S P SETIA BERHAD ("S P SETIA" OR THE "COMPANY")

(I) PROPOSED JOINT VENTURE BETWEEN SETIA INTERNATIONAL LIMITED ("SIL"), A WHOLLY-OWNED SUBSIDIARY OF S P SETIA WITH SIME DARBY PROPERTY (HONG KONG) LIMITED ("SDPL") AND KWASA GLOBAL DEVELOPMENT LIMITED ("KGDL") TO INVEST IN BATTERSEA PROJECT HOLDING COMPANY LIMITED ("JVCO") ("PROPOSED JV"); AND

(II) PROPOSED ACQUISITION OF A PORTFOLIO OF PROPERTIES COMPRISING THE BATTERSEA POWER STATION SITE IN LONDON, UNITED KINGDOM ("PROPERTY") BY BATTERSEA PROJECT LAND COMPANY LIMITED ("PROJECT COMPANY"), A WHOLLY-OWNED SUBSIDIARY OF JVCO FOR A TOTAL CASH CONSIDERATION OF £400 MILLION ("PROPOSED ACQUISITION")

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*For the purposes of this Announcement, "**£**" refers to Pound Sterling and "**RM**" refers to Ringgit Malaysia. The exchange rate used for conversion of £ to RM is £1.00:RM4.93 ("**Pound Exchange Rate**"), based on the middle rate as at 12.00 noon on 4 July 2012 as published by Bank Negara Malaysia.*

Unless otherwise stated, information contained in this Announcement is as at 2 July 2012*, the latest practicable date for the purposes of the Announcement.*

1. INTRODUCTION

Reference is made to the joint press release made by S P Setia and Sime Darby Berhad ("**Sime Darby**") dated 7 June 2012 in relation to the notification that S P Setia and Sime Darby Property Berhad ("**Sime Darby Property**") had been selected as the preferred bidder to acquire the Property.

Pursuant thereto, S P Setia and Sime Darby Property entered into an Exclusivity Agreement on 7 June 2012 with the Vendors (as defined hereunder) and Alan Bloom and Alan Hudson of Ernst & Young LLP ("**EY**"), being the Joint Administrators and Receivers of the Vendors ("**Officeholders**"), to negotiate the contract for the acquisition of the Property for a total cash consideration of £400 million (equivalent to approximately RM1.97 billion).

AmInvestment Bank Berhad ("**AmInvestment Bank**"), on behalf of the Board of Directors of S P Setia ("**Board**"), wishes to announce that, on 4 July 2012, S P Setia, Sime Darby and KWASA Global (Jersey) Limited ("**KWASA Jersey**"), a wholly-owned company of the Employees Provident Fund Board ("**EPF**"), have entered into a Subscription and Shareholders' Agreement ("**SSA**") together with the following parties to regulate their participation in the JVCo:

(i) SIL, a wholly-owned subsidiary of S P Setia;

(ii) SDPL, a wholly-owned subsidiary of Sime Darby Property, which in turn is wholly-owned by Sime Darby;

(iii) KGDL, a wholly-owned company of KWASA Jersey; and

(iv) JVCo.

SIL, SDPL and KGDL are collectively referred to as the "**Parties**".

JVCo was incorporated for the purpose of investing in the Project Company and any of its subsidiaries or entities ("**Project Companies**"). JVCo is the holding company and the sole shareholder of the Project Company which is incorporated to acquire the Property to be developed as a mixed residential and commercial development project ("**Project**"). Further details of JVCo are set out in Section 2.1 of this Announcement.

In conjunction with the Proposed Acquisition, the Project Company had on the same date, entered into a contract with the Officeholders and the following parties for the sale and purchase of the Property ("**Contract**") for a total cash consideration of £400 million (equivalent to approximately RM1.97 billion) ("**Purchase Price**"):

(i) Halcyon Estates Limited (in receivership);

(ii) Lambhill Properties Limited (in receivership);

(iii) Kemp Town Limited (in receivership);

(iv) REO (2 Battersea Park Road) Limited (in receivership);

(v) REO (88 Kirtling St) Limited (in administration);

(vi) REO (8 Brooks Court) Limited (in administration); and

(vii) REO (Powerstation) Limited (in administration).

