Honour Award went to the Grassland Park & Oriental Garden at Setia EcoHill. For the developer category's Landscape Master Plan Award, the Excellence Award was awarded to Setia Eco Glades whereas the Honour Award went to Setia Eco Cascadia in Johor.

12 MAY 2017

A 7TH ADORNED AWARD FOR S P SETIA AT THE BCI ASIA TOP 10 DEVELOPERS AWARDS

S P Setia was once again awarded the BCI Asia Top 10 Developers Award for the 7th time.

16 MAY 2017

SETIA LAUNCHES CITIZEN SETIA FACEBOOK PAGE

Setia launched its Citizen Setia Facebook page together with popular social influencers Jinnyboy, Amber Chia, Emma Maembong and Venice Min.

13 JUN 2017

S P SETIA APPOINTS SHANGRI-LA TO BE THE HOTEL OPERATOR FOR ITS LATEST DEVELOPMENT IN MELBOURNE, AUSTRALIA

S P Setia Bhd officially announced Shangri-La Hotels and Resorts as the hotel operator for its proposed twin-tower development in Melbourne's Central Business District ("CBD").

17 JUN 2017

S P SETIA LAUNCHES THE MUCH-AWAITED SAPPHIRE BY THE GARDENS TO OVERWHELMING RESPONSE AND SECURES ANOTHER DEVELOPMENT SITE IN MELBOURNE

The Group announced the overwhelming take-up rate of Sapphire By The Gardens, the residential tower of the project which exceeded 70% during the launch weekend and that it has secured yet another major site in Melbourne Central Business District ("CBD") – 111, A'Beckett St.

19 JUN 2017

S P SETIA HANDS OVER APARTMENTS FOR GOVERNMENT SERVANTS UNDER PPA1M

In a collaboration with Pembangunan Penjawat Awam 1Malaysia ("PPA1M") and Perbadanan Putrajaya, S P Setia handed over 1000 apartment units of Selasih @ Precinct 17 in Putrajaya. The event was graced by Y.A.B Dato' Sri Mohd Najib Tun Abdul Razak, the Prime Minister of Malaysia.

21 JUN 2017

COMMEMORATION OF WORLD ENVIRONMENT DAY 2017

Since 2008, S P Setia has been commemorating World Environment Day ("WED") to heighten public awareness towards major environmental issues. Together with S P Setia Foundation, the Group celebrated WED 2017 together with students from the adopted schools under the Setia Caring School Programme in Penang.

29 JUL 2017

LAUNCH OF THE EARTHLINGS PROJECT BY S P SETIA

The Earthlings Project is a proud initiative by S P Setia specially aimed to encourage members of Citizen Setia to 'go green' in line with the group's efforts of cultivating sustainability to enrich lives and communities.

4 AUG 2017

S P SETIA DELIVERS RUMAH MAMPU MILIK JOHOR ("RMMJ") AT SETIA BUSINESS PARK 2

Deserving purchasers were ecstatic to be recipients of the Rumah Mampu Milik Johor ("RMMJ") at Setia Business Park 2. Developed by S P Setia in support of the local government's call to cater to demand for affordable housing, the handing over ceremony for RMMJ was graced by the Chief Minister of Johor, Dato' Mohamed Khaled Nordin.

12 AUG 2017

'SPORTS DAY FOR ALL : BUILDING A BETTER MALAYSIA' BY S P SETIA FOUNDATION FOR YOUNG CHILDREN

S P Setia Foundation hosted 100 students from SK Batu Ferringhi, SJKC Aik Hua and SJK(T) Tasek Permai to an exciting Sports Day which saw the students working together in teams of ten to finish five activities together.

21 AUG 2017

S P SETIA RECORDS WIN AT THE EDGE BILLION RINGGIT CLUB AWARDS 2017

The Edge Billion Ringgit Club Awards 2017 saw the country's leading developer, S P Setia Berhad emerge a Silver award winner in the Property Sector's RM3 Billion And Above Market Capitalisation Highest Growth In Profit After Tax (over three years) category.

21 AUG 2017

S P SETIA'S SARACA PROJECT IN SETIA ECOHILL, SEMENYIH WINS QUALITY EXCELLENCE AWARD

S P Setia Berhad's continuous commitment to quality was evident when one of its projects in Setia EcoHill, Semenyih was awarded for quality excellence at the High QLASSIC Achievement Awards 2017 organized by Construction Industry Development Board ("CIDB").

24 AUG 2017

S P SETIA RECORDS EIGHTH WIN AT AON BEST EMPLOYERS AWARD 2017

S P Setia won the "Best Employer" award for the eighth time at the Aon Best Employers 2017 award ceremony.

15 SEP 2017

SETIA PRECAST'S FOURTH WIN FOR DELIVERING EXCELLENCE IN INDUSTRIALISED BUILDING SYSTEM ("IBS")

Setia Precast Sdn Bhd, a wholly owned subsidiary of S P Setia Berhad, was awarded the prestigious Industrialised Building System ("IBS") Special Award category for the fourth time at the Malaysia Construction Industry Excellence Award ("MCIEA") 2017; this time around for its construction of the Seri Kasturi affordable apartments in Setia Alam.

6 OCT 2017

ECO SANCTUARY BY S P SETIA AWARDED AT THE SINGAPORE PROPERTY AWARD 2017

S P Setia is proud to have won the prestigious Singapore Property Award 2017 under the category of Sustainable Development for its second development in Singapore, Eco Sanctuary from FIABCI Singapore.

23 OCT 2017

ECO SANCTUARY BY S P SETIA RECORDS A WIN AT THE EDGEPROP EXCELLENCE AWARD 2017

S P Setia landed the inaugural EdgeProp Singapore Excellence Award 2017 for Eco Sanctuary under the Development Innovation Category.

30 OCT 2017

S P SETIA RETAINS NO.1 SPOT FOR A RECORD-BREAKING 10TH TIME AT THE EDGE MALAYSIA PROPERTY EXCELLENCE AWARDS 2017

S P Setia proved its mettle again by topping The Edge Malaysia Property Excellence Awards 2017's Top Property Developers Award category this year. This marks S P Setia's 10th win of the top spot and retaining S P Setia as the record holder for this award. S P Setia also garnered the Affordable Urban Housing Excellence Award for the second consecutive time; this time for its Seri Mutiara Apartment whereas Dato' Khor Chap Jen was presented with The Edge Malaysia Outstanding Property CEO Award 2017.

2 NOV 2017

PUTRA BRAND AWARDS 2017

S P Setia celebrates as the Group emerged Silver at the Putra Brand Awards 2017 for the Property Development category.

13 NOV 2017

S P SETIA UNVEILS NATIONWIDE BULLYING PREVENTION CAMPAIGN - #STANDTOGETHER

S P Setia unveiled #STANDTOGETHER, a nationwide corporate citizen campaign for bullying prevention and to promote kindness, in collaboration with the Star Media Group.

25 NOV 2017

S P SETIA A DOUBLE WINNER AT MALAYSIA PROPERTY AWARD 2017 BY FIABCI-MALAYSIA

S P Setia emerged a double winner at the distinguished Malaysia Property Award 2017 organised by FIABCI-Malaysia. Setia Eco Glades in Cyberjaya garnered the much-coveted Master Plan Gold award whereas Seri Kasturi Apartment, located in Bandar Setia Alam, came out tops in the Affordable Housing category.

ACCOLADES

10-TIME NO. 1 WINNER

The Edge Malaysia Top Property Developers Awards

Ranked No.1

2017, 2016, 2013, 2012, 2011, 2010, 2008, 2007, 2006, 2005

Outstanding Property CEO Award

2017 – Dato' CJ Khor

Affordable Urban Housing Excellence

2017 – Seri Mutiara Apartment, Selangor
2016 – Seri Kasturi Apartment, Selangor

Notable Property Achievement

2015 – Setia Eco Park, Selangor

PAM Green Excellence

2015 – S P Setia Corporate HQ, Selangor
2013 – Setia City Mall, Selangor

PEPS Value Creation Excellence

2013 – SetiaWalk, Selangor

7-TIME WINNER

FIABCI World Prix d'Excellence Awards

Best Sustainable Development

2016 – S P Setia Corporate HQ, Setia Alam, Selangor

Best Retail Development

2014 – Setia City Mall, Selangor

Best Master Plan Development

2013 – Setia Alam, Selangor
2009 – Setia Eco Gardens, Johor
2007 – Setia Eco Park, Selangor

Best Purpose-Built/Specialised Project

2012 – Eco Greens, Setia Eco Gardens, Johor

Best Residential (Low-Rise) Development

2011 – Setia Eco Park, Selangor

Runner-up Best Master Plan Development

2010 – EcoLakes, Vietnam

10-TIME WINNER

FIABCI Malaysia Property Awards

Best Affordable Housing Category

2017 – Seri Kasturi Apartment, Setia Alam, Selangor

Best Sustainable Development

2015 – S P Setia Corporate HQ, Setia Alam, Selangor

Best Retail Development

2013 – Setia City Mall, Setia Alam, Selangor

Best Master Plan Development

2017 – Setia Eco Glades, Cyberjaya
2012 – Setia Alam, Selangor
2008 – Setia Eco Gardens, Johor
2006 – Setia Eco Park, Selangor

Best Purpose-Built/Specialised Project

2011 – Eco Greens, Setia Eco Gardens, Johor

Best Residential (Low-Rise) Development

2010 – Setia Eco Park, Selangor
2006 – Duta Nusantara, Kuala Lumpur

8-TIME WINNER

Aon Best Employers Malaysia

Best Employers in Malaysia
2017, 2016, 2015, 2013, 2011, 2009, 2005, 2003

2016 – Best Employers for Commitment to Engagement

2013 – Best of the Best Employer

2010 – Overall Best Employers in Malaysia

2011 – Best Employer in Asia Pacific

1. **StarProperty.my Awards**

   The All-Star Award – Top Ranked Developers of the Year
   2017, 2016 – S P Setia Berhad

   StarProperty.my Readers' & Voters' Choice Award
   2017 – S P Setia Berhad

   The Cornerstone Award category
   Excellence Award
   2017 – Lepironia East Garden, Setia Eco Glades, Cyberjaya

   The Just-Walk Award category
   Merit Award
   2017 – KL Eco City, Kuala Lumpur

   The Skyline Award category
   Honours Award
   2017 – Setia Sky 88 Serviced Apartment, Johor

   Starter Home category
   Excellence Award
   2016 – Seri Baiduri, Setia Alam, Selangor

   Earth Conscious category
   Excellence Award
   2016 – S P Setia Corporate HQ, Setia Alam, Selangor

2. **Malaysia Landscape Architecture Awards ("MLAA")**

   2017* – Developer & GLC (Development) Category
   Excellent Award
   Charm of Nusantara, Setia Eco Glades, Cyberjaya

   Special Honour Award
   Wetlands Park, Setia Alam, Shah Alam

   Honour Award
   Grassland Park & Oriental Garden, Setia EcoHill, Semenyih

   2017* – Developer & GLC (Master Plan) Category
   Excellent Award
   Setia Eco Glades, Cyberjaya

   Honour Award
   Setia Eco Cascadia, Johor Bahru

**Year of award ceremony*

3. **Reader's Digest Trusted Brand Award**

   2017, 2016 – Platinum Trusted Brand Award for Property Development

   2015, 2014, 2013, 2012, 2011 – Gold Trusted Brand Award for Property Development

4. **High QLASSIC Achievement Awards by The Construction Industry Development Board ("CIDB")**

   Quality Excellence Award
   2017 – Saraca, Setia EcoHill

5. **Malaysian Construction Industry Excellence Awards ("MCIEA")**

   2017, 2016, 2013, 2011 – Industrialised Building Systems (IBS) Special Award

6. **The Edge Property Singapore Excellence Awards**

   Development Innovation Category
   2017 – Eco Sanctuary, Singapore

7. **The Edge Billion Ringgit Club and Corporate Awards**

   Property Sector – RM3B and above market capitalisation
   Highest Growth in Profit after Tax Over Three Years
   Silver Award
   2017 – S P Setia

8. **FIABCI Singapore Property Awards**

   Sustainable Development
   2017 – Eco Sanctuary, Singapore

9. **BCI Asia Top 10 Developers Awards**

   2017, 2016, 2015, 2014, 2013, 2012, 2011

10. **PwC's Building Trust Awards**

    Top 20 finalists
    2017 – S P Setia Berhad

11. **Putra Brand Awards**

    2017, 2015 – Silver in Property Development
    2016 – Bronze in Property Development
    2014 – Most Enterprising Brand of the Year
    2014, 2013, 2012 – Gold in Property Development

12. **GreenRE Rating**

    2017 – Platinum Certificate in non-residential category – S P Setia Berhad Coporate HQ, Setia Alam, Selangor

    2015 – Platinum Certification (Provisional) in the non-residential category – S P Setia Berhad Corporate HQ, Setia Alam, Selangor

13. **National Annual Corporate Report Awards ("NACRA")**

    2017 – S P Setia Berhad – Certificate of Merit

SUSTAINABILITY STATEMENT

At S P Setia, sustainability is an integral component of how we conduct and manage our business on all fronts. Sustainability has been a one of the key factor contributing to the longevity of S P Setia from the very beginning. The Group's mission, vision and core values enable a platform to cultivate sustainability which encapsulates our goal in creating outstanding properties that enrich lives and communities.

Guided by our philosophy, **livelearnworkplay**, we believe that it is key to ensure the well-being of our residents, employees, communities whilst simultaneously, protect the natural environment in the places where we have a presence. Over the years, we have embraced innovation and leveraged on technology to ensure we are able to deliver sustainable development projects that meet our customers' needs while preserving the biodiversity of the area. Across these developments, we have created thriving, safe and inclusive communities where people aspire to live in.

We have been consistently focused on inspiring, nurturing and empowering Team Setia to achieve our strategic growth goals by creating a workplace the values their contributions. In all of this, our efforts have been guided by a robust governance framework that promotes ethical behaviour, accountability, transparency and integrity.

Moving forward, we will continue to seek new opportunities to realise our sustainability roadmap, for the needs of the present and future generations. Fueled by our passion, we remain committed towards uplifting the quality of life of people, designing places where people can **livelearnworkplay** while minimising our impact on the environment. We are shaping a better tomorrow, today.

ECONOMIC

Read more on page 66

ENVIRONMENT

Read more on page 68

SOCIAL

Read more on page 74

REPORTING SCOPE AND BOUNDARIES

This statement represents S P Setia's second Sustainability Statement, covering the reporting period between 1st January and 31st December 2017.

This sustainability statement provides a detailed overview of the Group's sustainability practices in respond to the changing dynamics of the overall property industry landscape, highlighting our economic, environmental and social ("EES") impact. It describes activities occurring at all our business units across the Central (Klang Valley), Northern (Penang) and Southern (Johor and Singapore) regions. Keeping in mind that each region may have issues specific to them, this report therefore will focus on significant economic, environmental and social impact brought about by our property development activities in these regions.

We also constantly review our approach in managing sustainability challenges that have an impact on our stakeholders and shareholders. We will work towards ensuring continuous disclosures on the improvement of our sustainability initiatives as we believe in the long-term benefits it has on our business and the communities around us.

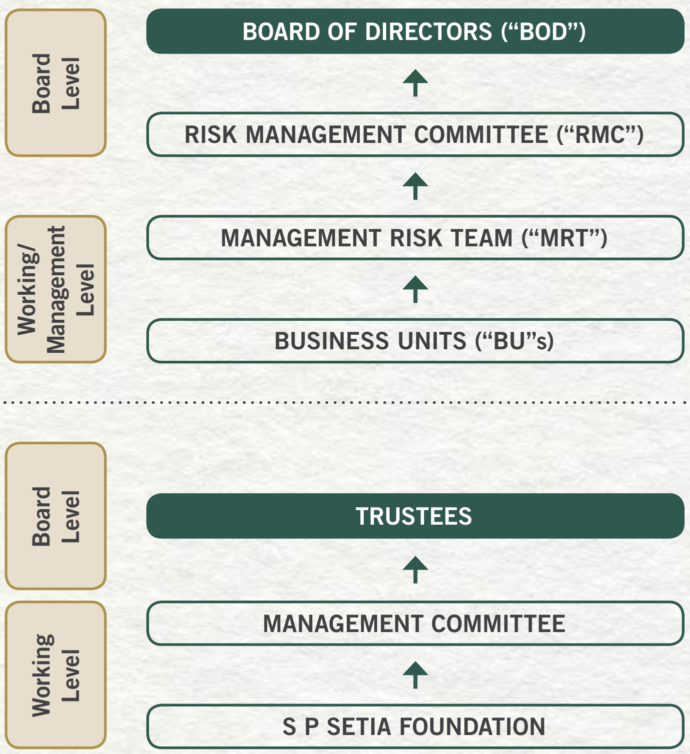
This statement has been prepared in accordance with paragraph 29, Part A of Appendix 9C of Bursa Malaysia's Main Market Listing Requirements ("Main LR") on Sustainability Statements in Annual Report.

We will work towards ensuring continuous disclosures on the **improvement** of our sustainability initiatives

OUR SUSTAINABILITY GOVERNANCE STRUCTURE

We uphold high standards of corporate governance throughout our operations as it forms a strong basis to safeguard shareholders' interests. We are responsive and transparent in our business practices as this demonstrates our accountability in ensuring long-term business growth. We also continue to stay current and adhered to various new regulations, best practices, policies and procedures in the places where we operate in.

S P Setia's sustainability management comes under the purview of our Management Risk Team ("MRT"), comprising members from the Group's Senior Management Team. Supported by our Business Units, the MRT ensures that the Group continues to make progress and improvements across its EES activities. In addition to operational risks, the MRT together with the respective Business Units also deliberate on matters relating to material economic, environmental and social risks as well as new opportunities on a quarterly basis. The MRT keeps the Board abreast on matter relating to these key risks identified.



For detailed disclosure on our risk management framework and practices, please refer to the Statement on Risk Management and Internal Control on page 115 of the 2017 Annual Report.

For detailed disclosure on our corporate governance framework and practices, please refer to the Corporate Governance Overview Statement on page 89 of the 2017 Annual Report.

Our efforts in driving sustainability is further supported by the S P Setia Foundation, which has been established since 2000 to spearhead company-wide initiatives that focus on educating and assisting the less fortunate. The Foundation is steered by the Management Committee comprising the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO") and Chief Financial Officer ("CFO"). The Board of Trustees determines the overall direction for the Foundation's activities and initiatives.

MATERIALITY

As a property developer with a dominant presence nationwide, we regularly engaged with our stakeholders to identify, review, and prioritise material issues that are relevant and significant to the Group and our stakeholders. We also took into consideration the challenging business landscape, local and global market trends as well as regulatory developments over the course of the year under review.

For 2017, eight issues/areas had been identified to be material, which fall within the three aspects of Economic, Environmental and Social, which will serve as guidance for the Group's future sustainability direction. The materiality significance of the sustainability issues was determined through a series of internal assessments and discussion:

- Quarterly MRT committee meetings;
- Discussions with the Senior Management Team;
- Interviews and dialogues / engagement sessions with our employees; and
- Regular meetings with the government and regulatory authorities to understand policy, rules and regulations changes and gain feedback.

On the ground level, we held community meetings with residents at our townships, including Team Setia members who live within these developments in an effort to collect data and feedback.

A Customer Satisfaction Survey was also carried out to identify areas for further improvement, ranging from general township issues to specific house designs, which would help in advancing our sustainability efforts whilst incorporating the necessary changes into the present and future master layout plans (where possible).

ASPECTS	MATERIAL SUSTAINABILITY ISSUES
ECONOMIC	• Commitment to Innovation
ENVIRONMENT	• Commitment to Green Development • Managing Biodiversity • Consumption of Resources • Health and Safety
SOCIAL	• Team Setia • Community Outreach • S P Setia Foundation

STAKEHOLDER ANALYSIS AND ENGAGEMENT

We are mindful that our business decisions touch the lives of people from all segments of society as we are in the business of building homes and designing living environments, while at the same time, expanding our footprint into new markets.

To help us gain insights, expectations and general feedback on every aspect of our operations, we engaged with our stakeholders through multifaceted platforms to help us improve on many fronts. Throughout the year under review, we had open discussions, dialogues and conversations where we engaged and listened attentively to their feedback as this will help us improve our economic, environmental and social performance. It will also provide an avenue for us to enhance our business processes and create products that are desirable.

STAKEHOLDER	KEY ENGAGEMENTS IN 2017	FREQUENCY
CUSTOMERS	• Customer Satisfaction Survey • Social media engagement and outreach	• Biannually • On-going
EMPLOYEES	• People Pulse Survey • CEO Dialogues • Key Improvement Ideas campaign	• Annually • Biannually • Annually
SHAREHOLDERS	• Annual General Meeting • Financial reports	• Annually • Quarterly
INVESTORS/ FUND PROVIDERS	• Analyst briefing • Regular meetings with fund analysts, fund managers, private equity firms and other investors	• Biannually • On-going
GOVERNMENT/ REGULATOR	• Regular meetings • Written communication	• On-going
LOCAL COMMUNITIES	• Periodic public engagement sessions • Community development programmes such as festive celebrations	• Ad-hoc • On-going
SUPPLIERS / CONTRACTORS	• CEO Dialogues with contractors and suppliers	• On-going
MEDIA	• Press releases • Regular updates and engagement	• On-going

ECONOMIC

COMMITMENT TO INNOVATION

Over the years, sustainability has become an increasingly important area for the Group. Recognising this, we have applied innovation and leveraged on technology to improve our sustainability performance, where possible. Our focus is simple – it is about leaving a positive legacy on the environment, community and the broader economy.

S P Setia continues to be at the forefront of the construction industry, with Setia Precast Sdn Bhd a wholly-owned subsidiary of S P Setia winning awards from CIDB Malaysia – The Malaysian Construction Industry Excellence Awards ("MCIEA") 2017 under the Industrialised Building System ("IBS") category. IBS relies on construction systems, which results in better utilisation of materials, better quality and workmanship as well as more labour efficient. It also contributes to project completion within the time frame and minimises construction waste whilst improving on the safety aspects at construction site. Our emphasis on using IBS in production and construction has resulted in efficient solutions for building affordable apartments. Setia Precast manufactures structural components that were used in their construction system such as precast columns, beams, walls and staircases just to name a few.

The new Integrated Rail Hub (LRT and KTM) in KL Eco City connects you to your chosen destination.

REDUCING OUR CARBON FOOTPRINT WITH ENGINEERED FLOORING

Eco-friendly and sustainable features within the home is beginning to rise. In line with our commitment to deliver sustainable quality products, and homeowners becoming more environmentally and socially responsible, S P Setia, via our wholly-owned subsidiary Setia-Wood Industries Sdn Bhd, began producing engineered solid wood flooring for our own development projects.

The engineered solid wood flooring has the characteristic of solid timber flooring, in terms of look and feel. This product consists of solid wood lamella glued onto timber laminates. Coupled with the use of technology, the classic, timeless appeal of solid timber flooring is now being produced in a sustainable manner.

Setia-Wood Industries Sdn Bhd has obtained certification from the Programme for the Endorsement of Forest Certification ("PEFC"), the world's largest forest certification system that ensures sustainable use of forest resources. We are currently in the midst of obtaining the Forest Stewardship Council ("FSC") certification as well.

The engineered solid wood flooring has the characteristic of **solid timber flooring**, in terms of look and feel.

PROPERTY DEVELOPMENT PROJECTS

In an industry that revolves around brick and mortar, S P Setia prides itself on being more than just a builder. For us, sustainability is a way of life. Hence, wherever we set our footprint, we strive to build quality homes, build strong bonds with our communities, create ecological features and sustainable living environments that provide long-term benefits to our residents and the surrounding communities.

At our township developments, sustainability is not just about living an eco-friendly lifestyle. It is about being socially and economically inclusive whereby our residents are able to connect with members of the community, engage in healthy, social interactions as well as having access to a wide range of amenities and facilities. Across all our townships, we have successfully combined all these elements.

Our townships have also adopted green technology to ensure energy efficiency and the use of renewable energy, where possible. To encourage community living, we have designed conveniently-located facilities such as the Setia City Mall, Setia City Convention Centre, Setia SPICE Convention Centre, recreational parks, schools and community centres that allow our residents and the larger community to interact and strengthen relationship bonds.

For detailed disclosure on our property development, please refer to the MD&A statement on page 16 of the 2017 Annual Report.

ENVIRONMENT

We have taken important strides in driving our sustainability efforts at our township development projects. S P Setia has put in place a comprehensive Environmental Management System ("EMS") which has received ISO14001:2004 certification. In 2017, we had obtained the Occupational Health and Safety Assessment Series, ("OHSAS") 18001:2017 certification to enhance our commitment in this area.

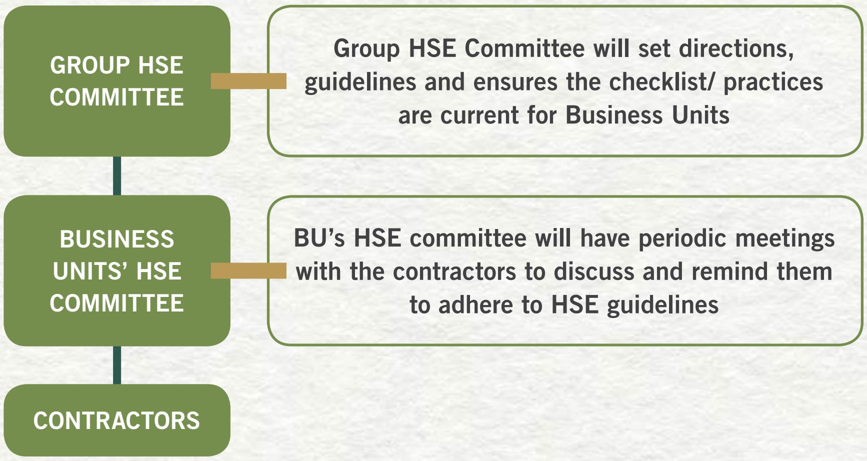
HEALTH AND SAFETY

Each Business Unit has its own Health, Safety and Environment ("HSE") committee to oversee HSE concerns at project sites. These Business Units' HSE committee come under the purview of the Group Safety Committee which is chaired by the Chief Operating Officer. In January 2017, our HSE Policy was updated to provide a more robust framework of all our operating procedures.

We also adhere to the stringent guidelines established by the Department of Environment ("DOE") in terms of planning and constructing any township development. In line with the approvals required from the DOE, the following steps are undertaken by the respective Business Units:

- Before the start of any development project that is more than 50 hectares, an Environmental Impact Assessment ("EIA") is conducted to evaluate the environmental impact of the proposed project.
- Together with a third-party consultant, an Environmental Management Plan is then designed to ensure that appropriate environmental management practices are adhered to during the construction phase. A monitoring programme has been put in place to ensure compliance with the requirements of the Environmental Quality Act 1974.
- Further to this, we also monitor the quality levels of the air, water and noise on a quarterly basis to ensure they are within permissible levels. To do this, special equipment are placed at strategic points within and around the parameter of the project site. Analysis on the samples are then conducted to ascertain the results.
- Aside from this, we also monitor traffic flow and waste management processes.
- An Emergency Response Plan at sites have also been established to manage fire, flood and chemical spillage.

We take our role in reducing our carbon footprint seriously and ensure these steps are carried out. Even for smaller projects that do not require DOE's EIA to be done, we have our internal checklist and standards in place to ensure all vital and necessary HSE matters and practices are implemented. Apart from the DOE's health, safety and environmental tracking and monitoring requirement, the Group had put in place our very own monitoring and tracking system – "Health, Safety and Environment Inspection" for our development projects which is reported in the monthly Senior Management Team Meeting.



Our HSE practices and procedures demonstrate that we care for the well-being of our employees as well as those that work at the project site. Our contractors are advised and encouraged to ensure safe, clean drinking water is provided to workers at the site. As such, our contractors have also installed water vending machines at various locations across the respective project sites. On-site toilets have also been equipped with septic tanks to prevent water pollution.

COMMITMENT TO SUSTAINABLE DEVELOPMENT

Our efforts to meet international benchmarks for green architecture and sustainable development have been acknowledged and are reflected in the various green awards that we have received over the years.

In fact, our Corporate HQ was the first corporate office in the integrated commercial hub of Setia Alam to be accorded green building (Platinum) status by the Green Building Index ("GBI") and GreenRE. These awards recognise our commitment and efforts in promoting sustainability in the property industry. In 2017, the Setia SPICE Convention Centre in Penang obtained the provisional GBI Certification while Eco Sanctuary in Singapore received the BCA Green Mark Platinum certification.

We have obtained the following certifications for the following property development projects:

Location	Project	Certification
Singapore	Eco Sanctuary	BCA Green Mark (Platinum) (obtained in 2017)
Property North	Setia SPICE Convention Centre	GBI Certified (Provisional) (obtained on 7 April 2017)
Bandar Setia Alam	Setia City Convention Centre	Green Building Index ("GBI") Certified
	Setia City Mall	Building and Construction Authority ("BCA") Green Mark Gold GBI Silver
Setia Eco Glades	Setia Villa – Phase A1 & A2 Setia Rimba – Phase B1 & B2 Setia Marina 2, Glade G2 Setia Marina 2, Glade G3	GBI Certified (Provisional)

Location	Project	Certification
KL Eco City	Retail Podium & Retail Hub	LEED for Core & Shell Gold Certification (Provisional) GBI Certified (Provisional)
	Strata Office Suites	LEED for Core & Shell Gold Certification
	Boutique Offices	LEED for Core & Shell Gold Certification (Provisional)
	ViiA Residences	GBI Certified (Provisional)
	Residential Tower 1	BCA Green Mark Gold Certification (Provisional) GBI Certified (Provisional)
	Office Tower 2 & 3	GBI Gold Certification (Provisional)
	Sales Gallery	GBI Gold Certification (Provisional)
Property North	Brook Residences	GBI Gold
	Setia Green	GBI Certified
	Setia Pinnacle	GBI Certified
Property South	Setia Eco Gardens – Eco Gallery	BCA Green Mark Gold
	Setia Sky 88 – Tower A, B & C	BCA Green Mark Certified (Provisional)

ECO SANCTUARY

In 2017, Eco Sanctuary was the first Singapore project to receive the Singapore Property Award 2017 under the Sustainable Development category from FIABCI Singapore. It also achieved the BCA Green Mark's Platinum Award for its eco-friendly designs and features.

Eco Sanctuary is essentially a nature-inspired luxury residential project which was designed to be sustainable and eco-friendly. Some of its key sustainable development features are as follows:

- Strategically located, this development is nestled within Singapore's greenbelt. Eco Sanctuary is situated adjacent to Zheng Hua Park and Cheng Hua Gardens, within walking distance of the Bukit Timah Nature Reserve (Central Catchment Nature Reserve) as well as the Dairy Farm Nature Park. The development's Butterfly Gate allows residents easy and exclusive access to Zheng Hua Park, in addition to its network of walking and biking trails that lead to the other parks and forest reserves.
- During the planning stage, an in-depth biodiversity study of the site and its surroundings was carried out to ensure that there was minimum impact towards the surrounding environment. Following this, the landscape was designed to enhance its biodiversity, one that was suitable for the local flora and fauna species found in the area.
- Eco Sanctuary boasts architectural uniqueness. The use of biomimicry architecture to create the striking honeycomb design of the façade resulted in not just an eye-catching building profile but also a solar-passive building.
- Advanced construction methods including precast construction for superstructure and advanced system formwork were used to allow us to build efficiently, safely and with minimal wastage.

Eco Sanctuary was the first Singapore project to receive the **Singapore Property Award 2017** under the Sustainable Development category from FIABCI Singapore.

Setia SPICE Convention Centre

SETIA SPICE CONVENTION CENTRE

The Setia SPICE Convention Centre is an integrated convention centre that is located at Bayan Lepas, Penang, the Pearl of the Orient. "SPICE" is an abbreviation for "Subterranean Penang International Convention and Exhibition Centre".

Setia SPICE Convention Centre comprises a 4,500 square metre pillarless ballroom that provides unobstructed views of the stage as well as accommodates up to 400 round banquet tables or 8,000 chairs theatre seating for conferences and exhibitions. The grand ballroom is truly a unique event space as it includes a modern retractable partition system to ensure space flexibility and at the same time, allows the ballroom to be divided into four smaller halls.

Some of its features include:

- A rainwater harvesting system that reduces the total potable water consumption and water efficient fittings being used;
- Ample of green vehicle parking bays (63 bays);
- Largest special-needs children playground on the rooftop garden;
- Largest rooftop garden with urban spice garden and bamboo garden; and
- First convention centre to implement ISO 22000:2005 (Food Safety Management).

In 2017, Setia SPICE Convention Centre was listed in the Malaysia Book of Record for the following:

- First hybrid solar powered convention centre with renewable resources of more than 500kw;
- Largest rooftop recreational park with a total size of 30,521m²; and
- Largest subterranean pillar-less ballroom.

As Setia SPICE is an integrated convention centre, it has its own sports facility, namely the Setia SPICE Aquatic Centre. It contains a wide variety of sports amenities, including an Olympic-sized swimming pool, a diving pool, a water theme park for children, badminton courts and squash courts.

Also within Setia SPICE is the Setia SPICE Arena, once known as PISA (Penang International Sports Arena). After undergoing major renovations, Setia SPICE Arena now has a wide range of state-of-the-art facilities including a multi-purpose indoor arena that comes completed with 33,000 square feet of uninterrupted space, surrounded by 10,000 terrace seats capable of holding a range of events for large crowds.

MANAGING BIODIVERSITY

Save the Tree

As a property developer, we recognise that some of our activities involve the clearing of natural flora and fauna in preparation for construction and development. In our efforts to mitigate our impact on the environment, we had initiated several projects to preserve biodiversity and educate the public on the importance of nature conservation. Our aim is to create a sustainable ecosystem and protect the natural beauty while providing the community with a wholesome and serene environment.

We aim to save and re-locate as many trees as possible when developing our project sites. We have identified and re-located numerous existing mature trees from a wide range of tree species at our eco-themed development projects. Special machinery such as the "Big John Tree Transplanter" was used to do the transplanting works.

In 2017, 2 Ficus religiosa trees also known as "*Bodhi tree*" were transplanted from the former residential quarters at Abaco Estate to South Creek at Setia EcoHill 2. These trees are huge, with measurement up to 1.8 meters in trunk diameter.

It takes 8 adult men to encircle this 1.8m in trunk diameter 70-year-old Bodhi Tree.

Cultivation of fruit trees

We have planted a wide range of fruit trees that provide food and habitat for birds and other fauna in our eco-themed development projects to encourage their return and to ensure the existing eco-systems are maintained, in consultation with Cyber Plant Conservation ("CPCNet") – a community programme dedicated to keeping Malaysia's rare and diverse fruit tree species for future generations.

Preserving resident birds

In collaboration with the Malaysian Nature Society, 72 species of birds were identified in the wetlands habitat. Fruit-bearing trees were planted to attract birds, and this has proven to be successful with birds having been spotted returning to Setia Eco Glades. A similar project was executed at Setia Eco Park in collaboration with the KL Bird Park.

Preserving resident aqua-life

In consultation with the Malaysian Zoological Society, 27 species of freshwater fish were identified at the wetlands of Setia Eco Glades. Following the recommendations of the society, the fish were hand-gathered during the earthwork stage of construction and released into an on-site pond. Similar work was conducted at Setia Eco Park with the Fisheries Department. The presence of local fish has encouraged birds to nest in the area.

Protecting butterflies

In Singapore, a specialist was engaged to conduct a study and provide conservation advice during the planning stage of the Eco Sanctuary. This study had enabled the wildlife consultant to assist in ensuring the protection and conservation of biodiversity during the development phase, which resulted in an enhanced and strengthened ecosystem. More butterflies and dragonflies (in addition to birds and squirrels) are sighted much to the delight of the residents of Eco Sanctuary.

The Penang Butterfly Farm carried out a site survey on resident species of butterflies at Setia Eco Glades. Nectar plants were cultivated at landscape gardens to provide a food source for the butterfly population that were relocated to the site with the help of the Penang Butterfly Farm. A breeding environment for butterflies has also been created at Setia Eco Park.

CONSUMPTION OF RESOURCES: TRACKING OUR ENVIRONMENTAL IMPACT

We are committed to reducing our consumption of water and electricity. Recognising that we could not work in isolation but required a whole-of-organisation approach, we promoted environmental awareness among our employees through various initiatives and encouraged Team Setia to adopt environmentally-friendly working methods.

We began tracking our water and electricity consumption in 2016 and in 2017, this was extended to our Southern and Northern region, known as Property South, Welcome Centre and Property North, Welcome Centre.

Electricity and Water Consumption

Location	Year	Electricity consumption (kilowatt hour, kWh)	Water consumption (cubic meter, m^3)
S P Setia Corporate Headquarter	2016	2,007,224	21,764
	2017	2,010,358	22,249

The consumption of electricity and water in 2017 had increased compared to 2016, mainly due to the increase in the space occupancy which was previously vacant at S P Setia Corporate HQ. In addition, we had organised several activities to promote our new projects launches and more staff activities were held such as departmental gatherings during festive seasons, annual dinner performance practices including additional training programmes were held for staff in the building.

Location	Electricity consumption for 2017 (kilowatt hour, kWh)	Water consumption for 2017 (cubic meter, m^3)
Property South (Welcome Centre)	1,080,450	12,336
Property North (Welcome Centre)	775,305	2,644

SOCIAL

TEAM SETIA: WORKPLACE

S P Setia prides itself on being a nurturing organisation that provides career development opportunities as well as competitive benefits to our dedicated staff, Team Setia. S P Setia is a place where talents are groomed and achievements credited to the team. To achieve our goal of consistently meeting our customers' needs by providing exceptional customer service and product quality, we instill a culture of excellence by promoting a commitment to quality, teamwork and professionalism among our employees.

In line with our **livelearnworkplay** philosophy, S P Setia has instituted initiatives that encourage staff to lead a balanced lifestyle. The Group had once again emerged as the Aon Best Employers-Malaysia 2017 winner.

On 1 December 2017, we completed the acquisition of I & P Group Sdn. Berhad whereby employees from I & P Group became part of Team Setia. To help them through the integration process, we conducted regular engagement sessions, training programmes, roadshows and even town hall meetings.

EMPLOYEE ENGAGEMENT

We take pride in our continuous investment in Team Setia, without whom we would not be able to generate our outstanding products. Employee engagement is of utmost importance to us, and we use multiple approaches to engage with our staff to address the different developmental needs of our multigenerational workforce.

Every year, we conduct our People Pulse Survey to have a better understanding on their needs. Driven to succeed, we continuously benchmark ourselves against other leading organisations.

We often invite leaders from different industries to share their experiences and best practices. In 2017, we conducted two CEO Dialogue sessions at all locations and it provided our employees with a good platform to interact with the Senior Management Team.

We place a high level of importance on human resource planning and development for succession planning purposes. Our management succession plan, approved by the Board, ensures the smooth transition of new management personnel to secure the continued success of the Group.

Every year, we conduct our **People Pulse Survey** to have a better understanding on their needs.

TALENT ACQUISITION

For us to continue to maintain our leadership position, it is important that we have a high-performing talent base. To attract the best talent, we have put in place a wide range of talent acquisition strategies, ranging from digital platforms to campus career fairs. We also collaborated with institutions of higher learning and participated in career fairs where we held career talks to help students gain a better understanding of working life. We have also sourced for talent via the social media platform such as LinkedIn, networking groups, advertisements, job postings on the Setia website as well as job portals such as Jobstreet.

We also have in place an Employee Referral programme where incentives were given to those who refer successful individuals to the organisation. Other platforms used include Executive Search Firms, attending events/seminars and also networking events with relevant professionals.

CAREER TALKS AND CAREER FAIRS

Cognisant of the need to increase awareness of career opportunities at S P Setia and enhance our brand name, we conducted career talks at institutions of higher education as well as careers fairs. These sessions provided us with an opportunity to meet new talent who have the potential to be part of Team Setia while for students, it was sharing with them new career platforms they could tap on upon graduation.

Throughout 2017, we took part in 15 events, such as the Malaysia Career & Training Fair (MCTF) organised by Jobstreet, Graduan Aspire Career & Postgraduate organised by Biz Connexion, Awesome Career Fair by WOBB, Penang Career & Postgraduate Expo organised by PenExpo, myStarjob.com Fair by the Star Media Group, and M100 Leading Graduate Employers Career Fair organised by GTI Media.

INTERNSHIPS

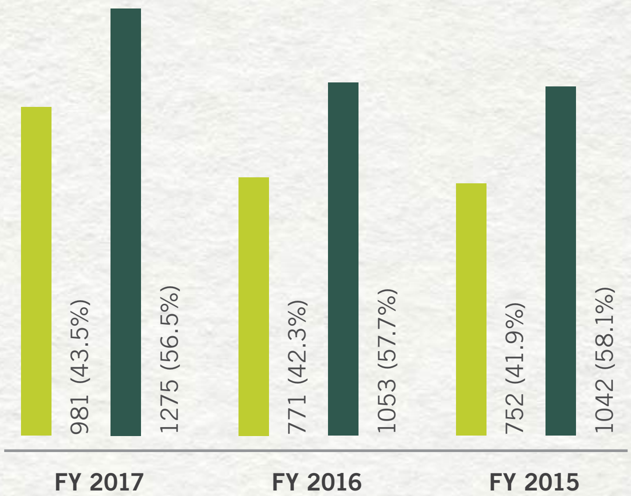
Apart from talks to students on career opportunities, we also allowed them to experience working life at S P Setia via internships. In 2017, we accepted 50 interns who were provided with a mentor who helped them gain insightful experiences in building professional careers. It also provided us with the opportunity to identify and foster new talent for our organisation. They were evaluated based on their performance while identified talents were recommended for future hiring needs.

DIVERSITY AND EQUAL OPPORTUNITY

At S P Setia, we value diversity of thought and experience as this serves to make S P Setia stronger. We have always aspired to create an inclusive and inspiring workplace that fosters diversity and appreciate the differences in our values as we support the participation of all employees.

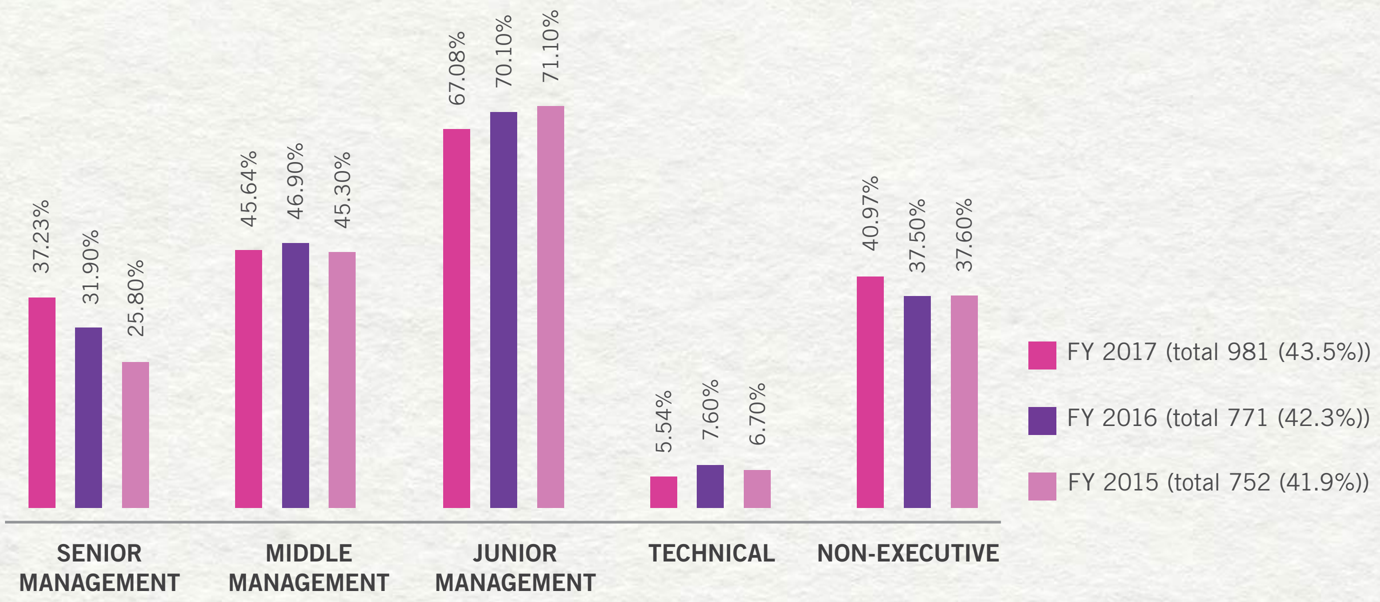
In terms of gender equality, we strive to achieve balanced representation of men and women at all levels of the organisation. We believe that everyone should have access to the same rewards and opportunities. As at 31 December 2017, 43.5% of our employees were women.

Our workplaces have also been equipped to cater to a diverse employee base. For example, all employees at Setia Corporate HQ are provided amenities such as a nursing room, designated parking lots for expectant mothers, a fully equipped gym and a learning centre.



EMPLOYEE BREAKDOWN BY GENDER

Female Male



WOMEN IN EMPLOYMENT (%)

WOMEN OF INSPIRATION (WIN)

As part of our Diversity and Inclusion initiative, we recognise the unique strengths of each individual and we embrace these capabilities to deliver high performance. Given Malaysia's rich heritage with many of its people coming from multicultural backgrounds, we accept and respect these individuals, no matter their age, gender and ethnicity. We believe in maximising on the richness of our diverse employee base as this is what makes Team Setia unique and strong.

In this regard, we continued to recognise the contributions from the outstanding women who work at S P Setia. In March 2017, we introduced Women of Inspiration @ Setia ("WIN"), a programme that is focused on empowering and developing a strong talent pipeline amongst women, supported by the right working environment.

The programme is backed by our very own CEO, Dato' Khor Chap Jen; chaired by the COO, Datuk Wong Tuck Wai while the appointed Advisor is Dato' Zuraidah Binti Atan, a member of our Board. The overall programme is led by our Chief Human Resources Officer, Nadiah Tan Abdullah.

At national level, Setia continues to champion the woman agenda in support of our national aspiration of increasing women participation at board level through the involvement of our Board members; Dato' Zuraidah Binti Atan, Dato' Azmi Bin Mohd Ali, and Mr Philip Tan Puay Koon in the "Mentoring Programme" for board-ready mentees with the 30% Club Malaysia.

The focus areas of "**WIN**" is to:

- **REALISE** the potential of every female talent through our development initiatives, based on the strong values set forth in our Employer Value Proposition ("EVP"). As we experience further growth, we need to attract the best talent in the market.
- **RETAIN** our female talent pool within the Setia group by providing the right working environment which will support both their career aspirations and personal growth.
- **RAISE** the bar by accelerating the female representation in middle and senior management positions.

Activities initiated under "WIN" were carried out by the appointed Diversity Advocates ("DiVa"). DiVa, is based on the diverse representation of females in our workforce, taking into consideration their tenure in the company, corporate seniority, age, race, personality, passion for women's rights and leadership.

In 2017, the ladies in S P Setia were given a stalk of rose each as a token of appreciation to celebrate International Women's day. Focus groups were also conducted to ascertain the challenges faced by them and to discuss their wish list. These will then be reviewed after which, efforts have been carried out to address their concerns.

Female employees at the launching of WIN

BOOSTING TEAMWORK

At S P Setia, we are focused on Team Setia. We understand that our employees spend a large portion of their time at work. Recognising this, we made efforts to reshape our workplace for the benefit of our employees and attract new talent, especially those from the millennial generation.

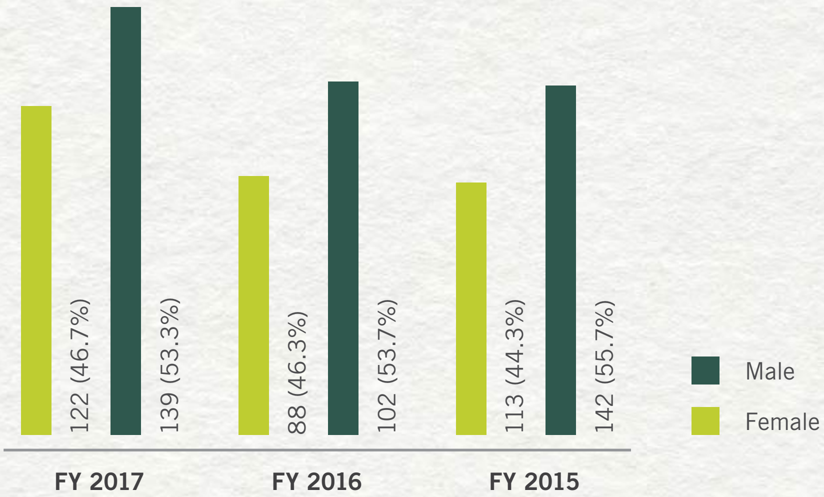
We re-designed our HQ office lobby into a colourful "network hub" where employees can gather for functions and activities. Incorporating the features found at our townships developments, the design assimilated the mangrove area into our building concept while the colourful stools represented pebbles by the river. An auditorium stand was also built to replicate the culture of "tech-talks", a platform to encourage employees to share knowledge, experiences or even personal stories. These efforts to create an inclusive workplace has been well-received, especially with our employees from Generation Y.

In 2012, we started the Good Morning Setia ("GMS") programme that functions as a team communication platform to embed the Setia Vision, Values and Three Steps of Service on a daily basis. Designed to inspire and reinforce our work culture based on S P Setia's corporate values, it is also used to share industry updates, Setia's progress and other news with all employees.

In order to boost teamwork across all departments and levels, we set up the Setia Sports Recreation Club ("SSRC") which provided an avenue for our staff to participate in outdoor, recreational and sports activities. The SSRC essentially acts as an avenue to strengthen team spirit, promote work-life balance and also energise employees with a wide range of interesting events. Some of the main events held in 2017 were:

- Inter-division badminton tournament;
- Inter-division futsal tournament;
- Go-kart challenge;
- Paintball; and
- Recreational white-water rafting.

NEW HIRES BY GENDER



New Hire by Region	FY2017	FY2016	FY2015
Central	167	155	208
North	46	10	15
South	21	15	13
East	8	6	11
International	19	4	8
Total	**261**	**190**	**255**

True to our belief that "health is wealth", we introduced a more robust Health Campaign in 2017 that addresses health in a more holistic manner. In short, instead of just taking the usual approach of health and fitness, we broadened our efforts to include activities that promoted a healthy body, mind and soul. Known as the Wellness Campaign, the theme for 2017 was "Setia in2 Happiness". Activities under the Campaign included:

- Thank You board that was decorated by each Business Unit;
- Thank You badge – (saying thank you in different languages everyday);
- "Happy Banana" exchange in return for gratitude/appreciation of your colleagues;
- Journaling our happy/positive experiences via #hashtags a.k.a social media;
- Eat healthy – *Dahmakan delivery*;
- Ice cream day – to reminisce childhood days with your colleagues;
- Hiking;
- Sports – Body combat, dance, yoga;
- Therapeutic music every Wednesday between 12 noon and 2.30pm;
- Make your own plant; and
- Visits to orphanages;

Excited staff in their theme costume at the annual dinner

Given the diversity of our people, festive gatherings, family days as well as sports and team building activities have continuously been organised, with the annual dinner being the highlight of the year. This has become a part of our culture.

In 2017, we organised our annual Chinese New Year celebrations and Hari Raya luncheon to embrace the diversity of Team Setia. Meanwhile, the 2017 Setia Family Day was held at Setia City Convention Centre 2 where our employees and their family members participated in exciting tele-matches, fun games, sports and team-building activities.

Staff at the Chinese New Year luncheon trying their luck on the spinning wheel

Annual dinner - Setia in Concert 2017

EMPLOYEE TRAINING

Employee development continues to be a high priority for us. The Group invests about 2% of its salary budget on employee training, developing specialised, bespoke programmes that equip our employees with the knowledge and skills to meet customers' changing demands.

Activities conducted during a training session with employees

Team Setia is continuously encouraged to attend these training sessions, ranging from soft skills and role-specific training to technical skills and leadership development, as part of their Key Performance Indicators ("KPIs"). Our employees have also been given the flexibility to select the programmes they wish to attend after discussion with their supervisor and in accordance with their career development plan.

As we have increased our presence in the international marketplace, we recognise that our employees need to be well-equipped and must be at par with those from abroad. As such, competency-based training programmes have been introduced to allow our employees to gain a better foothold in the global space, gain perspectives on leadership skills and strategic thinking as these would benefit them in their personal and professional lives.

ONBOARDING PROGRAMME

We have a wide range of products, backed with various stringent procedures and policies at S P Setia. For new employees, to be able to understand all of it in short time frame would be challenging.

To help new employees, we established a two-day onboarding programme and a one-day site tour to help them familiarise themselves with our award-winning developments as well as to gain a better understanding of our culture and values. The two-day programme covers company history, branding, products and staff benefits. A month later, they are required to begin the second part of the onboarding programme which entails a site tour to our award-winning projects. The programme is also complemented with an e-learning module covering Product Training, Code of Conduct and Standard Operating Procedures ("SOPs").

Morning Party to welcome new employees during their onboarding programme

IN-HOUSE TRAINING PROGRAMME

In order to sustain our leadership position, we need a team that is constantly in-the-know and aware of the latest trends. Recognising the need to amplify our learning and development programmes, we also have introduced in-house training programmes that help our employees develop the necessary competencies for their personal and professional development.

These competency-based training programmes are divided into different levels with specialised content as each programme is tailored to specific objectives. They cover areas such as soft skills, technical skills, English-language proficiency, information technology and finance.

TECHNICAL TEA TALK

Technical Tea Talk is a learning initiative designed to enhance the technical knowledge of our project team in various areas related to property construction work. Conducted on the last Friday of every month, internal as well as external experts are invited to share their experience and knowledge on a specific area.

In 2017, a total of seven Tea Talks were held, focusing on topics such as Dampness: Causes and Prevention; Floor Cracks: Causes and Prevention; Basic Uniform Building By-Laws ("UBBL"); and Precast Design Approach.

The PeopleXCELLENCE training session is conducted in a relaxed setting

STUDY TOURS

Aside from the usual training programmes, study tours were carried out to expose our people to various development concepts, techniques and methodologies that are currently used in other countries, thereby enhancing their technical knowledge and capabilities. In 2017, study tours to Nanning, Berlin and Milan were organised.

TALENT AND LEADERSHIP DEVELOPMENT

In 2017, the PeopleXCELLENCE Series a programme that helps new managers transition to a managerial career, was introduced. Taking on an employee life-cycle approach, individuals were exposed to programmes that encourage mind-set change, new skills and effective team leadership skills, thus helping new managers build a solid foundation in people management capabilities. The framework of this programme is based on building self-awareness, hiring, development, performance management and career progression.

A group of 28 managers were chosen to attend this program with a total of 10 modules over 120 days of their development journey. In 2017, a total of 230 staff were promoted.

EXECUTIVE EDUCATION

Executive education is a senior leaders' development initiative which ensures our senior leaders are always business savvy, broad minded and up to date with business trends. In 2017, two senior leaders attended executive education at the London Business School while four other senior leaders went to the Global Institute of Leadership Development Asia (GILD) held in Singapore.

EMPLOYEE BENEFITS

Our employees, Team Setia, are our most important asset. We strive to promote a culture of integrity and mutual trust in the workplace. We continuously encourage Team Setia to perform to the best of their ability and we reward them accordingly. Our Total Reward strategy uses a multi-pronged approach, ensuring a good balance between immediate and long-term rewards. The Group has several initiatives in place to support the employees in different stages of their lives, including allotments of affordable apartments in Setia Alam.

COMMUNITY OUTREACH

Citizen Setia

We have had a strong track record in creating township developments that have been chosen by people as a place where they want to live, play and spend their leisure time. Our ability to transform our townships into thriving communities that meet the aspirations of our residents and the communities in the surrounding area has enabled S P Setia to sustain our leadership position in the industry.

We have in place an appreciation programme known as Citizen Setia that recognises and acknowledges our valued and loyal purchasers. Carefully crafted to differentiate ourselves and strengthen our brand identity amongst Setia property purchasers, all purchasers are automatically accorded Citizen Setia status, where they can enjoy a range of specially curated privileges and various lifestyle experiences.

During the year under review, Citizen Setia's range of activities included "The Wonderful World of Disney on Ice", where new purchasers were given complimentary tickets to watch this show 'live'. In addition to this, the Citizen Setia Facebook Contest was held where other members of Citizen Setia also stood the chance to win tickets to the show. Citizen Setia also offered its Facebook fans a special 15% discount when they purchased the tickets online.

Members of Citizen Setia were also further rewarded with free movie screenings at selected cinemas in the Klang Valley, Johor, Penang and Kota Kinabalu. The younger children enjoyed the cartoon movie Cars 3, while the adults enjoyed the screening of Transformers: The Last Knight and Kingsman: The Golden Circle.

In line with our commitment towards creating sustainable environments, members of Citizen Setia were also encouraged to integrate sustainability into their daily lives. One of our initiatives included the installation of electric vehicle charging stations within S P Setia developments. A total of 14 electric vehicle charging stations were strategically installed at Setia City Mall (two charging stations), Setia City Convention Centre 1 and 2 (two charging stations), one charging station at S P Setia Coporate HQ, Setia Alam Welcome Centre, Setia Eco Glades Lifestyle Gallery, Setia Eco Park Lifestyle Hub, Eco Templer Lifestyle Gallery, EcoHill Welcome Centre, Setia TRIO Sales Gallery, Setia Seraya Putrajaya, Setia Tropika Welcome Centre, Johor Bahru, and Setia Welcome Centre, Penang. This allowed Citizen Setia to charge their electric vehicle at their convenience. The charging stations installed are equipped with type 3.7kW and 22kW AC charger, depending on locations.

We also introduced the Earthlings Project, another initiative aimed at encouraging members of Citizen Setia to "go green", in line with the Group's core value of cultivating sustainability to enrich lives and communities. Through these projects, members were taught how to make a "vertical plastic-bottle garden", an innovative way of growing edible plants by upcycling plastic bottles that are readily available.

Citizen Setia were taught an innovative way of growing edible plants at the Earthlings Project

In addition, close to 2,000 members of the Citizen Setia communities came together to attend the numerous educational Re-Love Workshops which saw many perfecting the craft of building their very own toolboxes made of used wood and OSB chipboards (compressed wood flakes) as well as assembling multi-purpose hooks upcycled from discarded utensils including metal forks and spoons. Other workshops held included the basics of edible gardening reusing food tin cans that have been clean-sprayed to look new as 'planters' as well as using discarded PVC banners, felt and clothes to make purses, bags and carriers.

Given the overwhelming response received, we believe that the Earthlings Project managed to cultivate and strengthen bonds not only between families but also with the other communities of Citizen Setia on a larger scale.

With so much attention now given to increasing environmental and health awareness, we introduced the "dockless" bike-sharing service, Mobike, in Setia Alam and Setia Eco Park. Launched in September 2017, it is aimed at motivating dwellers to use bikes instead of cars, at least for short-distance travel to offices, schools, shopping areas, parks and green pockets within Setia Alam and Setia Eco Park. Mobike supports the eco concept of the S P Setia townships, which is essentially focused on reducing our carbon footprint, improve convenience whilst instilling the love of cycling within the community. These Mobikes are placed at strategic locations within Setia Alam and Setia Eco Park for Citizen Setia to easily access.

Launching of Mobike

We also celebrated the Mid-Autumn Festival celebration at our townships across the country. Themed "Magical Reunion", throngs of people attended the events and took part in various activities held throughout the celebration. Exciting activities include the art of making traditional lanterns as well as paintings of colourful paper umbrellas for young children were held while adults reminisced their childhood pastime activities at the nostalgic games booth featuring games of yesteryears. Citizen Setia were also treated to mooncakes during the month-long celebrations.

Mid-Autumn Festival Celebration

The highlight of the year for Citizen Setia was definitely the live performance of international artist and multiple Grammy Award winner, Ed Sheeran in Kuala Lumpur on 14 November 2017. Everyone who attended the concert had a wonderful time and went home with fond memories. Many concert-goers also flocked the S P Setia interactive photo booth at the venue to get their pictures taken as keepsakes.

Citizen Setia at the S P Setia interactive booth at the Ed Sheeran concert

S P Setia Foundation

We strive to connect communities and create sustainable environments that does not only enrich lives, but also a lasting legacy. Through the S P Setia Foundation, S P Setia focuses its social efforts in the area of educating and aiding the less fortunate.

A group photo at the UNITY Sports Day held at Setia SPICE Convention Centre

Setia Caring School Programme

In an effort to help children receive a holistic education, the S P Setia Foundation launched the Setia Caring School Programme ("SCSP") in April 2015. Aimed at nurturing a more empathetic, morally-grounded society rooted in the core idea of nurturing a "caring society", the S P Setia Foundation adopts underperforming schools to cultivate future leaders who are not only academically successful, but also grounded in positive moral values and ethics, with empathy for all in a multi-cultural community. Starting with only three schools in the Klang Valley, we have since extended this programme to schools in Johor and Penang. To date, the Foundation has adopted nine schools nationwide.

In 2017, we sponsored 100 "The Wonderful World of Disney on Ice 2017" tickets for Setia Foundation's Caring Schools students in Johor and Selangor as a reward for the teachers and students who have sacrificed their time and energy towards the success of SCSP since 2015. The schools from these two states were chosen due to the excellent support given to date to all the programmes carried out under the Programme. 80 students from the Johor Setia Caring Schools together with 20 students from the Selangor Caring Schools attended the show accompanied by teachers and parents. In addition to that, some underprivileged students were also identified to be the lucky ones to receive these tickets in lieu of our philosophy of giving an equal chance to every student regardless of their background.

The Wonderful World of Disney on Ice 2017

School children being taught about planting and how to set up a green ranger garden in their schools

S P Setia Foundation Chairman, Tan Sri Dato' Seri Dr. Wan Mohd Zahid Mohd Noordin recording a briefing session at the UNITY Sports Day

United in their course to stand together for National Kindness Week

#StandTogether

Guided by our ethos of inculcating a 'caring society', S P Setia under the banner of SCSP, the Star Media Group and various other prominent personalities joined forces and launched #StandTogether, a nationwide campaign calling for the first week of April to be designated as an annual National Kindness Week. This campaign was aimed at addressing the issue of violence in schools, encourage kind acts amongst students and ensure schools remain as a safe haven for all school-going children.

The campaign was launched by Her Royal Highness Tengku Datin Paduka Setia Zatashah Sultan Sharafuddin Idris Shah at the Setia International Centre, where celebrities including actress, Lisa Surihani, film maker, JinnyBoy, Youtube sensation, Jenn Chia, local band, Paperplane Pursuit and Youtube content creator, Arwind Kumar also pledged their support for the campaign.

The Setia Caring School Programme is divided into different Caring areas:

Caring Areas	Caring for Family	Caring for Friends	Caring for School
Objective	Inculcating a caring culture towards family members	Inculcating a caring culture between friends	Inculcating a caring culture towards education, teachers and school facilities
Highlights for 2017	Parents play vital role in the development of children. A workshop allowing parents to understand the importance of cultivating interest in a student's learning and development was conducted. It was aimed at educating and encouraging parents to support students interest.	With the aim of introducing and exposing students to cultural diversity and learning how to interact amongst students of different background, field trips to Ipoh, Melaka and Kuala Lumpur were organised for deserving students from Standard Three to Six, who demonstrated good attitude throughout other programmes or in school in the past years. The first Unity Sports Day was also organised, breaking away from the tradition. Instead of competing against schools, groups were formed with students from three different schools as they had to learn to work together to complete the tasks and activities. Catering to the different needs of our students, The Inclusive Arts Programme ("TICA") was introduced for students with learning disabilities. These students were given a six-month hand-eye coordination workshop to help them understand movements better. This programme also exposed them to day-to-day living scenarios. SCSP also organised a joint graduation ceremony for Year Six students. This graduation ceremony would be one of the last time all these students from different schools gathered together under the SCSP banner. This was done to remind these students that learning can be fun and creative, and that they will bring this piece of memory with them to the next phase of their education. The first ever SCSP Children's Day celebration for students in Penang was organised to unite students from all three races as part of the bigger celebration. As part of our strategy to continue to nurture the values of compassion and caring, Wira Chef was held in all our schools in three states. It enabled students from low-performing classes to interact with other students and professional adults while participating in cooking activities.	

Caring Areas	Caring for Society	Caring for Environment and Nature	SCSP Academics
Objective	Encourage students to be caring and compassionate towards their community	Increase awareness on protecting the environment	Providing learning opportunities for underprivileged students to improve their academics
Highlights for 2017	A reunion for the Caring Agents from the Caring Agents Programme was organised; a 'Ted-talk' themed get-together was held and NGO leaders were invited to share on the importance of giving back to the community. The schools celebrated local festivals with the communities. Students visited different old folks home in conjunction with the three main celebrations (Chinese New Year, Hari Raya & Deepavali) in Malaysia. In collaboration with Citizen Setia, underprivileged children were treated to a musical show, The Wonderful World of Disney on Ice 2017. Utilising the facilities at the Setia SPICE Aquatic Centre, students with learning disabilities were exposed to aqua therapy techniques as a new intervention method in their development.	Three of our adopted schools in Johor cultivated green habits through a six-month programme with Feed Our Loved Ones ("FOLO"). Participants were taught about planting and even how to set up a green ranger garden in their schools. We also supported an educational field trip to the FOLO farm as well as a two-day farming course for students on nature conservation and sustainability in Johor.	Creative Wizard was engaged to provide mathematics tuition for low performance students. The programme was aimed at enhancing their understanding and increasing their ability to solve mathematical questions, using a different method which is based on fun games and magic. A workshop for Penang teachers was organised. Here, alongside their trainer, teachers were taught storytelling techniques which aimed at exposing them to a new method of teaching subjects such as history and language. The students in Johor were exposed to drama techniques with the intention of boosting their confidence in speaking English. English tuition was also provided to low performance students by Cikgu Normah Nordin, a veteran in drama classes in Malaysia.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

“Strong governance is prerequisite for ensuring sustainable corporate performance as it allows the Group to not only balance our economic and social responsibilities but also, keeps us aligned with stakeholders’ expectations.”

Tan Sri Dato’ Seri Dr. Wan Mohd Zahid Bin Mohd Noordin
Chairman

LEADERSHIP

We adopt a collective approach to challenge strategy, performance and accountability to warrant that every decision made is in the best interests of the Company and the shareholders.

Read more about the Board’s leadership page 91

EFFECTIVENESS

We continually evaluate the mix of skills and experience of the Board to ensure that we have the right people in place, and from time to time, to put them through their paces by making them to undergo the right induction programme to enhance their leadership capability.

Read more about the Board’s effectiveness page 91

ACCOUNTABILITY

All decisions are discussed in the context of the risks involved, with a robust and dynamic process in place.

Read more about the Board’s accountability page 98

REMUNERATION

Our remuneration policy aims to attract, retain and motivate the right caliber people to drive the performance of the business. We aim to implement this policy in a transparent manner.

COMPLIANCE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance (“MCCG”) is the standard that promotes good corporate governance practices in Malaysia and Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”) require listed companies to disclose their applications of the Principles set out in the MCCG.

The Company has generally applied the Principles of the MCCG throughout the financial year ended 31 December 2017 (“FY2017”).

LEADERSHIP

The Board is collectively responsible for setting and upholding high standards of corporate governance including the way in which the Group conducts its business, its approach with regard to ethical matters, and the definition of acceptable risk in delivering the Group's strategy and value creation for its shareholders. It is committed to providing effective leadership by ensuring that those governance principles are adhered to throughout the Group, supported by an effective framework of systems and controls which define clearly delegations of authority and accountabilities.

As Chairman, it is my role to ensure that the executive leadership and the Board are able to discharge their responsibilities effectively. At the same time, I have responsibility to ensure that a robust succession plan is in place to anticipate all eventualities that may arise.

Each of the Directors brings skills and experiences which assist immensely to enhance the quality of debate in the boardroom and this healthy interchange also helps to put board as well as management through their paces which eventually leads to a productive outcome. The Directors believe that the Board provides effective leadership necessary to steer the Group in a challenging market environment and towards realising the long term objectives of the Group. Profile of the Directors are set out on pages 38 to 47 of this Annual Report.

“Present a fair, balanced and understandable assessment of the Group.”

DIVERSITY

We believe that diversity and inclusion are key components of our talent management and development programmes. Appointment to the Board is based on merit in order to ensure that the composition of the board is robust and meets the needs of the Group from time to time. In this regard, it is with pride that I draw attention to the fact that our Board comprised 30% women Directors during FY2017.

ACCOUNTABILITY

We continue to ensure that the Board presents a fair, balanced and understandable assessment of the Group's financial position and its prospects. We are committed to keeping under review the matters reserved for the Board and Board Committees. The Board Charter and Terms of Reference of its Board Committees can be found on the website.

RELATIONSHIP WITH STAKEHOLDERS

Our investor relations programme is of critical importance to the Board. The Board routinely receives reports from the investor relations team and analysts, together with feedback from any meetings which the Directors have with institutional investors. We recognise that the General meetings are an important opportunity for private investors to engage with the Board. All resolutions will, however, be put to e-polling rather than a show of hands to ensure that shareholders who are not able to attend the meeting have their votes fully taken into account.

Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin
Chairman

BOARD LEADERSHIP AND EFFECTIVENESS

BOARD

AUDIT COMMITTEE

Monitors and reviews the integrity of the financial statements, the relationship with the external auditors, and the Group's system of internal controls.

NOMINATION AND REMUNERATION COMMITTEE

Reviews the composition and balance of the Board to ensure the right structure and skills are in place to deliver the strategy. And, reviews overall remuneration policy, strategy and implementation.

RISK MANAGEMENT COMMITTEE

Reviews the effectiveness of Group's risk management framework to identify, assess, manage and monitor risks.

EXECUTIVE COMMITTEE

Oversees of implementation of management decision as well as approval of contracts based on approved limits of authority.

PRESIDENT / CHIEF EXECUTIVE OFFICER

LEADS THE BUSINESS AND IS RESPONSIBLE FOR ITS DAY-TO-DAY MANAGEMENT

The roles of the Chairman and the President/Chief Executive Officer are held by different individuals. Summary of the roles of the Chairman, the President/Chief Executive Officer, the Senior Independent Director and Non-Executive Directors are as follows:

CHAIRMAN

- Conducting meetings of the Board and shareholders and ensuring all Directors are properly briefed during Board discussions.
- Facilitator at meetings of the Board and ensure that no Board member, whether executive or non-executive, dominates the discussion, and that healthy debate takes place.

PRESIDENT / CHIEF EXECUTIVE OFFICER

- Responsible for the overall management of S P Setia Group, ensuring that strategies, policies and matters set by the Board are effectively implemented.
- Regularly reviews the performance of the heads of divisions and departments who are responsible for all functions contributing to the success of S P Setia Group.

SENIOR INDEPENDENT DIRECTOR

- Designated contact to whom concerns pertaining to S P Setia Group may be conveyed by shareholders and other stakeholders.

NON-EXECUTIVE DIRECTORS

- Ensure that business and investment proposals presented by management are fully deliberated and examined.
- Key role by providing unbiased and independent views, advice and judgment, which take into account the interests of S P Setia Group and all its stakeholders including shareholders, employees, customers, business associates and the community as a whole.

BOARD LEADERSHIP AND EFFECTIVENESS

BOARD AND COMMITTEE MEETINGS

Procedures for Board meetings remain largely unchanged from previous years. The Company Secretary is responsible for advising the Board on appropriate governance matters and for ensuring a good information flow and that Board procedures are properly followed.

Details of the number of meetings of the Board and its Committees held during the year and attendance of Directors thereat are set out below.

ACCESS TO INFORMATION AND ADVICE

The Board has full and unrestricted access to all information pertaining to the Group's business and affairs including inter alia, financial results, annual budgets, business reviews against business plans and progress reports on the Group's developments and business strategies, to enable it to discharge its duties effectively. The agenda and board papers are circulated to the Board members a week prior to the Board meetings to allow sufficient time for the Board to review, consider and deliberate knowledgeably on the issues and, where necessary, to obtain further information and explanations to facilitate informed decision making.

The Board is engaged on announcements made by the Company to Bursa Securities on significant transactions, whereas news coverage on the events, analyst reports and matters concerning the Group reported in the media are disseminated to all the Directors on a daily basis.

Senior Management officers and external advisers may be invited to attend Board meetings when necessary, to furnish the Board with explanations and comments on the relevant agenda items tabled at the Board meetings or to provide clarification on issue(s) that may be raised by any Director.

All Directors have direct and unrestricted access to the advice and services of the Company Secretary and Senior Management and the Board may seek independent professional advice, at the Company's expense, if required, in furtherance of their duties.

ATTENDANCE OF DIRECTORS

No.	Name of Directors	Number of Meetings: Board	Audit Committee	Risk Management Committee	NRC	Executive Committee
1.	Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin	13			5	
2.	Dato' Khor Chap Jen	13				12
3.	Dato' Halipah Binti Esa	12				12
4.	Dato' Ahmad Pardas Bin Senin	12		4	5	
5.	Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob	11		4		12
6.	Dato' Zuraidah binti Atan	13				
7.	Tengku Dato' Ab. Aziz Bin Tengku Mahmud	13		4		
8.	Noraini Binti Che Dan	12	8			
9.	Philip Tan Puay Koon	12	8		5	
10.	Dato' Azmi bin Mohd Ali	13	8			
	TOTAL NO. OF MEETINGS HELD IN FY2017	**13**	**8**	**4**	**5**	**12**

RESPONSIBILITY AND DELEGATION

The Board is responsible for the overall governance of the Group and plays an active role in determining the long-term direction and strategy of the Group in order to enhance shareholders' value.

The responsibilities of the Board include defining and determining the strategic direction, directing future expansion, implementing corporate governance, identifying principal risks and ensuring the implementation of appropriate systems to manage these risks, human resource planning and development, reviewing investments made by the Company, overseeing the proper conduct of business and reviewing the adequacy and the integrity of the Company's internal control system and management information system.

There is a schedule of matters reserved specifically for the Board's decision which includes, among others, the approval of annual business plans and budgets, material acquisitions and disposals of assets, major capital projects, financial results, dividend recommendations, fund raising exercises and Board appointments.

The Executive Director/President and Chief Executive Officer ("CEO") together with the Deputy President and Chief Operating Officer ("COO"), Chief Financial Officer ("CFO") and Executive Vice Presidents of the Group are accountable for the day-to-day management of financial, business and operational matters of the Group within the prescribed limits of authority and in accordance with the Group's standard operating procedures, including transforming strategies into performance targets to realise the approved business plan for the year. They are in turn supported by a management committee which comprises the heads of all business units and support units.

The Group's Key Performance Indicators, comprising financial and non-financial operating drivers, for each financial year are set and approved by the Board to be achieved by the Management, led by the President and CEO. Performance of the Group against budget is reviewed and tracked by the Board on a quarterly basis in conjunction with the approval of the unaudited quarterly results of the Group. At the end of each financial year, the Board undertakes a full year review of the Group's performance against the budget and business plan approved by the Board in the preceding year.

BOARD LEADERSHIP AND EFFECTIVENESS

DIRECTORS' INDEPENDENCE

For FY2017, the Board was satisfied with the mix of independent and non-independent directors although only 40% of the Board were Independent Non-Executive Directors ("INEDS"). The Board practised active and open discussions at Board meetings so as to ensure that opportunities were given to all Directors to participate and contribute to the decision making process. Vigorous deliberations and all the views given by the Directors were considered before decisions were made by the Board. There was an existing process for the Chairman and Directors to declare and abstain from discussion in a situation where a conflict of interest might arise in order to uphold the integrity of the decisions made by the Board.

During the year, the Nomination and Remuneration Committee ("NRC") and Board assessed the independence of the INEDs as part of the Board Effectiveness Evaluation ("BEE") process. The Board was satisfied with the level of independence demonstrated by all the INEDs and that they could continue to bring sound, independent and objective judgement to Board deliberations through active participation in discussions in decision making by the Board and their ability to act in the best interest of the Company. All the INEDs had also provided his/her confirmation on his/her independence to the NRC and Board.

Besides annual assessment, for any new appointment as an independent director, the potential candidate must submit his declaration of independence in compliance with the criteria set out in the Listing Requirements to the NRC and Board for consideration prior to his/her appointment.

DIRECTORS' COMMITMENT

The Board meets at least five (5) times a year at quarterly intervals with additional meetings convened as and when necessary to approve quarterly financial results, business plans, budgets and other business development activities. The Board and Board Committee meetings for the whole year are scheduled in advance at the preceding financial year to enable the Board members to plan their schedules accordingly. All proceedings of the Board meetings are duly minuted, approved and signed by the Chairman of the Meeting.

The Board places importance on the contributions given through robust discussions by the Directors at each Board and Board Committee Meetings. In FY2017, all the Directors had complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated by the Listing Requirements and the Company's Constitution. The Board was satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

The Directors were aware of the limits of directorships they could have in public listed companies quoted on Bursa Securities. While Directors notified the Company Secretaries as and when they were appointed to other boards, the Directors also provided updates of their directorships and shareholdings in other companies on a quarterly basis, which were tabled to the Board for notation.

COMPANY SECRETARY

The Company Secretaries of the Company were qualified company secretaries under Section 235 of the Companies Act 2016 and are also the secretaries to the Board Committees. The Company Secretaries play an advisory role to the Board, particularly with regard to the Company's constitution and Board policies and procedures as well as compliance with relevant rules and regulations.

BOARD LEADERSHIP AND EFFECTIVENESS

NOMINATION AND REMUNERATION COMMITTEE REPORT

"The role of the Committee is to monitor the structure and composition of the Board, including responsibility for recommending Board appointments, and to consider the strategy, processes and plans for senior executive recruitment, the Group's succession planning and talent management. Additionally, our primary objectives of our remuneration policy are to ensure that we are able to attract, retain and motivate key executives to deliver strong sustainable business performance aligned to the strategic plan and to the interests of shareholders."

Dato' Ahmad Pardas Bin Senin

Chairman & Senior Independent Non-Executive Director

OVERVIEW

The primary objective of the Nomination and Remuneration Committee ("NRC") is to assist the Board in proposing new nominees to the Board and Board Committees, developing and establishing competitive remuneration policies and packages and assessing the Directors on an ongoing basis as well as to administer S P Setia Berhad Group ("Group") Employees' Long Term Incentive Plan ("LTIP") comprising the Employee Share Option Scheme ("ESOS") and the Employee Share Grant Plan ("ESGP") in such manner as it shall in its discretion deem fit within such powers and duties as are conferred upon it by the Board as defined in the By-Laws of the LTIP.

MEMBERS OF THE NRC

Dato' Ahmad Pardas Bin Senin
(Chairman & Senior Independent Non-Executive Director)

Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin
(Non-Independent Non-Executive Director)

Philip Tan Puay Koon
(Independent Non-Executive Director)

TERMS OF REFERENCE

The Terms of Reference ("TOR") of the NRC are available online for reference in the Board of Directors' section of the Company's website at www.spsetia.com.

SUMMARY OF ACTIVITIES OF THE NRC DURING THE YEAR

The NRC met five (5) times during the financial year 2017 ("FY2017"). Details of the NRC member's attendance at the NRC meetings held during the FY2017 are on page 93 of this Annual Report. The summary of activities of the NRC during FY2017 is as follows:

With regard to nomination and related matters

1. Reviewed the performance of the Directors who were subject to re-election at the 42nd Annual General Meeting of the Company held on 18 May 2017 ("42nd AGM") and recommended to the Board the re-election of Dato' Ahmad Pardas Bin Senin, Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob and Dato' Zuraidah Binti Atan.

BOARD LEADERSHIP AND EFFECTIVENESS

NOMINATION AND REMUNERATION COMMITTEE REPORT

2. In conjunction with the acquisition of I & P Group Sdn. Berhad ("I & P"), which was completed on 1 December 2017 ("Acquisition of I & P"), assessed and recommended the proposed enhancements to the Group's organisation structure to facilitate the integration of staff from I & P supported by a job evaluation exercise and a review of the existing salary bands and benefits of both companies as a holistic approach taking into consideration the criticality of human resource stability and its sustainability towards realising the long-term goals of the enlarged S P Setia.

3. Instituted a review of the existing talent management framework and succession planning to ensure that it was a strategic approach in developing a healthy human capital pipeline that meets the needs of the Group and recommended the same to the Board.

4. Performed annual assessment of the composition of the Board and Board Committees to ensure continued effectiveness of the Board and Board Committees in carrying out its role and responsibilities, having regard to the mix of skills, experience, age, tenure of service, cultural and gender of the existing Directors and the practices set out in the new Malaysian Code on Corporate Governance.

   The NRC was of the view that the composition of the Board and Board Committees was well balanced taking into consideration the diversity of gender, mix of skills, qualification, experience and the level of contribution from each of the members to the respective committees. In view thereof, the NRC proposed the same to be maintained which was endorsed by the Board.

5. Facilitated the Board Effectiveness Evaluation ("BEE") and as part of the process, assessed the independence of the Independent Non-Executive Directors. The focus areas of the assessment included inter alia the Board and Board Committees' compositions, roles and responsibilities, time commitment and contribution of Directors during Board and Board Committees' meetings. The results of the BEE demonstrated that the Directors were satisfied with the performance of the Board and Board Committees in discharging its duties and responsibilities.

6. Taking cognisance of trainings attended by the Directors on a half yearly basis including and recommending suitable area of topics, if any.

   During the financial year, all Directors have attended the necessary training programmes and seminars to further broaden their perspectives, skills, knowledge and to keep abreast of the relevant changes in law, regulations and the business environment. The trainings attended by the Directors are set out on pages 105 to 109 of this Annual Report.

7. Reviewed performance of key personnel including recommending renewal of fixed term employment contracts and their remuneration, to the Board.

8. Reviewed and recommended to the Board, the Main Board representation on the board of directors of the companies in I & P group of companies following the Acquisition of I & P, guided by S P Setia Group's Board Governance Model.

9. Involved in the selection and interviews for key personnel.

With regard to remuneration and related matters

1. Reviewed and recommended the new design of the LTIP including the total allocations to the President and Chief Executive Officer, senior management and other eligible employees under the LTIP taking into consideration the remuneration philosophy of S P Setia Group and approved the FY2017 grant of shares and options under the ESGP and ESOS, respectively.

2. Reviewed the current remuneration framework to ascertain whether it was competitive and able to attract and retain Directors with the right calibre to lead and direct S P Setia Group successfully, benchmarked against industry practices of peers and other companies listed on Bursa Malaysia Securities Berhad, and made its recommendations to the Board.

During FY2017, the Remuneration Framework of the Non-Executive Directors was revised as follows:

Description of Remuneration/Benefits	
Monthly Directors' Fees	Chairman of the Board - RM50,000
	Member of the Board - RM12,000
Monthly Fixed Allowance	Chairman of Board Committee - RM3,000
	Member of Board Committee - RM2,000
Meeting Allowance	Board Member - RM1,500 per meeting
	Board Committee Member - RM1,500 per meeting
Allowance for membership on the board of directors of significant project/investment as appointed by the Board of the Company	RM5,000 per month
Other Benefits	Driver for Chairman, Directors' and Officers' Liability Insurance to indemnify the Directors and Officers of the Group, medical allowances, hospitalisation and travel insurances under the Group's insurance policies.

The details of the remuneration (excluding Goods and Services Tax) of each Director of the Company who served during FY2017 are as follows:

Executive Director	Basic Salary (RM'000)	Bonus (RM'000)	Fees (RM'000)	Other Emoluments (RM'000)	Benefits-in-Kind (RM'000)	Total (RM'000)
1. Dato' Khor Chap Jen	2,866	1,797		369	729	5,761
Non-Executive Directors						
1. Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin			600	30	7	637
2. Dato' Halipah Binti Esa			120	48		168
3. Dato' Ahmad Pardas Bin Senin			120	129		249
4. Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob			120	111		231
5. Dato' Zuraidah Binti Atan			120	14		134
6. Tengku Dato' Ab. Aziz Bin Tengku Mahmud			120	29		149
7. Noraini binti Che Dan			120	44		164
8. Philip Tan Puay Koon			120	109		229
9. Dato' Azmi bin Mohd Ali			120	34		154

3. Reviewed and recommended the payment of annual bonus and salary increment for the President and Chief Executive Officer and eligible employees with reference to the Key Performance Indicators and the Group's performance, to the Board.

For 2018, the NRC would place focus on further enhancing the Board composition in respect of its independence. In addition, given the integration of staff of both S P Setia and I & P and inherent challenges in any integration exercise, the NRC would monitor and ensure the smooth implementation of the integration strategies to bring about synergies in human capital talent in the enlarged S P Setia Group so as to accelerate the achievement of the intended objectives of the acquisition of I & P.

EFFECTIVE AUDIT AND RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK

The Board is responsible for determining both the nature and extent of the Group's risk management framework and the risk appetite that is acceptable in seeking to achieve its strategic objectives. The framework and the ongoing process in place for identifying, evaluating and managing the principal risks faced by the Group are described on page 116. These are regularly reviewed by the Board.

Primary responsibility for operation of the Company's internal control and risk management systems, which extend to include financial, operational and compliance controls has been delegated to management. These systems have been designed to manage, rather than eliminate, the risk of failure to achieve the Group's business goals and can provide only reasonable, not absolute, assurance against material misstatement or loss.

INTERNAL CONTROL

The key elements of the Group's internal control are as follows:

- an established organisation structure with clear lines of responsibility, approval levels and delegated authorities
- a disciplined management and committee structure which facilitates regular performance review and decision-making
- review of financial performance during monthly Group Action Committee meeting
- various policies, procedures and guidelines underpinning the development, asset management, financing and main operations of the business, together with professional services support including legal, human resources, information services, tax, company secretarial and health, safety and security
- a risk management and internal audit function whose work spans the whole Group
- a focused post-acquisition review and integration programme to ensure the Group's governance, procedures, standards and control environment are implemented effectively and timely
- a financial and property information management system.

RISK MANAGEMENT

The oversight role of risk management is carried out by the Risk Management Committee ("RMC") and the Board of Directors ("Board").

The RMC and the Board sets the strategic direction for risk roles, responsibilities and reporting structure.

The periodic reporting to both the RMC and the Board on risk management activities is undertaken by management via the Management Risk Team ("MRT").

Additionally, the MRT and RMC receive and discuss on a quarterly basis:

- the Group's risk register, including significant and emerging risks, and how exposures have changed during the period.
- summary reports and progress of the agreed action plans.

EFFECTIVE AUDIT AND RISK MANAGEMENT
AUDIT COMMITTEE REPORT

"Our Audit Committee has a significant role in upholding the best practices of Corporate Governance, values and standards that shape our organisation. As guardians of our legacy, we uphold the integrity of our processes, especially where internal controls and corporate financial reporting is concerned, to ensure that our stakeholders' confidence in us remains enhanced, and uncompromised. "

Noraini Binti Che Dan

Chairman & Independent Non-Executive Director

OVERVIEW

The Audit Committee ("AC") of S P Setia Berhad principally undertakes to assist the Board in fulfilling its statutory and fiduciary responsibilities by overseeing the S P Setia Group's management of financial risk processes, accounting and financial reporting practices, ensuring good corporate governance practices and adequacy of the Group's system of internal controls, providing oversight of both external and internal audit functions on behalf of the Board as well as promoting a culture of adherence and compliance across the Group.

MEMBERS OF THE AUDIT COMMITTEE

Noraini Binti Che Dan
(Chairman & Independent Non-Executive Director)

Philip Tan Puay Koon
(Independent Non-Executive Director)

Dato' Azmi Bin Mohd Ali
(Non-Independent Non-Executive Director)

The AC has an independent Chairman, Puan Noraini binti Che Dan, who is not the Chairman of the Board of S P Setia. She possesses the necessary skills, capabilities and attributes in ensuring AC Meetings are efficiently conducted by fostering open discussions with all members of the AC on the agenda items during meetings so as to facilitate thorough considerations to be given to all the subject matters presented to the AC. The AC Chairman together with the AC members play an active role in engaging with the Management, Chief Internal Auditor ("CIA"), Chief Financial Officer ("CFO"), Group Financial Controller ("GFC") and the External Auditors.

Puan Noraini binti Che Dan is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Two-third of the members of the AC are Independent Non-Executive Directors. The composition of the AC is in compliance with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"). The profiles of the AC members are disclosed on pages 45 to 47 of this Annual Report.

TERMS OF REFERENCE

The Terms of Reference of the AC are available online for reference in the Board of Directors' section of the Company's website at: www.spsetia.com.

SUMMARY OF ACTIVITIES OF THE AC DURING THE YEAR

The AC met eight (8) times during the financial year 2017 ("FY2017"). The President and Chief Executive Officer, Deputy

EFFECTIVE AUDIT AND RISK MANAGEMENT
AUDIT COMMITTEE REPORT

President and Chief Operating Officer, CFO, GFC, CIA and External Auditors attended the meetings, where applicable, together with the AC members.

The activities of the AC for FY2017 with regard to matters relating to the financial statements of the Company and External Auditors were as follows:

a. Reviewed the unaudited quarterly financial results, including its related Bursa Securities' announcements and press statements, the consolidated audited full year financial statements of the Company and the Group, prior to recommending the same to the Board for approval, focusing particularly on:

- the overall performance of the Group, which included amongst others, sales, method of recognition of revenue and profit, land held for property development, the Group's investment properties, cashflow position, amount of receivables and payables and level of gearing;
- the prospects for the Group;
- the changes and implementation of accounting policies and practices and the new auditor's report highlighting the key audit matters and the implications to the Group;
- compliance with accounting standards and other legal requirements; and
- significant accounting and audit matters raised by the External Auditors in the financial statements and the corresponding judgement made by the Management.

b. Reviewed the proposal for write-off before recommending the same for the Board's approval in accordance with the Group's policy.

c. On the matter regarding dividends, reviewed and deliberated on the solvency test to ensure it demonstrated the Company's ability to meet its financial obligations pursuant to the Companies Act 2016, including the availability of the dividend reinvestment plan.

d. Discussed significant accounting and audit issues in respect of the financial statements of the Group for the financial year ended 31 December 2016 with the External Auditors and assessed the actions and procedures taken by the External Auditors in respect of those areas.

e. Reviewed the performance of the External Auditors, guided by the External Auditors Policy and independence of the External Auditors, and recommended their re-appointment to the Board. The annual assessment was done with the Group Finance department via a questionnaire where performance of the External Auditors was rated based on a five-point scale. Areas of performance review included the quality of service rendered, sufficiency of resources, level communication and interaction by the audit team and independence, objectivity and professionalism of the audit team. Upon conclusion of the audit, the External Auditors had reconfirmed to the AC their independence in carrying out the audit of the financial statements of the Company for the financial year ended 31 December 2016 vide the report of audit results submitted to the AC as well confirmation obtained at the AC Meeting.

   The Board had recommended the re-appointment of Messrs Ernst & Young as External Auditors of the Company for the financial year ended 31 December 2017 at the Company's 42nd Annual General Meeting held on 18 May 2017, which was approved by the shareholders thereat.

f. Reviewed and adopted the changes to the External Auditors Policy in line with the revised Malaysian Code on Corporate Governance, the By-laws on the Malaysian Institute of Accountants and the Companies Act 2016.

g. Held two (2) private sessions with the External Auditors on 22 February 2017 and 9 November 2017 without the presence of the Executive Director and Management to discuss relevant issues and obtain feedback for improvements. There were no areas of concern that warranted escalation to the Board.

h. Received the declaration of independence by the External Auditors in respect of the audit for FY2017.

i. Reviewed the amount of audit and non-audit fees paid or payable by the Company and its subsidiaries to the External Auditors and their affiliated companies for FY2017 and recommended the amount to the Board for approval. The total amount of audit and non-audit fees for FY2017 were compared against the previous year and any increase or decrease in fees was appropriately justified by the Management, taking into consideration the major corporate exercises undertaken by the Group, implementation of the new MFRS 9 and 15, level of activities of the Group, inflationary factors and reference to the fees payable by other companies in the same industry. The accumulated fees quoted for non-audit services were within the allowable threshold set.

j. Reviewed the impact of the adoption of the new MFRS framework, namely on MFRS 9 and 15 and the early adoption of MRFS 16 for recommendation to the Board for approval.

The activities of the AC for FY2017 with regard to the matters relating to the internal audit function, internal controls and operations were as follows:

a. Reviewed the internal audit reports prepared by the Internal Auditors of the Group and provided constructive feedback in ensuring the adequacy and effectiveness of the internal control system of the Group. Where appropriate, the AC had directed the Management to rectify and improve control procedures. The AC also monitored the progress of the agreed action plans taken by Management to close the audit findings.

b. Reviewed the resource requirement, manpower sufficiency, adequacy of the scope of internal audit function and was involved in the selection and appointment of the CIA.

c. Reviewed the internal audit reports of the audit conducted on an associate company of the Group, presented by the CIA.

d. Reviewed the internal audit plan for 2018.

e. Reviewed the Audit Committee Report, Statement of Risk Management and Internal Control and Management Discussion and Analysis for inclusion in the Annual Report 2016.

f. Reviewed, in co-operation with the Risk Management Committee, various policies for adoption and implementation by the Management to further strengthen internal controls of the Group and recommended the policies to the Board for approval.

g. Reviewed the IT Security Action Plan to strengthen the information technology security and controls within the Group.

h. Reviewed the related party transactions, taking into account the nature and underlying details of the transactions, to establish that the transactions were on normal commercial terms and not to the detriment of the minority shareholders, and made its recommendation to the Board for approval, which included the following:

- Proposed acquisition of a parcel of land measuring approximately 342 acres located at Bangi, Selangor from Seriemas Development Sdn Bhd, which was 60% owned by PNB Development Sdn Berhad; and
- Proposed acquisition of the entire equity interest in I & P Group Sdn. Berhad ("I & P") and the proposed fund-raising exercise to part finance the acquisition.

Dato' Azmi bin Mohd Ali, the AC member who was deemed to have interest in the above transactions by the virtue of him being a nominee director of Permodalan Nasional Berhad, had abstained from discussion and voting on the above transactions.

i. Reviewed the Group's structure and tax efficiency in respect of the inter-company loans, capital management, Goods and Services Tax, transfer pricing updates in light of the impending implementation of the Thin Capitalisation Rules and participation in income tax group relief, and recommended to the Board for approval.

j. Reviewed the impact of Goods and Services Tax on the performance of Corporate Financial Guarantees to the subsidiaries of the Company for recommendation of appropriate actions to be undertaken by the Group.

k. Reviewed the potential claim and/or financial impact to the Group arising from the Audit Findings Letter issued by the Malaysian Inland Revenue Board and deliberated on the proposed actions plans to be taken as advised by the appointed tax solicitors.

l. Reviewed and verified the share option allocations for the Employee Share Option Scheme and Employee Share Grant Plan under the Company's Long-Term Incentive Plan ("LTIP") for the financial year 2016 award that was confirmed by the External Auditors. The AC was satisfied that the allocation of the share option which was in compliance with the LTIP By-Laws.

EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

The Group Internal Audit ("GIA") function is an independent, effective and integral part of the assurance framework. GIA's principal responsibility is to provide an independent, risk-based and objective assurance to add value and improve the efficiency and effectiveness of the Group's operations. It helps the Group accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance process. GIA reports directly to the AC and administratively to the Chief Operating Officer.

GIA carries out its review based on the approved annual audit plan, focusing on the key controls of significant risks to the Group. During the financial year ended 31 December 2017, GIA has carried out the following activities:

a. Performed audit engagements which covered reviews of internal control systems, management information systems, risk management and governance compliances.

b. Pursuant to the audit engagements, internal audit reports are issued and tabled to the AC and Management in which significant risk and key areas of concerns are identified, together with their recommendations for improvements.

c. Performed follow up procedures on the implementation of agreed upon action plans to ensure that necessary actions have been taken/are being taken as recommended.

d. Reported to the AC on review of the adequacy, appropriateness and compliance with the procedures established in relation to recurring related third parties' transactions in accordance with the guidelines set out in the Circular to Shareholders dated 26 April 2017.

e. Reviewed on an ad hoc basis on areas where there were concerns that affected financial reporting, internal controls and governance. In an effort to provide value-added services, GIA also provided additional assurance and advisory services to business units upon request by the Management in relation to compliance, governance, risk management and internal controls.

f. Reviewed and assessed the Whistleblowing Reports to ensure that all reported cases were thoroughly investigated and appropriate actions were taken to address all concerns raised. There were no reports on fraud and irregularities during the year.

The total cost incurred for the internal audit function for the FY2017 was approximately RM2.52 million.

For the financial year 2018, the AC will focus on the transitional impact on the Group's financial statements arising from the implementation of new accounting standards effective 2018 and ensuring adequacy and effectiveness of internal controls framework with the objective of addressing areas for improvement and compliance with the same by the Group. This includes the streamlining of I & P into S P Setia's system of internal controls given the completion of the acquisition of I & P by the Company on 1 December 2017.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

EFFECTIVE SHAREHOLDER COMMUNICATION

The Company values the importance of having effective communication with its shareholders and investors.

Information disseminated is clear, relevant and comprehensive, and is timely and readily accessible by all stakeholders. Effective communication channels with the Company's shareholders, stakeholders and the public are maintained through the dissemination of press releases, press conferences, timely announcements and disclosures made to Bursa Securities.

The Company's Investor Relations Department plays an important role in providing ongoing updates on the Group's development activities and conducting regular dialogues and discussions with fund managers, financial analysts, shareholders and media. These meetings provide a vital avenue and direct channel of communication where financial analysts and institutional fund managers can gain a better understanding of the businesses and direction of the Group; enter into constructive dialogues and discussions based on the mutual understanding of objectives; and where relevant feedback is factored into the Company's business decisions. Media are also invited to attend the Company's major events and property launches where briefings are given on the relevant projects. Currently, the Company is covered by 20 local and foreign research houses and brokerages. The Company will continue to participate in investor conferences/roadshows locally and abroad.

Press conference is held after the conclusion of each Annual General Meeting ("AGM") or Extraordinary General Meeting ("EGM") and is attended by the Chairman, President and CEO, Deputy President and COO and CFO to keep the investing public abreast of the outcome of the meetings. At the same forum, the President and CEO also clarifies issues which the media may have with regard to the performance of S P Setia Group and its corporate developments. Where need be, analysts briefing is also convened after the press conference with the objective of updating the fund managers of the Group's performance. The press conference and analyst briefing are also attended by the Senior Management of the Group.

These are the few initiatives carried out by the Management as part of the continuous engagement program to keep the relevant stakeholders apprised on the business development and financial performance of the Group.

GENERAL MEETING

The Company's General Meetings remain the principal forum for dialogue and communication with shareholders, in particular private investors. Shareholders are encouraged to attend each AGM and EGM and given sufficient time and opportunity to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group, and communicate their expectations and possible concerns. Presentations will also be given by the President and CEO to brief shareholders on project updates or proposals for which the approval of shareholders is being sought. All Board members, Senior Management and the Group's external auditors as well as the Company's adviser are available to respond to shareholders' questions during the AGM/ EGM as the case may be.

The Annual Report 2016 together with the Notice of the 42nd AGM dated 26 April 2017 and Notices of EGMs dated 25 October 2017 were dispatch to all the shareholders in accordance with the Company's Constitution and Listing Requirements. Where necessary, explanatory notes were provided in the notice with the objective of providing shareholders with the relevant background information pertaining to the resolutions tabled for approval.

The Company held its General Meetings at the time and venue which is convenient and easily accessible to shareholders. General Meetings of the Company remain important avenues for the Board and Management to have a better and more intimate engagement with the shareholders present.

Only shareholders whose names appear in the Record of Depositors as at the date determined by the Company in accordance with the Company's Constitution are entitled to attend and vote at the General Meetings. Shareholders who are unable to attend are entitled to appoint proxy(ies) to attend and vote at the General Meetings. So far, the shareholders turnout whether in person or proxies, at the general meetings of the Company in 2017 were satisfactory as they represented significant percentage of the Company's issued share capital.