(collectively referred to as the "**Vendors**" and individually as the "**Vendor**", as the case may be)

2. DETAILS OF THE PROPOSED JV

2.1 JVCo

JVCo was incorporated in Jersey, Channel Islands as a private limited company on 22 June 2012. The authorised share capital of the JVCo is £500,000 comprising 40,000,000 ordinary shares of one pence (£0.01) each ("**JVCo Shares**") and 10,000,000 preference shares of one pence (£0.01) each.

Pursuant to the SSA, on the date when the deposit is payable by the Project Company under the terms of the Contract, the Parties shall each subscribe to their respective JVCo Shares in the agreed proportion ("**Agreed Proportion**") as follows:

Parties	Agreed Proportion
SIL	40%
SDPL	40%
KGDL	20%
Total	**100%**

2.2 Information on the Parties

2.2.1 SIL

SIL is a wholly-owned subsidiary of S P Setia. SIL was incorporated in British Virgin Islands on 30 May 2007. SIL is principally an investment holding company.

2.2.2 SDPL

SDPL is a wholly-owned subsidiary of Sime Darby Property, which in turn is a wholly-owned subsidiary of Sime Darby. SDPL was incorporated in Hong Kong on 12 August 2006. SDPL is principally an investment holding company.

2.2.3 KGDL

KGDL is a wholly-owned company of KWASA Jersey, which in turn is a wholly-owned company of EPF. KGDL was incorporated in Jersey on 22 June 2012. KGDL is principally an investment holding company.

2.3 Source of funding

SIL's subscription for the JVCo Shares in accordance to the SSA and its contribution for the development of the Project will be funded via internally generated funds of S P Setia and its subsidiaries ("**Group**") and/or external borrowings. The breakdown of the internally generated funds and external borrowings is not determinable at this juncture.

2.4 Salient terms of the SSA

The salient terms of the SSA are as follows:

(i) the sole purpose of the joint venture between the Parties is to invest in and fund JVCo;

(ii) the Parties agree that the purchase consideration of the Property is £400 million (equivalent to approximately RM1.97 billion) and that the project development cost for the two (2)-year period commencing from the date of completion of the Contract is estimated to be £200 million (equivalent to approximately RM986 million);

(iii) future capital contributions by the Parties for the JVCo shall be on a pro rata basis based on the Agreed Proportion. Where practicable, JVCo would meet funding requirements via external borrowings from financiers provided that such borrowings or the effect of such borrowings would not make the gearing of JVCo exceed prudent levels;

(iv) the Board of Directors of JVCo ("**JVCo Board**") shall consist of a maximum of eleven (11) Directors whom shall be appointed by the Parties in the following proportions: a maximum of four (4) Directors each appointed by SIL and SDPL respectively and a maximum of three (3) Directors appointed by KGDL;

(v) certain reserved matters are required to be tabled to the JVCo Board ("**Reserved Matters**") and shall require the affirmative votes of at least one (1) Director appointed by each of the Parties. In addition, to the extent that the Reserved Matters require shareholders' approval, such Reserved Matters may only be passed by a resolution with affirmative votes of each of the Parties present in person or by proxy; and

(vi) no Party shall transfer or otherwise dispose of or deal with any or all of the JVCo Shares or any interest in the JVCo Shares for a period of five (5) years from the date of the SSA.

2.5 Ranking of the new JVCo Shares

The new JVCo Shares to be allotted under the Proposed JV shall rank *pari passu* with all the then existing JVCo Shares in issue at the date of allotment.

3. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is undertaken pursuant to the bid submitted to the selling agents, EY and Knight Frank LLP, acting on behalf of the Officeholders. The Purchase Price of £400 million was arrived at based on the residual land value method taking into consideration the estimated selling prices of the units in this development less the estimated development costs and desired profit margin, and the amount of debt owing by the Vendors.

3.1 Information on the Property

The Property is located at the Battersea Power Station site in London, United Kingdom ("**UK**") and is a freehold land, held under title numbers TGL183574, TGL160633, TGL171520, TGL196480, 233558, TGL115204, SGL102320 and TGL115737. The Property is situated in front of the River Thames between Chelsea Bridge to the west and Vauxhall Bridge a little further to the east, measuring 39.1 acres in total. The Property used to be the Battersea Power Station that was decommissioned in 1983 but since then the Property has changed owners and development plans several times, and in December 2011 it was put into receivership and administration by its lenders.