The Chairman, President and CEO, all Directors, Senior Management and External Auditors of the Company attended the 42nd AGM held on 18 May 2017 and EGMs held on 16 November 2017. At the general meetings, the President and CEO of the Company presented to the shareholders present on the updated financial performance

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

of the Group including the corporate proposals at hand, followed by presentation by the advisers so as to ensure that the shareholders present were properly briefed prior to the voting process. The voting by poll undertaken by the Company further the underscore the recognition of the principle of 1 vote 1 share.

CORPORATE DISCLOSURE

Corporate Disclosure Policy

The Company is committed to ensuring that all information such as corporate announcements, circulars to shareholders and financial results are disseminated to the general public in a timely and accurate manner.

The Company's quarterly interim and full year audited financial results are released within two (2) months from the end of each quarter/financial year and the Annual Report, which remains a key channel of communication, is published within four (4) months after the financial year-end. The Annual Report is not merely a factual statement of financial information and performance of the Group; it provides an insightful interpretation of the Group's performance, operations, and other matters affecting shareholders' interest. It is hoped that such insights will allow shareholders and investors to make more informed investment decisions based not only on past performance but also the future direction of the Group.

INFORMATION TECHNOLOGY

Leverage on Information Technology for Effective Dissemination of Information

The Group maintains a website which serves as a forum for the general public to access information on the latest developments. Corporate presentations, annual reports, corporate announcements and financial information utilised during analyst and fund manager briefings are also available on the Group's website.

SUSTAINABILITY

Strategies that Promote Sustainability

S P Setia is committed to incorporating corporate responsibility practices into our business activities. Sustainability is embedded in the organisation's mission, vision and values and is manifested in our products. The scope of the Sustainability Statement covers S P Setia's operations in Malaysia during the reporting period January 2017 to December 2017.

The Sustainability Statement is set out on pages 62 to 88 of the Annual Report 2017 and explains the Group's practices and activities carried out during FY2017.

COMPLIANCE STATEMENT

This Statement is made in accordance with a resolution of the Board of Directors dated 1 March 2018.

The Corporate Governance Report in the prescribed format is available on www.spsetia.com.

DIRECTORS' TRAININGS FOR FY2017

DATO' KHOR CHAP JEN

No.	Course/Seminar
1.	Training on Companies Act 2016
2.	PNB Investment Series 2017: Value Creation & Business Partnering
3.	Seminar on The New Companies Act 2016 – The Key Issues & Potential Pitfalls for Directors
4.	PNB Investment Series 2017: The Future of Fintech/Digital Disruption
5.	Briefing on: • New Accounting Standards • Shariah & Ecosystem of Business for S P Setia Berhad • New Malaysian Code on Corporate Governance
6.	Talent to Value Workshop
7.	Competition Law Training Session

TAN SRI DATO' SERI DR. WAN MOHD ZAHID BIN MOHD NOORDIN

No.	Course/Seminar
1.	MINDA-ICLIF Breakfast Talk: Ecosystems Matter – Asia's Path to Better Home-Grown Governance
2.	6th Annual National Conference 2017 – Mitigating Risk in Procurement
3.	Global Transformation Forum 2017
4.	Release of The Malaysian Code on Corporate Governance 2017
5.	Briefing on: • New Accounting Standards • Shariah & Ecosystem of Business for S P Setia Berhad • New Malaysian Code on Corporate Governance
6.	Workshop on Financial Inclusion in Cambodia
7.	Asia Pacific Conference on Educational Management and Leadership 2017
8.	Seminar DiRaja: Konvensyen Memperkukuhkan Pasak Negara Bangsa
9.	The 2nd Sime Darby Young Innovators Challenge 2017
10.	30% Club Business Leaders Roundtable Meeting
11.	Persidangan Kepimpinan Dan Governan Universiti Kali Ke-3 "Redesigning Education Towards Financially Sustainable Universities"
12.	CG Breakfast Series with Directors: "Integrating An Innovation Mindset with Effective Governance"
13.	Bengkel Halatuju Universiti Pendidikan Sultan Idris

DATO' AHMAD PARDAS BIN SENIN

No.	Course/Seminar
1.	30% Club Business Leaders Roundtable Meeting
2.	CG Breakfast Series for Directors: "Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World"
3.	International Directors Summit 2017: "Enhancing Resilience Through Governance – For Sustainability".
4.	Building High-Performance Directors 2.0 (BHPD): "Organisational Sustainability".

DIRECTORS' TRAININGS FOR FY2017

DATO' HALIPAH BINTI ESA

No.	Course/Seminar
1.	Sustainability Forum for Directors/CEOs: "The Velocity of Global Change & Sustainability – The New Business Model"
2.	Boards in the Digital Economy
3.	PNB Investment Series 2017: The Future of Globalisation & Liberalisation: Are We Losing The Battle?
4.	Talent to Value Workshop
5.	MISC Berhad's Annual Directors Training 2017

DATO' SERI IR. HJ. MOHD NOOR BIN YAACOB

No.	Course/Seminar
1.	MINDA-ICLIF Breakfast Talk: Ecosystems Matter – Asia's Path to Better Home-Grown Governance
2.	Briefing on: • New Accounting Standards • Shariah & Ecosystem of Business for S P Setia Berhad • New Malaysian Code on Corporate Governance
3.	Bursa CG Breakfast Series – "Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability"
4.	International Directors Summit 2017: "Enhancing Resilience Through Governance – For Sustainability"
5.	5th International Conference on Sustainability Development 2017

TENGKU DATO' AB. AZIZ BIN TENGKU MAHMUD

No.	Course/Seminar
1.	Sustainability Forum for Directors/CEOs: "The Velocity of Global Change & Sustainability – The New Business Model"
2.	MINDA-ICLIF Breakfast Talk: Ecosystems Matter – Asia's Path to Better Home-Grown Governance
3.	PNB Investment Series 2017: Value Creation – Creating A Customer Focused Organisation
4.	Anti-Money Laundering Seminar for the Board of Directors and Senior Management of PNB
5.	PNB Management Retreat 2017
6.	PNB Investment Series 2017: The Future of Fintech/Digital Disruption
7.	The New Companies Act 2016 – The Key Issues and Potential Pitfalls
8.	Briefing on: • New Accounting Standards • Shariah & Ecosystem of Business for S P Setia Berhad • New Malaysian Code on Corporate Governance
9.	Fraud Risk Management Workshop
10	Corporate Exercise and Asset Pricing in Malaysia
11.	PNB Investment Series 2017: The Future of Globalisation & Liberalisation: Are We Losing The Battle
12.	Talent to Value Workshop

TENGKU DATO' AB. AZIZ BIN TENGKU MAHMUD (CONTINUED)

No.	Course/Seminar
13.	New KPI Framework Briefing
14.	Council on Tall Buildings and Urban Habitat (CTBUH) 2017 International Conference
15.	CG Breakfast Series with Directors: "Integrating An Innovation Mindset with Effective Governance"
16.	13th World Islamic Economic Forum

NORAINI BINTI CHE DAN

No.	Course/Seminar
1.	Financial Institutions Directors' Education (FIDE) Core Programme (Module A)
2.	Financial Institutions Directors' Education (FIDE) Core Programme (Module B)
3.	Asian World Summit Training: Governing Boards – Excellence in Governance
4.	The Inside Story of The Annual Report – What Director Must Know
5.	Disruptions in the Electricity Industry, Evolving Business Models and Grid of the Future
6.	Fund Transfer Pricing
7.	Masterclass Shariah
8.	CG Breakfast Series for Directors: "Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World"
9.	Independent Directors' Programme: "The Essence of Independence"

DATO' ZURAIDAH BINTI ATAN

No.	Course/Seminar
1.	Islamic Finance Training: Mudharabah – Fundamental and its Application
2.	PNB Investment Series 2017: Value Creation & Business Partnering
3.	Global Transformation Forum 2017
4.	Islamic Finance Training: Shariah Contracts in Islamic Finance
5.	United Nations Volunteers (UNV) Conference on South-South Dialogue
6.	Islamic Finance Training: Fundamentals of Shariah
7.	Project Management International Talk
8.	IVCO 2017 – Korea International Cooperation Agency (KOICA) & International Forum for Volunteering in Development (FORUM)
9.	Islamic Finance Training: Application of Shariah – Bai' Dayn
10.	International Association for Volunteer Effort (IAVE) Asia Pacific Regional Youth Conference

DIRECTORS' TRAININGS FOR FY2017

PHILIP TAN PUAY KOON

No.	Course/Seminar
1.	Sustainability Forum for Directors/CEOs: "The Velocity of Global Change & Sustainability – The New Business Model"
2.	PNB Investment Series 2017: Value Creation & Business Partnering
3.	MINDA-ICLIF Breakfast Talk: Ecosystems Matter – Asia's Path to Better Home-Grown Governance
4.	An Afternoon with YB Datuk Seri Johari bin Abdul Ghani, Minister Finance II Malaysia
5.	Global Transformation Forum 2017
6.	An Exclusive Afternoon with YB Tan Sri Wahid Omar
7.	PNB Investment Series 2017: The Future of Fintech/Digital Disruption
8.	Dialogue on Sustainable Development of Affordable Housing
9.	Boards in the Digital Economy
10.	Briefing on: • New Accounting Standards • Shariah & Ecosystem of Business for S P Setia Berhad • New Malaysian Code on Corporate Governance
11.	Cryptocurrency and Block Chain Technology
12.	International Director's Summit 2017: "Enhancing Resilience Through Governance – For Sustainability"
13.	ASEAN Bond Conference 2017
14.	International Foundation of Directorship
15.	Megatrends Forum 2017
16.	Risk Minds Asia 2017
17.	Leadership Energy Summit Asia (LESA) 2017
18.	Payment System Forum 2017

DATO' AZMI BIN MOHD ALI

No.	Course/Seminar
1.	Opportunities in the Growing Malaysian Economy
2.	CCM Group Directors and Senior Management Training 2017 on "Companies Act 2016: Overview of the Changes and How They Affect You and Your Business"
3.	PNB Investment Series 2017: Value Creation & Business Partnering
4.	Training on Companies Act 2016 on What Lawyers and Pupils Need to Know
5.	Global Transformation Forum 2017
6.	CCM Group Directors and Senior Management Training 2017 on "Malaysia Global Leadership: Halal Pharmaceuticals & Informed Choice"
7.	Seminar on The New Companies Act 2016 – The Key Issues & Potential Pitfalls for Directors
8.	Briefing on: • New Accounting Standards • Shariah & Ecosystem of Business for S P Setia Berhad • New Malaysian Code on Corporate Governance
9.	CCM Group Directors Training on "The Outward Mindset: Leadership and Self-Betrayal"
10.	Talk on IPO and It's Legal Processes

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

The proceeds raised under the Rights Issue of Islamic Redeemable Convertible Preference Shares ("Right Issue") which was completed on 6 December 2016 amounting to RM1,127,625,002 have been utilised in the following manner:

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation	Deviation (%)	Explanations (if the deviation if 5% or more)
Existing projects and general working capital requirements of our Group	300,000	185,058	Within 18 months	-^	-
Future development projects and expansion plans	826,025	310,376	Within 36 months	-#	-
Estimated expenses for the Rights Issue	1,600	1,223	Within one (1) month	23.6	*
TOTAL	**1,127,625**				

Notes:

^ Remaining balance to be used within 18 months from 6 December 2016.

Remaining balance to be used within 36 months from 6 December 2016.

* The expenses relating to the Rights Issue include professional fees, fees payable to the relevant authorities, printing and other miscellaneous charges. The surplus of proceeds which has not been used for such expenses has been reallocated for working capital purposes.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid or payable by the Company and its subsidiaries to the external auditors and their affiliated companies for financial year ended 31 December 2017 are as follows:

	Group (RM'000)	Company (RM'000)
Audit Fees	1,946	127
Non-Audit Fees	696	427

The amount of non-audit fees incurred for the services rendered to the Company and the Group by its external auditors, Messrs Ernst & Young and its member firms of Ernst & Young Global for the financial year ended 31 December 2017 are RM696,480 and RM426,500 respectively.

Services rendered by Messrs Ernst & Young are not prohibited by regulatory and other professional requirements, and are based on globally practised guidelines on auditors independence. Messrs Ernst & Young was engaged in these non-audit services based on their expertise and experience on the subject matter.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest which were still subsisting as at the end of the financial year under review or which were entered into since the end of the previous financial year except as disclosed in Note 43 of the financial statements.

RECURRENT RELATED PARTY TRANSACTIONS

At the 42nd AGM of the Company held on 18 May 2017, the Company had obtained the approval from its shareholders for the renewal of the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of its business, with related parties.

The said mandate took effect on 18 May 2017 and will continue until the conclusion of the forthcoming AGM of the Company.

At the forthcoming AGM to be held on 17 May 2018, the Company intends to seek its shareholders' approval to renew the existing mandate for recurrent related party transactions of a revenue or trading nature. The details of the shareholders' mandate to be sought will be furnished in the Circular to Shareholders dated 18 April 2018 attached to this Annual Report.

EMPLOYEE SHARE SCHEME

During FY2017, the Company issued ordinary shares ("Shares") and options under the Employee Share Grant Plan ("ESGP") and Employee Share Option Scheme ("ESOS"), respectively, pursuant to the Long Term Incentive Plan ("LTIP"). Further information on the ESGP and ESOS is set out in the Directors' Report and Note 23 of the Annual Audited Financial Statements for FY2017 in this Annual Report.

Brief details on the number of Shares and options granted, vested and outstanding since the commencement of the LTIP on 10 April 2013 and during FY2013, FY2014, FY2015, FY2016 and FY2017 are set out in the table below:

	Total	Executive Director / CEO	Senior Management	Other Entitled Employees
FOR THE PERIOD FROM 10 APRIL 2013 TO 31 OCTOBER 2013				
ESGP				
Number of Shares granted ('000)	17,035	896	3,354	12,785
Number of Shares vested ('000)	-	-	-	-
Number of Shares lapsed ('000)	(521)	-	-	(521)
Number of Shares outstanding as at 31 October 2013 ('000)	**16,514**	**896**	**3,354**	**12,264**
ESOS				
Number of Options granted ('000)	80,864	25,600	55,264	-
Number of Options exercised ('000)	-	-	-	-
Number of Options lapsed ('000)	-	-	-	-
Number of Options outstanding as at 31 October 2013 ('000)	**80,864**	**25,600**	**55,264**	**-**

	Total	Executive Director / CEO	Senior Management	Other Entitled Employees
FOR THE PERIOD FROM 1 NOVEMBER 2013 TO 31 OCTOBER 2014				
ESGP				
As at 1 November 2013 ('000)	16,514	896	3,354	12,264
Number of Shares granted ('000)	13,110	300	2,608	10,202
Number of Shares vested ('000)	(4,064)	(203)	(759)	(3,102)
Number of Shares lapsed ('000)	(5,145)	(505)	(1,166)	(3,474)
Number of Shares outstanding as at 31 October 2014 ('000)	**20,415**	**488**	**4,037**	**15,890**
ESOS				
As at 1 November 2013 ('000)	80,864	25,600	55,264	-
Number of Options granted ('000)	3,312	-	3,312	-
Number of Options exercised ('000)	(9,311)	(4,800)	(4,511)	-
Number of Options lapsed ('000)	(27,193)	(12,800)	(14,393)	-
Number of Options outstanding as at 31 October 2014 ('000)	**47,672**	**8,000**	**39,672**	**-**
FOR THE PERIOD FROM 1 NOVEMBER 2014 TO 31 DECEMBER 2015				
ESGP				
As at 1 November 2014 ('000)	20,415	488	4,037	15,890
Number of Shares granted ('000)	8,825	160	1,643	7,022
Number of Shares vested ('000)	(6,832)	(191)	(1,446)	(5,195)
Number of Shares lapsed ('000)	(3,745)	-	(1,391)	(2,354)
Number of Shares outstanding as at 31 December 2015 ('000)	**18,663**	**457**	**2,843**	**15,363**
ESOS				
As at 1 November 2014 ('000)	47,672	8,000	39,672	-
Number of Options granted ('000)	15,500	-	15,500	-
Number of Options exercised ('000)	(7,380)	-	(7,380)	-
Number of Options lapsed ('000)	(11,439)	-	(11,439)	-
Number of Options outstanding as at 31 December 2015 ('000)	**44,353**	**8,000**	**36,353**	**-**

	Total	Executive Director / CEO	Senior Management	Other Entitled Employees
FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016				
ESGP				
As at 1 January 2016 (‘000)	18,663	457	2,843	15,363
Number of Shares granted (‘000)	5,429	150	1,141	4,138
Number of Shares vested (‘000)	(9,129)	(247)	(1,883)	(6,999)
Number of Shares lapsed (‘000)	(664)	-	(53)	(611)
Number of Shares outstanding as at 31 December 2016 (‘000)	**14,299**	**360**	**2,048**	**11,891**
ESOS				
As at 1 January 2016 (‘000)	44,353	8,000	36,353	-
Number of Options granted (‘000)	9,586	1,600	7,986	-
Number of Options exercised (‘000)	(1,703)	-	(1,703)	-
Number of Options lapsed (‘000)	(450)	-	(450)	-
Number of Options outstanding as at 31 December 2016 (‘000)	**51,786**	**9,600**	**42,186**	**-**
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017				
ESGP				
As at 1 January 2017 (‘000)	14,299	360	2,048	11,891
Number of Shares granted (‘000)	15,339	300	2,500	12,539
Number of Shares vested (‘000)	(7,427)	(204)	(1,404)	(5,819)
Number of Shares lapsed (‘000)	(1,083)	-	(128)	(955)
Number of Shares outstanding as at 31 December 2017 (‘000)	**21,128**	**456**	**3,016**	**17,656**
ESOS				
As at 1 January 2017 (‘000)	51,786	9,600	42,186	-
Number of Options granted (‘000)	142,889	15,518	114,575	12,796
Number of Options exercised (‘000)	(2,370)	-	(2,370)	-
Number of Options lapsed (‘000)	(1,371)	-	(893)	(478)
Number of Options outstanding as at 31 December 2017 (‘000)	**190,934**	**25,118**	**153,498**	**12,318**

MAXIMUM ALLOWABLE ALLOCATION OF THE LTIP

Based on the LTIP By-Laws, the aggregate number of Shares comprised in the LTIP Awards to be awarded to a selected person in accordance with the LTIP shall be determined at the discretion of the Nomination and Remuneration Committee subject to the following:-

i. The total number of new Shares made available under the LTIP shall not exceed 15% of the issued and paid-up share capital of the Company (excluding treasury shares, if any) at the point in time when an LTIP Award is offered; and

ii. Not more than ten percent (10%) of the total new Shares to be issued under the LTIP at the point in time when an LTIP Award is offered be allocated to any individual Selected Person who, either singly or collectively through persons connected with him, holds twenty per cent (20%) or more in the issued and paid-up share capital of the Company (excluding treasury shares, if any).

As of 31 December 2017, 17% of the Shares granted pursuant to the ESGP (excluding number of shares lapsed) has been granted to the Executive Director/CEO and Senior Management during FY2017 and since the commencement of the LTIP.

Options under the ESOS were granted to the Executive Director/CEO, Senior Management and other eligible employees of the Company during FY2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

The Board of Directors ("Board") of Setia ("Setia" or "the Group") is committed in maintaining a sound internal control and risk management system. Each business unit has implemented its own control processes under the leadership of the Chief Executive Officer ("CEO") who is responsible for good business and regulatory governance.

The Statement on Risk Management and Internal Control was prepared pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Main LR") and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

BOARD RESPONSIBILITY

The Board upholds its commitment and responsibility for the Group's risk management and internal control systems covering not only financial controls but also strategic, operational, compliance to regulatory requirement, and ensuring the adequacy and effectiveness of these systems.

The implementation of these control systems is undertaken by the management which regularly reports on key risks identified and actions taken to mitigate and/or minimise such risks. The oversight of these critical areas is carried out by the Risk Management Committee ("RMC") and the Audit Committee ("AC"), which is comprised of Board members.

The Group's risk management and internal control systems are designed to efficiently and effectively manage risks that may prevent the achievement of the Group's business objectives, and to provide information for accurate reporting, decision making and ensuring compliance with regulatory and statutory requirements.

The Board also ensures that there is a robust framework of ongoing risk management processes in identifying, evaluating and managing significant risks faced by the Group to promote long-term success of the Company.

The Board recognises that these systems are designed to manage and mitigate, rather than eliminate the risk of failure to achieve the Group's business and corporate objectives within the risk appetite established by the Board and management. These systems can therefore provide reasonable and not absolute assurance against material misstatement, loss or fraud. The Group's concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

RISK MANAGEMENT

The Group has established an Enterprise Risk Management ("ERM") Framework to proactively identify, evaluate and manage key risks to an optimal level. In line with the Group's commitment to deliver sustainable value, this ERM Framework aims to provide an integrated and organised approach group-wide. It outlines the ERM methodology which is in line with the Principles and Guidelines of ISO31000:2009 Risk Management, mainly promoting the risk ownership and continuous monitoring of key risks identified.

The Group's ERM Framework is summarised as follows:

ENTERPRISE RISK MANAGEMENT FRAMEWORK

ERM INFRASTRUCTURE

Vision/Mission

Governance Structure

Board/Management Mandate

ERM Policies

ERM Reporting Structure & Frequency

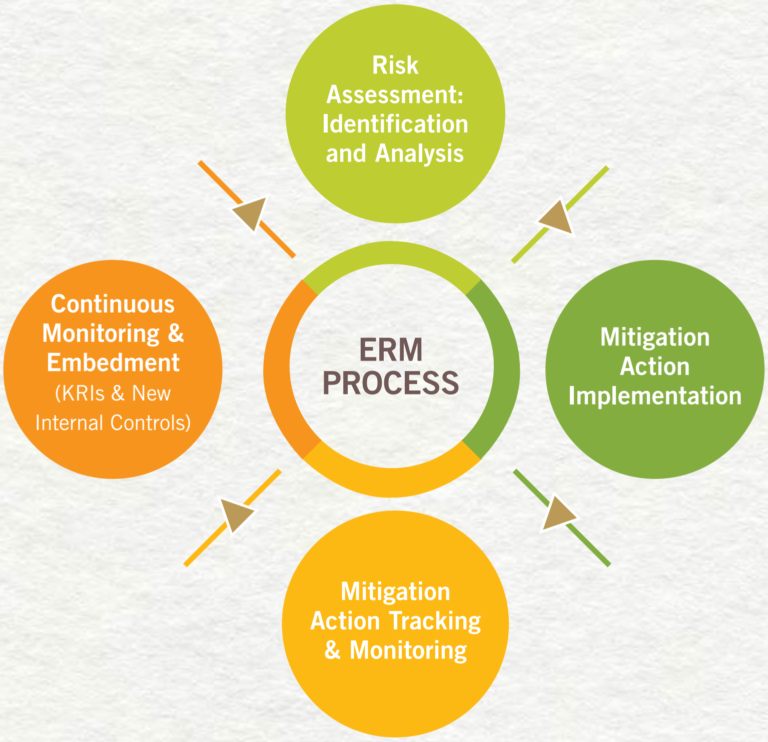
ERM Roles & Responsibilities

Risk Parameters

ERM Procedures

(ISO 31000:2009)

Automation



ERM INTEGRATION

Strategic Planning

Budgeting

Policy Development

Product Development

Investment & Joint Ventures

Decision Making

Performance Management

Operational Processes

Incident Data Analysis

ERM EDUCATION

Awareness/Sharing Sessions | **Continuous Education** | **Competency Assessment** | **Change Management**

a. **Risk Management Oversight**

The oversight role of risk management is carried out by the RMC and the Board. Mandate and commitment from RMC and the Board are the key success factors in the implementation of the ERM programmes. The RMC and the Board sets the strategic direction for risk roles, responsibilities and risk reporting structures. The periodic reporting to both the RMC and the Board on risk management activities undertaken by management via the Management Risk Team ("MRT"), which keeps the RMC and the Board apprised in respect of the Group's key risk areas and risk trends.

The MRT comprise of the key members of the Group Action Committee ("GAC") and chaired by the President & CEO. The MRT maintains the risk oversight within the Group at the management level, as outlined in the ERM Framework.

The ERM Reporting structure below illustrates the Board and management's participation in ensuring effective ERM communication and implementation:

The MRT is assisted by the Group Risk Management ("GRM") function which primary role is to ensure effective implementation of the ERM and business continuity management framework, programmes and risk-related education across the Group; and provision of independent and objective assessment of key risks as well as timely reporting to the MRT, RMC and the Board.

b. Risk Management Policy

The Board recognises that inherent risks are present in the normal course of the Group's core businesses, presenting both threats and opportunities. The ERM policy has been developed to ensure effective implementation of enterprise risk management framework which is consistent with the Group's aspiration in achieving its corporate objectives and meeting shareholders' expectations. The following risk policy provides guidance as to the management of risks and applies across all Business Units:

- To manage risk proactively.
- To manage both negative and positive risks.
- To manage risks pragmatically, to an acceptable level given the particular circumstances of each situation.
- To ensure that risk assessment is performed and that the process is embedded in the system
- To manage risk routinely and in an integrated and transparent way in accordance with good governance practices.
- To require that an effective and formalised risk management framework is established and maintained by Setia.

c. Risk Reporting

The Group's ERM Framework provides for regular review and reporting. The reports include the risk profiles, risk action plans and status updates. During the year under review, these reports were presented on a quarterly basis and deliberated by the MRT, RMC and the Board.

d. Risk Management Activities

As part of the Group's effort to instil a proactive risk management culture and ownership, the following activities were undertaken during the year under review:

- Rolled out a comprehensive ERM Education Programme which includes ERM technical briefings/ trainings, awareness and refresher sessions, and ERM system training for business units. This forms part of the Group's initiative in communicating and ensuring effective application of ERM in the day-to-day business operations.
- Held discussions with Heads of BUs to obtain endorsement on key risk areas.

- Provided risk advisory and independent assessment as well as facilitated workshops across the Group.
- Refinement of the risk depository system to enhance risk tracking and monitoring.
- Enhancement of the Business Continuity Management ("BCM") programme for the Group. The first phase was completed for Corporate HQ and live simulation test was conducted in September 2017 with satisfactory result.

MANAGING SETIA KEY RISKS

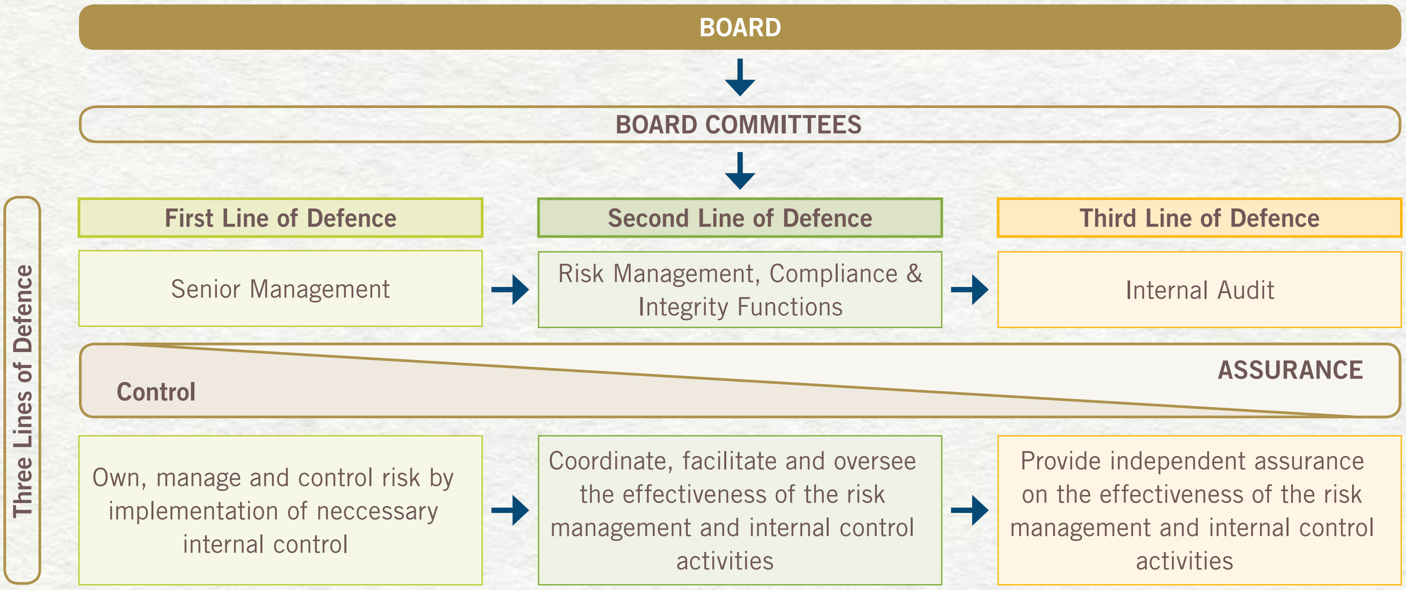
Our group key risks have been identified and these risks have been managed to ensure achievements of our core business objectives:

	KEY RISKS	MITIGATION PLAN
PERFORMANCE OF THE PROPERTY MARKET RISK	Setia's business is largely dependent on the performance of the property market in the countries in which we operate. Such performance is affected by, among others, population growth, domestic and global economies and government regulations.	• The Group diligently monitors the development and changes within the local and international property markets in planning future developments to maintain competitiveness. • The Group has also capitalised on its experience to offer different types and price ranges for the residential and commercial properties to suit different market demands and phasing the development of projects according to the market conditions/demands.
COMPETITION RISK	The Group faces competition from both local and international property developers in terms of pricing of properties, design and quality of properties, facilities and supporting infrastructure as well as sales and marketing of properties.	• Market intelligence surveys are conducted to understand home buyers' needs. • Product offering/development are done based on market demand and customers' feedback. • Implementation of innovative marketing strategies in response to changing economic conditions and market demands.
FOREX RISK	This risk relates to the Group's foreign investment which will be effected as a result of fluctuations of exchange rate.	• The Group has a natural hedge to the extent that payments for foreign currency payables are financed via local bank borrowings in the foreign currency or matched against receivables denominated in the same foreign currency.

	KEY RISKS	MITIGATION PLAN
GEOPOLITICAL RISK	The Group recognised the exposure in countries with uncertainties due to political instability i.e. trade barriers policy and protectionism could have adverse impact to our investment.	• Engaged with strong local partner to ease business dealings. • Track and monitor political changes and report to the Board of any major developments. • Regular updates on local rules and regulations to Senior Management.
CYBER SECURITY RISK	The Group recognised the vulnerability of our business to cyber-crime, hence comprehensive measures/steps to ensure effective protection of networks, computers, programs and data from attack, damage or unauthorized access is our main priority.	• Periodical and ad-hoc system security testing. • Establishment of IT Policies and Procedures. • Briefing sessions/roadshows conducted to enhance staff awareness.
WORKPLACE HEALTH AND SAFETY RISK	The Group is potentially exposed to workplace health and safety (including environmental) risks during the period of construction.	• Well defined health and safety policies and procedures are established. • Health and safety awareness-raising and training initiatives are conducted. • Continuous improvement of construction methods and communication campaigns with our appointed contractors. • Stringent on-site controls and enforcement.
SUCCESSION PLANNING RISK	The Group acknowledged facilitating seamless leadership transitions for key positions is a critical factor in sustaining the success of Setia.	• Monitoring of conversion of development opportunities to see a follow-through and institute a change plan if required. • Communication and development feedback to identified individuals to ensure talent retention. • The Group is proactively managing our talents via retention strategies and is aware of talent availability in the market.

INTERNAL CONTROL SYSTEMS

In Setia, our practice of a strong internal control are guided by the model of "Three Lines of Defence" as shown below:



a. **First Line of Defence**

The first line of defence is provided by senior management; and that the Heads of Business Units are accountable for all risks and internal controls assumed under their respective areas of responsibility. Senior management is also responsible for creating a risk-awareness culture, which will ensure greater understanding of the importance of risk management and internal control whilst ensuring its principles are embedded in key operational processes and in all project evaluation and monitoring.

The Group's internal control systems do not apply to Associate Companies and Jointly-Controlled Entities where the Group does not have full management control over them. However, the Group's interest is served through representation on the Boards of the respective Associate Companies and Jointly-Controlled Entities.

b. **Second Line of Defence**

The second line of defence is provided by the Group Risk Management ("GRM") and Group Quality Assurance ("GQM"). GRM is responsible for facilitating and monitoring the enterprise risk management processes and internal control activities in the Group; whereas GQM is responsible in ensuring effective implementation and compliance to the Group's policies and procedures.

c. **Third Line of Defence**

The third line of defence is provided by the Group Internal Audit ("GIA"). GIA provides independent assurance on the adequacy and reliability of the risk management processes and system of internal controls, and ensures compliance to risk-related regulatory requirements.

MAIN FEATURES OF INTERNAL CONTROL AT SETIA

a. Organisation Structure and Reporting Lines

The Board and Board Committees are supported operationally by the senior management committee headed by the President & CEO.

The senior management committee meeting is convened on a monthly basis to discuss on strategic business agenda and group's financial performance hence has oversight of the Group's operations and maintenance of effective control.

The organisation structure and delegation of responsibilities are communicated Group-wide which set out, amongst others, authorisation levels, segregation of duties and other risk and control procedures.

b. Group Internal Audit Division

Group Internal Audit ("GIA"), reports directly to the Audit Committee ("AC"), undertakes the internal audit function of the Group and provides independent and objective assurance on the adequacy and the effectiveness of the internal control system implemented by the Group.

i. Objectives
GIA supports the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance process.

ii. Yearly activities
Audit engagements are carried out based on a risk-based annual internal audit plan approved by the AC. GIA executes the audit engagements with regards to risk exposures, compliances on policies and procedures, relevant laws and regulations and at times against best practices. GIA then provides the AC with periodic reports, highlighting observations, recommendations and action plans to improve the Group's internal control system. In addition, special reviews and scope extensions were also undertaken as required by the AC and management. The practices used conforms to the International Professional Practices Framework of the Institute of Internal Auditors (USA).

c. Group Quality Management

Group Quality Management ("GQM"), reporting directly to the President & CEO, establishes and manages an integrated quality, health & safety and environment management system for the Property Division, manufacturing and construction arms. The integrated system is progressively reviewed to ensure its relevance.

i. Objectives of GQM
GQM supports the Group in accomplishing its objectives by performing regular quality audits and assisting the Group to progressively improve their business processes relating to product and service quality as well as regulatory compliance. The main initiatives are as per the following:

- Maintaining the accreditation to ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health & Safety Management System;
- Conducting customer satisfaction survey biannually;
- Performing regular process, service quality, product quality audit and site HSE audit;
- Facilitating the Customer Experience Committee meeting, and monitoring the quality improvement;
- Gathering and reporting the product and service quality & HSE performance;
- Monitoring the Quality Excellence Award program for employees and contractors.

d. Policies, Guidelines and Procedures

Written Policies, Guidelines & Standard Operating Procedures
Policies and Standard operating procedures are established, reviewed and updated to reflect changing business environments and maintain operational efficiencies. Compliance to such policies and procedures are reported by GIA to the AC.

Discretionary Authority Limits ("DAL")
The DAL has been established as part of Setia's effort in ensuring an optimal balance between strong corporate governance practices and operational efficiency. It is a written delegation of authority by the Board to the respective Board Committees and Management within the Setia Group. Its key objectives are to provide a holistic view of the authority limits set, to encourage delegation, empowerment and accountability, and to eliminate guesswork, confusion hence providing clarity.

The DAL document is subject to periodical review to incorporate any changes that affect the authority limits.

e. Financial Performance Monitoring

Group Finance covers planning, monitoring, reviewing and reporting of Group financial performance via periodic reviews of actual performance versus targets and ensures initiatives and mitigating action are taken.

The review and deliberation of financial performance of the Group are conducted on a monthly basis during the GAC meeting.

f. Group Information and Communication Technology

Group Information & Communication Technology's ("GICT") core role is to plan, design, support and improve IT services in order to enable business users of the Group to carry out their roles efficiently, productively and securely. This also includes educating and facilitating business users to embrace relevant technology, either new or enhancing existing ICT systems, to increase business performance and market share.

i. ICT Policy & Compliance

Compliance. Setia GICT Policy adheres to Setia Group policy and adopts the Setia GICT strategy, approach and digital maturity roadmap. Internal ICT audit and system is reviewed yearly to ensure compliance against Setia Group policies and standard operating procedures (SOPs). To add on, Setia GICT appoints an external ICT auditor every 2 years, in which the last audit was performed in 2017.

ICT Disaster Recovery Plan. The ICT Disaster Recovery Plan testing was conducted as part of the Group Business Continuity Plan ("BCP") which takes place yearly to ensure workability and compliance to the Group BCP policy.

ii. Cybersecurity & Awareness.

Cybersecurity. As part of prevention activity, Setia conducted an overall assessment, i.e. penetration test, on the ICT systems (hardware and software) and from the results with recommendations, measures have taken place to proactively monitor, prevent, contain and recover from vulnerabilities.

Awareness. Awareness on methods of cybercrime was conducted for all Setia business users through education and announcement, including social engineering test to make business users cautious on the scams method.

g. Group Human Resource

Introduction

Group Human Resources ("GHR") reports directly to the President & CEO, working closely with the Deputy President & Chief Operating Officer ("COO") on operational issues. GHR holds a strategic function in ensuring that our People Plans are aligned to the Business. GHR is responsible for the formulation, implementation, monitoring and review of the overall Human Resources Strategy. The scope covers from entire employee life cycle from Talent Acquisition, Performance Management, Talent Development and drives Organisational change in building organisational capabilities.

The key deliverables are anchored on Employee Engagement with the right platform/channels created to mitigate any people risks that may impact business. In all our core Human Resource processes, we follow an annual rhythm.

i. Reward & Recognition

Establishing a clear system on how to measure our employees' performance is key in sustaining a business model based on a "growth agenda". Setia uses a Key Performance Indicator ("KPI") system for our Performance Management System ("PMS") which starts with an Annual Planning cycle in March (Q1) followed by a Mid-Year Review in July (Q3) and finally Year-End Appraisal in Dec (Q4). The KPI System embeds the culture of accountability with KPIs scoring distributed across individuals / functions and Group achievement.

ii. Succession planning

Leadership Development is a key priority in Setia and we follow a strategic framework which feeds into our Succession Planning process. We use a practical and efficient methodology to balance our time investment in People Development and Driving business results. Succession Planning is done for key roles and it's a partnership discussion between the GHR and the Business Heads.

iii. Talent Management & Employee Engagement

Our Talent Management Framework covers all levels of employees with targeted development strategies focusing on Core Organisation Competency within each Job Grade. A Critical Path Development is identified as a basic premise for the development of the relevant leadership levels to ensure that each talent is well-trained and equipped with the necessary skills required as they rise up the leadership ladder. Our High Potential talent group is selected based on consistent track record, ambition / aspirations, competencies / capabilities and being keeper of the Setia Values.

MONITORING, REPORTING AND REVIEWING

The Group's system of risk management and internal controls are monitored via periodic management review of financial and operational results, business processes, the state of internal controls and business risk profile by the respective Heads of BUs and reported to the GAC.

In addition, the Board is updated on the Group's performance on a quarterly basis and reviews undertaken by GIA on the effectiveness of controls implementation at each individual business unit. Reports on the reviews carried out by GIA are submitted on a regular basis to management and the AC. In addition, updates on the risk profiles and key mitigations are also tabled to the RMC and the Board on a quarterly basis.

BOARD COMMENTARY AND OPINION

For the financial year under review, the Board has received a written assurance from the President & CEO, Deputy President & COO and Chief Financial Officer ("CFO") that the Group's enterprise risk management and internal control systems, in all material aspects, are operating adequately and effectively. There were no material control failures or adverse compliance events that directly resulted in any material loss to the Group.

Taking into consideration the information and assurance given by the President & CEO, Deputy President & COO and CFO, the Board is satisfied that the enterprise risk management and internal control systems in place for the year under review and up to the date of approval of this Statement are sound and effective to safeguard the interest of all shareholders, the Group's assets, and other stakeholders. The Board has deliberated and approved the recommendations brought forth by the RMC and AC.

The Board will continue to monitor all major risks affecting the Group and take necessary measures to mitigate them and continue to enhance the adequacy and effectiveness of the risk management and internal control systems of the Group.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The External Auditors, Messrs. Ernst & Young, have performed limited assurance procedures on the Statement in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement Other Than Audits or Reviews of Historical Financial Information and Recommended Practice Guide (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in this annual report. Messrs. Ernst & Young have reported to the Board that nothing has come to their attention that causes them to believe that the Statement included in this annual report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board dated 27 February 2018.

FINANCIAL STATEMENTS

CORPORATE INFORMATION

DOMICILE	: Malaysia
LEGAL FORM AND PLACE OF INCORPORATION	: Public listed company limited by way of shares incorporated in Malaysia
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	: S P Setia Berhad Corporate HQ No.12, Persiaran Setia Dagang Setia Alam, Seksyen U13 40170 Shah Alam Selangor Darul Ehsan

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of S P Setia Berhad ("the Company" or "S P Setia") for the financial year ended 31 December 2017.

ACQUISITION OF I & P GROUP SDN. BERHAD

The Company had on 1 December 2017 successfully completed the acquisition of the entire equity interests in I & P Group Sdn. Berhad ("I & P Group") from Permodalan Nasional Berhad ("PNB"), Amanahraya Trustees Berhad (as trustee for Amanah Saham Bumiputera) ("ART-ASB") and Dato' Mohd. Nizam bin Zainordin. An enlarged group ("the Group") was formed with the successful acquisition of I & P Group.

The Group has applied the principles of the pooling of interests method in accounting for the acquisition of I & P Group and its subsidiaries, where the results of entities under common control are accounted as if the combination had been effected throughout the current and previous financial period. The details are disclosed in Note 52 to the financial statements.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities and other information relating to the subsidiary companies are indicated in Note 8 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	1,069,032	826,220
Attributable to:		
Owners of the Company		
- from continuing operations	849,472	789,984
- from discontinued operations	83,385	-
	932,857	789,984
Holders of Perpetual bond	36,236	36,236
Non-controlling interests	99,939	-
	1,069,032	826,220

DIVIDENDS

At the Extraordinary General Meeting of the Company held on 20 March 2014, the shareholders of the Company resolved to approve the Company's Dividend Reinvestment Plan ("DRP"). The authority granted to the Company to allot and issue new shares of the Company pursuant to the DRP was renewed by the shareholders at the 42nd Annual General Meeting ("AGM") of the Company held on 18 May 2017.

The DRP provides an option to the shareholders to reinvest either all or a portion of the declared dividends in new shares in lieu of receiving cash. Shareholders who elect not to participate in the option to reinvest, will receive the entire dividend wholly in cash.

DIVIDENDS (CONT'D)

During the financial year, the Company paid the following dividends:

(a) A single-tier final dividend of 16 sen per ordinary share each amounting to RM456,833,594 in respect of the financial year ended 31 December 2016. A total of 123,421,658 new ordinary shares were issued on 19 July 2017 at an issue price of RM3.30 per share under the DRP and the remaining portion of RM49,542,123 was paid in cash on 19 July 2017; and

(b) A single-tier interim dividend of 4 sen per ordinary share each amounting to RM119,453,015 in respect of the financial year ended 31 December 2017. A total of 35,787,575 new ordinary shares were issued on 13 October 2017 at an issue price of RM3.09 per share under the DRP and the remaining portion of RM8,869,408 was paid in cash on 13 October 2017.

Subsequent to 31 December 2017, the Directors declared a single-tier dividend of 11.5 sen per share amounting to RM431,611,272 in respect of the financial year ended 31 December 2017. The financial statements for the current financial year do not reflect this proposed dividend. It will be accounted for in equity as an appropriation of retained earnings for the financial year ending 31 December 2018.

PREFERENTIAL DIVIDENDS

During the financial year, the Company paid preferential dividend of 6.49% per annum in respect of the Islamic Redeemable Cumulative Preference Shares ("RCPS-i A") for financial period from 2 December 2016 to 30 June 2017. A total of RM42,736,985 was paid in cash on 26 September 2017.

Subsequent to 31 December 2017, the Directors declared a preferential dividend of 6.49% per annum amounting to RM36,364,663 in respect of the RCPS-i A for financial period from 1 July 2017 to 31 December 2017. The financial statements for the current financial year do not reflect this proposed dividend. It will be accounted for in equity as an appropriation of retained earnings for the financial year ending 31 December 2018.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the statements of changes in equity set out on pages 140 to 142.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital by way of:

(a) Transfer of the amount standing to the credit of the Company's share premium account as at 31 January 2017 of RM4,061,142,350 to the share capital of the Company pursuant to Section 618(2) of the Companies Act 2016;

(b) Issuance of 159,209,233 new ordinary shares pursuant to the DRP that provides shareholders with an option to reinvest their cash dividend in new ordinary shares at the following issue prices:

		7^{th} DRP	8^{th} DRP
Issue price	(RM)	3.30	3.09
No. of shares issued		123,421,658	35,787,575

ISSUE OF SHARES AND DEBENTURES (CONT'D)

(c) Allotment of 7,427,243 new ordinary shares pursuant to the vesting of shares under the Employee Share Grant Plan ("ESGP");

(d) Issuance of 2,369,540 new ordinary shares pursuant to the exercise of options under the Employee Share Option Scheme ("ESOS") at the following option prices:

		ESOS 1	ESOS 3	ESOS 4	ESOS 5	ESOS 5 (Revised)
Exercise price	(RM)	3.07	3.02	2.72	2.86	2.76
No. of shares issued		1,614,000	159,000	482,540	45,000	69,000

(e) Issuance of 403,260,475 new ordinary shares pursuant to the renounceable rights issue on the basis of two (2) rights shares for every fifteen (15) existing ordinary shares at an issue price of RM2.65 per share;

(f) Conversion from 6,988,243 RCPS-i A to 1,996,638 ordinary shares with the conversion ratio of two (2) new S P Setia shares for seven (7) RCPS-i A held;

The new ordinary shares rank pari passu in all respects with the then existing ordinary shares of the Company.

(g) Issuance of 1,209,781,427 Class B Islamic redeemable convertible shares ("RCPS-i B") at an issue price of RM0.88 each.

EMPLOYEE SHARE GRANT PLAN AND EMPLOYEE SHARE OPTION SCHEME

The Company's Long Term Incentive Plan ("LTIP" or "Scheme") is governed by the By-Laws which was approved by the shareholders on 28 February 2013 and is administered by the Nomination and Remuneration Committee ("NRC") which is appointed by the Board of Directors, in accordance with the By-Laws of LTIP.

On 23 February 2017, the Board of Directors approved the extension of the LTIP for another 5 years pursuant to By-Laws 18.2 of the By-Laws of LTIP and as such the LTIP shall be in force for a period of 10 years up to 9 April 2023.

The LTIP comprised of the ESGP and ESOS. The salient features, terms and details of the LTIP are disclosed in Note 23 to the financial statements.

During the financial year, the Company granted 15,338,925 shares under the ESGP and 142,888,636^ options under the ESOS to eligible Executive Directors and eligible employees of the Company and/or its eligible subsidiary companies. The details of the shares and options granted under LTIP and its vesting conditions during the financial year and the number of shares outstanding at the end of the financial year are disclosed in Note 23 to the financial statements.

Note:

^ *Pursuant to the LTIP By-Laws of the Company, the ESOS options were adjusted for the renounceable rights issue of up to 451,916,434 ordinary shares in S P Setia and renounceable rights issue of up to 1,355,749,304 new class B Islamic redeemable convertible preference shares in S P Setia which were allotted on 29 December 2017 and listed on 4 January 2018.*

DIRECTORS

The Directors in office since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin
Dato' Khor Chap Jen
Dato' Halipah Binti Esa
Dato' Ahmad Pardas Bin Senin
Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob
Dato' Zuraidah Binti Atan
Tengku Dato' Ab. Aziz Bin Tengku Mahmud
Puan Noraini Binti Che Dan
Philip Tan Puay Koon
Dato' Azmi Bin Mohd Ali

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year up to the date of this report are:

Dato' Khor Chap Jen
Datuk Wong Tuck Wai
Datuk Koe Peng Kang
Datuk Tan Hon Lim
Datuk Kow Choong Ming
Choong Kai Wai
Choy Kah Yew
Yuslina binti Mohd Yunus
Datuk Zaini bin Yusoff
Soh Hee Pin (appointed on 1 December 2017)
Saw Kim Suan
Ng Han Seong
Neo Keng Hoe
Yeo Cheng Jway (appointed on 28 February 2017)
Jamalullail bin Abu Bakar
Sha'ari Bin Hanapi
Tan Mui Hiang
Saniman Bin Amat Yusof (appointed on 18 January 2017)
Thum Kok Mun (appointed on 25 April 2017)
Hong Boon Toh (appointed on 25 April 2017)
Zulfakar Bin Abdullah (appointed on 2 February 2018)
Tuan Hj Ahmad Khalif Bin Tan Sri Datuk Hj Mustapha Kamal
Gan Hwa Leong
Gan Hua Tiong
Azmy Bin Mahbot (appointed on 19 June 2017)
Azhar Bin Othman (resigned on 15 June 2017)
Dato' Hj. A. Aziz bin Deraman (resigned on 5 September 2017)
Jen Tan Sri Dato' Sri Rodzali bin Daud (retired)

DIRECTORS (CONT'D)

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year up to the date of this report are (cont'd):

Neoh Swee Guat
Dato' Sri Ghazali bin Mohd. Ali
Dato' Sri Syed Saleh bin Syed Abdul Rahman
Ahmad Suhaimee bin Ismail
Ahmad Suhaimi bin Endut
Datuk Ahmad bin Abu Bakar
Fadzidah binti Hashim
Mohd Auzir Zakri Bin Abd Hamid
Nasleena Binti Mohamad Sharif (resigned on 31 May 2017)
Shahril Bin Ramli (appointed on 31 May 2017)
Othman Bin Abdul Jalil
Chan Meng Yeong @ Paul Chan (resigned on 25 April 2017)
Dato' Abu Sujak bin Mahmud
Dato' Beh Hang Kong

Directors of the Company's subsidiaries resigned on 28 April 2017
Dato' Ir Jamaluddin bin Osman
Tan Sri Dato' Mohd Desa bin Pachi
Datuk (Prof) A. Rahman @ Omar bin Abdullah
Datuk Mohmad Shaid bin Mohd Taufek
Ismail bin Zakariah

Directors of the Company's subsidiaries resigned on 1 December 2017
Tan Sri Dato' Sri Abdul Wahid bin Omar
Datin Paduka Dr. Halimaton Saadiah binti Hashim
Dato' Mohd Nizam bin Zainordin
Datuk Aznam bin Dato' Mansor
Khalid bin Sufat
Azlina binti Baharom
Raja Datin Aliza binti Raja Aziddin
Dato' Hj. Kamarudin bin Hj. Ambok
YAD Tengku Dato' Setia Ramli bin Tengku Shahruddin Shah

Directors of the Company's subsidiaries appointed on 1 May 2017 and resigned on 1 December 2017
Datuk Syed Mohamed bin Syed Ibrahim
Tuan Haji Ikhwan bin Haji Zaidel

Directors of the Company's subsidiaries appointed on 28 April 2017 and resigned on 1 December 2017
Ir. Wan Mohd. Rozi bin Wan Hasan
Dato' Muhamad Zaili bin Muhammad Yusof
Noor Lida binti Nazri
Razly bin Mohammad Rus
Vasudevan a/l T Tharumalingam
Looi Lie Lie
Khaliza binti Khalid

DIRECTORS' INTEREST IN SHARES AND LTIP

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiary companies during the financial year except for the following:

	No. of ordinary shares			
	At 1.1.2017	Addition	Disposal	At 31.12.2017
Dato' Khor Chap Jen				
- direct	562,590	349,116	-	911,706

	No. of Islamic redeemable convertible preference shares ("RCPS-i A")			
	At 1.1.2017	Addition	Disposal	At 31.12.2017
Dato' Khor Chap Jen				
- direct	222,178	-	-	222,178

	No. of Class B Islamic redeemable convertible preference shares ("RCPS-i B")			
	At 1.1.2017	Addition	Disposal	At 31.12.2017
Dato' Khor Chap Jen				
- direct	-	321,778	-	321,778

The following Director had an interest in LTIP during the financial year:

	No. of shares under the ESGP				
	At 1.1.2017	Granted	Vested	Lapsed	At 31.12.2017
Dato' Khor Chap Jen	359,200	300,000	(204,300)	-	454,900

	No. of share options under the ESOS				
	At 1.1.2017	Granted	Exercised	Lapsed	At 31.12.2017
Dato' Khor Chap Jen	9,600,000	15,849,670	-	-	25,449,670

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company as shown in Note 37 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefit which may be deemed to have arisen from the transactions disclosed in Note 43 to the financial statements.

DIRECTORS' BENEFITS (CONT'D)

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the shares or share options granted under the LTIP.

The Directors and officers of the Group and of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties while holding office. During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and officers of the Group and the Company are RM30,000,000 and RM52,600 respectively. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise in their values as shown in the accounting records in the ordinary course of business of the Group and of the Company had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

  (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

  (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) No contingent or other liability of the Group or of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

(e) At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

OTHER STATUTORY INFORMATION (CONT'D)

(f) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except for the acquisition of the I & P Group which is accounted for using the pooling of interests method as disclosed in Note 42(b) and Note 52 to the financial statements; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 51 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Details of auditors' remuneration are set out in Note 37 to the financial statements.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claim by third parties arising from the audit for an unspecified amount. No payment has been made to indemnify Ernst & Young during and since the end of the financial year.

This report was approved by the Board of Directors on 27 February 2018.

Signed on behalf of the Board of Directors

TAN SRI DATO' SERI DR. WAN MOHD ZAHID BIN MOHD NOORDIN
Chairman

DATO' KHOR CHAP JEN
Director

Kuala Lumpur, Malaysia

STATEMENTS OF FINANCIAL POSITION

31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	2	**425,120**	374,958	**2**	2
Investment properties	3	**1,319,701**	1,113,221	**1,718**	1,728
Land held for property development	4	**10,795,753**	8,674,347	**-**	-
Intangible asset	5	**15,497**	11,633	**-**	-
Investments in associated companies	6	**412,278**	397,835	**95,621**	95,621
Investments in joint ventures	7	**2,050,674**	1,677,723	**33,639**	33,375
Investments in subsidiary companies	8	**-**	-	**8,587,501**	4,908,273
Other investments	9	**133**	231	**-**	-
Amounts owing by subsidiary companies	10	**-**	-	**2,640,019**	1,790,889
Other receivables, deposits and prepayments	17	**90,146**	-	**-**	-
Deferred tax assets	14	**200,590**	178,943	**433**	569
		15,309,892	12,428,891	**11,358,933**	6,830,457
Current assets					
Property development costs	15	**1,820,822**	2,469,618	**-**	-
Inventories	16	**1,702,008**	1,296,023	**-**	-
Accrued billings		**835,223**	1,056,416	**-**	-
Other receivables, deposits and prepayments	17	**752,155**	338,435	**1,822**	1,480
Trade receivables	18	**985,983**	892,322	**-**	-
Gross amount due from customers	19	**2,936**	3,825	**-**	-
Amounts owing by joint ventures	11	**585,202**	633,669	**347,905**	341,677
Amounts owing by associated companies	12	**364**	138	**364**	138
Amounts owing by subsidiary companies	10	**-**	-	**1,499,646**	759,561
Amounts owing by related companies	13	**-**	5,320	**-**	-
Other investments	9	**-**	30,000	**-**	-
Current tax assets		**148,682**	153,180	**-**	9,030
Short-term deposits	20	**1,700,059**	3,004,351	**907,848**	1,582,554
Cash and bank balances	21	**3,879,241**	1,676,169	**2,478,450**	15,512
		12,412,675	11,559,466	**5,236,035**	2,709,952
Assets of disposal group classified as held for sale	22	**1,058**	19,000	**-**	-
		12,413,733	11,578,466	**5,236,035**	2,709,952
TOTAL ASSETS		**27,723,625**	24,007,357	**16,594,968**	9,540,409

	Note	Group 2017 RM'000	Group 2016 RM'000 Restated	Company 2017 RM'000	Company 2016 RM'000
EQUITY AND LIABILITIES					
Equity					
Share capital	23	**6,693,971**	2,140,140	**6,693,971**	2,140,140
Share capital - RCPS-i A	24	**1,119,342**	11,276	**1,119,342**	11,276
Share capital - RCPS-i B	24	**1,064,608**	-	**1,064,608**	-
Share premium *(non-distributable)*		**-**	2,945,523	**-**	2,945,523
Share premium - RCPS-i A *(non-distributable)*		**-**	1,115,632	**-**	1,115,632
Share-based payment reserve *(non-distributable)*		**94,450**	65,316	**94,450**	65,316
Reserve on acquisition arising from common control *(non-distributable)*	25	**(1,295,884)**	(1,295,884)	**-**	-
Exchange translation reserve *(non-distributable)*		**138,030**	204,486	**-**	-
Retained earnings *(distributable)*		**4,129,185**	3,845,351	**728,845**	557,885
Equity attributable to owners of the Company		**11,943,702**	9,031,840	**9,701,216**	6,835,772
Perpetual bond	26	**610,787**	610,787	**610,787**	610,787
Non-controlling interests		**1,243,730**	1,206,081	**-**	-
Total equity		**13,798,219**	10,848,708	**10,312,003**	7,446,559
Non-current liabilities					
Redeemable cumulative preference shares	27	**54,667**	53,513	**-**	-
Other payables and accruals	30	**40,000**	40,000	**-**	-
Long term borrowings	28	**4,914,092**	3,798,538	**1,343,847**	1,247,767
Deferred tax liabilities	14	**215,517**	214,439	**-**	-
		5,224,276	4,106,490	**1,343,847**	1,247,767

	Note	Group		Company	
		2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
EQUITY AND LIABILITIES (CONT'D)					
Current liabilities					
Gross amount due to customers	19	**2,608**	5,707	**-**	-
Trade payables	29	**1,561,405**	1,635,257	**-**	-
Other payables and accruals	30	**749,704**	606,312	**336,991**	11,428
Progress billings		**6,986**	65,594	**-**	-
Provision for affordable housing	31	**795,895**	888,925	**-**	-
Short term borrowings	28	**1,963,828**	1,974,771	**972,605**	736,072
Current tax liabilities		**79,749**	114,709	**6,296**	-
Amounts owing to previous shareholders of I & P Group	32	**3,540,500**	3,650,000	**3,540,500**	-
Amounts owing to subsidiary companies	10	**-**	-	**82,726**	98,583
Amounts owing to related companies	13	**455**	110,884	**-**	-
		8,701,130	9,052,159	**4,939,118**	846,083
Total liabilities		**13,925,406**	13,158,649	**6,282,965**	2,093,850
TOTAL EQUITY AND LIABILITIES		**27,723,625**	24,007,357	**16,594,968**	9,540,409

The accompanying notes form an integral part of the financial statements

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Continuing operations					
Revenue	33	**4,520,112**	5,711,371	**-**	-
Cost of sales	34	**(3,006,459)**	(3,952,418)	**-**	-
Gross profit		**1,513,653**	1,758,953	**-**	-
Other income	35	**287,924**	341,117	**960,416**	780,676
Selling and marketing expenses		**(262,916)**	(221,098)	**(56)**	-
Administrative and general expenses		**(410,078)**	(418,425)	**(23,823)**	(25,047)
Share of results of joint ventures		**257,765**	68,715	**-**	-
Share of results of associated companies		**22,429**	20,820	**-**	-
Finance costs	36	**(137,360)**	(125,349)	**(90,529)**	(72,760)
Profit before tax	37	**1,271,417**	1,424,733	**846,008**	682,869
Taxation	38	**(285,770)**	(365,316)	**(19,788)**	(2,277)
Profit from continuing operations, net of tax		**985,647**	1,059,417	**826,220**	680,592
Discontinued operations					
Profit from discontinued operations, net of tax	22	**83,385**	7,845	**-**	-
Profit for the year		**1,069,032**	1,067,262	**826,220**	680,592
Other comprehensive income, net of tax:					
(Items that may be reclassified subsequently to profit or loss)					
Exchange differences on translation of foreign operations		**(66,599)**	(136,950)	**-**	-
Total comprehensive income for the year		**1,002,433**	930,312	**826,220**	680,592
Profit attributable to:					
Holders of Perpetual bond		**36,236**	36,236	**36,236**	36,236
Non-controlling interests		**99,939**	75,207	**-**	-
		136,175	111,443	**36,236**	36,236
Owners of the Company					
- from continuing operations		**849,472**	947,974	**789,984**	644,356
- from discontinued operations		**83,385**	7,845	**-**	-
		932,857	955,819	**789,984**	644,356
		1,069,032	1,067,262	**826,220**	680,592

	Note	Group		Company	
		2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Total comprehensive income attributable to:					
Holders of Perpetual bond		**36,236**	36,236	**36,236**	36,236
Non-controlling interests		**99,796**	75,114	**-**	-
		136,032	111,350	**36,236**	36,236
Owners of the Company					
- from continuing operations		**783,016**	811,117	**789,984**	644,356
- from discontinued operations		**83,385**	7,845	**-**	-
		866,401	818,962	**789,984**	644,356
		1,002,433	930,312	**826,220**	680,592
Basic earnings per share (sen)	39				
- from continuing operations		**24.26**	30.45		
- from discontinued operations		**2.51**	0.25		
		26.77	30.70		
Diluted earnings per share (sen)	39				
- from continuing operations		**20.25**	27.49		
- from discontinued operations		**2.09**	0.23		
		22.34	27.72		

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2017

	Note	Attributable to owners of the Company												
					Non-distributable					Distributable				
		Share capital RM'000	Share capital - RCPS-i A RM'000	Share capital - RCPS-i B RM'000	Share premium RM'000	Share premium - RCPS-i A RM'000	Share-based payment reserve RM'000	Reserve on acquisition arising from common control RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual bond RM'000	Non-controlling interests RM'000	Total equity RM'000
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
Effect of pooling of interests method of accounting		-	-	-	-	-	-	(1,295,884)	-	1,099,371	(196,513)	-	806,691	610,178
Balance at 31.12.2015 (restated)		1,971,266	-	-	2,496,683	-	63,037	(1,295,884)	341,343	3,621,686	7,198,131	610,787	1,193,699	9,002,617
Total other comprehensive income for the year, represented by exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(136,857)	-	(136,857)	-	(93)	(136,950)
Profit for the year		-	-	-	-	-	-	-	-	955,819	955,819	-	75,207	1,031,026
Distribution for the year		-	-	-	-	-	-	-	-	-	-	36,236	-	36,236
Distribution paid		-	-	-	-	-	-	-	-	-	-	(36,236)	-	(36,236)
Transactions with owners:														
Issuance of ordinary shares														
- DRP		160,749	-	-	423,040	-	-	-	-	-	583,789	-	-	583,789
- exercise of ESGP		6,848	-	-	21,444	-	(28,292)	-	-	-	-	-	-	-
- exercise of ESOS		1,277	-	-	4,638	-	(912)	-	-	-	5,003	-	-	5,003
Issuance of RCPS-i A		-	11,276	-	-	1,116,349	-	-	-	-	1,127,625	-	-	1,127,625
Share issuance expenses		-	-	-	(282)	(717)	-	-	-	-	(999)	-	-	(999)
Dividends paid	40	-	-	-	-	-	-	-	-	(612,154)	(612,154)	-	(62,732)	(674,886)
Dividends paid to previous shareholders of I & P Group	40	-	-	-	-	-	-	-	-	(120,000)	(120,000)	-	-	(120,000)
Share-based payment under the LTIP		-	-	-	-	-	31,483	-	-	-	31,483	-	-	31,483
Balance at 31.12.2016 (restated)		2,140,140	11,276	-	2,945,523	1,115,632	65,316	(1,295,884)	204,486	3,845,351	9,031,840	610,787	1,206,081	10,848,708

	Note	Share capital RM'000	Share capital - RCPS-i A RM'000	Share capital - RCPS-i B RM'000	Share premium RM'000	Share premium - RCPS-i A RM'000	Share-based payment reserve RM'000	Reserve on acquisition arising from common control RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual bond RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to owners of the Company												
					Non-distributable					Distributable				
Balance at 31.12.2016		2,140,140	11,276	-	2,945,523	1,115,632	65,316	-	204,486	2,718,191	9,200,564	610,787	431,730	10,243,081
Effect of pooling of interests method of accounting	52	-	-	-	-	-	-	(1,295,884)	-	1,127,160	(168,724)	-	774,351	605,627
Balance at 31.12.2016 (restated)		2,140,140	11,276	-	2,945,523	1,115,632	65,316	(1,295,884)	204,486	3,845,351	9,031,840	610,787	1,206,081	10,848,708
Total other comprehensive income for the year, represented by exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(66,456)	-	(66,456)	-	(143)	(66,599)
Profit for the year		-	-	-	-	-	-	-	-	932,857	932,857	-	99,939	1,032,796
Distribution for the year		-	-	-	-	-	-	-	-	-	-	36,236	-	36,236
Distribution paid		-	-	-	-	-	-	-	-	-	-	(36,236)	-	(36,236)
Transactions with owners:														
Issuance of ordinary shares														
- DRP		517,875	-	-	-	-	-	-	-	-	517,875	-	-	517,875
- exercise of ESGP		23,191	-	-	-	-	(23,191)	-	-	-	-	-	-	-
- exercise of ESOS		8,296	-	-	38	-	(1,267)	-	-	-	7,067	-	-	7,067
- rights issue		1,068,640	-	-	-	-	-	-	-	-	1,068,640	-	-	1,068,640
Issuance of RCPS-i B		-	-	1,064,608	-	-	-	-	-	-	1,064,608	-	-	1,064,608
Conversion of RCPS-i A into ordinary shares		6,988	(6,988)	-	-	-	-	-	-	-	-	-	-	-
Share issuance expenses		(16,720)	(527)	-	-	(51)	-	-	-	-	(17,298)	-	-	(17,298)
Liquidation of subsidiary companies		-	-	-	-	-	-	-	-	-	-	-	2,109	2,109
RCPS-i A preferential dividends paid		-	-	-	-	-	-	-	-	(42,737)	(42,737)	-	-	(42,737)
Dividends paid	40	-	-	-	-	-	-	-	-	(576,286)	(576,286)	-	(64,256)	(640,542)
Dividends paid to previous shareholders of I & P Group	40	-	-	-	-	-	-	-	-	(30,000)	(30,000)	-	-	(30,000)
Share-based payment under the LTIP		-	-	-	-	-	53,592	-	-	-	53,592	-	-	53,592
Transition to no par value regime	23	2,945,561	1,115,581	-	(2,945,561)	(1,115,581)	-	-	-	-	-	-	-	-
Balance at 31.12.2017		6,693,971	1,119,342	1,064,608	-	-	94,450	(1,295,884)	138,030	4,129,185	11,943,702	610,787	1,243,730	13,798,219

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2017

					Non-distributable			Distributable		
	Note	Share capital RM'000	Share capital - RCPS-i A RM'000	Share capital - RCPS-i B RM'000	Share premium RM'000	Share premium - RCPS-i A RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Perpetual bond RM'000	Total RM'000
Balance at 31.12.2015		1,971,266	-	-	2,496,683	-	63,037	525,683	610,787	5,667,456
Total other comprehensive income for the year, represented by profit for the year		-	-	-	-	-	-	644,356	-	644,356
Distribution for the year		-	-	-	-	-	-	-	36,236	36,236
Distribution paid		-	-	-	-	-	-	-	(36,236)	(36,236)
Transactions with owners:										
Issuance of ordinary shares:										
- DRP		160,749	-	-	423,040	-	-	-	-	583,789
- exercise of ESGP		6,848	-	-	21,444	-	(28,292)	-	-	-
- exercise of ESOS		1,277	-	-	4,638	-	(912)	-	-	5,003
Issuance of RCPS-i A		-	11,276	-	-	1,116,349	-	-	-	1,127,625
Share issuance expenses		-	-	-	(282)	(717)	-	-	-	(999)
Dividends paid	40	-	-	-	-	-	-	(612,154)	-	(612,154)
Share-based payment under the LTIP		-	-	-	-	-	31,483	-	-	31,483
Balance at 31.12.2016		**2,140,140**	**11,276**	**-**	**2,945,523**	**1,115,632**	**65,316**	**557,885**	**610,787**	**7,446,559**
Total other comprehensive income for the year, represented by profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**789,984**	**-**	**789,984**
Distribution for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**36,236**	**36,236**
Distribution paid		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(36,236)**	**(36,236)**
Transactions with owners:										
Issuance of ordinary shares:										
- DRP		**517,875**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**517,875**
- exercise of ESGP		**23,191**	**-**	**-**	**-**	**-**	**(23,191)**	**-**	**-**	**-**
- exercise of ESOS		**8,296**	**-**	**-**	**38**	**-**	**(1,267)**	**-**	**-**	**7,067**
- rights issue		**1,068,640**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,068,640**
Issuance of RCPS-i B		**-**	**-**	**1,064,608**	**-**	**-**	**-**	**-**	**-**	**1,064,608**
Conversion of RCPS-i A into ordinary shares		**6,988**	**(6,988)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share issuance expenses		**(16,720)**	**(527)**	**-**	**-**	**(51)**	**-**	**-**	**-**	**(17,298)**
RCPS-i A preferential dividends paid		**-**	**-**	**-**	**-**	**-**	**-**	**(42,737)**	**-**	**(42,737)**
Dividends paid	40	**-**	**-**	**-**	**-**	**-**	**-**	**(576,287)**	**-**	**(576,287)**
Share-based payment under the LTIP		**-**	**-**	**-**	**-**	**-**	**53,592**	**-**	**-**	**53,592**
Transition to no par value regime	23	**2,945,561**	**1,115,581**	**-**	**(2,945,561)**	**(1,115,581)**	**-**	**-**	**-**	**-**
Balance at 31.12.2017		**6,693,971**	**1,119,342**	**1,064,608**	**-**	**-**	**94,450**	**728,845**	**610,787**	**10,312,003**

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax				
- continuing operations	**1,271,417**	1,424,733	**846,008**	682,869
- discontinued operations	**85,825**	9,888	**-**	-
	1,357,242	1,434,621	**846,008**	682,869
Amortisation of intangible asset	**528**	-	**-**	-
Allowance for impairment losses no longer required	**(2,342)**	(141)	**(1,874)**	-
Bad debts and allowance for impairment losses	**2,898**	4,456	**-**	3,672
Depreciation of property, plant and equipment	**22,087**	25,829	**-**	2
Depreciation of investment properties	**13,409**	8,486	**10**	10
Net gain on disposal of property, plant and equipment	**(20,715)**	(409)	**-**	(25)
Gain on disposal of investment properties	**(19,633)**	(48,790)	**-**	-
Gain on disposal of other investments	**(12)**	(11)	**-**	-
Loss/(gain) on liquidation of subsidiary companies	**2,309**	(1,123)	**(999)**	-
Gain on disposal of discontinued operations	**(87,688)**	-	**-**	-
Property, plant and equipment written off	**511**	52	**-**	17
Share of results of joint ventures	**(257,765)**	(68,715)	**-**	-
Share of results of associated companies	**(22,429)**	(20,820)	**-**	-
Interest income from financial assets measured at amortised cost	**-**	(266)	**(4,104)**	(5,583)
Interest expense on financial liabilities measured at amortised cost	**2,328**	3,349	**-**	-
Loss from fair value adjustment of financial assets	**184**	3,951	**1,680**	1,089
Gain from fair value adjustment of financial liabilities	**-**	-	**-**	(2,793)
Share-based payment	**53,592**	31,483	**615**	643
Unrealised foreign exchange gain	**(1,943)**	(32,625)	**(6,161)**	(31,789)
Interest expense	**135,032**	122,000	**90,529**	72,760
Dividend income	**-**	-	**(754,418)**	(622,767)
Interest income	**(133,736)**	(138,442)	**(184,395)**	(108,628)
Rental income	**(38,487)**	(65,927)	**-**	-
Operating profit/(loss) before working capital changes	**1,005,370**	1,256,958	**(13,109)**	(10,523)
Changes in property development costs	**367,524**	664,863	**-**	-
Changes in accrued billings/progress billings	**163,730**	(627,839)	**-**	-
Changes in gross amount due from/to customers	**1,149**	19,058	**-**	-
Changes in inventories	**272,393**	320,988	**-**	-
Changes in receivables	**(143,254)**	(326,410)	**(342)**	3,408
Changes in payables	**(483,795)**	(80,832)	**(95,086)**	693
Cash generated from/(used in) operations	**1,183,117**	1,226,786	**(108,537)**	(6,422)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
		Restated		Restated
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)				
Rental received	**12,581**	9,832	**-**	-
Interest received	**59,620**	69,809	**1,031**	774
Interest paid	**(263,852)**	(267,822)	**(615)**	(2,168)
Net tax paid	**(339,563)**	(519,524)	**(4,326)**	(2,150)
Net cash generated from/(used in) operating activities	**651,903**	519,081	**(112,447)**	(9,966)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to land held for property development	**(2,448,695)**	(789,662)	**-**	-
Deposit and part consideration paid for acquisition of development land	**(449,091)**	-	**-**	-
Additions to property, plant and equipment	**(91,454)**	(52,105)	**-**	-
Additions to investment properties	**(178,009)**	(303,835)	**-**	-
Proceeds from disposal of property, plant and equipment	**58,130**	1,351	**-**	33
Proceeds from disposal of investment properties	**65,000**	58,918	**-**	-
Proceeds from disposal of other investments	**30,110**	59	**-**	-
Proceeds from disposal of discontinued operations	**106,688**	-	**-**	-
Net cash outflow from liquidation of subsidiary companies	**(54)**	-	**-**	-
Deposits paid in relation to acquisition of I & P Group	**(109,500)**	-	**-**	-
Acquisition of additional shares in existing subsidiary companies	**-**	-	**(23,650)**	(2,760)
Acquisition of additional shares in existing joint ventures	**(138,140)**	(696,566)	**-**	-
(Capital contribution to)/repayment from a joint venture	**(158)**	970	**(264)**	1,617
Advances to associated companies	**(226)**	(31)	**(226)**	(138)
Advances to subsidiary companies	**-**	-	**(695,789)**	(940,207)
(Advances to)/repayment from joint ventures	**(25,601)**	(38,527)	**1,645**	(34,535)
Withdrawal from/(placement of) sinking fund, debt service reserve, escrow and revenue accounts	**16,767**	(16,331)	**(2,034)**	(6,240)
Dividends received from associated companies	**3,680**	3,680	**-**	-
Redeemable cumulative preference share dividends received	**-**	-	**2,968**	2,968
Interest received	**74,116**	68,899	**39,354**	19,907
Dividend received	**-**	-	**23,450**	12,278
Rental received	**25,906**	56,095	**-**	-
Net cash used in investing activities	**(3,060,531)**	(1,707,085)	**(654,546)**	(947,077)

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from rights issue of shares and RCPS-i B	**2,133,248**	-	**2,133,248**	-
Excess application proceeds from rights issue of shares and RCPS-i B	**310,412**	-	**310,412**	-
Proceeds from issuance of ordinary shares				
- exercise of ESOS	**7,067**	5,003	**7,067**	5,003
Payment of share issuance expenses	**(17,298)**	(999)	**(17,298)**	(999)
Repayment to non-controlling shareholders of a subsidiary company	**(1,610)**	(25,725)	**-**	-
Drawdown of bank borrowings	**2,653,433**	2,594,186	**1,057,006**	1,288,423
Repayment of bank borrowings	**(1,498,940)**	(1,966,480)	**(718,000)**	(350,000)
Proceeds from issuance of RCPS-i A	**-**	1,127,625	**-**	1,127,625
Perpetual bond distribution paid	**(36,236)**	(36,236)	**(36,236)**	(36,236)
Interest paid	**(293)**	(761)	**(81,628)**	(63,887)
Redeemable cumulative preference share dividends paid to non-controlling interests	**(1,272)**	(1,272)	**-**	-
Dividends paid to non-controlling interests	**(64,256)**	(62,732)	**-**	-
RCPS-i A preferential dividends paid	**(42,737)**	-	**(42,737)**	-
Dividends paid	**(58,411)**	(28,365)	**(58,411)**	(28,365)
Dividends paid to previous shareholders of I & P Group	**(30,000)**	(120,000)	**-**	-
Net cash generated from financing activities	**3,353,107**	1,484,244	**2,553,423**	1,941,564
NET INCREASE IN CASH AND CASH EQUIVALENTS	**944,479**	296,240	**1,786,430**	984,521
EFFECT OF EXCHANGE RATE CHANGES	**(919)**	26,924	**(55)**	(572)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**4,586,503**	4,263,339	**1,573,754**	589,805
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**5,530,063**	4,586,503	**3,360,129**	1,573,754

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
Short-term deposits	**1,700,059**	3,004,351	**907,848**	1,582,554
Cash and bank balances	**3,851,348**	1,631,509	**2,470,176**	9,272
Bank overdrafts (Note 28)	**(21,344)**	(49,357)	**(17,895)**	(18,072)
	5,530,063	4,586,503	**3,360,129**	1,573,754
Cash and cash equivalents included in the cash flows comprise the following amounts:				
Short-term deposits	**1,700,059**	3,004,351	**907,848**	1,582,554
Cash and bank balances	**3,879,241**	1,676,169	**2,478,450**	15,512
Bank overdrafts (Note 28)	**(21,344)**	(49,357)	**(17,895)**	(18,072)
	5,557,956	4,631,163	**3,368,403**	1,579,994
Less: Amounts restricted in Sinking Fund, Debt Service Reserve, Escrow and Revenue Accounts	**(27,893)**	(44,660)	**(8,274)**	(6,240)
	5,530,063	4,586,503	**3,360,129**	1,573,754

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB") and the requirements of the Companies Act 2016.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

On 1 December 2017, an enlarged group is formed whereby the Company acquired the entire equity interests of I & P Group Sdn. Berhad ("I & P Group"). The combined entities were under common control before the acquisition. The Group has applied the pooling of interests method in accounting for this acquisition, of which the combining entities are presented in such a manner as to depict that it had been in its resultant form for both the current and previous financial periods by the Group's financial statements. The effects of the acquisition are disclosed in Note 52.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year, except for the adoption of the following amendments to FRSs:

Amendments to FRS 107	Statement of Cash Flows - Disclosure Initiative
Amendments to FRS 112	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRS 12	Disclosure of Interests in Other Entities - Annual Improvements to FRSs 2014-2016 Cycle

The adoption of the above Amendments to FRSs does not have any material impact on the financial statements of the Group and the Company, except for changes in presentation and disclosures of financial information.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the MASB issued a new approved accounting framework, the MFRS framework.

MFRS is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Interpretation 15 *Agreements for Construction of Real Estate*, including the entities' parent, significant investor and venturer (referred to as "Transitioning Entities" collectively). Transitioning Entities are allowed to defer adoption of MFRS framework, and continue to use the existing FRS framework until the MFRS framework is effective. The Group falls within the definition of Transitioning Entities and had then opted to defer adoption of MFRS framework.

The effective date for the adoption of MFRS Framework by the Transitioning Entities was subsequently deferred to annual periods beginning on or after 1 January 2018.

Accordingly, the Group had elected to continue to apply the FRS framework up to its financial year ended 31 December 2017. The Group will adopt the MFRS framework and prepare its first set of MFRS framework financial statements for the coming financial year ending 31 December 2018. In presenting its first MFRS financial statements, the Group is required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Malaysian Financial Reporting Standards (MFRS Framework) (cont'd)

The Group has established a project team to plan and manage the adoption of the MFRS Framework which includes the identification of the key differences between FRSs and accounting standards under the MFRS Framework and disclosures that are expected to arise from the adoption of the MFRS Framework, evaluating of training requirements and preparation of a conversion plan. This is to be followed by the execution of the implementation and review phase which includes the formulation of new and/or revised accounting policies and procedures that are in compliance with the MFRS Framework and identifying of the potential financial effects including disclosure requirements of the adoption of the MFRS Framework as at the date of transition had also been identified.

The Group and the Company are in the midst of completing its assessment of the financial effects of the differences between FRSs and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2017 could be different if prepared under the MFRS Framework. In applying the MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards ("MFRS") in adopting the MFRS Framework, the Group expects that it would not be applying any of the optional exemptions accorded by MFRS 1 except for the exemptions relating to business combinations.

When it first adopts the MFRS Framework in the financial year ending 31 December 2018, one of the key accounting policy changes that the Group expects is the adoption of the fair value model for all of its investment properties which would be adjusted for retrospectively.

Apart from the above, the Group is also in the midst of finalising the assessment of the financial impact of the two newly effective standards which were adopted pursuant to its adoption of the MFRS Framework, namely MFRS 15: Revenue from Contracts with Customers, and MFRS 9: Financial Instruments. The key changes that are expected of these two standards are as follows:

MFRS 15: Revenue from Contracts with Customers

The key effects as a result of adopting this standard on the property development activities of the Group are as follows:

(i) in respect of sales of properties that do not come under the purview of Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 23 *Application of MFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties* issued by the Malaysian Institute of Accountants, the Group has to assess if the property has an alternative use to the Group and whether the sales and purchase arrangement provides the Group with an enforceable right to payment for work completed to date, in determining whether or not the sale of property units should be recognised at a point in time (completion method) or over time (percentage of completion method);

(ii) it requires the identification of separate performance obligations arising from the sale of property units from the various property development projects of the Group, such as the sale of property with complimentary giveaways, and may result in the acceleration or deferment of revenue recognition relating to these separate performance obligations depending on whether the related goods and/or services are delivered or satisfied. This would affect the timing of revenue recognition for the property development activities;

(iii) it requires the recognition of the financing component relating to the sale of property units under the deferred payment schemes (10:90 schemes). This would result in the recognition of interest income using the effective interest method over the term of the deferment;

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

MFRS 15: Revenue from Contracts with Customers (cont'd)

(iv) it requires that expenses attributable to securing contracts with customers such as commission expense be capitalised and expensed by reference to the progress towards complete satisfaction of the performance obligation; and

(v) it views liquidated ascertained damages ("LAD") payable when the developer fails to deliver vacant possession within the stipulated period as consideration payable to customers and is presented as a reduction of the transaction price which would then be accounted for in the profit or loss over the tenure of the respective property development project instead of being accounted for as a direct charge to the profit or loss when the obligation arises.

MFRS 9: Financial Instruments

The key effect of the adoption of this standard on the Group and the Company would principally be in respect of the assessment of impairment losses of outstanding external and internal debts based on an "expected credit loss model" instead of the "incurred loss" model. This may have the effect of accelerating the recognition of impairment losses in respect of these debts if any.

The Directors do not expect that the adoption of MFRS 15 and MFRS 9, which would be adopted in conjunction with the adoption of the new MFRS Framework to have a significant financial impact on the financial results and financial position of the Group and the Company when they are first adopted.

The Group considers that it is achieving its scheduled milestones in terms of the adoption of the MFRS Framework and would be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

(b) Significant accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the reporting date, and reported amounts of income and expenses during the financial year.

Although these estimates are based on management's best knowledge of current events and actions, historical experiences and various other factors, including expectations for future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Significant accounting judgements and estimates (cont'd)

(i) Critical judgement made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed certain criteria based on FRS 140 *Investment Property* in making that judgement.

In making its judgement, the Group considers whether a property generates cash flows largely independently of other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property, but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production or supply of goods and services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately.

If the portions could not be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production and supply of goods and services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Additional assessments raised by the Inland Revenue Board of Malaysia ("MIRB")

On 16 November 2017, the MIRB had served Bandar Setia Alam Sdn Bhd ("BSA"), a wholly owned subsidiary of S P Setia Berhad with additional tax assessments for the years of assessment ("YAs") 2008, 2009, 2010, 2011 and 2013 for additional income taxes of RM51,985,822 and a penalty of RM23,393,620. The additional income tax expense and penalty charges were imposed as MIRB has taken the view that the gains from the disposal of land and properties held under Investment Properties by BSA in the abovementioned YAs are chargeable to income tax under the Income Tax Act 1967 instead of the Real Property Gains Tax Act 1976 ("RPGTA").

The actions taken by BSA and the status of the legal proceedings thus far are as disclosed in Note 45(b).

The Directors have performed an assessment on the potential tax liability, and based on the legal view provided from the tax solicitors which advised that there is meritorious grounds and case law to support BSA's appeal against the Disputed Notices, exercised judgement that no provision is required to be made in respect of the additional tax liability and penalty charges. This has instead been disclosed as a contingent liability as disclosed in Note 45(b), and the outcome of this case will be determined by the court process/proceedings.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Significant accounting judgements and estimates (cont'd)

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources associated with estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period is discussed below:

Revenue recognition of property development activities and construction contracts

The Group recognises certain property development activities and construction contracts based on the percentage of completion method. The stage of completion of the property development activities and construction contracts is measured in accordance with the accounting policies set out in Notes 1(k) and 1(l) below.

Significant judgement is required in determining the percentage of completion, the extent of the development project and contract costs incurred, the estimated total revenue and total costs and the recoverability of the development project and contract. In making these judgements, management relies on past experience and the work of specialists.

Capitalisation of borrowing costs

The Group capitalises borrowings cost during the period in which development activities are being undertaken or where there is on-going development activities which benefits an entire township.

Significant judgement is involved in determining whether the development activities carried out meet the criteria of an active development in ascertaining whether or not borrowing costs incurred should be capitalised. Besides that, management is also required to estimate the appropriate apportionment of borrowing costs eligible for capitalisation to the various development phases.

The borrowing costs capitalised are as disclosed in Note 3, 4 and 15.

Allowance for stock obsolescence and inventories write down

Inventories are stated at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices.

Inventories are reviewed on a regular basis and the Group will make an allowance for excess or obsolete inventories based primarily on historical trends and management estimates of expected and future product demand and related pricing.

The carrying amounts of the Group's inventories as at 31 December 2017 are disclosed in Note 16.

Demand levels, technological advances and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories and additional allowances for slow moving inventories may be required.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Significant accounting judgements and estimates (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2017 are disclosed in Notes 10, 11, 12, 13, 17 and 18.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amounts of the Group's and the Company's non-financial assets as at 31 December 2017 are as disclosed in Notes 2, 3, 4, 5, 6, 7, 8, 17 and 19.

Income taxes

Significant judgement is involved in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amounts of the Group's and the Company's tax assets as at 31 December 2017 were RM148,682,000 and RM Nil (2016: RM153,180,000 and RM9,030,000) respectively.

The carrying amount of the Group's and the Company's tax liabilities as at 31 December 2017 was RM79,749,000 and RM6,296,000 (2016: RM114,709,000 and RM Nil).

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Significant accounting judgements and estimates (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances and unutilised tax losses to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences, capital allowances and tax losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of the Group's and the Company's recognised and unrecognised deferred tax assets as at 31 December 2017 are disclosed in Note 14.

Depreciation and useful life of property, plant and equipment and investment properties

Property, plant and equipment and investment properties are depreciated on a straight-line basis to write off their costs to their residual values over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 99 years for property, plant and equipment and 10 to 99 years for investment properties.

The carrying amounts of the Group's and the Company's property, plant and equipment and investment properties as at 31 December 2017 are disclosed in Notes 2 and 3.

Changes in the expected level of usage, physical wear and tear and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

Provision for affordable housing

The Group recognises a provision for affordable housing as required under FRSIC Consensus 17 *Development of Affordable Housing*. The provision for affordable housing represents the shortfall between the cost of constructing affordable housing and the economic benefits expected to be received from the purchasers of affordable housing in the development of affordable housing on involuntary basis. This provision is capitalised in the form of common costs for development of premium housing based on the master and building plans approved.

In determining the provision for affordable housing, judgements and assumptions are made by the Group on the structure and construction costs in constructing the affordable housing. In making those judgements, the Group evaluates the provisions based on past experience and by relying on the work of specialists.

The carrying amount of the Group's provision for affordable housing as at 31 December 2017 is disclosed in Note 31.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Subsidiary companies

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses. Impairment losses are charged to profit or loss.

On disposal, the difference between the net disposal proceeds and the carrying amount of the subsidiary company disposed off is taken to profit or loss.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of all its subsidiary companies made up to the end of the financial year. The consolidated financial statements are prepared using uniform accounting policies for like transactions in similar circumstances.

The Group controls an investee if and only if the Group has all the followings:

(i) power over the entity;
(ii) exposure, or rights, to variable returns from its involvement with the entity; and
(iii) the ability to use its power over the entity to affect the amount of the investor's returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of other vote holders;
(ii) potential voting rights held by the Company, other vote holders or other parties;
(iii) rights arising from other contractual arrangements; and
(iv) any additional facts and circumstances that indicated that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only.

All subsidiary companies are consolidated on the acquisition method of accounting from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases except for I & P Group, Syarikat Kemajuan Jerai Sdn Bhd and Wawasan Indera Sdn Bhd which are accounted for based on the pooling of interests method.

Business combinations under common control are accounted for using the pooling of interests method, where the results of entities or businesses under common control are accounted for as if the combination had been effected throughout the current and previous financial periods. The assets, liabilities and reserves of these entities are recorded at their pre-combination carrying amounts or existing carrying amounts are accounted for from the perspective of the common shareholder. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. No new goodwill is recognised as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as reserve on acquisition arising from common control.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of consolidation (cont'd)

Under the acquisition method of accounting, the cost of an acquisition is measured as the aggregate of the fair values of the assets acquired, liabilities incurred or assumed and equity instruments issued at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair values at the acquisition date.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interests in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interests in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interests in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is stated at cost less accumulated impairment losses. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the shareholders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in retained earnings within equity attributable to the shareholders of the Company.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments in associated companies and joint ventures

An associated company is an entity in which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

In the Company's separate financial statements, investments in associated companies and joint ventures are stated at cost less impairment losses. Impairment losses are recognised in profit or loss.

On disposal, the difference between the net disposal proceeds and the carrying amount of the associated companies and the joint ventures are included in profit or loss.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements by the equity method of accounting. Under the equity method, the investments in associated companies and joint ventures are initially recognised at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the associated companies and joint ventures. Distribution received from associated companies and joint ventures reduce the carrying amount of the investment. Where there has been change recognised in other comprehensive income by the associated companies and joint ventures, the Group recognised its share of such changes in other comprehensive income.

An investment in an associated company or a joint venture is accounted for using the equity method from the date on which the Group obtains significant influence or joint control until the date the Group ceases to have a significant influence or joint control over the associated company or joint venture.

Discount on acquisition is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated companies' or joint ventures' profit or loss in the period in which the investment is acquired.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Equity accounting is discontinued when the carrying amount of the investment in an associated company or a joint venture diminishes by virtue of losses to zero, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associated company or the joint venture.

The results and reserves of associated companies or joint ventures are accounted for in the consolidated financial statements based on audited and/or unaudited management financial statements made up to the end of the financial year and prepared using accounting policies that conform to those used by the Group for like transactions in similar circumstances.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments in associated companies and joint ventures (cont'd)

When changes in the Group's interests in an associated company do not result in a loss of significant influence, the retained interests in the associated company are not remeasured. Any gain or loss arising from the changes in the Group's interests in the associated company is recognised in profit or loss.

When the Group ceases to have significant influence over an associated company, any retained interest in the former associated company is recognised at fair value on the date when significant influence is lost. Any gain or loss arising from the loss of significant influence over an associated company is recognised in profit or loss.

(f) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of an asset.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Group and to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(ii) Depreciation

Freehold land and capital work-in-progress are not depreciated.

Depreciation is calculated to write off the depreciable amount of other property, plant and equipment on a straight-line basis over their estimated useful lives. The depreciable amount is determined after deducting residual value from cost.

The principal annual rates used for this purpose are:

Buildings	2% - 10%
Leasehold land	Lease term of 99 years
Plant, machinery, cranes and trucks	5% - 20%
Renovations, computer equipment, office equipment, furniture and fittings	5% - 33%
Motor vehicles	20%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes, or sale in the ordinary course of business. Investment properties include properties that are being constructed or developed for future use as investment properties.

(i) Measurement basis

Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of investment properties includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(ii) Depreciation

Freehold land and investment properties under construction are not depreciated.

Depreciation is calculated to write off the depreciable amount of other investment properties on a straight-line basis over their estimated useful lives. Depreciable amount is determined after deducting the residual value from the cost of the investment property.

The principal annual rates used for this purpose are:

Freehold buildings	2% to 10%
Leasehold buildings	2%
Leasehold land	Lease term of 50 to 99 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

(h) Build-Operate-Transfer ("BOT") agreement

The Group recognises revenue from the construction and upgrading of infrastructure projects under BOT agreement in accordance with the accounting policy for construction contracts set out in Note 1(l) below. Where the Group performs more than one service under the arrangement, consideration received or receivable is allocated to the components by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Build-Operate-Transfer ("BOT") agreement (cont'd)

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 1(n) below.

When the consideration receivable does not represent an unconditional right to receive cash or another financial asset, the Group recognises the consideration receivable as either development rights or as intangible assets, based on the allocation of the fair value of the construction services rendered. The accounting policies for the development rights and intangible assets are disclosed in Notes 1(k)(iii) and 1(i) respectively.

Subsequent costs and expenditures related to infrastructure and equipment arising from the Group's commitments to the BOT agreement or that increase future revenue are recognised as additions to the intangible asset and are stated at cost. Capital expenditures necessary to support the Group's operation as a whole are recognised as property, plant and equipment, and accounted for in accordance with the policy stated under property, plant and equipment in Note 1(f) above. When the Group has contractual obligations that it must fulfil as a condition of its license to:

- maintain the infrastructure to a specified standard; or
- restore the infrastructure when the infrastructure has deteriorated below a specified condition,

it recognises and measures these contractual obligations in accordance with the accounting policy for provisions in Note 1(w) below. Repairs and maintenance and other expenses that are routine in nature are expensed and recognised in profit or loss as incurred.

(i) Intangible assets

Intangible assets are recognised to the extent that the Group has acquired a right (a licence) to charge users of public services.

Intangible assets are stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 1(o)(iii) below.

Amortisation of the intangible assets begins when it is available for use, which means when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The right to operate Subterranean Penang International Convention & Exhibition Centre ("SPICE") is amortised over a period of 30 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceed and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

(j) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments for the right to use an asset for an agreed period of time.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Leases (cont'd)

(i) Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Property, plant and equipment acquired by way of finance leases are stated at amounts equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and any impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is determinable; if not, the Group's incremental borrowing rate is used.

(ii) Operating lease

An operating lease is a lease other than a finance lease.

Operating lease income or operating lease rentals are credited or charged to profit or loss on a straight-line basis over the period of the lease.

(k) Development properties

Development properties are classified under three categories, i.e. land held for property development, property development costs and development rights.

(i) Land Held for Property Development

Land held for property development is defined as land on which development is not expected to be completed within the normal operating cycle. Usually, no significant development work would have been undertaken on these lands other than infrastructure work, earth work and landscape work incurred to make the land ready for development. Accordingly, land held for property development is classified as non-current assets on the statement of financial position and is stated at cost plus incidental expenditure incurred to put the land in a condition ready for development.

(ii) Property Development Costs

Land on which development has commenced and is expected to be completed within the normal operating cycle is included in property development costs. Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Where the outcome of a development can be reasonably estimated, revenue is recognised on the percentage of completion method. The stage of completion is determined by the proportion that costs incurred to-date bear to the estimated total costs. In applying this method of determining stage of completion, only those costs that reflect actual development work performed are included as costs incurred.

For certain overseas development projects, revenue will be recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time the development units are delivered to the purchasers.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Development properties (cont'd)

(ii) Property Development Costs (cont'd)

Where the outcome of a development cannot be reasonably estimated, revenue is recognised to the extent of property development costs incurred that is probable will be recoverable, and the property development costs on the development units sold shall be recognised as an expense in the period in which they are incurred.

When it is probable that total costs will exceed total revenue, the foreseeable loss is immediately recognised in profit or loss irrespective of whether development work has commenced or not, or of the stage of completion of development activity, or of the amounts of profits expected to arise on other unrelated development projects.

The excess of revenue recognised in profit or loss over the billings to purchasers of properties is recognised as accrued billings under current assets. The excess of billings to purchasers of properties over revenue recognised in profit or loss is recognised as progress billings under current liabilities.

When there is financial assistance given by authority, the amount will be deducted against the property development costs.

(iii) Development rights

Development rights represent the rights to additional density over and above the maximum permissible density for the Group's development projects within the island of Penang, granted pursuant to a BOT agreement for the construction and refurbishment of the SPICE and complementary retail, food and beverage outlets and offices.

Development rights are recognised to the extent that the Group has performed the construction services for the BOT agreement. Development rights are initially measured at cost, which is represented by the allocated fair value of the construction services rendered.

Development rights recognised are included as part of the cost of the land held for property development or the property development costs of the Group, based on the allocation of the expected utilisation of the development rights for the planned property development projects of the Group.

(l) Long term construction contracts

The Group's long term construction contracts are all fixed price contracts and where their outcome can be reasonably estimated, revenue is recognised on the percentage of completion method. The stage of completion is determined by the proportion that costs incurred to-date bear to the estimated total costs, and for this purpose, only those costs that reflect actual contract work performed are included as costs incurred.

Where the outcome of a long term construction contract cannot be reasonably estimated, revenue is recognised only to the extent of contract costs incurred that are expected to be recoverable. At the same time, all contract costs incurred are recognised as an expense in the period in which they are incurred.

Costs that relate directly to a contract and which are incurred in securing the contract are also included as part of contract costs if they can be separately identified and measured reliably and it is probable that the contract will be secured.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Long term construction contracts (cont'd)

When it is probable that total costs will exceed total revenue, the foreseeable loss is immediately recognised in profit or loss irrespective of whether contract work has commenced or not, or of the stage of completion of contract activity, or of the amounts of profits expected to arise on other unrelated contracts.

On the statement of financial position, contracts in progress are reflected either as gross amounts due from or due to customers, where a gross amount due from customers is the surplus of (i) costs incurred plus profits recognised under the percentage of completion method over (ii) recognised foreseeable losses plus progress billings. A gross amount due to customers is the surplus of (ii) over (i).

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. In the case of finished goods and work-in-progress, cost comprises materials, direct labour, other direct charges and an appropriate proportion of factory overheads.

In the case of completed development properties held for sale, cost is determined based on specific identification method.

Net realisable value represents the estimated selling price in the ordinary course of business, less selling and distribution costs and all other estimated cost to completion.

(n) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when the Company or any of its subsidiary companies becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

<u>Financial assets</u>

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

Management determines the classification of the financial assets upon initial recognition as set out below.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

Financial assets at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

Loans and receivables

This category comprises non-derivative financial assets with fixed and determinable payments that are not quoted in an active market and includes trade and other receivables and cash and cash equivalents. They are included in current assets, except for maturities longer than 12 months after the reporting period, which are classified as non-current assets.

The subsequent measurement of financial assets in this category is at amortised cost using the effective interest method, less allowance for impairment losses. Any gains or losses arising from derecognition or impairment, and through the amortisation process of loans and receivables are recognised in profit or loss.

Known bad debts are written off and allowance is made for any receivables considered to be doubtful of collection.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities at amortised cost.

The Group and the Company only have financial liabilities categorised as financial liabilities at amortised cost which are measured using the effective interest method and are recognised in profit or loss.

(iii) Derecognition of financial assets and liabilities

A financial asset or part of it is derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received together with any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or part of it is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial instruments (cont'd)

(iii) Derecognition of financial assets and liabilities (cont'd)

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(o) Impairment of assets

The Group and the Company assess at each reporting date whether there is any objective evidence that an asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payment. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payment, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial assets. Such impairment losses are not reversed in subsequent period.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Impairment of assets (cont'd)

(iii) Property, plant and equipment, investment properties, intangible asset, land held for property development and investments in subsidiary companies, associated companies and joint ventures

Property, plant and equipment, investment properties, intangible asset, land held for property development and investments in subsidiary companies, associated companies and joint ventures are assessed at each reporting date to determine whether there is any indication of impairment.

If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit ("CGU") to which the asset belongs, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs to.