The Property will be acquired on an "as is where is basis" and free from all encumbrances but subject to the conditions and restrictions in documents registered against the titles to the Property. These take the form of third party rights (usually benefiting neighbouring owners or utility companies). These restrictions and third party rights appear to be relatively few for such a large development site in Central London and have been taken into account in the appraisal of the proposed development. Certain restrictions/third party rights will need to be renegotiated with the beneficiary of the rights so that they do not inhibit the proposed development plans while others may need to be compensated for.

3.2 Source of funding

The Proposed Acquisition will be funded through the capital investment by JVCo and/or external borrowings, the breakdown of which will be determined later.

3.3 Liabilities to be assumed

There are no liabilities including contingent liabilities and guarantees to be assumed by the Project Company arising from the Proposed Acquisition.

3.4 Information on the Vendors

The Officeholders were appointed as the joint-receivers and joint-administrators of the Vendors, by the National Asset Management Agency of Ireland and Lloyds Banking Group to manage the disposal of the Property held by the Vendors.

3.5 Salient terms of the Contract

The salient terms of the Contract include the following:

(i) Each Vendor shall sell and the Project Company shall buy the Property for the Purchase Price on the terms of the Contract;

(ii) The sale of various parcels of land comprised within the Property shall be interdependent. No Vendor shall be required to complete the sale of any one parcel to the Project Company without simultaneous completion of all other parcels and the Project Company shall not be required to complete the purchase of any one parcel without simultaneous completion of all the purchases of all the parcels making up the Property;

(iii) A deposit of £37.5 million (equivalent to approximately RM184.9 million) ("**Deposit**") has been paid upon execution of the Contract;

(iv) It is agreed that a sum of £25 million (equivalent to approximately RM123.3 million) ("**Deferred Consideration**") of the Purchase Price shall be paid by the Project Company on the second anniversary of the completion date; and

(v) the balance of the Purchase Price (less the Deposit and the Deferred Consideration) is payable two (2) months from the date of the Contract or such later date as may be permitted in accordance with the Contract.

4 RATIONALE FOR THE PROPOSED JV AND PROPOSED ACQUISITION

The Proposed Acquisition is part of the Group's strategy to seek good opportunities in selected international markets to expand its operations and it is also in line with the Group's long-term strategy to become a global property player. At present, the Group has presence in Vietnam, Singapore, Australia, China and Indonesia.

The Group's recent successes in penetrating the competitive Australian and Singaporean property markets with the launch of Fulton Lane in Melbourne's Central Business District and 18 Woodsville in Singapore have also given it the confidence to explore other strategic global cities where the Group's branding and strong customer base can be effectively deployed.

London's status as a premier global city for international banking, finance, culture, arts and tourism is undeniable. It also has one of the most liquid and transparent real estate markets in the world with an increasing number of international property investors drawn to its cosmopolitan appeal, transparent legal system, safety and security. In a February 2012 Savills Research Report on UK residential properties, it was noted that Chinese and Asia Pacific buyers, primarily from Singapore, Hong Kong, China and Malaysia, are the most active (26%) among foreign purchasers in the new build market. This validates the Group's belief that a significant number of its own customers from Malaysia, Singapore and other Asian cities are actively looking to invest in UK property.

S P Setia recognises that the Proposed Acquisition is a significant international transaction involving a substantial sum. Accordingly, it has entered into the Proposed JV with Sime Darby and EPF who are reputable, like-minded and financially strong partners to acquire the Property and undertake the Project. As joint-venture partners, Sime Darby and EPF bring with them not only significant financial resources, but also a strong and practical understanding and appreciation of the long gestation period required to fully maximise and realise value from the redevelopment of the Property.

5. PROSPECTS

The Property is a 39.1 acre site, sitting on the bank of the River Thames between Chelsea Bridge to the west, and Vauxhall Bridge a little further to the east. The Property benefits from 400 meters of river frontage and it forms part of the 400 acre Nine Elms regeneration area. The fundamentals of the location are strong because it is surrounded by wealthy residential neighbourhoods and strong commercial districts.

Almost adjacent to the Property is Chelsea Bridge and there are two railway stations within a five (5) minutes' walk which feed into the Victoria and Waterloo mainline stations. Running along the river is a river bus service and it is planned to have a stop serving the Property.