An impairment loss is recognised whenever the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are charged to profit or loss immediately.

Any reversal of an impairment loss as a result of a subsequent increase in recoverable amount should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the asset. Such reversals are recognised as income immediately in profit or loss.

(p) Share capital, Islamic redeemable cumulative preference shares ("RCPS-i A" and "RCPS-i B") and Sukuk Musharakah ("Perpetual bond")

Ordinary shares, RCPS-i A, RCPS-i B and Perpetual bond are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or liabilities with another person or entity that are potentially unfavourable to the issuer.

Ordinary shares, RCPS-i A and RCPS-i B are recorded at nominal value.

The proceeds received net of any directly attributable transaction costs are credited to share capital or perpetual capital securities.

Dividends on ordinary shares, RCPS-i A and RCPS-i B as well as distribution on Perpetual bond are recognised in equity in the period in which they are declared.

(q) Redeemable cumulative preference shares ("RCPS")

Redeemable cumulative preference shares are classified as financial liabilities in accordance with the substance of the contractual arrangement of the RCPS. Dividends to shareholders of the RCPS are recognised as finance costs, on an accrual basis.

RCPS are measured at amortised cost.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event not wholly within the control of the Group or of the Company.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group except for contingent liabilities assumed in a business combination of which the fair value can be reliably measured.

(s) Income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company, and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(i) Sale of development properties and construction contracts

Revenue from sale of development properties and construction contracts which are under development is recognised on the percentage of completion method, where the outcome of the development projects contracts and can be reliably estimated as described in Notes 1(k) and 1(l) respectively.

Revenue from the sale of development properties represents the proportionate sales value of development properties sold attributable to the percentage of development work performed during the financial year.

Revenue from construction contracts represents the proportionate contract value on construction contracts attributable to the percentage of contract work performed during the financial year.

(ii) Sale of completed development properties

Revenue from the sale of completed development properties is measured at the fair value of the consideration receivable and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

(iii) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration receivable and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

(iv) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

(v) Interest income

Interest income is recognised on a time proportion basis.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Income recognition (cont'd)

(vi) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(vii) Subscription fees

Club subscription fees are recognised on an accrual basis.

(viii) Management fees

Management fees are recognised when services are rendered.

(ix) Golf club operations

Revenue from golf club operations represent proceeds from members' subscriptions and golf club operations which is recognised when services are rendered.

(x) Resort operations

Revenue from rental of resort room, sale of food and beverage and other related income are recognised on an accrual basis.

(t) Foreign currencies

(i) Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates.

The financial statements of each entity within the Group are measured using their respective functional currencies.

(ii) Transactions and balances in foreign currencies

Transactions in currencies other than the functional currency ("foreign currencies") are translated to the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary items denominated in foreign currencies at the reporting date are translated at foreign exchange rates ruling at that date.

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated at foreign exchange rates ruling at the date of the transaction.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair values were determined.

Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in profit or loss for the period.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Foreign currencies (cont'd)

(ii) Transactions and balances in foreign currencies (cont'd)

When a gain or loss on a non-monetary item is recognised directly in equity, any corresponding exchange gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any corresponding exchange gain or loss is recognised in profit or loss.

(iii) Translation of foreign operations

For consolidation purposes, all assets and liabilities of foreign operations that have a functional currency other than RM (including goodwill and fair value adjustments arising from the acquisition of the foreign operations) are translated at the exchange rates ruling at the reporting date.

Income and expense items are translated at exchange rates approximating those ruling on transactions dates.

All exchange differences arising from the translation of the financial statements of foreign operations are dealt with through the exchange translation reserve account within equity. On the disposal of a foreign operation, the exchange translation differences relating to that foreign operation are recognised in profit or loss as part of gain or loss on disposal.

(u) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave, paid sick leave, maternity leave, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees other than those that are attributable to property development activities or construction contract in which case such expenses are recognised in the property development costs or contract costs.

(ii) Post-employment benefits

The Company and its subsidiary companies incorporated in Malaysia make contributions to the Employees Provident Fund ("EPF") and foreign subsidiary companies make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contributions already paid and as expenses in the period in which the employees render their services.

(iii) Share-based payment transactions

The Group operates an equity-settled share-based long term incentive plan ("LTIP" or "Scheme"), which comprises the Employee Share Grant Plan ("ESGP") and Employee Share Option Scheme ("ESOS") for its employees and Executive Directors.

<u>ESGP</u>

Employees and Executive Directors are entitled to ESGP in the form of Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") as consideration for services rendered. The RSP is a restricted share plan for employees and Executive Directors, while the PSP is a performance share plan for selected senior management and Executive Directors.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Employee benefits (cont'd)

(iii) Share-based payment transactions (cont'd)

<u>ESGP (cont'd)</u>

The RSP and PSP are settled by way of issuance and transfer of new shares upon vesting. The total fair value of RSP and PSP granted is recognised as an employee cost with a corresponding increase in the share options reserve within equity over the vesting period after taking into account the probability that the RSP and PSP will vest.

The fair value of RSP and PSP is measured at grant date, taking into account, if any, the market vesting conditions upon which the RSP and PSP were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest on the vesting date.

At each reporting date, the Group revises its estimates of the number of RSP and PSP that are expected to vest on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share-based payment reserve.

<u>ESOS</u>

The ESOS allows the Group's employees and Executive Directors to acquire shares of the Company. The total fair value of share options granted is recognised as an employee cost with a corresponding increase in the share options reserve within equity over the vesting period and taking into account the probability that the options will vest.

The fair value of share options is measured at grant date using the binomial model, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share-based payment reserve.

The fair value of the share options recognised in the share-based payment reserve is transferred to share capital when the share options are exercised, or transferred to retained earnings upon expiry of the share-based payment options.

The proceeds received net of any direct attributable transaction costs are credited to equity when the option are exercised.

(v) Borrowing costs

Borrowing costs incurred on assets under development that take a substantial period of time for completion are capitalised into the carrying value of the assets. Capitalisation of borrowing costs ceases when that assets are completed or during extended periods when active development is interrupted.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Borrowing costs (cont'd)

All other borrowing costs are charged to profit or loss in the period in which they are incurred.

(w) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(x) Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiary companies, associated companies and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Income tax (cont'd)

(ii) Deferred tax (cont'd)

- in respect of deductible temporary differences associated with investments in subsidiary companies, associated companies and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(y) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, short-term deposits with licensed banks, fixed income trust funds and other licensed financial institutions, which are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purposes of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and exclude sinking fund, debt service reserve, escrow and revenue accounts pledged to secure banking facilities.

(z) Operating segments

Segment reporting in the financial statements is presented on the same basis as it is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to each operating segment. Operating segments are distinguishable components of the Group that engage in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the chief operating decision maker to decide how to allocate resources to the segment and assess its performance, and for which discrete financial information is available.

Segment revenues, expenses, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and a relevant portion that can be allocated on a reasonable basis to the segment.

Segment revenues, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(aa) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(ab) Fair value measurement

Fair values disclosed in the financial statements are categorised into three different levels to increase consistency and comparability in fair value measurements. The levels of hierarchy are based on the input used to measure the fair value of an asset or a liability. The hierarchy based on highest to the lowest priority is as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities
Level 2 – valuation inputs (other than Level 1 input) that are observable for the asset or liability, either directly or indirectly
Level 3 – valuation inputs that are not based on observable market data

(ac) Disposal groups held for sale and discontinued operations

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the assets and liabilities in a disposal group is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, disposal groups are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed and such a component represents a separate major line of business or geographical area of operations, is part of a single coordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

2. PROPERTY, PLANT AND EQUIPMENT

Group 2017	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant, machinery, cranes and trucks RM'000	Computer equipment, office equipment, renovations, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1.1.2017	33,485	14,242	274,231	26,509	157,466	34,011	37,943	577,887
Additions	-	-	16,933	5,053	15,883	5,308	48,277	91,454
Disposals	(4,164)	-	(31,909)	(299)	(5,546)	(2,535)	-	(44,453)
Liquidation of subsidiary company	-	-	-	-	(136)	-	-	(136)
Write-offs	-	-	-	-	(1,879)	(4)	-	(1,883)
Transfer to asset held for sale *(see Note 22)*	(147)	-	(1,737)	-	-	-	-	(1,884)
Transfer from property development costs *(see Note 15)*	-	-	23,995	-	-	-	-	23,995
Reclassification	-	-	-	5,646	4,639	-	(10,285)	-
Exchange differences	-	-	(858)	-	(186)	(11)	-	(1,055)
At 31.12.2017	29,174	14,242	280,655	36,909	170,241	36,769	75,935	643,925
Accumulated depreciation								
At 1.1.2017	-	183	43,366	19,354	118,799	20,988	-	202,690
Charge for the year	-	146	6,479	2,699	12,773	3,349	-	25,446
Disposals	-	-	(2,104)	(299)	(2,640)	(1,995)	-	(7,038)
Liquidation of subsidiary company	-	-	-	-	(132)	-	-	(132)
Write-offs	-	-	-	-	(1,369)	(3)	-	(1,372)
Transfer to asset held for sale *(see Note 22)*	-	-	(826)	-	-	-	-	(826)
Exchange differences	-	-	(69)	-	(131)	(2)	-	(202)
At 31.12.2017	-	329	46,846	21,754	127,300	22,337	-	218,566
Accumulated impairment losses								
At 1.1.2017/31.12.2017	-	-	202	-	37	-	-	239
Net carrying amount								
At 31.12.2017	29,174	13,913	233,607	15,155	42,904	14,432	75,935	425,120

2. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2016 Restated	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant, machinery, cranes and trucks RM'000	Computer equipment, office equipment, renovations, furniture and fittings RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1.1.2016	44,715	13,670	280,645	55,217	149,544	37,220	22,553	603,564
Additions	-	572	1,239	5,771	8,856	4,589	31,078	52,105
Disposals	-	-	-	(62)	(475)	(5,928)	-	(6,465)
Write-offs	-	-	-	-	(687)	(143)	-	(830)
Transfer to asset held for sale *(see Note 22)*	(11,340)	-	(7,588)	(34,418)	(887)	(1,727)	-	(55,960)
Transfer to land held for property development *(see Note 4)*	-	-	-	-	-	-	(15,039)	(15,039)
Transfer (to)/from investment properties *(see Note 3)*	(56)	-	-	-	-	-	293	237
Reclassification	166	-	(166)	-	942	-	(942)	-
Exchange differences	-	-	101	1	173	-	-	275
At 31.12.2016	33,485	14,242	274,231	26,509	157,466	34,011	37,943	577,887
Accumulated depreciation								
At 1.1.2016	-	35	44,018	43,268	105,167	24,305	-	216,793
Charge for the year	-	148	6,325	3,929	15,360	3,179	-	28,941
Disposals	-	-	-	(62)	(469)	(4,992)	-	(5,523)
Write-offs	-	-	-	-	(572)	(95)	-	(667)
Transfer to asset held for sale *(see Note 22)*	-	-	(6,996)	(27,781)	(774)	(1,409)	-	(36,960)
Exchange differences	-	-	19	-	87	-	-	106
At 31.12.2016	-	183	43,366	19,354	118,799	20,988	-	202,690
Accumulated impairment losses								
At 1.1.2016	-	-	202	-	148	-	-	350
Write-offs	-	-	-	-	(111)	-	-	(111)
At 31.12.2016	-	-	202	-	37	-	-	239
Net carrying amount								
At 31.12.2016	33,485	14,059	230,663	7,155	38,630	13,023	37,943	374,958

2. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company 2017	Computer equipment, office equipment, renovations, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1.1.2017/31.12.2017	**2,344**	**8**	**2,352**
Accumulated depreciation			
At 1.1.2017/31.12.2017	**2,343**	**7**	**2,350**
Net carrying amount			
At 31.12.2017	**1**	**1**	**2**
2016			
Cost			
At 1.1.2016	2,365	246	2,611
Disposals	-	(238)	(238)
Write-offs	(21)	-	(21)
At 31.12.2016	2,344	8	2,352
Accumulated depreciation			
At 1.1.2016	2,345	237	2,582
Charge for the year	2	-	2
Disposals	-	(230)	(230)
Write-offs	(4)	-	(4)
At 31.12.2016	2,343	7	2,350
Net carrying amount			
At 31.12.2016	1	1	2

Freehold land and buildings, including capital work-in-progress of the Group included above at a net carrying amount of RM99,433,000 (2016: RM99,574,000) have been charged to banks to partially secure the long term borrowings, revolving credits and bank overdrafts referred to in Note 28 below.

3. INVESTMENT PROPERTIES

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Cost				
At beginning of the year	**1,161,211**	879,706	**2,349**	2,349
Additions	**204,063**	325,161	**-**	-
Disposals	**(51,446)**	(12,035)	**-**	-
Reclass to property, plant and equipment *(see Note 2)*	**-**	(237)	**-**	-
Reclass from/(to) land held for property development *(see Note 4)*	**28,321**	(20,432)	**-**	-
Reclass from/(to) property development costs *(see Note 15)*	**34,098**	(10,952)	**-**	-
Exchange differences	**(1,251)**	-	**-**	-
At end of the year	**1,374,996**	1,161,211	**2,349**	2,349
Accumulated depreciation				
At beginning of the year	**38,175**	31,398	**178**	168
Charge for the year	**13,409**	8,486	**10**	10
Disposals	**(6,079)**	(1,709)	**-**	-
Exchange differences	**(25)**	-	**-**	-
At end of the year	**45,480**	38,175	**188**	178
Accumulated impairment losses				
At beginning of the year	**9,815**	10,013	**443**	443
Disposals	**-**	(198)	**-**	-
At end of the year	**9,815**	9,815	**443**	443
Net carrying amount				
At end of the year	**1,319,701**	1,113,221	**1,718**	1,728
Comprising:				
Freehold land	**162,813**	126,352	**928**	928
Leasehold land	**72,887**	72,620	**790**	800
Freehold buildings	**396,591**	422,786	**-**	-
Leasehold buildings	**2,853**	2,969	**-**	-
Investment properties under construction	**684,557**	488,494	**-**	-
	1,319,701	1,113,221	**1,718**	1,728
Fair value at 31 December	**1,964,528**	1,767,973	**3,243**	3,243

3. INVESTMENT PROPERTIES (CONT'D)

The Group's investment properties at a net carrying amount of RM1,005,932,000 (2016: RM781,372,000) have been charged to banks to secure the borrowings referred to in Note 28 below.

Included under the Group's investment properties is borrowing costs of RM26,054,000 (2016: RM21,326,000) incurred during the financial year.

The fair values of the investment properties of the Group were assessed based on reference to open market value of properties in the vicinity. The fair value of the investment properties as at 31 December 2017 was substantially arrived at via valuation performed by certified external valuers based on the following valuation techniques depending on the location and types of properties.

(i) The market comparison approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities;

(ii) The comparison/cost method of valuation entails separate valuations of the land and buildings to arrive at the market value of the subject property. The land is valued by reference to transactions of similar lands in the surrounding areas with appropriate adjustments made for differences in the relevant characteristics of the land. Completed buildings are valued by reference to the current estimates on construction costs to erect equivalent buildings, taking into consideration of similar accommodation in terms of size, construction, finishes, contractors' overheads, fees and profits. Appropriate adjustments are then made for the factors of obsolescence and existing physical condition of the building; or

(iii) The investment method involves ascertaining the economic rent of the property, deducting all reasonable operating expenses and then capitalising the resultant net operating income by an appropriate rate of capitalisation to obtain the present value of the income stream.

The fair value of investment properties under construction amounting to RM684,557,000 (2016: RM488,494,000) cannot be reliably and separately determined until the construction is completed or the fair value becomes reliably determinable, whichever is earlier.

Fair value hierarchy of investment properties disclosed are categorised as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
At 31.12.2017	**-**	**67,908**	**1,896,620**	**1,964,528**
At 31.12.2016	-	13,000	1,754,973	1,767,973
Company				
At 31.12.2017	**-**	**-**	**3,243**	**3,243**
At 31.12.2016	-	-	3,243	3,243

4. LAND HELD FOR PROPERTY DEVELOPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
2017				
Cost				
At 1.1.2017	**4,386,411**	**656,730**	**3,631,206**	**8,674,347**
Additions	**1,296,670**	**895,824**	**484,151**	**2,676,645**
Reclass to investment property *(see Note 3)*	**(28,321)**	**-**	**-**	**(28,321)**
Transfer to property development costs *(see Note 15)*	**(133,799)**	**(50,687)**	**(305,145)**	**(489,631)**
Exchange differences	**(9,272)**	**(27,852)**	**(163)**	**(37,287)**
At 31.12.2017	**5,511,689**	**1,474,015**	**3,810,049**	**10,795,753**
2016 **Restated**				
Cost				
At 1.1.2016	4,616,554	583,014	3,211,365	8,410,933
Additions	64,710	158,735	773,756	997,201
Disposals	(208)	(12,359)	(30,283)	(42,850)
Reclass from investment property *(see Note 3)*	8,210	-	12,222	20,432
Transfer to property development costs *(see Note 15)*	(304,438)	(75,151)	(349,980)	(729,569)
Transfer from property, plant and equipment *(see Note 2)*	-	-	15,039	15,039
Exchange differences	1,583	2,491	(913)	3,161
At 31.12.2016	4,386,411	656,730	3,631,206	8,674,347

Included in additions are borrowing costs and development rights of RM75,809,000 and RM194,297,000 (2016: RM74,455,000 and RM168,487,000) respectively incurred during the financial year.

Land held for property development of the Group included above with a carrying amount of RM4,896,857,000 (2016: RM3,534,045,000) have been charged to banks to partially secure the borrowings referred to in Note 28 below.

5. INTANGIBLE ASSET - RIGHT TO OPERATE SPICE

	Group	
	2017 RM'000	2016 RM'000
Cost		
At beginning of the year	**11,633**	7,215
Additions	**4,392**	4,418
At end of the year	**16,025**	11,633
Accumulated amortisation		
At beginning of the year	**-**	-
Charge for the year	**528**	-
At end of the year	**528**	-
Net carrying amount		
At end of the year	**15,497**	11,633

The Group has entered into a BOT agreement with Majlis Perbandaran Pulau Pinang ("MPPP") to construct the Subterranean Penang International Convention & Exhibition Centre ("SPICE") and complementary retail/food and beverage outlets/offices. The terms of the arrangement also require the Group to improve and refurbish the existing Penang International Sports Arena indoor stadium and aquatic centre.

The terms of the arrangement allow the Group to operate SPICE for up to a period of thirty years ("Concession Period") soon after the completion of construction. Upon expiry of the concession arrangement, subject to the agreement between the Group and MPPP, the Group may be able to operate SPICE for two further terms, consisting of a period of not less than fifteen years each.

The BOT agreement also grants the Group the right to additional density for the Group's development project within the island of Pulau Pinang. Such development rights are limited to 1,500 residential units. The development rights are only exercisable during the Concession Period and any right not exercised by the end of the Concession Period shall lapse.

6. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Unquoted ordinary shares, at cost	**35,821**	35,821	**900**	900
Capital contribution to an associated company, at cost	**94,721**	94,721	**94,721**	94,721
Group's share of post-acquisition profits less losses	**269,661**	250,912	**-**	-
Group's share of non-distributable reserves	**13,447**	17,753	**-**	-
Impairment losses	**(1,372)**	(1,372)	**-**	-
	412,278	397,835	**95,621**	95,621

6. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

The associated companies are as follows:

		Equity interests					
		Direct		Indirect		Place of business/ Country of incorporation	Principal activities
		2017 %	2016 %	2017 %	2016 %		
	PTB Property Developer Sdn Bhd	**-**	-	**49**	49	Malaysia	Dormant
	Qinzhou Development (Malaysia) Consortium Sdn Bhd	**45**	45	**-**	-	Malaysia	Investment holding
*	Qinzhou Development (Hong Kong) Limited	**-**	-	**-**	45	Hong Kong	Deregistered
∞	China-Malaysia Qinzhou Industrial Park (Guangxi) Development Co. Ltd	**-**	-	**22**	22	China	Property development
*#	Tanah Sutera Development Sdn. Bhd.	**-**	-	**35**	-	Malaysia	Property development and investment in real properties
*#	Tanah Sutera Management Sdn. Bhd.	**-**	-	**35**	-	Malaysia	Property management
*#	Merit Properties Sdn. Bhd.	**-**	-	**20**	-	Malaysia	Property development, investment in real properties and providing management services
*#+	German Clay Products (M) Sdn. Bhd.	**-**	-	**44.86**	-	Malaysia	Ceased operation
*#+	Hock Lam Batu Bata Sdn. Bhd.	**-**	-	**45**	-	Malaysia	Dormant
∞#ß	Fahim-I Hitech Sdn. Bhd.	**-**	-	**20**	-	Malaysia	Dormant

* *Audited by member firms of Ernst & Young Global in the respective countries*
∞ *Audited by a firm other than Ernst & Young*
ß *Financial year end 30 June (2016: 30 June)*
\# *I & P Group: Acquisition completed on 1 December 2017, accounted for using pooling of interests method*
\+ *In the process of striking-off*

For the purpose of applying the equity method of accounting, the management accounts of these associated companies for the financial year ended 31 December 2017 have been used.

Summarised financial information in respect of the Group's material associated companies is set out below. The summarised financial information below represents amounts based on the associated companies' financial statements adjusted for any material differences with the Group accounting policies.

6. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Summarised statements of financial position:

	Tanah Sutera Development Sdn. Bhd. Group		Merit Properties Sdn. Bhd.	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current assets	**337,120**	338,717	**342,500**	335,758
Current assets				
Cash and cash equivalents	**144,373**	101,979	**23,105**	18,478
Other current assets	**292,783**	308,852	**1,496**	2,585
	437,156	410,831	**24,601**	21,063
Non-current liabilities				
Trade and other payables and provisions	**54,789**	54,199	**-**	-
Other non-current liabilities	**14,116**	14,116	**12,314**	12,316
	68,905	68,315	**12,314**	12,316
Current liabilities				
Trade and other payables and provisions	**71,217**	62,512	**2,492**	2,421
Other current liabilities	**-**	25,727	**-**	-
	71,217	88,239	**2,492**	2,421
Net assets	**634,154**	592,994	**352,295**	342,084

Summarised statements of comprehensive income:

	Tanah Sutera Development Sdn. Bhd. Group		Merit Properties Sdn. Bhd.	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	**134,943**	129,835	**5,310**	5,575
Depreciation and amortisation	**(5,987)**	(6,623)	**(13)**	(75)
Interest income	**4,276**	4,121	**659**	695
Interest expense	**(1,797)**	(2,332)	**(20)**	-
Profit before tax	**63,393**	44,036	**16,783**	17,860
Taxation	**(15,232)**	(8,344)	**(422)**	(607)
Profit for the financial year	**48,161**	35,692	**16,361**	17,253
Total comprehensive income for the financial year	**48,161**	35,692	**16,361**	17,253
Share of results of associated companies	**16,856**	12,492	**3,272**	3,451
Dividend received from associated companies	**2,450**	2,450	**1,230**	1,230

6. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the associated companies are as follows:

	Tanah Sutera Development Sdn. Bhd. Group		Merit Properties Sdn. Bhd.	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net assets				
At beginning of the financial year	**592,994**	564,302	**342,084**	330,981
Total comprehensive income for the financial year	**48,161**	35,692	**16,361**	17,253
Dividends paid	**(7,000)**	(7,000)	**(6,150)**	(6,150)
At end of the financial year	**634,155**	592,994	**352,295**	342,084
Group's interest in the associated companies	**35%**	35%	**20%**	20%
Carrying amount at end of the financial year	**221,954**	207,548	**70,459**	68,417

The summarised aggregate financial information of the Group's share of other individually non-material associated companies as at 31 December is set out below:

	2017 RM'000	2016 RM'000 Restated
Profit for the year, representing total comprehensive income for the year	**2,301**	4,877
Carrying amount of the Group's interest in individually non-material associated companies	**25,144**	27,149
Capital contribution to an associated company, at cost*	**94,721**	94,721
	119,865	121,870

* *This amount relates to the capital contribution to Qinzhou Development (Malaysia) Consortium Sdn Bhd, an associated company which holds the investment in China-Malaysia Qinzhou Industrial Park (Guangxi) Development Co. Ltd. in China.*

The capital contribution is unsecured, interest free and is not expected to be recalled within the next 12 months.

7. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted ordinary shares, at cost	**1,967,086**	1,828,946	**33,250**	33,250
Premium on acquisition	**6,879**	6,879	**-**	-
Group's share of post-acquisition profits less losses	**80,500**	(177,265)	**-**	-
Group's share of non-distributable reserves	**6,474**	31,147	**-**	-
Unrealised profit on transactions with joint ventures	**(10,498)**	(12,059)	**-**	-
LTIP granted to employees of joint ventures	**233**	75	**389**	125
	2,050,674	1,677,723	**33,639**	33,375

The joint ventures are as follows:

		Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2017 %	2016 %	2017 %	2016 %		
	Setia Putrajaya Sdn Bhd	**60**	60	**-**	-	Malaysia	Property development, building construction and investment holding
	Setia Putrajaya Construction Sdn Bhd	**-**	-	**60**	60	Malaysia	Under members' voluntary winding-up
	Setia Putrajaya Development Sdn Bhd	**-**	-	**60**	60	Malaysia	Property development
	Greenhill Resources Sdn Bhd	**-**	-	**50**	50	Malaysia	Property investment holding
	Setia Federal Hill Sdn Bhd	**50**	50	**-**	-	Malaysia	Property development, planning and development of the Kompleks Institut Penyelidikan Kesihatan Bersepadu
#	SetiaBecamex Joint Stock Company	**-**	-	**55**	55	Vietnam	Property development
	Retro Highland Sdn Bhd	**50**	50	**-**	-	Malaysia	Property development
*	Battersea Project Holding Company Limited	**-**	-	**40**	40	Jersey	Investment holding
^*	Battersea Project Land Company Limited	**-**	-	**40**	40	Jersey	Property development and property investment holding

7. INVESTMENTS IN JOINT VENTURES (CONT'D)

The joint ventures are as follows (cont'd):

		Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2017 %	2016 %	2017 %	2016 %		
*	Battersea Power Station Development Company Limited	-	-	**40**	40	United Kingdom	Project development management
^*	Battersea Power Station Malaysia Sdn Bhd	-	-	**40**	40	Malaysia	Promotion, marketing and other activities related to property development
^*	Battersea Phase 1 Holding Company Limited	-	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 1 Company Limited	-	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 1 Management Company Limited	-	-	**40**	40	Jersey	Dormant
^*	Battersea Project Phase 1 Retail, Leisure, F&B Nominee Limited	-	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 1 Retail, Leisure, F&B GP Limited	-	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 1 Retail, Leisure, F&B LP Limited	-	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 1 Retail, Leisure, F&B Limited Partnership	-	-	**40**	40	United Kingdom	Property development and property investment holding
^*	Battersea Project Phase 1 Office Nominee Limited	-	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 1 Office GP Limited	-	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 1 Office LP Limited	-	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Phase 2 Holding Company Limited	-	-	**40**	40	Jersey	Investment holding
^*	Battersea Project Phase 2 Company Limited	-	-	**40**	40	Jersey	Property development
^*	Battersea Project Phase 2 Development Company Limited	-	-	**40**	40	Jersey	Property development

7. INVESTMENTS IN JOINT VENTURES (CONT'D)

The joint ventures are as follows (cont'd):

		Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2017 %	2016 %	2017 %	2016 %		
^*	Battersea Project Phase 2 Residential Company Limited	**-**	-	**40**	40	Jersey	Property development
^*	Battersea Project Phase 2 Nominee Company Limited	**-**	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 2 Management Company Limited	**-**	-	**40**	40	Jersey	Dormant
^*	Battersea Power Station Energy Company Limited	**-**	-	**40**	40	Jersey	Dormant
^*	Battersea Project Phase 2 GP Limited	**-**	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 2 LP Limited	**-**	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 2 Commercial Limited Partnership	**-**	-	**40**	40	United Kingdom	Property development and property investment holding
^*	Battersea Phase 3 Holding Company Limited	**-**	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 3 Company Limited	**-**	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 3 Development Company Limited	**-**	-	**40**	40	Jersey	Property development
^*	Battersea Project Phase 3 Residential Company Limited	**-**	-	**40**	40	Jersey	Property development
^*	Battersea Project Phase 3 Nominee Company Limited	**-**	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 3 Management Company Limited	**-**	-	**40**	40	Jersey	Dormant
^*	Battersea Project Phase 3 GP Limited	**-**	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 3 LP Limited	**-**	-	**40**	40	Jersey	Property development and property investment holding

7. INVESTMENTS IN JOINT VENTURES (CONT'D)

The joint ventures are as follows (cont'd):

		Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2017 %	2016 %	2017 %	2016 %		
^*	Battersea Project Phase 3 Commercial Limited Partnership	-	-	**40**	40	United Kingdom	Property development and property investment holding
^*	Battersea Phase 4 Holding Company Limited	-	-	**40**	40	Jersey	Investment holding
^*	Battersea Project Phase 4 Company Limited	-	-	**40**	40	Jersey	Property development
^*	Battersea Project Phase 4 Development Company Limited	-	-	**40**	40	Jersey	Dormant
^*	Battersea Project Phase 4 Residential Company Limited	-	-	**40**	40	Jersey	Property development
^*	Battersea Project Phase 4 Nominee Company Limited	-	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 4 Management Company Limited	-	-	**40**	40	Jersey	Dormant
^*	Battersea Project Phase 4 GP Limited	-	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 4 LP Limited	-	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 4 Commercial Limited Partnership	-	-	**40**	40	United Kingdom	Property development and property investment holding
^*	Battersea Project Phase 4a Company Limited	-	-	**40**	40	Jersey	Dormant
^*	Battersea Phase 5 Holding Company Limited	-	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 5 Company Limited	-	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 5 Development Company Limited	-	-	**40**	40	Jersey	Dormant
^*	Battersea Phase 6 Holding Company Limited	-	-	**40**	40	Jersey	Investment holding
^*	Battersea Project Phase 6 Residential Company Limited	-	-	**40**	40	Jersey	Property development and property investment holding

7. INVESTMENTS IN JOINT VENTURES (CONT'D)

The joint ventures are as follows (cont'd):

		Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2017 %	2016 %	2017 %	2016 %		
^*	Battersea Project Phase 6 Nominee Company Limited	-	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 6 Company Limited	-	-	**40**	40	Jersey	Property development
^*	Battersea Project Phase 6 Development Company Limited	-	-	**40**	40	Jersey	Dormant
^*	Battersea Project Phase 6 Management Company Limited	-	-	**40**	40	Jersey	Dormant
^*	Battersea Project Phase 6 GP Limited	-	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 6 LP Limited	-	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 6 Commercial Limited Partnership	-	-	**40**	40	United Kingdom	Property development and property investment holding
^*	Battersea Phase 7 Holding Company Limited	-	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 7 Company Limited	-	-	**40**	40	Jersey	Property investment holding
^*	Battersea Project Phase 7 Development Company Limited	-	-	**40**	40	Jersey	Dormant
^*	Battersea Project Phase 7 Residential Company Limited	-	-	**40**	40	Jersey	Dormant
^*	Battersea Project Phase 7 Nominee Company Limited	-	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 7 Management Company Limited	-	-	**40**	40	Jersey	Dormant
^*	Battersea Project Phase 7 GP Limited	-	-	**40**	40	Jersey	Property development and property investment holding
^*	Battersea Project Phase 7 LP Limited	-	-	**40**	40	Jersey	Property development and property investment holding

7. INVESTMENTS IN JOINT VENTURES (CONT'D)

The joint ventures are as follows (cont'd):

		Proportion of ownership interest				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2017 %	2016 %	2017 %	2016 %		
^*	Battersea Project Phase 7 Commercial Limited Partnership	**-**	-	**40**	40	United Kingdom	Property development and property investment holding
^ *	Battersea Project Residual Land Company Limited	**-**	-	**40**	40	Jersey	Dormant
^ *	Battersea Project Phase 2 Refurbishment Company Limited	**-**	-	**40**	40	Jersey	Property development
*	Battersea Power Station Estates Limited	**-**	-	**40**	40	United Kingdom	Property management services
~ *	Battersea Power Station Estate Management Limited	**-**	-	**40**	40	United Kingdom	Estate management services
~ *	Battersea Power Station Asset Management Limited	**-**	-	**40**	40	United Kingdom	Asset management services
~ *	Battersea Power Station Management Services Limited	**-**	-	**40**	40	United Kingdom	Management services
~ *	Battersea Academy for Skills Excellence	**-**	-	**40**	40	United Kingdom	Community interest

\# *Audited by a firm other than Ernst & Young*
* *The financial year of these joint ventures ends on 30 June and are audited by a firm other than Ernst & Young*
^ *Subsidiary companies consolidated in Battersea Project Holding Company Limited Group*
~ *Subsidiary companies consolidated in Battersea Power Station Development Company Limited Group*

Notwithstanding that the Group has ownership of more than half of the equity shareholding in certain companies, they are treated as joint ventures pursuant to the contractual rights and obligations of the respective joint venture agreements.

The Group's joint ventures are accounted for using the equity method in the financial statements.

The Group's share of capital commitments of the joint ventures at the reporting date are as below:

	2017 RM'000	2016 RM'000
Capital commitments:		
- Commitments for construction of investment properties	**35,962**	-
- Commitments for purchase of development land	**115,720**	116,736

7. INVESTMENTS IN JOINT VENTURES (CONT'D)

There is no share of contingent liability and operating lease commitment of the joint ventures of the Group as at the reporting date.

Summarised financial information in respect of the Group's material joint ventures which comprise the Battersea Group of companies which include all Battersea entities listed above, are set out below.

Battersea Group of companies

	2017 RM'000	2016 RM'000
Non-current assets	**4,152,190**	3,225,783
Current assets		
Cash and cash equivalents	**635,600**	976,857
Other current assets	**4,964,772**	6,905,530
	5,600,372	7,882,387
Non-current liabilities		
Other non-current liabilities	**3,118,151**	4,779,563
	3,118,151	4,779,563
Current liabilities		
Trade and other payables and provisions	**1,651,569**	2,287,199
Other current liabilities	**19,897**	3,136
	1,671,466	2,290,335
Net assets	**4,962,945**	4,038,272

	2017 RM'000	2016 RM'000
Revenue	**2,935,051**	1,337,710
Depreciation and amortisation	**(4,656)**	(3,330)
Interest income	**295**	328
Interest expense	**-**	(252)
Profit before tax	**753,524**	217,704
Taxation	**(83,762)**	(11,729)
Profit for the financial year	**669,762**	205,975
Total comprehensive income for the financial year	**669,762**	205,975

7. INVESTMENTS IN JOINT VENTURES (CONT'D)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	2017 RM'000	2016 RM'000
Net assets	**4,962,945**	4,038,272
Proportion of ownership interest held by the Group	**40%**	40%
Carrying amount of the Group's interest in the joint venture	**1,985,178**	1,615,309

There is no dividend paid by Battersea Group of companies during the financial year (2016: RM Nil).

The summarised aggregate financial information of the Group's share of other individually non-material joint ventures as at 31 December is set out below:

	2017 RM'000	2016 RM'000
Loss for the year, representing total comprehensive loss for the year	**(10,140)**	(13,675)
Carrying amount of the Group's interest in individually non-material joint venture	**65,496**	62,414

8. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares in subsidiary companies, at cost	**4,185,594**	511,908
Capital contribution to subsidiary companies, at cost	**4,344,865**	4,376,644
LTIP granted to employees of subsidiary companies	**118,036**	80,729
	8,648,495	4,969,281
Impairment losses	**(60,994)**	(61,008)
	8,587,501	4,908,273

The capital contribution to subsidiary companies represents additional shareholders' net investment. The capital contribution is unsecured, interest free and the repayment of such balances are not expected in the foreseeable future until such time the subsidiary companies are in the position to repay the amount without impairing its liquidity position.

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows:

	Equity interests				Place of business/ Country of incorporation	Principal activities
	Direct		Indirect			
	2017 %	2016 %	2017 %	2016 %		
Bandar Setia Alam Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia Indah Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia Duta One Sdn Bhd	**100**	100	**-**	-	Malaysia	Under member's voluntary winding-up
Syarikat Kemajuan Jerai Sdn Bhd	**100**	100	**-**	-	Malaysia	Under member's voluntary winding-up
S P Setia Project Management Sdn Bhd	**100**	-	**-**	100	Malaysia	Property development project management
Lagavest Sdn Bhd	**-**	-	**100**	100	Malaysia	Under member's voluntary winding-up
Wawasan Indera Sdn Bhd	**100**	50	**-**	50	Malaysia	Inactive
S P Setia Eco-Projects Management Sdn Bhd	**100**	-	**-**	100	Malaysia	Property development project management
Setia Fontaines Sdn Bhd *(formerly known as Setia Recreation Sdn Bhd)*	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Ambleside Sdn Bhd	**-**	-	**100**	100	Malaysia	Under member's voluntary winding-up
Bukit Indah (Johor) Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia Bina Raya Sdn Bhd	**100**	100	**-**	-	Malaysia	Inactive
Setia Precast Sdn Bhd	**-**	-	**100**	100	Malaysia	Building contractors
Setia-Wood Industries Sdn Bhd	**100**	100	**-**	-	Malaysia	Prefabrication, installation, sale of wood products and provision of kiln dry services
S P Setia Marketing Sdn Bhd	**-**	-	**100**	100	Malaysia	Sale of wood products and building materials
S P Setia Estate Management Sdn Bhd	**-**	60	**-**	-	Malaysia	Under creditor's voluntary winding up

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows (cont'd):

	Equity interests				Place of business/ Country of incorporation	Principal activities
	Direct		Indirect			
	2017 %	2016 %	2017 %	2016 %		
Setia Readymix Sdn Bhd	**100**	100	**-**	-	Malaysia	Building contractors and manufacturing and sale of building materials
Bukit Indah (Perak) Sdn Bhd	**100**	100	**-**	-	Malaysia	Dormant
S P Setia Management Services Sdn Bhd	**100**	100	**-**	-	Malaysia	Investment holding
Futurecrest (M) Sdn Bhd	**100**	100	**-**	-	Malaysia	Investment holding
Shabra Development Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development
KL Eco City Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia Prefab Sdn Bhd	**100**	100	**-**	-	Malaysia	Investment holding
Manih System Construction Sdn Bhd	**-**	-	**100**	100	Malaysia	Under member's voluntary winding-up
Tenaga Raya Sdn Bhd	**100**	100	**-**	-	Malaysia	Dormant
Cosmotek Sdn Bhd	**100**	100	**-**	-	Malaysia	Under member's voluntary winding-up
SJ Classic Land Sdn Bhd	**-**	-	**60**	60	Malaysia	Under member's voluntary winding-up
Indera Perasa Sdn Bhd	**100**	100	**-**	-	Malaysia	Investment holding, property and building management
Dian Mutiara Sdn Bhd	**-**	-	**100**	100	Malaysia	Under member's voluntary winding-up
Setia Eco Templer Recreation Sdn Bhd	**-**	-	**100**	100	Malaysia	Operate and manage a recreation club, banqueting and leasing at retail and food and beverage outlet
Setia IP Holdings Sdn Bhd	**100**	100	**-**	-	Malaysia	Custodian and management of Group's intellectual property rights
Kenari Kayangan Sdn Bhd	**99.99**	99.99	**-**	-	Malaysia	Under member's voluntary winding-up
Setia Ecohill 2 Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows (cont'd):

	Equity interests				Place of business/ Country of incorporation	Principal activities
	Direct		Indirect			
	2017 %	2016 %	2017 %	2016 %		
Setia Ecohill Recreation Sdn Bhd *(formerly known as S P Setia Property Holdings Sdn Bhd)*	**-**	100	**100**	-	Malaysia	Operate and manage a recreation club
Setia Hicon Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development
S P Setia Technology Sdn Bhd	**100**	100	**-**	-	Malaysia	Provision of money lending service
S P Setia PMC Sdn Bhd	**100**	100	**-**	-	Malaysia	Provision of accounting, finance and corporate secretarial services
Setia Promenade Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Bukit Indah Property Management Sdn Bhd	**70**	70	**-**	-	Malaysia	Property development
Kewira Jaya Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Kay Pride Sdn Bhd	**-**	-	**100**	100	Malaysia	Property development and property investment holding
Aeropod Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development, property investment holding and general construction
Setiahomes (MM2H) Sdn Bhd	**100**	100	**-**	-	Malaysia	Dormant
Eco Meridian Sdn Bhd	**100**	100	**-**	-	Malaysia	Construction and operation of concession asset and property investment holding
Setia Ecohill Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
S P Setia (Indonesia) Sdn Bhd	**100**	100	**-**	-	Malaysia	Dormant
Setia City Development Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Gita Kasturi Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows (cont'd):

	Equity interests				Place of business/ Country of incorporation	Principal activities
	Direct		Indirect			
	2017 %	2016 %	2017 %	2016 %		
Intra Hillside Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia Alam Recreation Sdn Bhd	**-**	-	**100**	100	Malaysia	Operate and manage a recreation club
Setia Eco Green Sdn Bhd	**100**	100	**-**	-	Malaysia	Property holding
Setia Eco Heights Sdn Bhd	**100**	100	**-**	-	Malaysia	Dormant
Setia Eco Land Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
KL East Sdn Bhd	**100**	100	**-**	-	Malaysia	Investment holding
S P Setia Property Services Sdn Bhd	**100**	100	**-**	-	Malaysia	Operation of convention centre
Flexrise Projects Sdn Bhd	**100**	100	**-**	-	Malaysia	Property investment holding
Pelita Mentari Sdn Bhd	**100**	100	**-**	-	Malaysia	Property investment holding
Setia Eco Templer Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development and property investment holding
Setia EM (Central) Sdn Bhd	**100**	100	**-**	-	Malaysia	Property management services
S P Setia DMC Sdn Bhd	**100**	100	**-**	-	Malaysia	Development management consultancy
Exceljade Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development
Sendiman Sdn Bhd	**100**	100	**-**	-	Malaysia	Property development
Setia Ventures Excellence Sdn Bhd	**100**	-	**-**	-	Malaysia	Investment holding and treasury management
Kemboja Mahir Sdn Bhd	**70**	70	**-**	-	Malaysia	Property development and investment holding
Bandar Eco-Setia Sdn Bhd	**50**	50	**-**	-	Malaysia	Property development and property investment holding
Setia Eco Park Recreation Sdn Bhd	**-**	-	**50**	50	Malaysia	Operate and manage a recreation club
Ganda Anggun Sdn Bhd	**-**	-	**70**	70	Malaysia	Property development
Kesas Kenangan Sdn Bhd	**-**	-	**70**	70	Malaysia	Property development and property investment holding
Setia Eco Glades Sdn Bhd	**70**	70	**-**	-	Malaysia	Property development and property investment holding

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows (cont'd):

		Equity interests				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2017 %	2016 %	2017 %	2016 %		
	Setia International Limited	**100**	100	**-**	-	Malaysia	Investment holding
	Setia MyPhuoc Limited	**-**	-	**100**	100	Malaysia	Investment holding
	Setia Capital (Vietnam) Limited	**-**	-	**-**	100	British Virgin Islands	Struck off
	Setia Land (Vietnam) Limited	**-**	-	**-**	100	British Virgin Islands	Struck off
	Setia Australia Limited	**-**	-	**100**	100	Malaysia	Investment holding
	Setia Lai Thieu Limited	**-**	-	**95**	95	British Virgin Islands	Investment holding
+	Setia Lai Thieu One Member Company Limited	**-**	-	**95**	95	Vietnam	Property development
+	Setia (Melbourne) Development Company Pty Ltd	**-**	-	**100**	100	Australia	Property development
+	Setia St Kilda (Melbourne) Pty Ltd	**-**	-	**100**	100	Australia	Property development
+	Setia Carnegie Pty Ltd	**-**	-	**100**	100	Australia	Property development
+	Setia A'Beckett (Melbourne) Pty Ltd	**-**	-	**100**	-	Australia	Property development
*	Setia Land (China) Limited	**-**	-	**100**	100	Hong Kong	Dormant.
+	S P Setia International (S) Pte Ltd	**100**	100	**-**	-	Singapore	Promotion, marketing and other activities related to property development
+	Setia (Bukit Timah) Pte Ltd	**-**	-	**100**	-	Singapore	Promotion, marketing and other activities related to property development
+	S P Setia Development Pte Ltd	**100**	100	**-**	-	Singapore	Dormant
Δμ	S P Setia Foundation	**-**	-	**-**	-	Malaysia	Promotion and advancement of education, research and dissemination of knowledge
*Δμ	Setia Badminton Academy	**-**	-	**-**	-	Malaysia	Promotion of badminton
∞	I & P Group Sdn. Berhad	**100**	100	**-**	-	Malaysia	Investment holding and provision of management services
∞	I & P Menara Sendirian Berhad	**-**	-	**100**	-	Malaysia	Property development

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows (cont'd):

		Equity interests				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2017 %	2016 %	2017 %	2016 %		
∞	I & P Alam Impian Sdn. Bhd.	-	-	**99.87**	-	Malaysia	Property development
∞	I & P Setiawangsa Sdn. Bhd.	-	-	**100**	-	Malaysia	Property development
∞	Petaling Garden Sdn. Bhd.	-	-	**100**	-	Malaysia	Property development and investment holding
∞	Corporate Premier Sdn. Bhd.	-	-	**100**	-	Malaysia	Trading in shares and property development
∞	Biltmore (M) Sdn. Bhd.	-	-	**100**	-	Malaysia	Property development
∞^	PG Resorts Sdn. Bhd.	-	-	**100**	-	Malaysia	Property development
∞	Temasya Development Co. Sdn. Bhd.	-	-	**66.06**	-	Malaysia	Property development
∞	Alpine Affluent Sdn. Bhd.	-	-	**66.06**	-	Malaysia	Property development
∞	Scenic Promenade Sdn. Bhd.	-	-	**66.06**	-	Malaysia	Sublease of land
∞	Syarikat Perumahan Pegawai Kerajaan Sendirian Berhad	-	-	**70.09**	-	Malaysia	Development and sale of land, residential and commercial properties and rental of properties
∞	Plaza Damansara Sdn. Bhd.	-	-	**70.09**	-	Malaysia	Ceased operation
∞	Perumahan Kinrara Berhad	-	-	**51**	-	Malaysia	Property development, operation of golf course and resort
∞	Kinrara Golf Club Sdn. Bhd.	-	-	**51**	-	Malaysia	Ceased operation
∞	Kinrara Urusharta Sdn. Bhd.	-	-	**51**	-	Malaysia	Ceased operation
∞#	I & P Kota Bayuemas Sdn. Bhd.	-	-	**51.91**	-	Malaysia	Property development
∞	Pelangi Sdn. Bhd.	-	-	**100**	-	Malaysia	Property development and investment holding
∞	Yukong Development (Pte) Limited	-	-	**100**	-	Singapore	Property development and investment in real properties
∞	Taman Gunong Hijau Sdn. Bhd.	-	-	**89.14**	-	Malaysia	Property development and investment in real properties

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows (cont'd):

		Equity interests				Place of business/ Country of incorporation	Principal activities
		Direct		Indirect			
		2017 %	2016 %	2017 %	2016 %		
∞	I & P Multi Resources Sdn. Berhad	**-**	-	**100**	-	Malaysia	Investment holding
∞	I & P Development Sdn. Bhd.	**-**	-	**100**	-	Malaysia	Ceased operation
∞	I & P Supply Berhad	**-**	-	**100**	-	Malaysia	Ceased operation
∞	I & P Inderawasih Jaya Sdn. Bhd.	**-**	-	**100**	-	Malaysia	Property development
∞	Peninsular Land Development Sdn. Berhad	**-**	-	**100**	-	Malaysia	Ceased operation
∞	I & P Nibong Sdn. Bhd.	**-**	-	**100**	-	Malaysia	Ceased operation
∞	Yong Peng Realty Sdn. Bhd.	**-**	-	**100**	-	Malaysia	Cultivation and marketing of oil palm fruits. Ceased operation in 2017
∞	Perusahaan Minyak Sawit Bintang Sendirian Berhad	**-**	-	**100**	-	Malaysia	Processing of palm oil. Ceased operation in 2017
∞	Pelangi Concrete Industries Sdn. Bhd.	**-**	-	**100**	-	Malaysia	Investment holding
∞	Eng Lee Knitting Factory Sdn. Bhd.	**-**	-	**100**	-	Malaysia	Dormant
∞	Petaling Garden Industrial Estate Sdn. Bhd.	**-**	-	**100**	-	Malaysia	Ceased operation

* *Audited by a firm other than Ernst & Young*
\+ *Audited by member firms of Ernst & Young Global in the respective countries*
Δ *A trust established under the Trustees (Incorporation) Act 1952*
μ *S P Setia Berhad has effective interest of 100%*
∞ *I & P Group: Acquisition completed on 1 December 2017, accounted for using pooling of interests method*
\# *51% directly owned by Perumahan Kinrara Berhad and 25.9% directly owned by I & P Group Sdn. Berhad*
^ *70% directly owned by Petaling Garden Sdn. Bhd. and 30% directly owned by I & P Group Sdn. Berhad*

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Subsidiary companies that have material non-controlling interests

Details of the Group's subsidiary companies that have material non-controlling interests at the end of the reporting period are as follows:

Name of subsidiary company	Place of incorporation and operation	Proportion of ownership interests held by non-controlling interests		Profit allocated to non-controlling interests		Carrying amount of non-controlling interests	
		2017	2016	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000 Restated
Bandar Eco-Setia Sdn Bhd Group	Malaysia	**50%**	50%	**41,672**	45,856	**358,768**	337,746
Setia Eco Glades Sdn Bhd	Malaysia	**30%**	30%	**(4,909)**	8,063	**43,539**	49,648
Kesas Kenangan Sdn Bhd	Malaysia	**30%**	30%	**4,042**	1,326	**48,653**	44,611
Perumahan Kinrara Berhad Group	Malaysia	**49%**	49%	**14,601**	(1,990)	**477,624**	474,558
Syarikat Pegawai Perumahan Kerajaan Sendirian Berhad Group	Malaysia	**29.91%**	29.91%	**14,565**	10,651	**155,965**	158,545
Temasya Development Co. Sdn. Bhd. Group	Malaysia	**33.94%**	33.94%	**31,318**	10,908	**134,032**	116,440
Individually immaterial subsidiary companies with non-controlling interests						**25,149**	24,533
						1,243,730	1,206,081

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Summarised financial information of the Group's subsidiary companies that have material non-controlling interests (amounts before intra-group elimination) is as follows:

	2017 RM'000	2016 RM'000
Bandar Eco-Setia Sdn Bhd Group		
Non-current assets	**391,220**	391,800
Current assets	**407,585**	430,576
Non-current liabilities	**(9,846)**	(16,577)
Current liabilities	**(71,422)**	(130,307)
Net assets	**717,537**	675,492
Revenue	**228,020**	196,987
Profit for the year, representing total comprehensive income for the year	**83,345**	91,711
Dividends paid to non-controlling interests	**20,650**	8,638
Net cash generated from operating activities	**10,080**	62,848
Net cash used in investing activities	**(5,859)**	(42,116)
Net cash used in financing activities	**(56,700)**	(19,602)
Net (decrease)/increase in cash and cash equivalents	**(52,479)**	1,130

	2017 RM'000	2016 RM'000
Setia Eco Glades Sdn Bhd		
Non-current assets	**403,970**	426,762
Current assets	**226,239**	189,162
Non-current liabilities	**(171,589)**	(264,987)
Current liabilities	**(313,490)**	(185,444)
Net assets	**145,130**	165,493
Revenue	**85,293**	187,998
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year	**(16,363)**	26,878
Dividends paid to non-controlling interests	**1,200**	1,560
Net cash (used in)/generated from operating activities	**(68,422)**	82,439
Net cash used in investing activities	**(5,493)**	(47,042)
Net cash generated from/(used in) financing activities	**59,532**	(25,663)
Net (decrease)/increase in cash and cash equivalents	**(14,383)**	9,734

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Summarised financial information of the Group's subsidiary companies that have material non-controlling interests (amounts before intra-group elimination) is as follows (cont'd):

	2017 RM'000	2016 RM'000
Kesas Kenangan Sdn Bhd		
Non-current assets	**349,384**	349,699
Current assets	**200,124**	211,005
Non-current liabilities	**(147,824)**	(162,087)
Current liabilities	**(239,508)**	(249,912)
Net assets	**162,176**	148,705
Revenue	**136,358**	110,460
Profit for the year, representing total comprehensive income for the year	**13,472**	4,420
Dividends paid to non-controlling interests	**-**	-
Net cash generated from operating activities	**57,304**	10,550
Net cash used in investing activities	**(2,974)**	(120,816)
Net cash (used in)/generated from financing activities	**(23,653)**	84,592
Net increase/(decrease) in cash and cash equivalents	**30,677**	(25,674)

	2017 RM'000	2016 RM'000
Perumahan Kinrara Berhad Group		
Non-current assets	**697,981**	779,425
Current assets	**437,367**	364,142
Non-current liabilities	**(63,692)**	(68,200)
Current liabilities	**(96,912)**	(106,882)
Net assets	**974,744**	968,485
Revenue	**185,123**	227,353
Profit/(loss) for the year, representing total comprehensive income/(loss) for the year	**29,798**	(4,061)
Dividends paid to non-controlling interests	**11,535**	11,416
Net cash (used in)/generated from operating activities	**(13,776)**	76,890
Net cash generated from/(used in) investing activities	**30,774**	(26,454)
Net cash used in financing activities	**(23,539)**	(23,902)
Net (decrease)/increase in cash and cash equivalents	**(6,541)**	26,534

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Summarised financial information of the Group's subsidiary companies that have material non-controlling interests (amounts before intra-group elimination) is as follows (cont'd):

	2017 RM'000	2016 RM'000
Syarikat Perumahan Pegawai Kerajaan Sendirian Berhad Group		
Non-current assets	**249,920**	301,875
Current assets	**305,275**	273,987
Non-current liabilities	**-**	-
Current liabilities	**(33,747)**	(45,790)
Net assets	**521,448**	530,072
Revenue	**123,076**	101,535
Profit for the year, representing total comprehensive income for the year	**48,696**	35,609
Dividends paid to non-controlling interests	**17,145**	17,147
Net cash generated from operating activities	**18,525**	10,281
Net cash generated from investing activities	**75,978**	39,380
Net cash generated used in financing activities	**(110,109)**	(52,873)
Net decrease in cash and cash equivalents	**(15,606)**	(3,212)

	2017 RM'000	2016 RM'000
Temasya Development Co. Sdn. Bhd. Group		
Non-current assets	**123,364**	126,235
Current assets	**354,833**	308,987
Non-current liabilities	**(11,104)**	(11,877)
Current liabilities	**(72,184)**	(80,267)
Net assets	**394,909**	343,078
Revenue	**211,146**	124,522
Profit for the year, representing total comprehensive income for the year	**92,274**	32,138
Dividends paid to non-controlling interests	**13,726**	23,971
Net cash generated from operating activities	**110,294**	31,682
Net cash used in investing activities	**(1,485)**	(106)
Net cash used in financing activities	**(28,759)**	(62,359)
Net increase/(decrease) in cash and cash equivalents	**80,050**	(30,783)

9. OTHER INVESTMENTS

	Group	
	2017 RM'000	2016 RM'000 Restated
Non-current		
At fair value through profit or loss		
Equity instruments (quoted in Malaysia)	**37**	135
At amortised cost		
Equity instruments (unquoted in Malaysia)	**2,311**	2,311
Less: Provision for impairment loss	**(2,215)**	(2,215)
	133	231
Current		
At fair value through profit or loss		
Investment in Amanah Nasional Berhad Dana Aqeel (quoted in Malaysia)	**-**	30,000
	133	30,231

10. AMOUNTS OWING BY/TO SUBSIDIARY COMPANIES

Amounts owing by subsidiary companies included under non-current assets

The amounts owing by subsidiary companies included under non-current assets represent unsecured advances which are not expected to be recalled within the next 12 months and are analysed as follows:

	Company	
	2017 RM'000	2016 RM'000
Bearing interest at 4.70% to 8.00% (2016: 4.70% to 8.00%) per annum	**2,356,917**	1,657,999
Interest free	**188,408**	68,371
Unquoted redeemable cumulative preference shares	**96,024**	74,200
	2,641,349	1,800,570
Allowance for impairment loss	**(1,330)**	(9,681)
	2,640,019	1,790,889

10. AMOUNTS OWING BY/TO SUBSIDIARY COMPANIES (CONT'D)

Amounts owing by subsidiary companies included under current assets

	Company	
	2017 RM'000	2016 RM'000
Trade accounts:		
- staff secondment fee	**8,851**	1,986
Unsecured advances:		
- bearing interest at 4.70% to 8.00% (2016: 4.70% to 8.00%) per annum	**731,511**	177,781
- interest free	**759,284**	529,531
- unquoted redeemable cumulative preference shares	**-**	50,263
	1,499,646	759,561

The movements in the allowance for impairment losses during the financial year are as follows:

	Company	
	2017 RM'000	2016 RM'000
At beginning of the year	**9,681**	9,681
Reversal of allowance for impairment loss during the year	**(1,874)**	-
Liquidation of a subsidiary company	**(6,477)**	-
At end of the year	**1,330**	9,681

The trade accounts are expected to be settled within the normal credit periods. Unsecured advances are repayable on demand.

Amounts owing to subsidiary companies included under current liabilities

	Company	
	2017 RM'000	2016 RM'000
Trade accounts - retention sums payable	**-**	1,310
Unsecured advances:		
- interest free	**82,726**	97,273
	82,726	98,583

The trade accounts are expected to be settled within the normal credit period. The unsecured interest free advances are payable on demand.

11. AMOUNTS OWING BY JOINT VENTURES

Amounts owing by joint ventures included under current assets

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade accounts	**118,149**	176,504	**18**	-
Unsecured advances:				
- bearing interest at 6.0% to 10.0% (2016: 6.0% to 10.0%) per annum	**383,075**	215,833	**271,398**	104,664
- interest free	**83,978**	241,332	**76,489**	237,013
	585,202	633,669	**347,905**	341,677

The trade accounts are expected to be settled within the normal credit period. Unsecured advances are repayable on demand.

12. AMOUNTS OWING BY ASSOCIATED COMPANIES

Amounts owing by associated companies included under current assets

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unsecured advances:				
- interest free	**364**	138	**364**	138

The trade accounts are expected to be settled within the normal credit period. Unsecured advances are repayable on demand.

13. AMOUNTS OWING BY/TO RELATED COMPANIES

This represents amounts owing by/to the I & P Group and its subsidiary companies to Permodalan Nasional Berhad ("PNB") and the government related entities disclosed in Note 43(a) ("PNB Group"). PNB was I & P Group's previous shareholder and immediate holding company.

The amount due to PNB Group were settled subsequent to the completion of acquisition of the I & P Group by S P Setia on 1 December 2017. The settlement was by way of set-off whereby post-completion of the acquisition of the I & P Group, two subsidiary companies of the I & P Group had disposed of two of its properties to PNB for a total consideration of RM122,500,000.

The amounts owing to by/to related companies are repayable on demand.

14. DEFERRED TAX

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Deferred tax assets	**200,590**	178,943	**433**	569
Deferred tax liabilities	**(215,517)**	(214,439)	**-**	-
	(14,927)	(35,496)	**433**	569
At beginning of the year	**(35,496)**	(82,353)	**569**	619
Credited/(charged) to profit or loss	**20,670**	46,524	**(136)**	(50)
Exchange rate differences	**(101)**	333	**-**	-
At end of the year	**(14,927)**	(35,496)	**433**	569

The Group has recognised the deferred tax assets as it is probable that its existing construction contracts and development projects would generate sufficient taxable profits in future against which the deferred tax assets can be utilised.

The temporary differences on which deferred tax assets/liabilities have been recognised are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Tax effects of:				
- unabsorbed capital allowances	**4,062**	3,005	**-**	-
- unutilised tax losses	**30,328**	25,353	**-**	-
- property development and construction profits	**(48,584)**	(81,751)	**-**	-
- excess of capital allowances claimed over accumulated depreciation on property, plant and equipment	**(16,040)**	(13,803)	**-**	-
- others	**15,307**	31,700	**433**	569
	(14,927)	(35,496)	**433**	569

14. DEFERRED TAX (CONT'D)

Unutilised tax losses, unabsorbed capital allowances and other temporary differences exist as at 31 December of which deferred tax assets have not been recognised in the financial statements are as follows:

	Group	
	2017 RM'000	**2016 RM'000 Restated**
Unutilised tax losses	**156,997**	141,979
Unabsorbed capital allowances	**7,357**	8,875
Others	**412,645**	364,864
	576,999	515,718

Deferred tax assets for certain subsidiary companies have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiary companies would be available against which the deductible temporary differences could be utilised.

15. PROPERTY DEVELOPMENT COSTS

	Group	
	2017 RM'000	**2016 RM'000 Restated**
Freehold land at cost	**1,727,448**	2,194,717
Leasehold land at cost	**334,397**	337,572
Development costs	**9,523,925**	10,070,096
Costs recognised as an expense in previous years	**(9,116,152)**	(10,026,056)
At 1 January	**2,469,618**	2,576,329
Costs transferred to property, plant and equipment *(see Note 2)*		
- leasehold land	**(447)**	-
- development costs	**(23,548)**	-
Costs transferred from land held for property development *(see Note 4)*		
- freehold land	**133,799**	304,438
- leasehold land	**50,687**	75,151
- development costs	**305,145**	349,980
Costs reclassed (to)/from investment properties *(see Note 3)*		
- freehold land	**(6,270)**	4,307
- development costs	**(27,828)**	6,645
Costs incurred during the year		
- freehold land	**25,521**	4,925
- leasehold land	**8,896**	29,830
- development costs	**1,956,653**	2,770,480
Exchange differences	**(1,264)**	6,864
	2,421,344	3,552,620

15. PROPERTY DEVELOPMENT COSTS (CONT'D)

	Group	
	2017 RM'000	2016 RM'000 Restated
Less: Completed development projects		
- freehold land	**(754,601)**	(691,286)
- leasehold land	**(154,415)**	(69,326)
- development costs	**(3,165,940)**	(3,559,482)
- accumulated costs recognised as expense	**4,074,956**	4,320,094
	-	-
Costs recognised as an expense in current year	**(2,357,223)**	(3,266,508)
Unsold completed properties transferred to inventories	**(712,917)**	(392,823)
At 31 December		
Freehold land at cost	**1,072,012**	1,727,448
Leasehold land at cost	**222,229**	334,397
Development costs	**7,913,418**	9,523,925
Costs recognised as an expense	**(7,386,837)**	(9,116,152)
	1,820,822	2,469,618

Property development costs at a carrying amount of RM778,805,000 (2016: RM804,917,000) included above, have been charged to various banks to partially secure borrowings referred to in Note 28 below.

Included under development and construction costs are borrowing costs and development rights of RM32,459,000 and RM152,249,000 (2016: RM55,582,000 and RM132,025,000) respectively.

16. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000 Restated
At cost:		
Completed properties	**1,695,776**	1,286,421
Raw materials	**5,408**	5,887
Consumable goods and others	**824**	3,715
	1,702,008	1,296,023

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM300,981,000 (2016: RM305,916,000).

Property inventories of the Group included above with a carrying amount of RM663,043,000 (2016: RM391,110,000) have been charged to various banks to partially secure the borrowings referred to in Note 28 below.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Non-current				
Prepaid rental (Note a)	**90,146**	-	**-**	-
Current				
Refundable deposits and part purchase considerations for the acquisition of development land in				
- Seberang Perai Utara, Pulau Pinang	**-**	62,012	**-**	-
- 308-326 Exhibition Street, Melbourne, Australia	**371,451**	32,714	**-**	-
- Kota Kinabalu, Sabah	**70,054**	4,300	**-**	-
- Bangi, Selangor	**44,761**	-	**-**	-
- Glengowrie, Selangor	**-**	90,129	**-**	-
Dividend receivable	**-**	-	**927**	927
Deposits	**66,799**	58,258	**142**	142
Value Added Tax/Goods and Services Tax receivables	**21,599**	14,132	**-**	-
Prepaid rental (Note a)	**13,192**	-	**-**	-
Other sundry receivables and prepayments	**168,234**	82,742	**753**	411
	756,090	344,287	**1,822**	1,480
Allowance for impairment losses	**(3,935)**	(5,852)	**-**	-
	752,155	338,435	**1,822**	1,480
Total	**842,301**	338,435	**1,822**	1,480

Note a
This represents the prepayment of lease rental in respect of an office tower which was sold and subsequently leased back from Datuk Bandar Kuala Lumpur for a period of 8 years.

The refundable deposits and part purchase considerations were paid for the acquisition of development lands that have yet to be completed as at end of the financial year. The balance of these purchase considerations is disclosed as other commitments in Note 44(b) below.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

The movements in the allowance for impairment losses of other receivables during the financial year are as follows:

	Group	
	2017 RM'000	2016 RM'000 Restated
At beginning of the year	**5,852**	6,345
Allowance for impairment losses during the year	**380**	2
Reversal of allowance for impairment losses during the year	**(2,295)**	(91)
Write off during the year	**(2)**	(404)
At end of the year	**3,935**	5,852

The currency exposure profile of other receivables, deposits and prepayments after allowance for impairment losses is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Malaysian Ringgit	**465,324**	296,438	**1,822**	1,480
Australian Dollar	**375,430**	39,240	**-**	-
Vietnamese Dong	**1,215**	2,091	**-**	-
Singapore Dollar	**323**	654	**-**	-
United States Dollar	**6**	8	**-**	-
Hong Kong Dollar	**3**	4	**-**	-
	842,301	338,435	**1,822**	1,480

18. TRADE RECEIVABLES

	Group	
	2017 RM'000	2016 RM'000 Restated
Gross progress billings receivable	**763,095**	692,535
Gross retention sums receivable	**204,493**	175,650
Other gross receivables	**19,238**	25,675
Total gross receivables	**986,826**	893,860
Allowance for impairment losses	**(843)**	(1,538)
	985,983	892,322

18. TRADE RECEIVABLES (CONT'D)

The progress billings are due within 14 to 90 days (2016: 14 to 90 days) as stipulated in construction contracts and sale and purchase agreements. The retention sums are due upon the expiry of the defect liability period stated in the respective construction contracts or sale and purchase agreements. The defect liability periods range from 6 to 24 months (2016: 6 to 24 months).

Other gross receivables are collectible within 14 to 90 days (2016: 14 to 90 days).

Ageing analysis of the Group's trade receivables are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
		Restated
Neither past due nor impaired	**791,492**	672,494
1 to 30 days past due not impaired	**97,258**	122,116
31 to 60 days past due not impaired	**30,898**	26,124
61 to 90 days past due not impaired	**14,470**	15,135
91 to 120 days past due not impaired	**8,846**	12,094
More than 121 days past due not impaired	**43,019**	44,359
	985,983	892,322
Individually impaired	**843**	1,538
	986,826	893,860

The movements in the allowance for impairment losses of trade receivables during the financial year are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
		Restated
At beginning of the year	**1,538**	1,185
Allowance for impairment losses during the year	**40**	403
Reversal of allowance for impairment losses during the year	**(47)**	(50)
Liquidation of subsidiary company	**(688)**	-
At end of the year	**843**	1,538

18. TRADE RECEIVABLES (CONT'D)

The currency exposure profile of trade receivables after allowance for impairment losses is as follows:

	Group	
	2017 RM'000	2016 RM'000 Restated
Malaysian Ringgit	**982,381**	888,693
Singapore Dollar	**3,602**	3,629
	985,983	892,322

19. GROSS AMOUNT DUE FROM/TO CUSTOMERS

	Group	
	2017 RM'000	2016 RM'000
Aggregate contract expenditure incurred to-date	**489,133**	318,917
Attributable profit recognised to-date	**24,215**	19,991
	513,348	338,908
Progress billings	**(513,020)**	(340,790)
	328	(1,882)
Gross amount due from customers	**2,936**	3,825
Gross amount due to customers	**(2,608)**	(5,707)
	328	(1,882)
Progress billings comprise:		
Progress billings		
- received	**456,125**	220,698
- receivable	**52,687**	115,435
Retention sums	**4,208**	4,657
	513,020	340,790

Contract expenditure includes the following expenses incurred during the financial year:

	Group	
	2017 RM'000	2016 RM'000
Depreciation	**3,359**	3,112
Hire of machinery	**19,631**	13,086
Rental expense	**940**	459

20. SHORT-TERM DEPOSITS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
		Restated		
Short-term deposits:				
- with licensed banks	**322,310**	851,381	**87,000**	250,000
- with other licensed financial institutions	**1,377,749**	2,152,970	**820,848**	1,332,554
	1,700,059	3,004,351	**907,848**	1,582,554

Included in short-term deposits of the Group are amounts of RM5,000,000 (2016: RM5,000,000) which have been charged to banks as security for banking facilities.

The effective interest rates for the Group's and the Company's short-term deposits range from 0.60% to 3.80% and 2.98% to 3.63% per annum (2016: 0.60% to 3.84% and 3.20% to 3.84% per annum) respectively. All short-term deposits have maturity periods of less than a year.

The currency exposure profile of short-term deposits is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
		Restated		
Malaysian Ringgit	**1,593,886**	2,571,129	**907,848**	1,582,554
Australian Dollar	**105,562**	431,803	**-**	-
United States Dollar	**611**	1,419	**-**	-
	1,700,059	3,004,351	**907,848**	1,582,554

21. CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances include monies in:				
- Housing Development Accounts	**807,605**	760,492	**-**	-
- Sinking Fund Accounts	**4,670**	22,572	**-**	-
- Debt Service Reserve Accounts	**21,549**	20,747	**8,274**	6,240
- Escrow Accounts	**38,412**	66,122	**-**	-
- Revenue Accounts	**919**	5,764	**-**	-
- Rights and Excess Accounts	**2,443,660**	-	**2,443,660**	-

21. CASH AND BANK BALANCES (CONT'D)

Withdrawals from the Housing Development Accounts are restricted in accordance with the Housing Developers (Housing Development Account) Regulations 1991.

Funds maintained in the Housing Development Accounts earn interest ranging from 1.65% to 2.15% (2016: 0.25% to 2.50%) per annum.

The sinking fund, debt service reserve, escrow and revenue accounts were opened in accordance with the terms and conditions set out in the term loan agreements referred to in Note 28 below.

Included in cash and bank balances for the Group and the Company as at 31 December 2017 is an amount of RM2,443,659,708 (2016: RM Nil) received pursuant to the issuance of renounceable rights issue of shares and Class B Islamic redeemable cumulative preference shares ("RCPS-i B") as disclosed in Note 23 and Note 24 respectively and held in trust by the share registrar. Subsequent to year end, RM310,411,793 (2016: RM Nil), being the excess amounts received pursuant to the renounceable rights issue of shares and the RCPS-i B, was refunded to the unsuccessful applicants, whilst an amount of RM2,000,000,000 (2016: RM Nil) was used to part settle the consideration for the acquisition of I & P Group as disclosed in Note 51. The utilisation of the balance of the proceeds is as disclosed in Note 51.

The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Malaysian Ringgit	**3,554,171**	1,157,702	**2,472,216**	9,229
Singapore Dollar	**287,874**	352,236	**-**	-
Australian Dollar	**22,947**	153,033	**-**	-
Vietnamese Dong	**4,459**	4,109	**-**	-
United States Dollar	**3,556**	2,804	**-**	-
Great British Pound	**6,234**	6,283	**6,234**	6,283
Indonesian Rupiah	**-**	2	**-**	-
	3,879,241	1,676,169	**2,478,450**	15,512

22. DISCONTINUED OPERATIONS AND ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	Group	
	2017 RM'000	2016 RM'000
Assets:		
Property, plant and equipment (Note a)	**-**	19,000
Property, plant and equipment (Note b)	**1,058**	-
Assets of disposal group classified as held for sale	**1,058**	19,000

22. DISCONTINUED OPERATIONS AND ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

Note a

On 5 October 2016, Perusahaan Minyak Sawit Bintang Sendirian Berhad ("PMSB") and Yong Peng Realty Sdn. Bhd. ("YPR") had entered into a Sale and Purchase Agreement ("SPA") to dispose off all of their property, plant and equipment for a cash consideration of RM29,088,000 and RM77,600,000 respectively. The decision was consistent with I & P Group's strategy to focus on its core property development activities and to divest its plantation business.

Accordingly, those property, plant and equipment had then been classified as non-current assets held for sale. The results of both subsidiary companies are presented separately on the statement of comprehensive income as results from discontinued operations, net of tax.

The results of the discontinued operations in PMSB and YPR, net of intercompany transactions, are as follows:

	2017 RM'000	2016 RM'000
Revenue	**51,431**	169,975
Cost of sales	**(50,213)**	(155,840)
Gross profit	**1,218**	14,135
Other income	**1,745**	3,966
Administrative and general expenses	**(4,826)**	(8,213)
Results from discontinued operations	**(1,863)**	9,888
Taxation:		
- Current tax	**(2,848)**	(2,057)
- Deferred tax	**408**	14
Results from discontinued operations, net of tax	**(4,303)**	7,845
Gain on sale of discontinued operations	**87,688**	-
Profit from discontinued operations, net of tax	**83,385**	7,845
Included in results from discontinued operations are:		
Depreciation of property, plant and equipment	**-**	1,629
Depreciation of investment properties	**76**	46

The cash flows of the discontinued operations in PMSB and YPR, net of intercompany transactions, are as follows:

	2017 RM'000	2016 RM'000
Net cash flow (used in)/generated from operating activities	**(11,838)**	13,970
Net cash flow generated from investing activities	**107,528**	331
Net cash flow used in financing activities	**(112,500)**	(26,500)
Net cash outflow from discontinued operations	**(16,810)**	(12,199)

22. DISCONTINUED OPERATIONS AND ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

The disposal of the property, plant and equipment was completed on 1 April 2017.

The effect of disposal to the Group as shown below:

	2017 RM'000
Property, plant and equipment	**19,000**
Gain on disposal of discontinued operations	**87,688**
Net cash inflow	**106,688**

Note b
On 2 October 2017, Wawasan Indera Sdn Bhd ("WISB") had entered into a SPA to dispose off Wisma Puchong, a building located in Pusat Bandar Puchong. The transaction is expected to be completed within the next 12 months from the financial year end.

23. SHARE CAPITAL

	Group/Company			
	2017		2016	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid share capital:				
At beginning of the year	**2,853,520**	**2,140,140**	2,628,356	1,971,266
Transition to no par value regime	**-**	**2,945,561**	-	-
Share issuance expenses	**-**	**(16,720)**	-	-
Issuance of shares:				
- DRP	**159,209**	**517,875**	214,332	160,749
- exercise of ESGP	**7,427**	**23,191**	9,129	6,848
- exercise of ESOS	**2,370**	**8,296**	1,703	1,277
- rights issue	**403,260**	**1,068,640**	-	-
Conversion from RCPS-i A *(see Note 24)*	**1,997**	**6,988**	-	-
At end of the year	**3,427,783**	**6,693,971**	2,853,520	2,140,140

Note i
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.

23. SHARE CAPITAL (CONT'D)

During the financial year, the issued and paid-up ordinary share capital of the Company was increased by way of:

(a) Transfer of the amount standing to the credit of the Company's share premium account as at 31 January 2017 of RM2,945,561,000 to the share capital of the Company pursuant to Section 618(2) of the Companies Act 2016;

(b) Issuance of 159,209,233 new ordinary shares pursuant to the DRP that provides shareholders with an option to reinvest their cash dividend in new ordinary shares at the following issue prices:

		7th DRP	8th DRP
Issue price	(RM)	3.30	3.09
No. of shares issued	('000)	123,422	35,787

(c) Allotment of 7,427,243 new ordinary shares pursuant to the vesting of ESGP;

(d) Issuance of 2,369,540 new ordinary shares pursuant to the exercise of ESOS at the following option prices:

		ESOS 1	ESOS 3	ESOS 4	ESOS 5	ESOS 5 (Revised)
Exercise price	(RM)	3.07	3.02	2.72	2.86	2.76
No. of shares issued	('000)	1,614	159	483	45	69

(e) Issuance of 403,260,475 new ordinary shares pursuant to the renounceable rights issue on the basis of two (2) rights shares for every fifteen (15) existing ordinary shares at an issue price of RM2.65 per share; and

(f) Conversion from 6,988,243 RCPS-i A to 1,996,638 ordinary shares with the conversion ratio of two (2) new S P Setia shares for seven (7) RCPS-i A held.

All new ordinary shares rank pari passu in all respect with the then existing ordinary shares of the Company.

The Long Term Incentive Plan ("LTIP" or "Scheme") was implemented on 10 April 2013. The LTIP, which comprises the ESGP and ESOS allows the Company to grant shares and/or share options under the ESGP and ESOS respectively to eligible employees and Executive Directors of the Group of up to 15% of the issued and paid-up share capital of the Company. The LTIP is governed by the By-Laws of the LTIP which was approved by the shareholders on 28 February 2013 and is administered by the NRC which is appointed by the Board, in accordance with the By-Laws.

On 23 February 2017, the Board of Directors approved the extension of the LTIP for another 5 years pursuant to By-Laws 18.2 of the By-Laws of LTIP and as such the LTIP shall be in force for a period of 10 years up to 9 April 2023.

The main features of the Scheme are as follows:

(a) The maximum number of new ordinary shares which may be made available under the Scheme at the point in time when an LTIP award is offered shall not be more than fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company.

23. SHARE CAPITAL (CONT'D)

(b) The LTIP awards shall be awarded after taking into consideration the employee's position, contribution and performance (where applicable) or such criteria as the Nomination and Remuneration Committee may deem fit subject to the following:

(i) that the number of new ordinary shares made available under the Scheme shall not exceed the amount stipulated in (a) above; and

(ii) that not more than ten percent (10%) of the total new ordinary shares to be issued under the Scheme at the point in time when an LTIP award is offered be allocated to any employee or Executive Director who, either singly or collectively through persons connected with him, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company.

(c) In the case of the ESGP, the shares will be vested with the grantee at no consideration on the vesting date; while in the case of the ESOS, the option price will be determined based on the five (5) days volume weighted average market price of the ordinary shares on the date the ESOS award is offered with a potential discount of not more than ten percent (10%) or any such other limit in accordance with any prevailing guideline issued by Bursa Malaysia Securities Berhad or any other relevant authorities as may be amended from time to time.

(d) The shares and share options granted under the ESGP and ESOS will vest over a period of up to four (4) years from the date of the LTIP award.

The movement during the financial year in the number of shares and share options in which employees of the Group and the Company is entitled to are as follows:

ESGP	At 1.1.2017 '000	Granted '000	Vested '000	Lapsed '000	At 31.12.2017 '000
Offer 1	-	-	-	-	-
Offer 2	-	-	-	-	-
Offer 3	3,388	-	(3,266)	(122)	-
Offer 4	5,564	-	(2,650)	(305)	2,609
Offer 5	5,347	-	(1,511)	(327)	3,509
Offer 6	-	15,339	-	(329)	15,010
	14,299	15,339	(7,427)	(1,083)	21,128

ESOS	At 1.1.2017 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2017 '000
Offer 1	25,754	-	(1,614)	-	24,140
Offer 2	-	-	-	-	-
Offer 3	1,517	-	(159)	-	1,358
Offer 4	14.929	-	(483)	-	14,446
Offer 5	9,586	-	(114)	-	9,472
Offer 6	-	142,889	-	(1,371)	141,518
	51,786	142,889	(2,370)	(1,371)	190,934

23. SHARE CAPITAL (CONT'D)

The fair values of the shares and share options granted under the ESGP and ESOS to which FRS 2 applies were determined using the binomial model. The significant inputs into the model were as follows:

	ESGP						ESOS					
	Offer 1	Offer 2	Offer 3	Offer 4	Offer 5	Offer 6	Offer 1	Offer 2	Offer 3	Offer 4	Offer 5	Offer 6
Exercise price	*	*	*	*	*	*	RM2.96^	RM2.92^	RM2.91^	RM2.62^	RM2.76^	RM3.03^
Date of grant	6 May 2013	19 August 2013	31 October 2014	20 August 2015	17 August 2016	7 August 2017	6 May 2013	19 August 2013	31 October 2014	20 August 2015	17 August 2016	7 August 2017
Fair value at grant date	RM3.15	RM3.14	RM3.13	RM3.01	RM3.27	RM3.05	RM0.51	RM0.52	RM0.53	RM0.57	RM0.55@/ RM0.87#	RM0.51@/ RM0.77#
Vesting period / Option life	2 years	2 years	2 years	2 years	1 year 5 months	2 years	8 years 3 months	8 years 3 months	7 years 3 months	6 years 3 months	5 years 4 months	4 years 10 months
Weighted average share price at grant date	RM3.42	RM3.37	RM3.35	RM3.02	RM3.17	RM3.30	RM3.42	RM3.37	RM3.35	RM3.02	RM3.17	RM3.30
Expected dividend yield	4.1%	4.2%	3.3%	3.0%	5.3%	6.0%	4.1%	4.2%	3.3%	3.0%	5.3%	6.0%
Risk free interest rates	3.21%	3.67%	3.71%	4.01%	3.4%	3.4%	3.21%	3.67%	3.71%	4.01%	3.4%	3.4%
Expected volatility	18.62%	18.82%	18.51%	21.34%	22.88%	24.26%	18.62%	18.82%	18.51%	21.34%	22.88%	24.26%

* *The shares under the ESGP will vest with the grantee at no consideration on the vesting date*

^ *Pursuant to the LTIP By-Laws of the Company, the ESOS exercise price options were adjusted for the rights issue of up to 451,916,434 ordinary shares in S P Setia and rights issue of up to 1,355,749,304 RCPS-i B in S P Setia Berhad which were allotted on 29 December 2017 and listed on 4 January 2018 ("Rights Issue Adjustment")*

@ *Prior to Rights Issue Adjustment*

\# *After Rights Issue Adjustment*

The expected life of the shares and share options are based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the shares and/or share options granted were incorporated into the measurement of fair value.

24. ISLAMIC REDEEMABLE CUMULATIVE PREFERENCE SHARES ("RCPS-i A") ("RCPS-i B")

	Group/Company			
	2017		2016	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid RCPS-i A:				
At beginning of the year	**1,127,625**	11,276	-	-
Transition to no par value regime	-	1,115,581	-	-
Share issurance expenses	-	(527)	-	-
Issuance of shares	-	-	**1,127,625**	11,276
Conversion to ordinary shares *(see Note 23)*	**(6,988)**	(6,988)	-	-
At end of the year	**1,120,637**	1,119,342	**1,127,625**	11,276
Issued and fully paid RCPS-i B:				
At beginning of the year	-	-	-	-
Issuance of shares	**1,209,781**	1,064,608	-	-
At end of the year	**1,209,781**	1,064,608	-	-

Note i
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 preference shares in issue or the relative entitlement of any of the members as a result of this transition.

RCPS-i A
The RCPS-i A issued by the Company to the shareholders are convertible at any time at the discretion of the holder commencing 2 December 2016 ("Issue Date A") up to such date no later than nine (9) market days prior to the relevant redemption date into such number of fully paid new S P Setia shares without payment of any consideration (cash or otherwise) and with the conversion ratio of two (2) new S P Setia shares for seven (7) RCPS-i A held.

The Company may at any time on or after the 15th anniversary of the Issue Date A, at its discretion, redeem all (and not some only of) the outstanding RCPS-i A in cash at the redemption price which shall be the aggregate of the issue price of RM1.00, any preferential dividends declared but unpaid as at the redemption date and any Deferred Dividends A (as defined below) as at the redemption date.

24. ISLAMIC REDEEMABLE CUMULATIVE PREFERENCE SHARES ("RCPS-i A") ("RCPS-i B") (CONT'D)

Under the Constitution, the conversion ratio for RCPS-i A is subject to adjustments from time to time, at the determination of our Board, in the event of any alteration to our Company's share capital, whether by way of rights issue, capitalisation issue, consolidation of shares, subdivision of shares or reduction of capital howsoever being effected, in accordance with the provisions of the Constitution. Pursuant to the rights issue of S P Setia shares undertaken by the Company, the conversion ratio for RCPS-i A has been adjusted to fifty (50) new S P Setia shares for one hundred sixty nine (169) RCPS-i A held. The effective date for the adjusted conversion ratio was 4 December 2017.

The RCPS-i A confers on holders, the following rights and privileges:

(i) The right to receive preferential dividends, out of distributable profits of the Company earned from the first day of the calendar month following the Issue Date A ("Profits for RCPS-i A") when declared and approved by the Board of the Company, at an expected preferential dividend rate of 6.49%.

From the period commencing on and including the 15th anniversary of the Issue Date A until the redemption date, an additional stepped-up preferential dividend rate of 1.0% per annum above the expected rate abovementioned, shall be payable on the RCPS-i A on an annual basis, provided that the aggregate of the expected preferential dividend rate (including the stepped-up preferential dividends, if applicable) ("Expected Preferential Dividend Rate A") shall not exceed a total rate of 20%. The maximum amount of preferential dividends that can be declared and paid on each preferential dividend entitlement date ("Expected Preferential Dividend Amount A") shall be capped at such Expected Preferential Dividend Rate A unless otherwise decided by the Board of the Company.

On any preferential dividend entitlement date for RCPS-i A:

i. In the event that the Profits for RCPS-i A are lower than the Expected Preferential Dividend Amount A and the Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount A (in whole or in part):

(a) The Company may, at its discretion, declare and pay any amount of preferential dividends up to an amount equal to the Profits for RCPS-i A as at such preferential dividend entitlement date. The amount of Profits for RCPS-i A declared as preferential dividends by the Company on a particular preferential dividend entitlement date, if any shall be referred to as ("Declared Sum A"); and

(b) The amount equivalent to the difference between the Profits for RCPS-i A as at such preferential dividend entitlement date and Declared Sum A, shall be cumulative ("Deferred Dividends A-1"), so long as the RCPS-i A remains unredeemed.

ii. In the event that the Profits for RCPS-i A are more than the Expected Preferential Dividend Amount A and the Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount A (in whole or in part), the amount equivalent to the difference between the Expected Preferential Dividend Amount A and the Declared Sum A, shall be cumulative ("Deferred Dividends A-2"), so long as the RCPS-i A remains unredeemed.

Deferred Dividends A-1 and A-2 (as the case may be) ("Deferred Dividends A") may be declared and/or paid, at the discretion of the Company, on any subsequent preferential dividend entitlement date for RCPS-i A, provided that the Cumulative Condition A (as defined below) is fulfilled on such preferential dividend entitlement date.

24. ISLAMIC REDEEMABLE CUMULATIVE PREFERENCE SHARES ("RCPS-i A") ("RCPS-i B") (CONT'D)

"Cumulative Condition A" of the RCPS-i A means on any preferential dividend entitlement date, the Company:

i. has sufficient Profits for RCPS-i A that is at least equivalent to the aggregate of the Declared Sum A and any Deferred Dividends A accumulated as at and on such preferential dividend entitlement date;

ii. has maintained books and records that evidence the Company having Profits for RCPS-i A that is at least equivalent to the aggregate of the Declared Sum A and any Deferred Dividends A accumulated as at and on such preferential dividend entitlement date; and

iii. makes an announcement on the Main Market of Bursa Malaysia Securities Berhad that such amount of Deferred Dividends A on such preferential dividend entitlement date shall be cumulative.

Where there is no Profit for RCPS-i A available for the declaration and payment of dividends, the Company shall have no obligation to declare or distribute any preferential dividends on the relevant preferential dividend entitlement date for RCPS-i A. Such preferential dividends shall not be cumulative.

Each RCPS-i A holder will cease to receive any preferential dividends from and including the date the RCPS-i A is converted into new S P Setia Shares save for preferential dividends declared but unpaid up to the date of conversion.

(ii) The rights as regards to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of the Company, save and except in the respect of any resolution made:

i. when the preferential dividends for RCPS-i A or any part thereof is in arrears and unpaid for more than six (6) months;

ii. on a proposal to reduce the Company's share capital;

iii. on a proposal for the disposal of substantially the whole of the Company's property, business and undertaking;

iv. on a proposal to wind up the Company;

v. during the winding up of the Company; or

vi. on any proposal that affects the rights and privileges attached to the RCPS-i A, including the amendments to the Constitution of the Company.

In any of the aforesaid circumstances, each RCPS-i A holder shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings to one (1) vote for each RCPS-i A held.

<u>RCPS-i B</u>
The RCPS-i B issued by the Company to the shareholders are convertible at any time at the discretion of the holder commencing 29 December 2017 ("Issue Date B") up to such date no later than nine (9) market days prior to the relevant redemption date into such number of fully paid new S P Setia shares without payment of any consideration (cash or otherwise) and with the conversion ratio of five (5) new S P Setia shares for twenty one (21) RCPS-i B held.

24. ISLAMIC REDEEMABLE CUMULATIVE PREFERENCE SHARES ("RCPS-i A") ("RCPS-i B") (CONT'D)

The Company may at any time on or after the 5th anniversary of the Issue Date B, at its discretion, redeem all (and not some only of) the outstanding RCPS-i B in cash at the redemption price which shall be the aggregate of the issue price of RM0.88, any preferential dividends declared but unpaid as at the redemption date and any Deferred Dividends B (as defined below) as at the redemption date.

The RCPS-i B confers on holders, the following rights and privileges:

(i) The right to receive preferential dividends, out of distributable profits of the Company earned from the first day of the calendar month following the Issue Date B ("Profits for RCPS-i B") when declared and approved by the Board of the Company, at an expected preferential dividend rate of 5.93%.

From the period commencing on and including the 5th anniversary of the Issue Date B until the redemption date, an additional stepped-up preferential dividend rate of 1.0% per annum above the expected rate abovementioned, shall be payable on the RCPS-i B on an annual basis, provided that the aggregate of the expected preferential dividend rate (including the stepped-up preferential dividends, if applicable) ("Expected Preferential Dividend Rate B") shall not exceed a total rate of 20%. The maximum amount of preferential dividends that can be declared and paid on each preferential dividend entitlement date ("Expected Preferential Dividend Amount B") shall be capped at such Expected Preferential Dividend Rate B unless otherwise decided by the Board of the Company.

On any preferential dividend entitlement date for RCPS-i B:

i. In the event that the Profits for RCPS-i B are lower than the Expected Preferential Dividend Amount B and the Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount B (in whole or in part):

(a) The Company may, at its discretion, declare and pay any amount of preferential dividends up to an amount equal to the Profits for RCPS-i B as at such preferential dividend entitlement date. The amount of Profits for RCPS-i B declared as preferential dividends by the Company on a particular preferential dividend entitlement date, if any shall be referred to as ("Declared Sum B"); and

(b) The amount equivalent to the difference between the Profits for RCPS-i B as at such preferential dividend entitlement date and Declared Sum B, shall be cumulative ("Deferred Dividends B-1"), so long as the RCPS-i B remains unredeemed.

ii. In the event that the Profits for RCPS-i B are more than the Expected Preferential Dividend Amount B and the Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount B (in whole or in part), the amount equivalent to the difference between the Expected Preferential Dividend Amount B and the Declared Sum B, shall be cumulative ("Deferred Dividends B-2"), so long as the RCPS-i B remains unredeemed.

Deferred Dividends B-1 and B-2 (as the case may be) ("Deferred Dividends B") may be declared and/or paid, at the discretion of the Company, on any subsequent preferential dividend entitlement date for RCPS-i B, provided that the Cumulative Condition B (as defined below) is fulfilled on such preferential dividend entitlement date.

"Cumulative Condition B" of the RCPS-i B means on any preferential dividend entitlement date, the Company:

(a) has sufficient Profits for RCPS-i B that is at least equivalent to the aggregate of the Declared Sum B and any Deferred Dividends B accumulated as at and on such preferential dividend entitlement date;

24. ISLAMIC REDEEMABLE CUMULATIVE PREFERENCE SHARES ("RCPS-i A") ("RCPS-i B") (CONT'D)

"Cumulative Condition B" of the RCPS-i B means on any preferential dividend entitlement date, the Company (cont'd):

(b) has maintained books and records that evidence the Company having Profits for RCPS-i B that is at least equivalent to the aggregate of the Declared Sum B and any Deferred Dividends B accumulated as at and on such preferential dividend entitlement date; and

iii. makes an announcement on the Main Market of Bursa Malaysia Securities Berhad that such amount of Deferred Dividends B on such preferential dividend entitlement date shall be cumulative.

Where there is no Profit for RCPS-i B available for the declaration and payment of dividends, the Company shall have no obligation to declare or distribute any preferential dividends on the relevant preferential dividend entitlement date for RCPS-i B. Such preferential dividends shall not be cumulative.

Each RCPS-i B holder will cease to receive any preferential dividends from and including the date the RCPS-i B is converted into new S P Setia Shares save for preferential dividends declared but unpaid up to the date of conversion.

(ii) The rights as regards to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of the Company, save and except in the respect of any resolution made:

i. when the preferential dividends for RCPS-i B or any part thereof is in arrears and unpaid for more than six (6) months;

ii. on a proposal to reduce the Company's share capital;

iii. on a proposal for the disposal of substantially the whole of the Company's property, business and undertaking;

iv. on a proposal to wind up the Company;

v. during the winding up of the Company; or

vi. on any proposal that affects the rights and privileges attached to the RCPS-i B, including the amendments to the Constitution of the Company.

In any of the aforesaid circumstances, each RCPS-i B holder shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings to one (1) vote for each RCPS-i B held.

25. RESERVE ON ACQUISITION ARISING FROM COMMON CONTROL

	Group	
	2017 RM'000	2016 RM'000
Reserve arising on acquisition accounted for under common control	**1,295,884**	1,295,884

This represents the difference between the consideration payable on the acquisition of I & P Group in excess of the equity of I & P Group arising as a result of the application of the pooling of interests method of accounting whereby assets, liabilities and reserves of the entities are recorded at their pre-combination carrying amounts or existing carrying amounts from the perspective of common control shareholder.

26. PERPETUAL BOND

On 13 December 2013, the Company issued a total of RM609 million in nominal value of unrated subordinated Islamic Perpetual Notes ("Sukuk Musharakah") via private placement on a best effort basis without prospectus pursuant to a Sukuk Musharakah Programme ("Perpetual bond") of up to RM700 million in nominal value. The Perpetual bond is established to raise funds as and when required to be utilised for Shariah-compliant purposes which include the Company's investments and working capital.

The salient features of the Perpetual bond are as follows:

(i) The Perpetual bond is issued under the Islamic principle of Musharakah, while the principle of Commodity Musawamah will be employed to effect the deferral of the periodic distributions, if any;

(ii) Perpetual in tenure, where the Company has a call option to redeem the Perpetual bond at the end of the 5th year and on each periodic distribution date thereafter;

(iii) The Company also has the option to redeem the Perpetual bond if there is a change in accounting standards resulting in the Perpetual bond no longer being classified as equity;

(iv) The expected periodic distribution up to year 5 is 5.95% per annum payable semi-annually. If the Company does not exercise its option to redeem at the end of the 5th year, the periodic distribution increases by 1% per annum subject to a maximum rate of 20%;

(v) Deferred periodic distribution, if any, will be cumulative but will not earn additional profits (i.e. there will be no compounding);

(vi) Payment obligations on the Perpetual bond will at all times, rank ahead of other share capital instruments for the time being outstanding, but junior to the claims of present and future creditor of the Company (other than obligations ranking pari passu with the Perpetual bond); and

(vii) The Perpetual bond is not rated and is unsecured.

27. REDEEMABLE CUMULATIVE PREFERENCE SHARES (UNSECURED)

The redeemable cumulative preference shares ("RCPS") issued by subsidiaries of the Company ("the Subsidiaries") are redeemable at any time at the discretion of the Subsidiaries after 3rd to 5th anniversary but before the 6th to 8th anniversary of the issue date, provided always that the redemption sum to be determined shall not be less than RM1.00 and any amount of dividend payable on the redemption date (including the aggregate amount of any arrears or accruals of dividend, whether or not declared, at the time of redemption).

The preference shares confer on their holders the following rights and privileges:

(i) The right to be paid, a cumulative preferential dividend of 4% to 7% per annum on the issue price, or at 500% per annum gross based on its nominal value;

(ii) The right in a winding up or return of capital (other than on the redemption of the preference shares) to receive, in priority to the holders of any other class of shares in the capital of the Subsidiaries, repayment in full of RM1.00 and the payment of any cumulative preferential dividend calculated up to the date of commencement of the winding up or return of capital, but no further right to share in surplus assets; and

(iii) The right to receive notice of and attend all general meetings of the Subsidiaries, and shall have the right on a poll at any general meeting of the Subsidiaries to one vote for each preference share held:

(a) upon any resolution which varies or is deemed to vary the rights attached to the preference shares;

(b) upon any resolution for the reduction of capital of the Subsidiaries; and

(c) upon any resolution for the winding up of the Subsidiaries,

but shall otherwise have no right to vote at general meetings of the Subsidiaries.

28. BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Non-current				
Secured:				
Term loans	**2,750,444**	1,978,381	**-**	-
Bridging loans	**108,801**	278,290	**-**	-
Revolving credits	**217,000**	66,000	**-**	-
Medium term note and Commercial paper	**494,000**	228,100	**-**	-
Unsecured:				
Term loans	**1,293,847**	1,097,767	**1,293,847**	1,097,767
Revolving credits	**50,000**	150,000	**50,000**	150,000
	4,914,092	3,798,538	**1,343,847**	1,247,767

28. BORROWINGS (CONT'D)

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Current				
Secured:				
Term loans	**367,287**	284,385	**-**	-
Bridging loans	**43,438**	93,825	**-**	-
Revolving credits	**478,049**	630,602	**-**	-
Medium term note and Commercial paper	**98,000**	63,500	**-**	-
Bank overdrafts	**3,449**	31,285	**-**	-
Unsecured:				
Term loans	**206,000**	358,000	**206,000**	358,000
Bridging loans	**-**	134,102	**-**	-
Revolving credits	**749,710**	361,000	**748,710**	360,000
Bank overdrafts	**17,895**	18,072	**17,895**	18,072
	1,963,828	1,974,771	**972,605**	736,072
Total borrowings	**6,877,920**	5,773,309	**2,316,452**	1,983,839
The borrowings are repayable as follows:				
Not later than one year	**1,913,828**	1,974,771	**972,605**	736,072
Later than one year but not later than five years	**3,721,888**	2,691,544	**909,300**	533,704
Later than five years	**1,242,204**	1,106,994	**434,547**	714,063
	6,877,920	5,773,309	**2,316,452**	1,983,839

The range of interest rates at the reporting date for borrowings are as follows:

	Group		Company	
	2017 %	2016 % Restated	2017 %	2016 %
Term loans	**1.80 - 5.10**	2.45 - 7.80	**2.80 - 4.96**	2.45 - 4.91
Bridging loans	**4.22 - 5.15**	4.22 - 4.52	**-**	-
Revolving credits	**4.20 - 5.08**	4.25 - 5.16	**4.29 - 5.08**	4.27 - 5.16
Medium term note and Commercial paper	**4.19 - 4.88**	4.13 - 4.55	**-**	-
Bank overdrafts	**4.14 - 7.47**	4.14 - 7.47	**4.46 - 4.70**	4.36 - 4.70

28. BORROWINGS (CONT'D)

The borrowings are secured by:

- various fixed and floating charges and deeds of assignment over various assets belonging to the Group including properties of the Group as indicated in Notes 2, 3, 4, 15 and 16 above; and
- short-term deposit, sinking fund, debt service reserve, escrow and revenue accounts as indicated in Notes 20 and 21 above.

Medium Term Notes ("MTN") and Commercial Paper ("CP")

In 2012, a wholly owned subsidiary of the Group, Setia Ecohill Sdn Bhd ("Setia Ecohill") issued Medium Term Notes (MTN) and Commercial Paper (CP) with a total nominal value of RM505 million (the "Programmes"). The Programmes comprise the issuance of two tranches, collectively known CP/MTN Programme:

(i) Tranche 1: MTN Issuance - Up to RM305 million to part finance the purchase of freehold land with tenure of up to 7 years from the date of the first issuance;

(ii) Tranche 2: CP Issuance - Up to RM200 million to finance the working capital requirement with tenure of up to 7 years from the date of the first issuance;

In 2016, the total nominal value of issued MTN and CP increased to RM580 million, with the issuance of tranche below:

(iii) Tranche 3: CP Issuance - Up to RM75 million to part-financing the infrastructure costs, earth works and development costs in relation to clubhouse and Tenby school with a tenure of up to 7 years from the date of first issuance.