In addition to the existing infrastructure it is proposed that an extension to the London Underground network will be built serving the Nine Elms regeneration area with an underground station being located on the Property.

The current dynamics of the London real estate market is extremely attractive and the Board is optimistic that the Project is going to be a significant success and the catalyst for strong rental and capital growth in the area.

The Project, which comes with planning permission, spans over approximately fifteen (15) years and it is envisaged that the Property will be a mixed residential and commercial development involving amongst others, private residential units, serviced apartments, office, retail, food & beverage and hotel. The estimated gross development value for this Project is close to £8 billion (equivalent to approximately RM39.4 billion). The development cost of the Project will be funded through a combination of internally generated funds and external borrowings, the actual proportion of which can only be determined later. It is too preliminary to ascertain the total development revenue and costs, expected completion date or expected profits to be derived at this juncture. Nevertheless, the Board is confident that the Project will be well received. The strategic location of the Property in a development hotspot should be attractive to overseas buyers looking to benefit from long term capital growth.

As mentioned above, the Group currently has projects spread out in Malaysia, Singapore, Australia, Vietnam and China through which it has cultivated relationships with an increasing number of local and international high net worth customers who are seeking investment grade properties. The Proposed JV with Sime Darby and EPF, both of whom have their own wide network of customers and strong following, further improves the Project's prospects.

Accordingly both the Proposed JV and Proposed Acquisition represent another positive step by the Group towards expanding its international footprint in yet another highly strategic global city. This will enable the Group to deploy, build upon and further augment its current strong branding and customer base to secure sustainable and exciting long-term future growth.

6. RISK FACTORS

The Group is subject to inherent risks of the Proposed JV and the Proposed Acquisition. While the Group will seek to limit the impact of such risks, there is no assurance that any change in the factors as described below will not have a material adverse effect on the business and operations of the Group given that the Proposed JV and the Proposed Acquisition involve investments abroad. The risk factors would include but are not limited to the following:

(i) Joint venture risks

Under the SSA, Reserved Matters are required to be tabled to the JVCo Board and shall require the affirmative votes of at least one director appointed by each of the Parties. In addition, to the extent that the Reserved Matter requires shareholders' approval, such Reserved Matter may only be passed by a resolution with affirmative votes of each of the Parties present in person or by proxy. In the event any proposed resolution (including those relating to Reserved Matters) is not passed, the effect of which will prevent the JVCo from operating or carrying on with its business and/or prevent the Project Company from proceeding or continuing with the Project, a deadlock shall have occurred and steps under the SSA would need to be taken in order to overcome the deadlock. This may lead to a disruption to among others, the development and operations of JVCo. Nevertheless, the Parties have committed to work together in the spirit of mutual cooperation and to have regular progress meetings on the Project to avoid or minimise the risk of disputes among the Parties.

(ii) Social, political, economic and legislative conditions

The Proposed JV will be subject to social, political and economic uncertainties in the UK, which include but are not limited to the risks of war, terrorism, riots, nationalism, changes in interest rates, foreign exchange rates, methods of taxation and import duties and restriction. Any change to the political, economic and regulatory environment may have adverse impact on the JVCo's business, financial condition, results of operations and future prospects.

The ability of the Group to repatriate profits arising from the Proposed JV will depend on laws relating to the repatriation of profits prevailing in the UK and/or Jersey, at the time of repatriation. There are currently no policies restricting foreign investment in, and repatriation of profits from UK and/or Jersey in respect of the Proposed JV. Nevertheless, there can be no assurance that any changes to these laws in the future will not have any material adverse effect on the Group.

(iii) Foreign currency and exchange rate fluctuations

As revenue and expenses of JVCo and the Purchase Price for the Proposed Acquisition are in currencies other than Ringgit Malaysia, the Group would be exposed to fluctuations in the foreign exchange movements. To mitigate such risks, the Group assesses controls and monitors foreign exchange risk via regular review of foreign exchange movements and foreign exchange exposure for its overseas operations. Nevertheless, there can be no assurance that any fluctuations in foreign exchange rates will not have any material adverse effect on the income and net assets of the Group.