The interest payment is due every month with an interest rate between 4.19% to 4.88% (2016: 4.13% to 4.55%) per annum, commencing from the issue date of the relevant tranches.

The MTN/CP is secured by a first party fixed charge over the freehold land of Setia Ecohill held under land held for development and property development costs as disclosed in Note 4 and Note 15 and a corporate guarantee from the Company.

As at 31 December 2017, the remaining nominal value of Tranche 2 CP and Tranche 3 CP are RM125 million and RM33 million respectively.

In the current financial year, a wholly owned subsidiary of the Group, Setia Fontaines Sdn Bhd ("Setia Fontaines") (formerly known as Setia Recreation Sdn Bhd) issued Islamic MTN ("Sukuk Murabahah") of RM434 million pursuant to a Sukuk Murabahah Programme of up to RM434 million in nominal value ("Sukuk Murabahah Programme") to finance the purchase of freehold land. The Sukuk Murabahah Programme has a tenure of up to 10 years from the date of the first issuance.

The interest payment is due every month with the profit rate of 1.0% per annum plus the bank's cost of funds commencing from the issuance date of the Sukuk Murabahah.

The Sukuk Murabahah Programme of Setia Fontaines is secured by a first legal charge created over a parcel of Setia Fontaines' freehold land under land held for development as disclosed in Note 4 and a corporate guarantee from the Company.

As at 31 December 2017, Setia Fontaines has utilised the entire issuance of Sukuk Murabahah of RM434 million.

28. BORROWINGS (CONT'D)

The currency exposure profile of borrowings is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Malaysian Ringgit	**5,576,063**	5,049,785	**1,608,605**	1,269,776
Great British Pound	**707,847**	714,063	**707,847**	714,063
Singapore Dollar	**587,003**	-	**-**	-
United States Dollar	**7,007**	8,587	**-**	-
Vietnamese Dong	**-**	874	**-**	-
	6,877,920	5,773,309	**2,316,452**	1,983,839

29. TRADE PAYABLES

	Group	
	2017 RM'000	2016 RM'000 Restated
Sub-contractors' claims	**276,636**	313,385
Retention sums	**376,149**	443,880
Accrued construction costs	**883,090**	853,622
Others	**25,530**	24,370
	1,561,405	1,635,257

The normal credit terms extended by sub-contractors and suppliers range from 15 to 90 days (2016: 15 to 90 days). The retention sums are repayable upon the expiry of the defect liability period of 6 to 36 months (2016: 6 to 36 months).

Other trade payables are required to be settled within 14 to 60 days (2016: 14 to 60 days).

The currency exposure profile of trade payables is as follows:

	Group	
	2017 RM'000	2016 RM'000 Restated
Malaysian Ringgit	**1,515,834**	1,546,885
Singapore Dollar	**43,614**	86,906
Vietnamese Dong	**1,957**	1,466
	1,561,405	1,635,257

30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Non-current				
Unpaid consideration for acquisition of development land	**40,000**	40,000	**-**	-
Current				
Unsecured advances	**17,535**	18,094	**-**	-
Interest accrued	**11,817**	8,930	**7,319**	5,583
Deposits received	**27,178**	23,961	**-**	-
Deferred revenue	**12,356**	9,319	**-**	-
Unpaid consideration for acquisition of development land	**6,600**	6,600	**-**	-
Accrued selling and marketing costs	**101,504**	92,270	**-**	-
Other sundry payables and accruals	**572,714**	447,138	**329,672**	5,845
	749,704	606,312	**336,991**	11,428
Total	**789,704**	646,312	**336,991**	11,428

The unsecured advances are from minority shareholders of a subsidiary company. These advances are interest free and payable on demand.

Included under other payables for the Group and the Company is an amount of RM310,411,793 (2016: RM Nil) which represents the excess amounts received pursuant to the issuance of renounceable rights issue and RCPS-i B as disclosed in Note 24. This amount was refunded to the unsuccessful applicants subsequent to year end.

The currency exposure profile of other payables and accruals is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Malaysian Ringgit	**759,713**	559,602	**333,583**	11,428
Vietnamese Dong	**16,478**	11,730	**-**	-
Australian Dollar	**7,321**	69,425	**-**	-
Great British Pound	**3,408**	-	**3,408**	-
Singapore Dollar	**2,737**	5,546	**-**	-
United States Dollar	**43**	2	**-**	-
Hong Kong Dollar	**4**	4	**-**	-
Indonesian Rupiah	**-**	3	**-**	-
	789,704	646,312	**336,991**	11,428

31. PROVISION FOR AFFORDABLE HOUSING

	Group	
	2017 RM'000	2016 RM'000 Restated
Current		
At beginning of the year	**888,925**	889,989
Addition during the year	**10,855**	151,271
Reversal during the year	**(28,954)**	(133,426)
Utilised during the year	**(74,931)**	(18,909)
At end of the year	**795,895**	888,925

The provision for affordable housing represents the present obligation for construction of low cost houses.

32. AMOUNTS OWING TO PREVIOUS SHAREHOLDERS OF I & P GROUP

The amounts owing to previous shareholders of I & P Group as at 31 December 2017 of RM3,540,500,000 is stated net of real property gain tax paid on behalf of the previous shareholders in respect of the disposal of the I & P Group to the Company.

This liability has crystallised upon completion of the acquisition of I & P Group on 1 December 2017. The corresponding amount of RM3,650,000,000 as at 31 December 2016 is accounted for as such to facilitate the application of the pooling of interests method of accounting as disclosed in Note 52.

33. REVENUE

	Group	
	2017 RM'000	2016 RM'000 Restated
Sale of development properties	**4,113,627**	5,230,462
Contract revenue	**206,589**	305,997
Sale of other goods and services	**199,896**	174,912
	4,520,112	5,711,371

34. COST OF SALES

	Group	
	2017 RM'000	2016 RM'000 Restated
Cost of properties sold	**2,626,636**	3,510,491
Contract cost recognised as expense	**208,694**	293,557
Cost of other goods and services sold	**171,129**	148,370
	3,006,459	3,952,418

35. OTHER INCOME

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Gross dividends from:				
- subsidiary companies	**-**	-	**754,418**	622,767
- marketable securities	**1,522**	1,702	**-**	-
Interest income from:				
- subsidiary companies	**-**	-	**136,401**	80,346
- joint ventures	**14,734**	17,579	**7,609**	7,601
- deposits	**74,116**	68,899	**39,354**	19,907
- financial assets measured at amortised cost	**-**	266	**4,104**	5,583
- others	**44,886**	51,964	**1,031**	774
Rental income from:				
- investment properties	**25,906**	56,095	**-**	-
- other operating leases	**12,581**	9,832	**-**	-
Allowance for impairment losses no longer required	**2,342**	141	**1,874**	-
Gain on disposal of investment properties	**19,633**	48,790	**-**	-
Net gain on disposal of property, plant and equipment	**20,715**	409	**-**	25
Gain arising from fair value adjustment on financial liabilities carried at amortised cost	**-**	-	**-**	2,793
Gain on disposal of subsidiary company	**-**	1,123	**999**	-
Gain on disposal of other investments	**12**	11	**-**	-
Liquidated and ascertained damages income on late completion	**42,128**	14,437	**-**	-
Forfeiture income	**4,518**	3,394	**-**	-
Gain on foreign exchange				
- realised	**-**	13,926	**-**	-
- unrealised	**1,943**	32,625	**6,161**	31,789
Other miscellaneous income	**22,888**	19,924	**8,465**	9,091
	287,924	341,117	**960,416**	780,676

36. FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Bank overdraft interest	**1,057**	3,326	**615**	2,168
Revolving credit interest	**44,976**	31,488	**27,258**	13,783
Term loan interest	**79,310**	71,615	**56,107**	46,192
Preference share dividend	**2,322**	2,325	**-**	-
Interest expense to:				
- subsidiary companies	**-**	-	**2,271**	6,705
Interest expense on financial liabilities measured at amortised cost	**2,328**	3,349	**-**	-
Others	**7,367**	13,246	**4,278**	3,912
	137,360	125,349	**90,529**	72,760

37. PROFIT BEFORE TAX

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Profit before tax is stated after charging:				
Auditors' remuneration				
- current year	**1,946**	2,156	**127**	130
- underprovision in prior years	**-**	300	**-**	50
- other services	**696**	552	**427**	293
Amortisation of intangible asset	**528**	-	**-**	-
Bad debts	**2,478**	4,051	**-**	3,672
Allowance for impairment losses	**420**	405	**-**	-
Depreciation				
- property, plant and equipment	**22,087**	24,200	**-**	2
- investment properties	**13,333**	8,440	**10**	10
Direct operating expenses on				
- income generating investment properties	**5,953**	4,907	**-**	-
- non-income generating investment properties	**8**	8	**8**	8

37. PROFIT BEFORE TAX (CONT'D)

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Directors' remuneration				
- Company's Directors				
- fees and other emoluments	**6,485**	6,912	**2,108**	2,071
- share-based payment under LTIP	**3,778**	945	**-**	-
Other key management personnel				
- other emoluments	**13,558**	11,846	**-**	-
- share-based payment under LTIP	**14,866**	6,850	**-**	-
Property, plant and equipment written off	**511**	52	**-**	17
Loss from fair value adjustment of financial assets/ liabilities	**184**	3,951	**1,680**	1,089
Loss on liquidation of subsidiary companies	**2,309**	-	**-**	-
Rental expense on:				
- equipment	**28,578**	22,224	**121**	111
- premises	**5,125**	3,111	**-**	-
Loss on foreign exchange				
- realised	**2,174**	-	**654**	706

Directors' remuneration does not include the estimated monetary value of benefits-in-kind as follows:

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Company's Directors	**33**	18	**7**	18
Subsidiaries' Directors	**1,296**	959	**-**	-

38. TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Current income tax:				
In respect of current year:				
- Malaysian income tax	**266,323**	321,772	**18,520**	3,711
- foreign income tax	**61,619**	81,175	**-**	-
Under/(over) provision in prior years				
- Malaysian income tax	**18,147**	12,412	**1,132**	(1,484)
- foreign income tax	**(40,057)**	(3,533)	**-**	-
	306,032	411,826	**19,652**	2,227
Deferred tax:				
- Origination and reversal of temporary differences	**(30,063)**	(53,413)	**136**	50
- Under provision in prior years	**9,801**	6,903	**-**	-
	(20,262)	(46,510)	**136**	50
	285,770	365,316	**19,788**	2,277

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

38. TAXATION (CONT'D)

The provision for taxation differs from the amount of taxation determined by applying the applicable statutory tax rate on the profit before tax as a result of the following differences:

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Accounting profit (excluding share of results in joint ventures and associated companies)	**991,223**	1,335,198	**846,008**	682,869
Taxation at 24% tax rate	**237,893**	320,447	**203,042**	163,889
Tax effects arising from:				
Non-deductible expenses	**81,015**	53,891	**15,344**	3,867
Perpetual bond distribution	**(8,697)**	(8,697)	**(8,697)**	(8,697)
Non-taxable income				
- interest income	**(13,461)**	(11,279)	**(9,973)**	(5,834)
- single tier dividend income	**(365)**	(409)	**(181,060)**	(149,464)
- others	**(2,376)**	(225)	**-**	-
Deferred tax assets not recognised	**20,710**	39,832	**-**	-
Utilisation of tax losses brought forward from previous years	**(6,003)**	(7,343)	**-**	-
Effect on different tax rate used	**(10,837)**	(36,683)	**-**	-
(Over)/under provision in prior years	**(12,109)**	15,782	**1,132**	(1,484)
	285,770	365,316	**19,788**	2,277
Tax savings during the financial year arising from:				
Utilisation of current tax losses	**1,973**	1,188	**-**	-
Utilisation of tax losses brought forward from previous years	**6,003**	7,343	**-**	-

The Company is on the single tier income tax system; accordingly the entire retained earnings of the Company is available for distribution by way of dividend without incurring additional tax liability.

39. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share has been calculated by taking the Group's profit for the year attributable to owners of the Company adjusted for the effects of RCPS-i A preferential dividends paid for the year, divided by the weighted average number of shares in issue as well as full year impact of rights issue of shares. The weighted average number of ordinary shares in issue is calculated as follows:

	Group	
	2017 '000	2016 '000 Restated
Profit for the financial year attributable to owners of the Company		
- from continuing operations (RM)	**849,472**	947,974
- less: RCPS-i A preferential dividends (RM)	**(42,737)**	-
	806,735	947,974
- from discontinued operations (RM)	**83,385**	7,845
Adjusted profit for the year attributable to equity holders of the Company (RM)	**890,120**	955,819
Number of ordinary shares at beginning of the year	**2,853,520**	2,628,356
Weighted average effect of shares issued pursuant to:		
- DRP	**63,245**	76,833
- vesting of ESGP	**3,641**	4,315
- exercise of ESOS	**1,240**	399
- rights issue	**403,260**	403,260
- conversion of RCPS-i A into ordinary shares	**202**	-
Weighted average number of ordinary shares	**3,325,108**	3,113,163
Basic Earnings Per Share (sen)		
- from continuing operations	**24.26**	30.45
- from discontinued operations	**2.51**	0.25
	26.77	30.70

39. EARNINGS PER SHARE (CONT'D)

Diluted earnings per share

The diluted earnings per share has been calculated by taking the Group's profit for the year attributable to owners of the Company adjusted for the effects of RCPS-i A preferential dividends paid for the year, divided by the weighted average number of ordinary shares that would have been in issue upon full exercise of the options under the LTIP, adjusted for the number of such shares that would have been issued at fair value, conversion of RCPS-i A at the conversion ratio of 2 ordinary shares for 7 RCPS-i A from its date of issuance, as well as the full conversion of RCPS-i B at the conversion ratio of 5 ordinary shares for 21 RCPS-i B, calculated as follows:

	Group	
	2017 '000	2016 '000 Restated
Profit for the financial year attributable to owners of the Company		
- from continuing operations (RM)	**849,472**	947,974
- less: RCPS-i A preferential dividends (RM)	**(42,737)**	-
	806,735	947,974
- from discontinued operations (RM)	**83,385**	7,845
Adjusted profit for the year attributable to equity holders of the Company (RM)	**890,120**	955,819
Weighted average number of ordinary shares calculated above	**3,325,108**	3,113,163
Weighted average number of unissued shares under the LTIP	**51,000**	20,197
Weighted average number of unissued shares under RCPS-i A	**320,182**	26,480
Weighted average number of unissued shares under RCPS-i B	**288,043**	288,043
Adjusted weighted average number of ordinary shares that would have been in issue	**3,984,333**	3,447,883
Diluted Earnings Per Share (sen)		
- from continuing operations	**20.25**	27.49
- from discontinued operations	**2.09**	0.23
	22.34	27.72

The comparative basic and diluted earnings per share of the Group have been restated as a result of the application of the pooling of interests method of accounting due to the acquisition of the I & P Group as disclosed in Note 42(b).

40. DIVIDENDS

	2017 RM'000	2016 RM'000 Restated
Ordinary Shares Dividends		
In respect of the financial period ended 31 December 2015		
Single-tier final dividend of 19 sen per share:		
- Reinvested into 179,964,772 new ordinary shares at an issue price of RM2.65 per ordinary share pursuant to the DRP	-	476,907
- Payment in cash	-	22,509
In respect of the financial year ended 31 December 2016		
Single-tier interim dividend of 4 sen per share:		
- Reinvested into 34,367,408 new ordinary shares at an issue price of RM3.11 per ordinary share pursuant to the DRP	-	106,882
- Payment in cash	-	5,856
Single-tier final dividend of 16 sen per share:		
- Reinvested into 123,421,658 new ordinary shares at an issue price of RM3.30 per ordinary share pursuant to the DRP	**407,291**	-
- Payment in cash	**49,542**	-
In respect of the financial year ended 31 December 2017		
Single-tier interim dividend of 4 sen per share:		
- Reinvested into 35,787,575 new ordinary shares at an issue price of RM3.09 per ordinary share pursuant to the DRP	**110,584**	-
- Payment in cash	**8,869**	-
Dividend paid by I & P Group to its previous shareholders	**30,000**	120,000
	606,286	732,154

Subsequent to 31 December 2017, the Directors declared a single tier dividend of 11.5 sen per ordinary share amounting to RM431,611,272 in respect of the financial year ended 31 December 2017.

	2017 RM'000	2016 RM'000 Restated
RCPS-i A Preferential Dividend		
In respect of the financial period ended 30 June 2017 and additional one-off preferential dividend for the period from 2 December 2016 to 31 December 2016		
- Preferential dividend of 6.49% per annum, payment in cash	**42,737**	-

Subsequent to 31 December 2017, the Directors declared a preferential dividend of 6.49% per annum amounting to RM36,364,663 for financial period from 1 July 2017 to 31 December 2017.

41. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Employee benefits expense				
Expensed off during the year	**280,859**	278,605	**10,269**	11,301
Capitalised during the year	**56,428**	70,068	**-**	-
	337,287	348,673	**10,269**	11,301

Included in employee benefits expense are the following:

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
EPF	**30,946**	31,873	**664**	725
Share-based payment under the LTIP	**53,592**	31,483	**615**	643

42. CHANGES IN THE COMPOSITION OF THE GROUP

(a) Incorporation of new subsidiary companies

During the financial year, the Group incorporated the following new subsidiary companies:

Name of subsidiary companies	Purchase consideration	Effective interest	Incorporation date
Setia (Bukit Timah) Pte. Ltd.	SGD 100	100%	26 April 2017
Setia A'Beckett (Melbourne) Pty. Ltd.	AUD 1	100%	22 June 2017
Setia Ventures Excellence Sdn Bhd	RM1	100%	5 September 2017

The above subsidiary companies had not commenced operations since its incorporation. The incorporation of these subsidiary companies had no significant impact on the Group's financial position as at the end of the financial year.

42. CHANGES IN THE COMPOSITION OF THE GROUP (CONT'D)

(b) Acquisition of subsidiary companies

As disclosed in Note 52, the Company had on 1 December 2017 successfully acquired the entire equity interests in I & P Group.

The acquisition was accounted for under the pooling of interests method whereby the results of the subsidiary companies acquired are presented as if the combination has been effected throughout the current and previous financial periods. The assets, liabilities and reserves of these entities at their pre-combination carrying amounts or existing carrying amounts are accounted for from the perspective of the common shareholder.

The results, assets and liabilities of the subsidiary companies that have been accounted for under the pooling of interests method are as shown in Note 52.

As a consequence of the restatement of comparatives following the application of the abovementioned pooling of interests method, the computation of the basic and diluted earnings per share as disclosed in Note 39 have been restated.

(c) Liquidation of entities

During the financial year, the Group liquidated the following entities:

Name of entities	Category	Effective interest	Liquidation date
Qinzhou Development (Hong Kong) Limited	Associated company	45%	11 May 2017
S P Setia Estate Management Sdn Bhd	Subsidiary company	60%	6 July 2017
Setia Capital (Vietnam) Limited	Subsidiary company	100%	1 November 2017
Setia Land (Vietnam) Limited	Subsidiary company	100%	1 November 2017

The Group recognises a net loss of RM2,309,000 arising from liquidation of these entities. These entities were inactive and accordingly, no disclosures were made on the effects of liquidation as the financial impact is not material to the financial position of the Group.

43. RELATED PARTY DISCLOSURES

In addition to related party disclosures elsewhere in the financial statements, set out below are other related party disclosures. The following significant related party transactions took place at terms agreed between the parties during the financial year:

(a) Significant related party transactions during the financial year are as follows:

	Transaction value				Balance outstanding			
	Group		Company		Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Transactions with subsidiary companies								
Interest received and receivable	**-**	-	**136,401**	80,346	**-**	-	**119,248**	71,472
Interest paid and payable	**-**	-	**2,271**	6,705	**-**	-	**1,155**	-
Event service fee received and receivable	**-**	-	**46**	24	**-**	-	**-**	-
Dividend received and receivable	**-**	-	**754,418**	622,767	**-**	-	**480,196**	-
Staff secondment fee received and receivable	**-**	-	**8,221**	9,007	**-**	-	**8,851**	1,986
Transactions with related companies								
Rental paid and payable	**1,540**	1,576	**-**	-	**455**	-	**-**	-
Interest paid and payable	**1,827**	4,657	**-**	-	**-**	20,427	**-**	-
Transactions with associated companies								
Dividend received and receivable	**3,680**	3,680	**-**	-	**1,225**	-	**-**	-

43. RELATED PARTY DISCLOSURES (CONT'D)

(a) Significant related party transactions during the financial year are as follows (cont'd):

	Transaction value				Balance outstanding			
	Group		Company		Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Transactions with joint ventures								
Management fee received and receivable	**7,378**	6,066	**-**	-	**1,319**	1,040	**-**	-
Management fee paid and payable	**240**	240	**-**	-	**20**	20	**-**	-
Construction services rendered	**266,631**	231,255	**-**	-	**99,511**	175,452	**-**	-
Interest received and receivable	**18,924**	22,174	**7,609**	7,601	**96,523**	20,547	**21,873**	17,038
Rental received and receivable	**657**	735	**-**	-	**-**	70	**-**	-
Rental paid and payable	**30**	-	**-**	-	**-**	-	**-**	-
Staff secondment fee received and receivable	**460**	350	**122**	-	**71**	32	**18**	-
Event service fee paid and payable	**10**	122	**-**	-	**-**	-	**-**	-
Advertisement fee paid and payable	**-**	138	**-**	-	**-**	2	**-**	-
Group marketing fee received and receivable	**283**	10	**-**	-	**283**	363	**-**	-
Purchase of property	**12,285**	-	**-**	-	**-**	-	**-**	-

43. RELATED PARTY DISCLOSURES (CONT'D)

(a) Significant related party transactions during the financial year are as follows (cont'd):

	Transaction value				Balance outstanding			
	Group		Company		Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Transactions with Directors of the Company and close family members of the Directors								
Sale of properties to:								
- Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin	**500**	-	**-**	-	**26**	-	**-**	-
- Dato' Khor Chap Jen	**4,013**	1,550	**-**	-	**13**	-	**-**	-
- Dato' Ahmad Pardas Bin Senin and close family members	**570**	4,824	**-**	-	**(10)**	(10)	**-**	-
- Dato' Halipah Binti Esa and close family members	**-**	4,066	**-**	-	**(30)**	(30)	**-**	-
- Dato' Azmi bin Mohd Ali	**3,568**	1,410	**-**	-	**(10)**	(10)	**-**	-
- Philip Tan Puay Koon	**3,441**	1,536	**-**	-	**-**	-	**-**	-
Transactions with Directors of subsidiary companies and close family members of the Directors								
Sale of properties to:								
- Datuk Wong Tuck Wai	**3,492**	1,735	**-**	-	**-**	67	**-**	-
- Neo Keng Hoe	**1,542**	-	**-**	-	**-**	-	**-**	-
- Datuk Koe Peng Kang	**-**	2,942	**-**	-	**3,878**	221	**-**	-

43. RELATED PARTY DISCLOSURES (CONT'D)

(a) Significant related party transactions during the financial year are as follows (cont'd):

	Transaction value				Balance outstanding			
	Group		Company		Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Transactions with Directors of subsidiary companies and close family members of the Directors (cont'd)								
Sale of properties to:								
- Jamalullail Bin Abu Bakar	**1,128**	924	**-**	-	**-**	-	**-**	-
- Choong Kai Wai	**6,899**	809	**-**	-	**-**	1	**-**	-
- Paul Soh Hee Pin	**636**	-	**-**	-	**51**	-	**-**	-
- Choy Kah Yew	**2,339**	-	**-**	-	**48**	-	**-**	-
- Sha'ari Bin Hanapi	**-**	-	**-**	-	**-**	24	**-**	-
- Zulfakar Bin Abdullah	**500**	-	**-**	-	**-**	-	**-**	-
- Datuk Zaini Bin Yusoff	**3,475**	-	**-**	-	**163**	-	**-**	-
- Yuslina Binti Mohd Yunus	**577**	-	**-**	-	**(4)**	-	**-**	-
- Tan Mui Hiang	**-**	2,000	**-**	-	**(10)**	108	**-**	-
Clubhouse service charges charged to:								
- Close family members of Datuk Koe Peng Kang	**14**	12	**-**	-	**-**	-	**-**	-
Transactions with Director of joint venture and close family member of the Director								
Sale of property to:								
- Ling Thou Lung and close family member	**-**	1,275	**-**	-	**-**	-	**-**	-

43. RELATED PARTY DISCLOSURES (CONT'D)

(a) Significant related party transactions during the financial year are as follows (cont'd):

Transactions with shareholders and Government

Permodalan Nasional Berhad ("PNB"), a government-linked entity, and Amanahraya Trustees Berhad (as trustee for Amanah Saham Bumiputera) ("ART-ASB") are the substantial shareholders of the Company, with direct shareholding of 24.74% and 22.85% respectively (2016: 27.98% and 27.84%). Amanah Saham Bumiputera is a unit trust fund managed by PNB. PNB and entities directly controlled by PNB are collectively referred to as government-related entities to the Group and the Company.

In the previous financial year, PNB and ART-ASB subscribed RCPS-i A of 575,157,532 and 174,183,500 respectively issued by the Company (see Note 24). On 29 December 2017, PNB and ART-ASB subscribed rights issues of ordinary shares of 113,057,807 and 104,022,882 respectively as well as RCPS-i B of 339,173,422 and 407,156,800 respectively issued by the Company (see Note 23 and Note 24). Thereafter, the shareholdings of PNB and ART-ASB in the Company increased to 28.04% and 25.89% respectively as at 31 December 2017.

On 1 December 2017, the Company completed the acquisition of the entire equity interests in I & P Group from PNB, ART-ASB and Dato' Mohd. Nizam bin Zainordin for a consideration of RM3.65 billion. The details are disclosed in Note 52.

Pursuant to the agreements entered into between S P Setia and PNB, ART-ASB and Dato' Mohd. Nizam bin Zainordin as disclosed in Note 51, post-completion of the acquisition of I & P Group, the debts owing by the I & P Group to PNB and the government-related entities were settled by way of set-off against the sales consideration of two properties collectively amounting to RM122,500,000 which were disposed off by two subsidiary companies of I & P Group to PNB.

The transactions entered into with these government-linked corporations have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(b) Key management personnel compensation

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Directors				
Fees, salary, bonuses and other emoluments	**5,996**	6,402	**2,108**	2,071
Estimated monetary value of benefits-in-kind	**33**	18	**7**	18
Share-based payment under the LTIP	**3,778**	945	**-**	-
Total short-term employee benefits	**9,807**	7,365	**2,115**	2,089
Post-employment benefits - EPF and SOCSO	**489**	510	**-**	-
	10,296	7,875	**2,115**	2,089

43. RELATED PARTY DISCLOSURES (CONT'D)

(b) Key management personnel compensation (cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Other key management personnel				
Salary, allowances and bonuses	**12,125**	10,466	**-**	-
Estimated monetary value of benefits-in-kind	**1,296**	959	**-**	-
Share-based payment under the LTIP	**14,866**	6,850	**-**	-
Total short-term employee benefits	**28,287**	18,275	**-**	-
Post-employment benefits - EPF and SOCSO	**1,433**	1,380	**-**	-
	29,720	19,655	**-**	-
Total compensation	**40,016**	27,530	**2,115**	2,089

Shares and share options granted to Directors and other key management personnel

1,540,000 ESGP and 71,901,526^ ESOS were granted to the Company's Executive Directors and other key management personnel during the financial year (2016: 770,000 ESGP and 7,920,000 ESOS).

Note:

^ *Pursuant to the LTIP By-Laws of the Company, the ESOS options were adjusted for the rights issue of up to 451,916,434 ordinary shares in the Company and rights issue of up to 1,355,749,304 RCPS-i B in the Company which was allotted on 29 December 2017 and listed on 4 January 2018.*

44. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

The Group leases premises from various parties under operating leases. These leases are non-cancellable and are with remaining lease period ranging from 1 to 2 years (2016: 1 to 3 years), with the option to renew upon expiry. None of the leases includes contingent rentals. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2017 RM'000	2016 RM'000
Not later than one year	**1,097**	1,258
Later than one year but not later than five years	**869**	1,611
	1,966	2,869

44. COMMITMENTS (CONT'D)

(a) Operating lease commitments (cont'd)

The Group as lessor

The Group leases out its investment properties to third parties under non-cancellable operating leases. These leases are with remaining lease period of 1 to 29 years (2016: 1 to 30 years) with the option to renew upon expiry. Certain of the leases include contingent rental arrangements computed based on sales achieved by tenants.

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2017 RM'000	2016 RM'000
		Restated
Not later than one year	**25,343**	24,036
Later than one year but not later than five years	**56,386**	62,354
Later than five years	**317,513**	324,261
	399,242	410,651

(b) Other commitments

	Group	
	2017 RM'000	2016 RM'000
Commitments to purchase development land		
- Contracted		
- Seberang Perai Utara, Pulau Pinang	**-**	558,110
- 308-326 Exhibition Street, Melbourne, Australia	**-**	294,425
- Kota Kinabalu, Sabah	**147,106**	-
- Bangi, Selangor	**402,821**	-
Contractual commitment for construction of investment properties	**112,305**	306,692
Commitment to construct property, plant and equipment - approved and contracted	**220,227**	2,238
	882,459	1,161,465

45. CONTINGENT LIABILITIES

(a) Corporate Guarantees

	Company	
	2017 RM'000	2016 RM'000
Guarantees given to banks to secure banking facilities granted to subsidiary companies	**3,872,381**	3,343,809
Guarantees given to banks for performance bonds granted to subsidiary companies	**105,676**	97,411
Guarantees given to the suppliers of goods for credit terms granted to subsidiary companies	**147**	3,341
	3,978,204	3,444,561

As at reporting date, no values are ascribed on these guarantees and letter of undertaking provided by the Group and the Company to secure banking facilities described above as the Directors regard the value of the credit enhancement provided by these guarantees as minimal and the probability of default, based on historical track records of the parties receiving the guarantees are remote.

(b) Others

On 16 November 2017, the Inland Revenue Board of Malaysia ("MIRB") had served Bandar Setia Alam Sdn Bhd ("BSA"), a wholly-owned subsidiary of S P Setia Berhad, with additional tax assessments for the years of assessment ("YAs") 2008, 2009, 2010, 2011 and 2013 for additional income taxes of RM51,985,822 and a penalty of RM23,393,620.

The abovementioned additional income tax and penalty were imposed by the MIRB as the MIRB has taken the view that the gains from the disposal of land and properties held under Investment Properties under BSA in the abovementioned YAs are chargeable to income tax under the Income Tax Act 1967 ("ITA") instead of the Real Property Gains Tax Act 1976 ("RPGTA").

Upon consulting its tax solicitors, BSA is of the view that there are reasonable grounds to challenge the basis and validity of the disputed Notices of Additional Assessment ("Disputed Notices") raised by the MIRB and the penalty imposed as BSA takes the view that the sales of the Investment Properties are capital transactions which fall under the purview of RPGTA.

BSA has filed notices of appeal to the Special Commissioners of Income Tax ("SCIT") by way of Forms Q to appeal against the Disputed Notices for the aforesaid YAs pursuant to the provisions of the ITA to preserve its right of appeal.

BSA also filed an application for leave to apply for judicial review against the Disputed Notices which included a prayer for a stay of proceedings to be given at the ex parte stage against the Disputed Notices. An ex parte interim order for stay of proceedings ("Interim Stay") was granted by the Shah Alam High Court ("High Court") on 14 December 2017, which is in effect until 10 May 2018. After several postponements of the hearing, the High Court has granted leave to BSA to proceed with the judicial review application.

Based on the legal advice obtained from the tax solicitors, there are meritorious grounds and case law to support BSA's appeal against the Disputed Notices. On this note, the Directors of the Group are of the opinion that no provision in respect of the tax liability in dispute is required to be made in the financial statements up to the reporting date.

46. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2017 RM'000				
	At 1 January	Cash flows	Foreign exchange movement	Others	At 31 December
Group					
Long term and short term borrowings excluding bank overdrafts	5,723,952	1,154,493	(21,869)	-	6,856,576
Unsecured advances	18,094	(1,610)	-	1,051	17,535
Redeemable cumulative preference shares	53,513	(1,272)	-	2,426	54,667
Total liabilities from financing activities	5,795,559	1,151,611	(21,869)	3,477	6,928,778
Company					
Long term and short term borrowings excluding bank overdrafts	1,965,767	339,006	(6,216)	-	2,298,557
Total liabilities from financing activities	1,965,767	339,006	(6,216)	-	2,298,557

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks, including interest rate risk, credit risk, foreign currency exchange risk, liquidity and cash flow risks. The Group's and the Company's overall financial risk management objective is to minimise potential adverse effects on the financial performance of the Group and the Company.

Financial risk management is carried out through risk review, internal control systems and adherence to the Group's and the Company's financial risk management policies. The Board regularly reviews these risks and approves the policies covering the management of these risks. The Group and the Company do not trade in derivative instruments.

(a) Interest rate risk

The Group and the Company are exposed to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

Surplus funds are placed with licensed financial institutions to earn interest income based on prevailing market rates. The Group and the Company manage its interest rate risks by placing such funds on short tenures of 12 months or less.

The Group's and the Company's policy is to borrow principally on a floating rate basis. The Group and the Company do not generally hedge interest rate risks. The Group and the Company have a policy to ensure that interest rates obtained are competitive.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

The weighted average interest rate for bank borrowings of the Group and the Company are as follows:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Weighted average interest rate	**4.26**	4.40	**4.06**	3.89

A sensitivity analysis has been performed based on the outstanding floating rate bank borrowings of the Group and the Company as at 31 December 2017. If interest rates were to increase or decrease by 50 basis points with all other variables held constant, the Group's and the Company's profit before tax would decrease or increase by RM15,717,000 and RM11,493,000 (2016: RM14,194,000 and RM9,829,000) respectively.

For those interest expense incurred and capitalised as part of the expenditure on investment property under construction, land held for property development and property development costs during the financial year, if the interest rates were to increase or decrease by 50 basis points with all other variables held constant, those assets of the Group would increase or decrease by RM18,566,000 (2016: RM14,426,000).

(b) Credit risk

Credit risk arises from the possibility that a counter party may be unable to meet the terms of a contract in which the Group has a gain position.

The Group and the Company minimise and monitor its credit risk by dealing with credit worthy counter-parties and applying credit approval controls for material contracts. If necessary, the Group may obtain collaterals from counter-parties as a means of mitigating losses in the event of default.

In respect of trade receivables arising from the sale of development properties, the Group mitigates its credit risk by maintaining its name as the registered owner of the development properties until full settlement by the purchaser of the self-financed portion of the purchase consideration or upon undertaking of end-financing by the purchaser's end-financier.

At the reporting date, the Group did not have any significant concentration of credit risk that may arise from exposure to a single debtor or to group of debtors.

The ageing analysis of receivables which are trade in nature is disclosed in Note 18. Short-term deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Foreign currency exchange risk

The Group is exposed to currency translation risk arising from its net investments in foreign operations, mainly United Kingdom, Australia, Singapore and China.

Sensitivity analysis for foreign currency risk

The closing rates used in translation are as follows:

	2017	2016
Great British Pound ("GBP")	**5.466**	5.514
Australian Dollar ("AUD")	**3.166**	3.239
Singapore Dollar ("SGD")	**3.039**	3.099
Chinese Yuan ("CNY")	**0.623**	0.645

The following table demonstrates the sensitivity of the Group's equity to a reasonably possible change in the exchange rates, with all other variables held constant.

		Group	
		2017 RM'000	2016 RM'000
GBP/RM	- strengthened by 10%	**198,505**	161,518
	- weakened by 10%	**(198,505)**	(161,518)
AUD/RM	- strengthened by 10%	**88,640**	84,049
	- weakened by 10%	**(88,640)**	(84,049)
SGD/RM	- strengthened by 10%	**39,688**	48,021
	- weakened by 10%	**(39,688)**	(48,021)
CNY/RM	- strengthened by 10%	**11,987**	12,187
	- weakened by 10%	**(11,987)**	(12,187)

(d) Liquidity and cash flow risks

Liquidity and cash flow risks are the risks that the Group and the Company will not be able to meet its financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group and the Company seek to ensure all business units maintain optimum levels of liquidity at all times, sufficient for their operating, investing and financing activities.

Therefore, the policy seeks to ensure that each business unit, through efficient working capital management (i.e. inventory, accounts receivable and accounts payable management), must be able to convert its current assets into cash to meet all demands for payment as and when they fall due.

Owing to the nature of its businesses, the Group and the Company always maintain sufficient credit lines available to meet their liquidity requirements while ensuring an effective working capital management within the Group and the Company.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity and cash flow risks (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2017 RM'000			
	On demand or within one year	One to five years	Over five years	Total
Group				
Financial liabilities:				
Trade payables	1,561,405	-	-	1,561,405
Other payables and accruals	749,704	40,000	-	789,704
Amounts owing to previous shareholders of I & P Group	3,540,500	-	-	3,540,500
Amounts owing to related companies	455	-	-	455
Long term borrowings	72,538	4,219,751	1,369,316	5,661,605
Short term borrowings	2,170,998	-	-	2,170,998
Redeemable cumulative preference shares	4,188	57,000	-	61,188
Total undiscounted financial liabilities	8,099,788	4,316,751	1,369,316	13,785,855
Company				
Financial liabilities:				
Amounts owing to subsidiary companies	82,726	-	-	82,726
Other payables and accruals	336,991	-	-	336,991
Amounts owing to previous shareholders of I & P Group	3,540,500	-	-	3,540,500
Long term borrowings	-	1,011,535	437,589	1,449,124
Short term borrowings	1,065,353	-	-	1,065,353
Total undiscounted financial liabilities	5,025,570	1,011,535	437,589	6,474,694

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity and cash flow risks (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	2016 RM'000 Restated			
	On demand or within one year	One to five years	Over five years	Total
Group				
Financial liabilities:				
Trade payables	1,635,257	-	-	1,635,257
Other payables and accruals	606,312	40,000	-	646,312
Amounts owing to previous shareholders of I & P Group	3,650,000	-	-	3,650,000
Amounts owing to related companies	110,884	-	-	110,884
Long term borrowings	101,749	3,036,162	1,234,042	4,371,953
Short term borrowings	2,101,691	-	-	2,101,691
Redeemable cumulative preference shares	2,141	54,809	-	56,950
Total undiscounted financial liabilities	8,208,034	3,130,971	1,234,042	12,573,047
Company				
Financial liabilities:				
Amounts owing to subsidiary companies	98,583	-	-	98,583
Other payables and accruals	11,428	-	-	11,428
Long term borrowings	19,828	551,745	794,063	1,365,636
Short term borrowings	786,996	-	-	786,996
Total undiscounted financial liabilities	916,835	551,745	794,063	2,262,643

48. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

All of the Group's and the Company's financial assets are categorised as loans and receivables except for certain investments as disclosed in Note 9 which is categorised as instruments at fair value through profit or loss and all of the Group's and the Company's financial liabilities are categorised as financial liabilities measured at amortised cost.

(b) Determination of fair value

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in forced or liquidation sale.

Fair value hierarchy

The table below analyses financial instruments carried at fair value. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The carrying amounts and fair values of the long term financial assets and liabilities of the Group and of the Company at the reporting date are as follows:

	Group			Company	
2017	**Carrying amount RM'000**	**Fair value RM'000 Level 1**	**Fair value RM'000 Level 2**	**Carrying amount RM'000**	**Fair value RM'000 Level 2**
Financial assets:					
Non-current quoted shares in Malaysia	37	37	-	-	-
Amounts owing by subsidiary companies	-	-	-	2,640,019	#
Financial liabilities:					
Redeemable cumulative preference shares	54,667	-	50,618	-	-
Floating rate long term borrowings	4,964,092	-	*	1,343,847	*

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Determination of fair value (cont'd)

	Group			Company	
2016	Carrying amount RM'000	Fair value RM'000 Level 1	Fair value RM'000 Level 2	Carrying amount RM'000	Fair value RM'000 Level 2
Financial assets:					
Non-current quoted shares in Malaysia	135	135	-	-	-
Amounts owing by subsidiary companies	-	-	-	1,790,889	#
Financial liabilities:					
Redeemable cumulative preference shares	53,513	-	46,537	-	-
Floating rate long term borrowings	3,798,538	-	*	1,247,767	*

* *The carrying amounts are reasonable approximation of fair values because they are floating rate instruments which are repriced to market interest rates at regular intervals.*

\# *The carrying amounts are reasonable approximation of fair value.*

The carrying amounts of all other financial assets and liabilities of the Group and of the Company at the reporting date approximated or were at their fair values. The fair values of the financial assets and financial liabilities above are determined using discounted cash flow method. The most significant input being the discount rate that reflects the credit risk of the counterparties.

49. CAPITAL MANAGEMENT

The primary objectives of the Group's and the Company's capital management are to ensure that it maintains a strong capital base and healthy capital ratios in order to support its existing business operations and enable future development of the businesses as well as maximise shareholders' value.

The capital structure of the Group and the Company consists of equity attributable to the shareholders of the Company (i.e. share capital, RCPS-i A, RCPS-i B, reserves and retained earnings), Perpetual bond and total debts, which include borrowings.

Management reviews and manages the capital structure regularly and makes adjustments to address changes in the economic environment and risk characteristics inherent in its business operations. These initiatives may include equity capital raising exercises and adjustments to the amount of dividends distributed to shareholders. No changes were made in the objectives, policies and processes during the financial year ended 31 December 2017 and 31 December 2016.

49. CAPITAL MANAGEMENT (CONT'D)

	Group		Company	
	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Debt:				
Long term borrowings	**4,914,092**	3,798,538	**1,343,847**	1,247,767
Redeemable cumulative preference shares	**54,667**	53,513	**-**	-
Short term borrowings	**1,963,828**	1,974,771	**972,605**	736,072
	6,932,587	5,826,822	**2,316,452**	1,983,839
Short-term deposits, cash and bank balances:				
Short-term deposits	**1,700,059**	3,004,351	**907,848**	1,582,554
Cash and bank balances	**3,879,241**	1,676,169	**2,478,450**	15,512
	5,579,300	4,680,520	**3,386,298**	1,598,066
Net (debt)/cash	**(1,353,287)**	(1,146,302)	**1,069,846**	(385,773)
Total Equity	**13,798,219**	10,848,708	**10,312,003**	7,446,559
Gross gearing ratio	**0.50**	0.54	**0.22**	0.27
Net gearing ratio	**0.10**	0.11	**N/A**	0.05

50. SEGMENTAL ANALYSIS

Primary reporting format - business segment

The operations of the Group are primarily organised in Malaysia into three main segments:

(i) Property development - Property development
(ii) Construction - Building construction
(iii) Others - Manufacturing, trading and investing

Transactions between segments were entered into in the normal course of business and were established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. The effects of such inter-segmental transactions are eliminated on consolidation.

The operations of the Group are primarily carried out in Malaysia. Group income taxes are presented on a group basis and are not allocated to operating segments.

50. SEGMENTAL ANALYSIS (CONT'D)

(a) Segment results

2017	Property Development RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE					
External sales	4,113,627	206,589	199,896	-	4,520,112
Inter-segment sales	282,564	494,942	35,641	(813,147)	-
Total revenue	4,396,191	701,531	235,537	(813,147)	4,520,112
RESULTS					
Gross profit	1,486,991	(2,105)	28,767	-	1,513,653
Other income	256,596	10,541	20,787	-	287,924
Operating expenses	(625,349)	(16,829)	(30,816)	-	(672,994)
Share of results of joint ventures	254,064	-	3,701	-	257,765
Share of results of associated companies	22,429	-	-	-	22,429
Finance costs	(128,036)	(14)	(9,310)	-	(137,360)
Profit before tax	1,266,695	(8,407)	13,129	-	1,271,417
Taxation					(285,770)
Profit from continuing operations					985,647
Profit from discontinued operations					83,385
Profit for the year					1,069,032

50. SEGMENTAL ANALYSIS (CONT'D)

(a) Segment results (cont'd)

2016 Restated	Property Development RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE					
External sales	5,230,462	305,997	174,912	-	5,711,371
Inter-segment sales	345,843	356,026	25,342	(727,211)	-
Total revenue	5,576,305	662,023	200,254	(727,211)	5,711,371
RESULTS					
Gross profit	1,719,971	12,440	26,542	-	1,758,953
Other income	314,517	8,960	17,640	-	341,117
Operating expenses	(596,615)	(14,829)	(28,079)	-	(639,523)
Share of results of joint ventures	68,625	-	90	-	68,715
Share of results of associated companies	20,820	-	-	-	20,820
Finance costs	(113,997)	(627)	(10,725)	-	(125,349)
Profit before tax	1,413,321	5,944	5,468	-	1,424,733
Taxation					(365,316)
Profit from continuing operations					1,059,417
Profit from discontinued operations					7,845
Profit for the year					1,067,262

50. SEGMENTAL ANALYSIS (CONT'D)

(b) Segment assets, liabilities and other information

	Property Development RM'000	Construction RM'000	Others RM'000	Consolidated RM'000
2017				
Segment assets	**19,744,560**	**293,073**	**4,873,768**	**24,911,401**
Investments in joint ventures	**2,088,342**	**-**	**(37,668)**	**2,050,674**
Investments in associated companies	**412,278**	**-**	**-**	**412,278**
Current and deferred tax assets	**340,019**	**2,761**	**6,492**	**349,272**
Consolidated total assets				**27,723,625**
Segment liabilities	**8,852,503**	**150,755**	**4,626,882**	**13,630,140**
Current and deferred tax liabilities	**272,396**	**11,913**	**10,957**	**295,266**
Consolidated total liabilities				**13,925,406**
Additions to non-current assets* (other than financial instruments and deferred tax assets)	**2,750,774**	**9,195**	**216,585**	
Interest income	**108,617**	**9,814**	**15,305**	
Depreciation and amortisation	**(30,088)**	**(62)**	**(5,874)**	
Other material non-cash items	**(43,867)**	**(5,166)**	**(2,616)**	
2016 Restated				
Segment assets	18,490,557	225,102	2,884,017	21,599,676
Investments in joint ventures	1,736,092	-	(58,369)	1,677,723
Investments in associated companies	397,835	-	-	397,835
Current and deferred tax assets	312,384	2,560	17,179	332,123
Consolidated total assets				24,007,357
Segment liabilities	8,291,634	178,791	4,359,076	12,829,501
Current and deferred tax liabilities	325,034	3,207	907	329,148
Consolidated total liabilities				13,158,649
Additions to non-current assets* (other than financial instruments and deferred tax assets)	1,090,702	6,036	282,147	
Interest income	117,338	8,290	13,080	
Depreciation	(27,697)	(58)	(6,560)	
Other material non-cash items	6,946	(3,747)	(2,057)	

* *Non-current assets comprise property, plant and equipment, investment properties, intangible asset and land held for property development.*

50. SEGMENTAL ANALYSIS (CONT'D)

(c) Segment by geographical location

Revenue and non-current assets other than financial instruments and deferred tax assets, by location of the Group's operations are analysed as follows:

	Revenue		Non-current assets (other than financial instruments and deferred tax assets)	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
		Restated		Restated
Malaysia	**4,161,772**	4,882,026	**11,770,641**	10,477,983
Singapore	**51,061**	430,378	**875,307**	224
Australia	**296,005**	393,617	**285,065**	37,087
Vietnam	**11,274**	5,350	**102,832**	119,114
United Kingdom	**-**	-	**1,985,178**	1,615,309
	4,520,112	5,711,371	**15,019,023**	12,249,717

(d) Information about major customers

There is no significant concentration of revenue from any major customers as the Group sells its development properties to individual end purchasers.

51. SIGNIFICANT EVENTS

(i) 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"):

(a) 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

(b) a conditional profit sharing agreement ("PSA") in relation to the profit sharing of 20% of the audited profit before tax 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").

51. SIGNIFICANT EVENTS (CONT'D)

(i) 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") (cont'd):

The Bangi SPA and PSA are conditional upon:

(a) KL East having carried out the due diligence studies on Bangi Land (which has been completed);

(b) Seriemas having submitted and obtained the development order and layout approval (which the application for the development order and layout approval has been submitted and pending approval);

(c) approval being obtained vide its letter dated 8 August 2017 from the Estate Land Board of Selangor;

(d) approval being obtained vide its letter dated 25 September 2017 from the Economic Planning Unit of the Prime Minister's Department of Malaysia; and

(e) approval being obtained vide an EGM held on 16 November 2017 from the shareholders of S P Setia.

A payment of RM44.8 million, being 10% of the Bangi Purchase Consideration has been paid thus far. On 12 January 2018, KL East and Seriemas have mutually agreed to extend the period to fulfil the conditions precedent for a further period of 6 months to 13 July 2018.

(ii) On 14 April 2017, S P Setia entered into a non-binding Memorandum of Intent ("MOI") with PNB and ART-ASB to commence negotiations on a proposed acquisition by S P Setia of the entire equity interests in I & P Group ("I & P Acquisition").

Further to the MOI, S P Setia had on 22 June 2017 entered into a conditional share purchase agreement with PNB, ART-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").

On 16 October 2017, S P Setia entered into a supplemental agreement with the I & P Vendors to amend and vary certain terms of the SPA ("Supplemental SPA") ("Variations") and resolved to waive the condition precedent under the SPA in relation to the listing of the Rights Shares (as defined below) and RCPS-i B (as defined below) on the Main Market of Bursa Malaysia Securities Berhad ("Listing Condition") ("Waiver").

In conjunction with the I & P Acquisition, S P Setia had also undertaken the following:

(a) a renounceable rights issue of 403,260,475 new ordinary shares in S P Setia ("S P Setia Shares") ("Rights Shares") to raise gross proceeds of approximately RM1,069 million ("Proposed Rights Issue of Shares"). The Rights Shares were listed on 4 January 2018;

(b) a renounceable rights issue of 1,209,781,427 new class B Islamic redeemable convertible preference shares in S P Setia ("RCPS-i B") to raise gross proceeds of approximately RM1,065 million ("Proposed Rights Issue of RCPS-i B"). The RCPS-i B were listed on 4 January 2018;

(c) a placement of 325,000,000 new S P Setia Shares ("Placement Shares") to identified local and foreign institutional investors via a book-building exercise to raise gross proceeds of approximately RM998 million. The Placement Shares were listed on 9 February 2018; and

51. SIGNIFICANT EVENTS (CONT'D)

In conjunction with the I & P Acquisition, S P Setia had also undertaken the following (cont'd):

(d) amendments to the Constitution of S P Setia which was completed on 16 November 2017.

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

The approvals for the I & P Proposal have been obtained as follows:

(a) shareholders of S P Setia at an EGM held on 16 November 2017;

(b) Economic Planning Unit of the Prime Minister's Department of Malaysia (vide its letter dated 27 October 2017);

(c) Shariah Advisory Council of the Securities Commission, on the structure of the RCPS-i B (vide its letter dated 24 July 2017);

(d) holders of RCPS-i A, at a class meeting held on 16 November 2017;

(e) Bank Negara Malaysia for the issuance of the RCPS-i B to non-resident shareholders of the Company (vide its letter dated 8 September 2017); and

(f) Bursa Malaysia Securities Berhad ("Bursa Securities") for the admission of the RCPS-i B to the Official List of Bursa, and listing of and quotation for the Rights Shares and RCPS-i B pursuant to the Rights Issue of Shares and Rights Issue of RCPS-i B, new ordinary shares to be issued pursuant to the conversion of the RCPS-i B and Placement Shares on the Main Market of Bursa Securities (vide its letter dated 23 October 2017).

The I & P Acquisition has been completed on 1 December 2017.

The I & P Purchase Consideration has been satisfied on 4 January 2018 and is made up of the following:

Source	RM'million
Bank borrowings	1,500
Rights Issue of Shares	1,000
Rights Issue of RCPS-i B	1,000
Internally generated funds	150
	3,650

The balance of the proceeds raised from the rights issue of Rights Shares and RCPS-i B and funds raised from the placement exercise are to be utilised for new and on-going property development projects of the enlarged group and working capital purposes.

52. CHANGES IN COMPARATIVES

The following comparatives of the Group for financial year ended 31 December 2016 have been adjusted as a result of applying the pooling of interests method in accounting for the combination arising from the acquisition of I & P Group as described in Note 1(a) and Note 42(b):

Consolidated Statement of Financial Position
As at 31 December 2016

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Non-current assets			
Property, plant and equipment	271,508	103,450	374,958
Investment properties	1,015,951	97,270	1,113,221
Land held for property development	5,579,638	3,094,709	8,674,347
Intangible asset	11,633	-	11,633
Investments in associated companies	121,873	275,962	397,835
Investments in joint ventures	1,677,723	-	1,677,723
Other investments	-	231	231
Deferred tax assets	165,485	13,458	178,943
	8,843,811	3,585,080	12,428,891
Current assets			
Property development costs	2,105,675	363,943	2,469,618
Inventories	877,905	418,118	1,296,023
Accrued billings	1,007,928	48,488	1,056,416
Other receivables, deposits and prepayments	227,120	111,315	338,435
Trade receivables	690,278	202,044	892,322
Gross amount due from customers	3,825	-	3,825
Amounts owing by joint ventures	633,669	-	633,669
Amounts owing by associated companies	138	-	138
Amounts owing by related companies	-	5,320	5,320
Other investments	-	30,000	30,000
Current tax assets	129,464	23,716	153,180
Short-term deposits	2,704,840	299,511	3,004,351
Cash and bank balances	1,465,287	210,882	1,676,169
	9,846,129	1,713,337	11,559,466
Assets of disposal group classified as held for sale	-	19,000	19,000
	9,846,129	1,732,337	11,578,466
Total assets	18,689,940	5,317,417	24,007,357

52. CHANGES IN COMPARATIVES (CONT'D)

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Equity			
Share capital	2,140,140	-	2,140,140
Share capital - RCPS-i A	11,276	-	11,276
Share premium	2,945,523	-	2,945,523
Share premium - RCPS-i A	1,115,632	-	1,115,632
Share based payment reserve	65,316	-	65,316
Reserve on acquisition arising from common control	-	(1,295,884)	(1,295,884)
Exchange translation reserve	204,486	-	204,486
Retained earnings	2,718,191	1,127,160	3,845,351
Equity attributable to owners of the Company	9,200,564	(168,724)	9,031,840
Perpetual bond	610,787	-	610,787
Non-controlling interests	431,730	774,351	1,206,081
Total equity	10,243,081	605,627	10,848,708
Non-current liabilities			
Redeemable cumulative preference shares	53,513	-	53,513
Other payables and accruals	40,000	-	40,000
Long term borrowings	3,798,538	-	3,798,538
Deferred tax liabilities	13,114	201,325	214,439
	3,905,165	201,325	4,106,490
Current liabilities			
Gross amount due to customers	5,707	-	5,707
Trade payables	1,363,670	271,587	1,635,257
Other payables and accruals	516,509	89,803	606,312
Progress billings	65,594	-	65,594
Provision for affordable housing	504,258	384,667	888,925
Short term borrowings	1,973,771	1,000	1,974,771
Current tax liabilities	112,185	2,524	114,709
Amounts owing to previous shareholders of I & P Group	-	3,650,000	3,650,000
Amounts owing to related companies	-	110,884	110,884
	4,541,694	4,510,465	9,052,159
Total liabilities	8,446,859	4,711,790	13,158,649
Total equity and liabilities	18,689,940	5,317,417	24,007,357

52. CHANGES IN COMPARATIVES (CONT'D)

Consolidated Statement of Comprehensive Income
For the financial year ended 31 December 2016

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Continuing operations			
Revenue	4,957,165	754,206	5,711,371
Cost of sales	(3,515,750)	(436,668)	(3,952,418)
Gross profit	1,441,415	317,538	1,758,953
Other income	257,359	83,758	341,117
Selling and marketing expenses	(172,151)	(48,947)	(221,098)
Administrative and general expenses	(295,258)	(123,167)	(418,425)
Share of results of joint ventures	68,715	-	68,715
Share of results of associated companies	4,877	15,943	20,820
Finance costs	(120,288)	(5,061)	(125,349)
Profit before tax	1,184,669	240,064	1,424,733
Taxation	(285,390)	(79,926)	(365,316)
Profit from continuing operations, net of tax	899,279	160,138	1,059,417
Discontinued operations			
Profit from discontinued operations, net of tax	-	7,845	7,845
Profit for the year	899,279	167,983	1,067,262
Other comprehensive income, net of tax:			
Exchange differences on translation of foreign operations	(136,950)	-	(136,950)
Total comprehensive income for the year	762,329	167,983	930,312
Profit attributable to:			
Holders of Perpetual bond	36,236	-	36,236
Non-controlling interests	55,013	20,194	75,207
	91,249	20,194	111,443
Owners of the Company			
- from continuing operations	808,030	139,944	947,974
- from discontinued operations	-	7,845	7,845
	899,279	167,983	1,067,262
Total comprehensive income attributable to:			
Holders of Perpetual bond	36,236	-	36,236
Non-controlling interests	54,920	20,194	75,114
	91,156	20,194	111,350
Owners of the Company			
- from continuing operations	671,173	139,944	811,117
- from discontinued operations	-	7,845	7,845
	762,329	167,983	930,312

52. CHANGES IN COMPARATIVES (CONT'D)

Consolidated Statement of Cash Flows
For the financial year ended 31 December 2016

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Net cash generated from operating activities	421,550	97,531	519,081
Net cash used in investing activities	(1,688,556)	(18,529)	(1,707,085)
Net cash generated from financing activities	1,656,778	(172,534)	1,484,244
Net increase in cash and cash equivalents	389,772	(93,532)	296,240
Effect of exchange rate changes	26,924	-	26,924
Cash and cash equivalents at 1 January 2016	3,659,414	603,925	4,263,339
Cash and cash equivalents at 31 December 2016	4,076,110	510,393	4,586,503

53. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 27 February 2018 by the Board of Directors.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

In the opinion of the Directors, the financial statements set out on pages 135 to 266 have been drawn up:

(a) so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and financial performance and the cash flows of the Group and of the Company for the financial year ended 31 December 2017; and

(b) in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance
with a Directors' resolution dated 27 February 2018

TAN SRI DATO' SERI DR. WAN MOHD ZAHID BIN MOHD NOORDIN
Chairman

DATO' KHOR CHAP JEN
Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act, 2016

I, Choy Kah Yew, being the officer primarily responsible for the financial management of S P Setia Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 135 to 266 is correct, and make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Choy Kah Yew)
at Kuala Lumpur in the Federal Territory)
on 27 February 2018)
)
)
)

CHOY KAH YEW

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of S P Setia Berhad (Incorporated in Malaysia)

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of S P Setia Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 135 to 266.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

(a) Acquisition of I & P Group Sdn. Berhad

The Company had on 1 December 2017 successfully completed the acquisition of the entire equity interests in I & P Group Sdn. Berhad ("I & P Group") from Permodalan Nasional Berhad ("PNB"), Amanahraya Trustees Berhad (as trustee for Amanah Saham Bumiputera ("ART-ASB")) and Dato' Mohd. Nizam bin Zainordin for a total consideration of RM3,650,000,000. An enlarged group ("the Group") was formed with the successful acquisition of I & P Group.

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

(a) Acquisition of I & P Group Sdn. Berhad (cont'd)

The Group has applied the principles of the pooling of interests method in accounting for the acquisition of the I & P Group and its subsidiaries which are entities under common control.

We identified the pooling of interests method as a key audit matter as this represents a material acquisition and involves accounting for the assets, liabilities and reserves of these entities at their pre-combination carrying amounts or existing carrying amounts from the perspective of the common shareholder. The results of these entities are accounted for as if the combination had been effected throughout the current and previous financial periods.

Our procedures performed, amongst others are as follows:

- Review that the pooling of interest method of accounting for this acquisition has been appropriately applied.

- Review that the accounting policies of the acquiree has been appropriately harmonised.

- Review the adequacy of disclosures of this transaction in the financial statements.

The details of the above acquisition are disclosed in Notes 1(a), 42(b), 51 and 52 respectively to the financial statements.

(b) Revenue and cost of sales from property development activities recognised on percentage of completion method

For the financial year ended 31 December 2017, revenue of RM4,113,627,000 and cost of sales of RM2,626,636,000 from property development activities account for approximately 91.0% and 87.4% of the total Group's revenue and cost of sales respectively. Where the Group uses percentage of completion method to recognise revenue and profit from its property development activities, the amount of revenue and profit recognised are dependent on, amongst others, the extent of costs incurred to the total estimated costs of construction to derive the percentage of completion, the actual number of units sold and the estimated total revenue for each of the respective projects.

We identified revenue and cost of sales recognised on percentage of completion method from property development activities as matters requiring audit focus as these areas involved significant management's judgement and estimates in estimating the total property development costs (which is used to determine the percentage of completion and gross profit margin of property development activities undertaken by the Group).

In assessing the appropriateness of the extent of costs incurred, total estimated costs of construction and total estimated revenue collectively, we have:

- Obtained an understanding of the process in deriving the stage of completion which includes verifying the certified work done such as examining the progress claims from contractors, architect certification and performing site visits.

- We have also observed the progress of the property development phases by performing site visits based on a sampling basis.

- Evaluated the assumptions applied in estimating the property development costs for property development phase on a sampling basis by examining documentary evidence such as letter of award issued to contractors to support the budgeted costs.

- Verified the gross development value against the signed sales and purchase agreements and estimated selling price of the unsold development to the latest transacted selling price.

- Considered the expected handover date of ongoing development projects on a sampling basis to determine the adequacy of provision for liquidated ascertained damages, if any.

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

(b) Revenue and cost of sales from property development activities recognised on percentage of completion method (cont'd)

- Checked the mathematical accuracy of the revenue and profit based on the percentage of completion calculations and considered the implications of identified errors and changes in estimates.

The Group's accounting policies and disclosures on property development activities based on percentage of completion method are disclosed in Notes 1(b)(ii), 1(s)(i), 15, 33 and 34 respectively to the financial statements.

(c) Capitalisation of borrowing costs

The Group capitalise borrowing costs during the period in which development activities are being undertaken or there is ongoing development activities which benefits an entire township. For the financial year ended 31 December 2017, borrowing costs of RM32,459,000, RM75,809,000 and RM26,054,000 were capitalised to property development costs, land held for property development and investment properties under construction respectively.

We identified capitalisation of borrowing costs as an area requiring audit focus as it involves significant management judgement in determining whether the development activities meet the criteria of an active development. In addition, there is also significant management estimates in determining the apportionment of borrowing cost eligible for capitalisation.

Our procedures in relation to management assessment of the capitalisation of borrowing costs include:

- Reading loan agreements to obtain understanding of the purpose of the loan, as only the borrowing costs that arose from loans that are drawn down for development purposes can be capitalised.

- Checking the calculation of borrowing costs capitalised by verifying the inputs of the calculation such as basis of allocation, interest rates and principal amounts.

The Group's accounting policies and disclosures on capitalisation of borrowing costs are disclosed in Notes 1(v), 3, 4 and 15 respectively to the financial statements.

(d) Net realisable value of completed properties

As at 31 December 2017, the carrying amount of completed properties stood at RM1,695,776,000 which represents 13.7% of the Group's total current assets. Completed properties are classified as inventories and are carried at the lower of cost or net realisable value. Management's annual assessment of realisable value of completed properties is significant to our audit because it is based on assumptions that are affected by expected future market and economic conditions.

Our procedures in relation to management assessment of the net realisable value of completed properties include:

- Comparing the recent transacted prices of comparable completed properties, after taking into consideration of the discount given. We focused our evaluation on those completed properties that are slow moving.

- Physical sighting of completed properties on a sampling basis and assessed the related cost of maintenance to assess any potential write down due to physical obsolescence.

The Group's accounting policies and disclosures on completed properties are disclosed in Notes 1(b)(ii), 1(m) and 16 respectively to the financial statements.

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report and the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Ismed Darwis bin Bahatiar
No. 2921/04/18(J)
Chartered Accountant

Kuala Lumpur, Malaysia
27 February 2018

ANALYSIS OF SHAREHOLDINGS

As at 12 March 2018

Issued and Paid-Up Share Capital	: RM9,895,019,626.70 divided into 3,753,156,498 ordinary shares ("Ordinary Shares") and 1,120,636,759 Islamic redeemable convertible preference shares ("RCPS-i-A") and 1,209,773,649 Class B Islamic redeemable convertible preference shares ("RCPS-i B")
Class of Shares	: Ordinary Shares, RCPS-i A and RCPS-i B
Voting Rights	: One Vote per Ordinary Share or RCPS-i A or RCPS-i B

DISTRIBUTION OF SHAREHOLDINGS OF ORDINARY SHARES

Size of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares	%
less than 100	1,031	15.55	37,508	0.00
101 - 1,000	1,224	18.46	687,087	0.02
1,001 - 10,000	2,915	43.95	10,945,350	0.29
10,001 - 100,000	976	14.72	28,773,022	0.77
100,001 to less than 5% of issued shares	482	7.27	1,295,861,150	34.53
5% and above of issued shares	4	0.06	2,416,852,381	64.40
Total	**6,632**	**100.00**	**3,753,156,498**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

	Name of Ordinary Shareholders	No. of Ordinary Shares	%
1.	Permodalan Nasional Berhad	960,991,362	25.60
2.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	889,036,763	23.69
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	296,216,040	7.89
4.	Kumpulan Wang Persaraan (Diperbadankan)	270,608,216	7.21
5.	Amanahraya Trustees Berhad Amanah Saham Malaysia	120,366,511	3.21
6.	Amanahraya Trustees Berhad AS 1Malaysia	93,744,852	2.50
7.	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	84,127,584	2.24
8.	Valuecap Sdn Bhd	81,186,280	2.16
9.	Lembaga Tabung Haji	75,654,592	2.02
10.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	34,566,583	0.92
11.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN For State Street Bank & Trust Company (West CLT OD67)	29,908,700	0.80

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

	Name of Ordinary Shareholders	No. of Ordinary Shares	%
12.	Amanahraya Trustees Berhad Amanah Saham Didik	29,102,132	0.78
13.	Amsec Nominees (Tempatan) Sdn Bhd MTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali)	26,114,954	0.70
14.	HSBC Nominees (Asing) Sdn Bhd BPSS Lux For Aberdeen Global - Asian Smaller Companies Fund	25,164,653	0.67
15.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	23,597,033	0.63
16.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AFFIN-HWG)	22,123,873	0.59
17.	Amanahraya Trustees Berhad Public Ittikal Sequel Fund	19,759,960	0.53
18.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB For Prulink Equity Fund	18,904,400	0.50
19.	HSBC Nominees (Asing) Sdn Bhd HSBC BK Plc For Asia Ex Japan Equity Smaller Companies (LXG HGIF)	16,084,800	0.43
20.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Vanguard Total International Stock Index Fund	14,681,411	0.39
21.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	14,512,912	0.39
22.	HSBC Nominees (Asing) Sdn Bhd BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund	13,915,245	0.37
23.	Yayasan Gerakbakti Kebangsaan	13,455,845	0.36
24.	HSBC Nominees (Asing) Sdn Bhd BPSS Lux For Aberdeen Global - Emerging Markets Smaller Companies Fund	12,773,576	0.34
25.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund AM4N For Aberdeen Institutional Commingled Funds LLC	11,157,940	0.30
26.	Cartaban Nominees (Asing) Sdn Bhd RBC Inverstor Services Bank S.A For Macquarie Asia New Starsfund (Macquarie FD S)	10,520,500	0.28
27.	Amanahraya Trustees Berhad Amanah Saham Nasional	9,984,684	0.27
28.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS For Macquarie Asia New Stars Fund	9,899,700	0.26
29.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN For Citibank New York (Norges Bank 14)	9,375,684	0.25
30.	HSBC Nominees (Asing) Sdn Bhd BNP Paribas SECS SVS Jersey For Aberdeen Asian Income Fund Limited	8,613,333	0.23
		3,246,150,118	**86.49**

DISTRIBUTION OF SHAREHOLDINGS OF RCPS-i A

Size of Shareholdings	No. of Holders of RCPS-i A	%	No. of RCPS-i A	%
less than 100	38	2.70	1,382	0.00
101 - 1,000	421	29.94	231,046	0.02
1,001 - 10,000	659	46.87	2,351,921	0.21
10,001 - 100,000	167	11.88	5,184,573	0.46
100,001 to less than 5% of issued shares	117	8.32	302,077,431	26.96
5% and above of issued shares	4	0.28	810,790,406	72.35
Total	**1,406**	**100.00**	**1,120,636,759**	**100.00**

LIST OF THIRTY LARGEST HOLDERS OF RCPS-i A

	Name of Ordinary Shareholders	No. of RCPS-i A	%
1.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	372,483,700	33.24
2.	Permodalan Nasional Berhad	273,400,432	24.40
3.	Kumpulan Wang Persaraan (Diperbadankan)	108,006,374	9.64
4.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	56,899,900	5.08
5.	Amanahraya Trustees Berhad Amanah Saham Didik	42,745,400	3.81
6.	Amanahraya Trustees Berhad Amanah Saham Malaysia	32,071,600	2.86
7.	Lembaga Tabung Haji	32,000,000	2.86
8.	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	27,737,200	2.48
9.	Amanahraya Trustees Berhad AS 1Malaysia	24,046,800	2.15
10.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AFFIN-HWG)	15,723,800	1.40
11.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	15,000,000	1.34
12.	HSBC Nominees (Asing) Sdn Bhd BPSS Lux for Aberdeen Global - Asian Smaller Companies Fund	10,073,118	0.90
13.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad for Affin Hwang Select Dividend Fund	6,763,800	0.60

LIST OF THIRTY LARGEST HOLDERS OF RCPS-i A (CONT'D)

	Name of Ordinary Shareholders	No. of RCPS-i A	%
14.	HSBC Nominees (Asing) Sdn Bhd BPSS Lux for Aberdeen Global - Emerging Markets Smaller Companies Fund	6,520,831	0.58
15.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for AMB Dividend Trust Fund (5428-401)	5,282,233	0.47
16.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For Manulife Investment - HW Flexi Fund (270519)	4,599,100	0.41
17.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (ABERISLAMIC)	4,533,304	0.40
18.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund AM4N for Aberdeen Institutional Commingled Funds LLC	4,439,480	0.40
19.	Amanahraya Trustees Berhad Public Ittikal Sequel Fund	3,605,132	0.32
20.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	3,325,537	0.30
21.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,883,653	0.26
22.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	2,794,066	0.25
23.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund	2,767,920	0.25
24.	Maybank Nominees (Tempatan) Sdn Bhd Affin Hwang Asset Management Berhad for MSIG Insurance (Malaysia) Bhd (210236)	2,663,667	0.24
25.	Maybank Nominees (Tempatan) Sdn Bhd Affin Hwang Asset Management Berhad for Hong Leong Assurance Berhad (PAR-220082)	2,647,800	0.24
26.	Hong Leong Assurance Berhad As Beneficial Owner (Life Par)	2,274,705	0.20
27.	CIMB Commerce Trustee Berhad Public Focus Select Fund	2,236,606	0.20
28.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	2,189,548	0.20
29.	Universal Trustee (Malaysia) Berhad KAF Dana Adib	1,960,000	0.17
30.	Ng Ho Fatt	1,935,600	0.17
		1,073,611,306	**95.80**

DISTRIBUTION OF SHAREHOLDINGS OF RCPS-i B

Size of Shareholdings	No. of Holders of RCPS-i B	%	No. of RCPS-i B	%
less than 100	30	2.40	1,207	0.00
101 - 1,000	378	30.26	209,427	0.02
1,001 - 10,000	570	45.64	1,999,283	0.17
10,001 - 100,000	159	12.73	4,951,299	0.41
100,001 to less than 5% of issued shares	109	8.73	368,027,659	30.42
5% and above of issued shares	3	0.24	834,584,774	68.99
Total	**1,249**	**100.000**	**1,209,773,649**	**100.00**

LIST OF THIRTY LARGEST HOLDERS OF RCPS-i B

	Name of Ordinary Shareholders	No. of RCPS-i B	%
1.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	407,156,800	33.66
2.	Permodalan Nasional Berhad	339,173,422	28.04
3.	Kumpulan Wang Persaraan (Diperbadankan)	88,254,552	7.30
4.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	56,358,156	4.66
5.	Amanahraya Trustees Berhad Amanah Saham Malaysia	55,424,100	4.58
6.	Amanahraya Trustees Berhad AS 1Malaysia	43,164,000	3.57
7.	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	38,737,800	3.20
8.	Lembaga Tabung Haji	21,857,532	1.81
9.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	17,126,400	1.42
10.	Amanahraya Trustees Berhad Amanah Saham Didik	13,410,500	1.11
11.	HSBC Nominees (Asing) Sdn Bhd BPSS Lux For Aberdeen Global - Asian Smaller Companies Fund	8,881,642	0.73
12.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AFFIN-HWG)	7,808,426	0.65
13.	Amanahraya Trustees Berhad Amanah Saham Nasional	7,503,600	0.62

LIST OF THIRTY LARGEST HOLDERS OF RCPS-i B (CONT'D)

	Name of Ordinary Shareholders	No. of RCPS-i B	%
14.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	6,280,945	0.52
15.	Cartaban Nominees (Asing) Sdn Bhd	5,401,000	0.45
16.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	5,056,600	0.42
17.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund AM4N for Aberdeen Institutional Commingled Funds LLC	4,775,626	0.39
18.	HSBC Nominees (Asing) Sdn Bhd BPSS Lux for Aberdeen Global - Emerging Markets Smaller Companies Fund	4,508,321	0.37
19.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Value Partners High - Dividend Stocks Fund	4,149,320	0.34
20.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	3,382,600	0.28
21.	HSBC Nominees (Asing) Sdn Bhd BNP Paribas SECS SVS Jersey for Aberdeen Asian Income Fund Limited	3,040,000	0.25
22.	Amanahraya Trustees Berhad Amanah Saham Nasional 2	2,916,900	0.24
23.	Amanahraya Trustees Berhad Amanah Saham Gemilang for Amanah Saham Kesihatan	2,698,400	0.22
24.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	2,572,075	0.21
25.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	2,513,474	0.21
26.	Amanahraya Trustees Berhad Amanah Saham Nasional 3 Imbang	2,388,000	0.20
27.	Hong Leong Assurance Berhad As Beneficial Owner (LIFE PAR)	2,316,453	0.19
28.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	2,243,488	0.19
29.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	2,235,638	0.18
30.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (ABERDEEN)	2,044,984	0.17
		1,163,380,754	**96.17**

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest	% of Issued Shares	Indirect In-terest	% of Issued Shares
Permodalan Nasional Berhad	960,991,362	25.60	-	-
Amanahraya Trustees Berhad. - Amanah Saham Bumiputera	889,036,763	23.69	-	-
Kumpulan Wang Persaraan (Diperbadankan)	271,054,566	7.22	15,951,613	0.43
Employees Provident Fund Board	345,419,253	9.20	-	-
Yayasan Pelaburan Bumiputra	-	-	960,991,362	25.60

DIRECTORS AND THEIR SHAREHOLDINGS

Name	No. of Ordinary Shares Held				No. of RCPS-i A Held	No. of RCPS-i B Held	No. of shares under the Employee Share Grant Plan	No. of share options under the Employee Share Option Scheme
	Direct	%	Indirect	%				
Tan Sri Dato' Seri Dr. Wan Mohd Zahid Bin Mohd Noordin	-	-	-	-	-	-	-	-
Dato' Khor Chap Jen	911,706	0.02	-	-	222,178	321,778	454,900	25,449,670
Dato' Halipah Binti Esa	-	-	-	-	-	-	-	-
Dato' Ahmad Pardas Bin Senin	-	-	-	-	-	-	-	-
Dato' Seri Ir. Hj. Mohd Noor Bin Yaacob	-	-	-	-	-	-	-	-
Dato' Zuraidah Binti Atan	-	-	-	-	-	-	-	-
Tengku Dato' Ab. Aziz Bin Tengku Mahmud	-	-	-	-	-	-	-	-
Noraini binti Che Dan	-	-	-	-	-	-	-	-
Philip Tan Puay Koon	-	-	-	-	-	-	-	-
Dato' Azmi bin Mohd Ali	-	-	-	-	-	-	-	-

LIST OF MATERIAL PROPERTIES HELD BY THE GROUP

As at 31 December 2017

No.	Location	Description	Date of Acquisition	Land Area (sq. ft.)	Tenure	Net Book Value (RM'000)
1.	Daerah Kelang, Mukim of Klang, Selangor Darul Ehsan	Land under development and held for development	24/10/2001	22,862,878	Freehold	932,020
2.	Lot 9149L at Toh Tuck Road, Singapore	Land held for development	17/07/2017	201,517	Leasehold	875,111
3.	Mukim Bukit Raja, Daerah Petaling,Selangor Darul Ehsan	Land under development and held for development	30/03/2002	13,929,000	Freehold	773,309
4.	Seksyen 95A & 98, Kampung Haji Abdullah Hukum, Kuala Lumpur	Land use right	24/10/2011	-	Leasehold	755,752
5.	Mukim Semenyih, Daerah Hulu Langat, Selangor Darul Ehsan	Land under development and held for development	28/11/2012	36,702,593	Freehold	734,522
6.	Mukim 06, Daerah Seberang Perai Utara, Negeri Pulau Pinang	Land held for development	22/12/2016	72,955,595	Freehold	653,584
7.	Mukim Semenyih, Daerah Hulu Langat, Selangor Darul Ehsan	Land under development and held for development	03/10/2011	15,290,677	Freehold	467,220
8.	Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan	Land under development and held for development	02/03/2011	4,981,522	Freehold	465,157
9.	Pekan Kinrara, Daerah Petaling Negeri Selangor	Land under development and held for development	24/12/1981	3,282,537	Freehold	445,427
10.	Mukim Beranang, Daerah Ulu Langat, Selangor Darul Ehsan	Land under development	05/10/2016	35,065,800	Freehold	440,229

NOTICE OF ANNUAL GENERAL MEETING

S P SETIA BERHAD
(COMPANY NO. 19698-X)
(INCORPORATED IN MALAYSIA)

NOTICE IS HEREBY GIVEN that the Forty Third (43rd) Annual General Meeting of the Company will be held at **FUNCTION ROOM 1, SETIA CITY CONVENTION CENTRE, NO. 1, JALAN SETIA DAGANG AG U13/AG, SETIA ALAM, SEKSYEN U13, 40170 SHAH ALAM, SELANGOR DARUL EHSAN ON THURSDAY, 17 MAY 2018 AT 11.00 A.M.** for the following purposes:

AGENDA

1.	To receive the audited financial statements of the Company for the financial year ended 31 December 2017 together with the reports of the Directors and auditors thereon.	**PLEASE REFER TO EXPLANATORY NOTE A**
2.	To re-elect the following Directors who retire in accordance with Article 93 of the Company's Articles of Association and, being eligible, offer themselves for re-election :	
	(1) Tan Sri Dato' Seri Dr. Wan Mohd Zahid bin Mohd Noordin	**RESOLUTION 1**
	(2) Dato' Halipah binti Esa	**RESOLUTION 2**
	(3) Tengku Dato' Ab. Aziz bin Tengku Mahmud	**RESOLUTION 3** *[Explanatory Note 1]*
3.	To approve the increase in Directors' Fees and Allowances for the Non-Executive Directors for the financial year ended 31 December 2017 amounting to RM418,000.	**RESOLUTION 4** *[Explanatory Note 2]*
4.	To approve the payment of Directors' Fees amounting to RM50,000 per month for the Non-Executive Chairman and RM12,000 per month for each of the Non-Executive Directors for the period from 1 January 2018 up to the date of the next Annual General Meeting.	**RESOLUTION 5**
5.	To approve the payment of Directors' other remuneration and benefits to the Non-Executive Directors from 1 January 2018 up to the date of the next Annual General Meeting amounting up to approximately RM1,400,000.	**RESOLUTION 6** *[Explanatory Note 3]*
6.	To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring auditors, as the auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	**RESOLUTION 7**

AS SPECIAL BUSINESS

7. ORDINARY RESOLUTION

PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AS SPECIFIED IN SECTION 2.3.1 OF THE CIRCULAR TO SHAREHOLDERS DATED 18 APRIL 2018

RESOLUTION 8
[Explanatory Note 4]

"THAT, subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("S P Setia Group") to enter into and give effect to specified recurrent related party transactions of a revenue or trading nature of the S P Setia Group with specified classes of Related Parties (as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as specified in Section 2.3.1 of the Circular to Shareholders dated 18 April 2018) which are necessary for the day to day operations in the ordinary course of business and are carried out at arms' length basis on normal commercial terms of the S P Setia Group and on terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to minority shareholders of the Company and such approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting of the Company ("AGM") at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier.

AND THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things as they may consider necessary or expedient in the best interest of the Company (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. ORDINARY RESOLUTION

PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT AND ISSUE NEW ORDINARY SHARES IN THE COMPANY ("S P SETIA SHARES"), FOR THE PURPOSE OF THE COMPANY'S DIVIDEND REINVESTMENT PLAN ("DRP") THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY ("SHAREHOLDERS") THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND IN NEW S P SETIA SHARES

RESOLUTION 9
[Explanatory Note 5]

"THAT pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting held on 20 March 2014 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of new S P Setia Shares from time to time as may be required to be allotted and issued pursuant to the DRP upon such terms and conditions and to such persons as the Directors of the Company at their sole and absolute discretion, deem fit and in the interest of the Company PROVIDED THAT the issue price of the said new S P Setia Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5) market days volume weighted average market price ("VWAP") of S P Setia Shares immediately prior to the price-fixing date, of which VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price of S P Setia Shares;

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, by the Directors as they, in their absolute discretion, deem fit and in the best interest of the Company."

9. To transact any other business of which due notice shall have been given.

By Order of the Board

LEE WAI KIM (MAICSA 7036446)
Company Secretary

18 April 2018
Selangor Darul Ehsan

NOTES

1. *A member of the Company shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at a meeting of members of the Company, subject to the Constitution of the Company.*

2. *A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.*

3. *Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

4. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with shares of the Company standing to the credit of the securities account.*

5. *The form of proxy, in the case of an individual, shall be signed by the appointor or his attorney, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.*

6. *The Form of Proxy duly completed and signed must be deposited at the Company's share registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.*

7. *Only members whose names appear in the Record of Depositors on 11 May 2018 shall be entitled to attend, speak and vote at this meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.*

EXPLANATORY NOTE A

This Agenda item is meant for discussion only as under the provisions of Sections 248(2) and 340(1)(a) of the Act and the Company's Constitution, the audited accounts do not require the formal approval of shareholders. As such, this item is not put forward for voting.

OTHER EXPLANATORY NOTES

1. Resolutions 1, 2 and 3 - Re-election of Non-Executive Directors

The Board is satisfied that in consideration of their wealth of expertise and experience, Tan Sri Dato' Seri Dr. Wan Mohd Zahid bin Mohd Noordin, Dato' Halipah binti Esa and Tengku Dato' Ab. Aziz bin Tengku Mahmud had and will continue to bring sound judgment and valuable contribution to board deliberations through active participation in discussions in decision making by the Board. Their profiles are set out on pages 38, 40 and 44 of the Annual Report 2017, respectively.

In view thereof, the Board supports the re-election of the Non-Executive Directors at the 43rd AGM.

2. Resolution 4 - Increase in Directors' Fees and Allowances

The shareholders had, at the 42nd AGM of the Company held on 18 May 2017, approved the payment of Directors' fees amounting to RM50,000 per month for the Non-Executive Chairman and RM10,000 per month for each of the Non-Executive Directors for the period from 1 January 2017 to 31 December 2017. The shareholders had at the same meeting, passed the resolution to authorise the Directors to determine the payment of other remuneration and benefits to the Non-Executive Directors. The Board of Directors had subsequent to the 42nd AGM, proposed the following revisions to the Directors' Fees, Board Committee Allowances and Meeting Allowances which are to take effect from 1 January 2017, subject to approval from the shareholders, as follows:

No.	Fee/Allowance	Board		Board Committee	
		Chairman	Non-Executive Director	Chairman	Member
1.	Monthly Fixed Fee	RM50,000 (status quo)	From RM10,000 to RM12,000	-	-
2.	Monthly Fixed Allowance	-	-	From RM2,000 to RM3,000	From 1,000 to RM2,000
3.	Meeting Allowance per Meeting based on Attendance	From RM1,000 to RM1,500			

The revisions as set out above, if approved, would amount to an increase in the total Directors' Fees and Allowances by RM192,000 and RM226,000, respectively, for the financial year ended 31 December 2017.

3. **Resolution 6 - Payment of Other Remuneration and Benefits to Non-Executive Directors of the Company**

Based on the Non-Executive Directors' Remuneration Framework, the Non-Executive Directors' remuneration (other than fee) comprised of the following:

Description of Remuneration/Benefits	
Monthly Fixed Allowance	Chairman of Board Committee – RM3,000
	Member of Board Committee – RM2,000
Meeting Allowance	Board Member - RM1,500 per meeting
	Board Committee Member - RM1,500 per meeting
Allowance for membership on the board of directors of significant project/investment as appointed by the Board of the Company	RM5,000 per month
Other Benefits	Driver for Chairman, Directors and Officers Liability Insurance, medical, hospitalisation and travel insurance and other claimable benefits

The estimated amount of up to approximately RM1,400,000 is calculated based on the expected number of meetings and other monthly allowances and benefits for the period from 1 January 2018 up to the next AGM of the Company, tentatively will be held in May 2019.

4. **Resolution 8 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The proposed Resolution 8, if approved, will allow the S P Setia Group to enter into recurrent related party transactions of a revenue and trading nature relating to sale of properties by the S P Setia Group to related parties. The details of the proposal are set out in the Circular to Shareholders dated 18 April 2018 which is circulated together with the Annual Report 2017.

5. **Resolution 9 - Proposed Renewal of the Authority to Allot and Issue New S P Setia Shares for the purpose of the Company's DRP that provides the Shareholders the Option to Elect to Reinvest their Cash Dividend in New S P Setia Shares**

The proposed Resolution 9, if approved, will re-new the authority given to the Directors to allot and issue new S P Setia Shares pursuant to the DRP under the resolution passed at the 42nd AGM held on 18 May 2017, the authority of which will lapse at the conclusion of the 43rd AGM.

GROUP DIRECTORY

HEAD OFFICE

S P SETIA BERHAD (19698-X)

GROUP CONTRACTS
GROUP LEASING
GROUP LANDSCAPE
GROUP SECURITY SERVICES
SETIA PLATINUM PRIVILEGES
GROUP QUALITY MANAGEMENT

S P SETIA PROJECT MANAGEMENT SDN BHD (246695-X)

SETIA IP HOLDINGS SDN BHD (1122728-W)

SETIA PRECAST SDN BHD (347177-A)
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SETIA ECOHILL SDN BHD (903607-T)
SETIA ECOHILL 2
SETIA ECOHILL 2 SDN BHD (466218-P)
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SETIA ECO GLADES
SETIA ECO GLADES SDN BHD (767476-H)
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SETIA ECO TEMPLER
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S P SETIA PROPERTY SERVICES SDN BHD (1007655-H)
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SETIA PUTRAJAYA
SETIA PUTRAJAYA SDN BHD (401732-X)
Customer Care Office,
5, Jalan P15H, Presint 15,
62050 Putrajaya,
Wilayah Persekutuan Putrajaya,
Malaysia.

T +603 8893 0006/0008
F +603 8893 0301
E spj-ccd@spsetia.com

GANDA ANGGUN SDN BHD (537506-W)
Trio Sales Galleria,
No. Lot 82623, Jalan Langat/KS06,
Bandar Bukit Tinggi 1,
41200 Klang Bandar Diraja,
Selangor Darul Ehsan, Malaysia.

T +603 3162 3322
F +603 3162 3323
E trio_sales@spsetia.com

SETIA SKY RESIDENCES
EXCELJADE SDN BHD (765480-D)
KENNY HILLS GRANDE SENDIMAN SDN BHD (729054-X)
Customer Care Office, A-1-3,Alia Tower,
76, Jalan Raja Muda Abdul Aziz,
Off Jalan Tun Razak,
50300 Kuala Lumpur, Malaysia.

T +603 2714 5252
F +603 2714 5250
E sky-sales@spsetia.com
grande-sales@spsetia.com

SETIA WOOD
SETIA-WOOD INDUSTRIES SDN BHD (23725-V)
S P SETIA MARKETING SDN BHD (175198-P)
5 & 6, Jalan Indah 1/3,
Taman Industri Rawang Indah,
48000 Rawang,
Selangor Darul Ehsan, Malaysia.

T +603 6092 8022
F +603 6092 0322/1805
E setiawood@spsetia.com

ALAM IMPIAN
I & P ALAM IMPIAN SDN BHD (394244-M)
1, Jalan Panglima Hitam 35/26,
Alam Impian, Seksyen 35,
40470 Shah Alam,
Selangor Darul Ehsan, Malaysia.

T +603 5162 7600
F +603 5162 7500

SETIA ALAMSARI
I & P MENARA SDN BHD (97237-W)
189, Jalan 8/1, Seksyen 8,
43650 Bandar Baru Bangi,
Selangor Darul Ehsan, Malaysia.

T +603 8926 7500
F +603 8926 5200

ALAM DAMAI
SYARIKAT PERUMAHAN PEGAWAI KERAJAAN SDN BHD (10586-D)
20, Lingkungan Alam Damai,
Alam Damai, 56000 Cheras,
Kuala Lumpur, Malaysia.

T +603 9107 6858/8895
F +603 9100 3845

ALAM SUTERA
SYARIKAT PERUMAHAN PEGAWAI KERAJAAN SDN BHD (10586-D)

BANDAR KINRARA
I & P GROUP SDN. BERHAD (688571-X)
PERUMAHAN KINRARA BERHAD (305-P)
Bandar Kinrara Welcome Centre,
Eight Kinrara - Block B,
Jalan BK 5A/1,
Bandar Kinrara,
47180 Puchong,
Selangor Darul Ehsan, Malaysia.

T +603 8082 9600
F +603 8082 9500

BAYUEMAS
I & P KOTA BAYUEMAS SDN BHD (568517-V)
4, Jalan Bayu Impian 10/KS9,
Kota Bayuemas,
41200 Klang,
Selangor Darul Ehsan, Malaysia.

T +603 3325 1700
F +603 3325 1800

TEMASYAGLENMARIE
TEMASYA DEVELOPMENT CO. SDN BHD (19753-K)
6 & 8, Jalan Kurator U1/61,
Temasya Glenmarie,
Seksyen U1,
40150 Shah Alam,
Selangor Darul Ehsan, Malaysia.

T +603 5569 6100/7100
F +603 5569 6700

BANDAR BARU SERI PETALING
PETALING GARDEN SDN BHD (3113-T)
16-1, Jalan Radin Tengah,
Bandar Baru Seri Petaling,
57000 Kuala Lumpur, Malaysia.

T +603 9058 7600
F +603 9058 9300

SOUTHERN REGION

BUKIT INDAH
BUKIT INDAH (JOHOR) SDN BHD (307260-V)

TAMAN PERLING
PELANGI SDN BHD (13509-H)

TAMAN INDUSTRI JAYA
BILTMORE (M) SDN BHD (125293-X)
Wisma S P Setia,
S3-0111, Laman Indah 3,
Jalan Indah15, Taman Bukit Indah,
81200 Johor Bahru,
Johor Darul Takzim, Malaysia.

T +607 241 2255
F +607 241 5955
E bij-sales@spsetia.com

SETIA ECO GARDENS
SETIA BUSINESS PARK
KESAS KENANGAN SDN BHD (745817-H)
Pejabat Tapak, Lot 2110, KM 5.5,
Jalan Gelang Patah-Ulu Choh,
81550 Johor Bahru,
Johor Darul Takzim, Malaysia.

T +607 555 2525
F +607 555 2552
E seg-sales@spsetia.com

SETIA ECO CASCADIA
SETIA INDAH SDN BHD (185555-H)
Wisma S P Setia,
No. 1, Jalan Setia 3/6,
Taman Setia Indah,
81100 Johor Darul Takzim, Malaysia.

T +607 351 2255
F +607 357 9923
E sec-sales@spsetia.com

SETIA TROPIKA
SETIA INDAH SDN BHD (185555-H)
Tropika Welcome Centre,
Level 3A, No. 10,
Jalan Setia Tropika 1/21,
Taman Setia Tropika,
81200 Kempas, Johor Bahru,
Johor Darul Takzim, Malaysia.

T +607 237 2255
F +607 237 2225
E st-sales@spsetia.com

SETIA BUSINESS PARK II
SETIA INDAH SDN BHD (185555-H)
2, Jalan Perniagaan Setia 4,
Taman Perniagaan Setia,
81100 Johor Bahru,
Johor Darul Takzim, Malaysia.

T +607 562 4352
F +607 555 9352
E sbp-sales@spsetia.com

SETIA SKY 88
SETIA CITY DEVELOPMENT SDN BHD (933887-K)

TAMAN PELANGI
PELANGI INDAH SDN BHD (13509-H)
#01-01, Block A, Pangsapuri Setia 88,
Jalan Dato Abdullah Tahir,
80300, Johor Bahru,
Johor Darul Takzim, Malaysia.

T +607 333 2255
F +607 333 2552
E sky88-sales@spsetia.com

TAMAN RINTING
TAMAN GUNONG HIJAU SDN BHD (16420-U)
PTD 46378, Jalan Balau,
Taman Rinting
81750 Masai, Johor Darul Takzim,
Malaysia.

TAMAN PELANGI INDAH
YUKONG DEVELOPMENT (PTE) LIMITED (991872-U)
PLO 12062,
Jalan Persiaran Pelangi Indah,
Taman Pelangi Indah,
81800 Ulu Tiram, Johor Bahru,
Johor Darul Takzim, Malaysia.

T +607 861 0555
F +607 861 9235

NORTHERN REGION

SETIA PEARL ISLAND
SETIA VISTA
SETIA PROMENADE SDN BHD (388384-W)

SETIA GREENS
11 BROOK RESIDENCES
KEWIRA JAYA SDN BHD (504851-V)

SETIA V RESIDENCES
SETIA SKY VILLE
KAY PRIDE SDN BHD (177772-V)
Setia Welcome Centre, SPICE,
108, Jalan Tun Dr. Awang,
11900 Penang, Malaysia.

T +604 641 2255
F +604 642 2255
E spi-sales@spsetia.com

ECO MERIDIAN SDN BHD (909427-K)
SPICE Arena, SPICE,
No. 108, Jalan Tun Dr. Awang,
11900 Penang, Malaysia.

T +604 643 2525
F +604 641 2250
E setiaspice@spsetia.com

SETIA FONTAINES
SETIA FONTAINES SDN BHD (505572-T)
No. 108-B-01-18, SPICE Canopy,
Jalan Tun Dr. Awang,
11900 Penang, Malaysia.

T +604 618 0225
F +604 638 3055

EASTERN REGION

AEROPOD
AEROPOD SDN BHD (767765-P)
I-3A-1, Block I,
Level 3A, Aeropod Commercial Square,
Jalan Aeropod Off Jalan Kepayan,
88200 Kota Kinabalu,
Sabah, Malaysia.

T +6088 486255
+6088 486299
E aeropod-sales@spsetia.com

INTERNATIONAL

UNITED KINGDOM

BATTERSEA POWER STATION DEVELOPMENT COMPANY
21–22 Circus Road West,
Battersea Power Station London,
SW11 8EZ, United Kingdom.

T +44 20 7501 0678
F +44 20 7501 0699
E clamirand@bpsdc.co.uk

AUSTRALIA

SETIA (MELBOURNE) DEVELOPMENT COMPANY PTY LTD
Level 1, 155 Franklin Street,
Melbourne, VIC 3000, Australia.

T +613 9616 2525
F +613 9616 2552
E melbourne@spsetia.com

SINGAPORE

S P SETIA INTERNATIONAL (S) PTE LTD (200906303E)
1 Harbourfront Place #01-06,
Harbourfront Tower One,
Singapore 098633.

T +65 6271 2255
F +65 6271 3522
E sg-sales@spsetia.com

VIETNAM

ECOLAKES, MY PHUOC
SETIABECAMEX JOINT STOCK COMPANY
NE2 Highway,
EcoLakes My Phuoc, Thoi Hoa Ward,
Ben Cat Town,
Binh Duong Province, Vietnam.

T +84 274 3577 255
F +84 274 3577 225
E ecolakes-sales@setiabecamex.vn

ECOXUAN, LAI THIEU
SETIA LAI THIEU ONE MEMBER COMPANY LIMITED
1A, NB-N1 Street,
EcoXuan Lai Thieu,
Lai Thieu Ward, Thuan An Town,
Binh Duong Province, Vietnam.

T +84 274 366 2255
F +84 274 377 2255
E ecoxuan@spsetia.com.vn

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S P SETIA BERHAD (19698-X)

FORM OF PROXY

No. of Ordinary Shares Held	
No. of Islamic Redeemable Convertible Preference Shares held	
No. of Class B Islamic Redeemable Convertible Preference Shares held	
CDS Account Number	

I/We ______________________________ NRIC No./Company No.______________________
(Full Name in Block Letters)

of ____
(Full Address)

being a member/members of S P SETIA BERHAD, hereby appoint ______________________________
(Full Name in Block Letters)

NRIC No. ______________________________ of ______________________________
(Full Address)

____

and/or failing him/her,______________________________ NRIC No.______________________
(Full Name in Block Letters)

of ____
(Full Address)

or failing him/her, the Chairman of the Meeting as * my/our proxy to attend and vote for * me/us and on * my/our behalf at the Forty Third Annual General Meeting of the Company to be held at Function Room 1, Setia City Convention Centre, No. 1, Jalan Setia Dagang AG U13/AG, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan on Thursday, 17 May 2018 at 11.00 a.m. and at any adjournment thereof in the manner as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
1.	Re-election of Tan Sri Dato' Seri Dr. Wan Mohd Zahid bin Mohd Noordin.		
2.	Re-election of Dato' Halipah binti Esa.		
3.	Re-election of Tengku Dato' Ab. Aziz bin Tengku Mahmud.		
4.	Approval of increase in Directors' Fees and Allowances for the financial year ended 31 December 2017.		
5.	Approval for the Directors' Fees for the period from 1 January 2018 up to the next Annual General Meeting of the Company.		
6.	Approval for the Payment of Extra Remuneration and Provision of Benefits to Directors of the Company for the period from 1 January 2018 up to the next Annual General Meeting of the Company.		
7.	Re-appointment of Messrs Ernst & Young as the Auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	Approval for the Proposed Shareholders' Mandate as specified in Section 2.3.1 of the Circular to Shareholders dated 18 April 2018.		
9.	Approval for the Proposed Authority to Allot and Issue New Ordinary Shares under the Company's Dividend Reinvestment Plan.		

** Strike out whichever is not applicable*

(Please indicate with an "X" in the spaces above how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion).

Dated this ____________ day of ______________________ 2018.

____
Signature of Member(s) or Common Seal

Notes:

1. *A member of the Company shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at a meeting of members of the Company, subject to the Constitution of the Company.*
2. *A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.*
3. *Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with shares of the Company standing to the credit of the securities account.*
5. *The Form of Proxy, in the case of an individual, shall be signed by the appointor or his attorney, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.*
6. *The Form of Proxy duly completed and signed must be deposited at the Company's share registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.*
7. *Only members whose names appear in the Record of Depositors on 11 May 2018 shall be entitled to attend, speak and vote at this meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.*

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Affix Stamp Here

The Company Secretary
S P Setia Berhad
c/o Tricor Investor & Issuing House Services Sdn Bhd,
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South, No. 8 Jalan Kerinchi,
59200 Kuala Lumpur

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S P Setia Bhd Corporate HQ,
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Seksyen U13, 40170 Shah Alam,
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