(iv) Risks relating to the Northern Line Extension ("NLE") delivery

The full implementation of the current Outline Planning Consent granted by the London Borough of Wandsworth for the development of the Property is subject to, inter alia, the completion and operation of an extension of the London underground network, linking the Northern Line to the Battersea area. The proposed NLE linking the existing Kennington Station to two new stations namely Nine Elms and Battersea Power Station will significantly improve accessibility to the site. Whilst the JVCo is required to contribute £212 million (equivalent to approximately RM1 billion) to the NLE, the delivery of the NLE is still dependent on other sources of funding being secured.

Although the NLE is outside the direct control of JVCo as it is under the purview of Transport of London, JVCo understands however, that there is support from the local authority and the Mayor of London as well as central government for the NLE to be delivered as the Property is part of the Vauxhall Nine Elms Battersea Opportunity Area, which is identified in both local and London-wide planning policy documents as an area where major redevelopment will be encouraged.

(v) Business risks

The Proposed JV and the Proposed Acquisition are subject to inherent risks in the property development sector in UK. Such inherent risks include, but are not limited to changes in general economic conditions, government regulations, inflation and changes in business conditions including deterioration of prevailing market conditions, availability of credit facilities and changes in the prevailing interest rate regime.

The Group seeks to limit and mitigate these risks through extensive and careful planning and research, and proper execution of the Project. However, no assurance can be given that any changes to these factors will not have a material adverse effect on the Proposed JV and the Project.

(vi) Interest rate risks

Any increase in interest rates could lead to higher borrowing costs and in turn, affect the profitability of JVCo. However, the management of S P Setia together with its JV partners would actively review the JVCo's debt portfolio, taking into account the level and nature of borrowings. While every effort is taken to ensure that no adverse effects arise from the interest commitments, there can be no assurance that any increase in interest rates will not have any material impact on the JVCo's future financial performance.

(vii) Project risks

The timely completion of the Project is dependent on many external factors, including, amongst others, satisfactory performance by building contractors appointed and obtaining the relevant approvals from the authorities. There can be no assurance that there will not be any delays in the completion of the Project. Any delay in the completion of the Project may adversely affect the business of the JVCo and its financial condition, results of operations and prospects. Although the management of S P Setia would monitor the project schedules intensively to minimize any delay in completion of the Project, there is no assurance that the external factors may not delay the completion of the Project.

7. EFFECTS OF THE PROPOSED JV AND PROPOSED ACQUISITION

7.1 Issued and paid-up share capital

The Proposed JV and Proposed Acquisition will not have any effect on the issued and paid-up share capital of S P Setia.

7.2 Substantial shareholders' shareholding

The Proposed JV and Proposed Acquisition will not have any effect on S P Setia's substantial shareholders' shareholding in S P Setia.

7.3 Earnings per share ("EPS")

The Proposed JV and Proposed Acquisition are not expected to have a material impact to the EPS of the Group for the financial year ending ("**FYE**") 31 October 2012. Nevertheless, barring any unforeseen circumstances, the Proposed JV and Proposed Acquisition are expected to contribute positively to the future earnings of the Group in the longer term.

7.4 Net assets ("NA") per share and gearing

The Proposed JV and Proposed Acquisition are not expected to have any material effect on the audited consolidated NA per share and consolidated gearing of the Group for the FYE 31 October 2012. The financial effect on the future consolidated gearing of the Group will depend on the level of borrowings required to be injected into JVCo to fund the Project. However, the Proposed JV and Proposed Acquisition are expected to contribute positively to the future NA per share of the Group.

8. WAIVER FROM PROPOSED JV BEING DEEMED A RELATED PARTY TRANSACTION

Permodalan Nasional Berhad ("**PNB**"), AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera, Yayasan Pelaburan Bumiputra via its interests in PNB and EPF, are the major shareholders of S P Setia and Sime Darby.

S P Setia had earlier sought a waiver from Bursa Malaysia Securities Berhad ("**Bursa Securities**") from regarding the Proposed JV with Sime Darby and EPF as a related party transaction ("**Waiver**"). After taking into consideration the justifications and circumstances relevant to the Proposed JV, Bursa Securities approved the Waiver.

9. MAJOR SHAREHOLDERS' AND DIRECTORS' INTERESTS

Tan Sri Dato' Dr Wan Mohd Zahid Bin Mohd Noordin ("**Tan Sri Dato' Dr Wan Zahid**") is a Non-Independent Non-Executive Director of S P Setia and Sime Darby, and a representative of PNB on the Board.

Dato' Noor Farida Binti Mohd Ariffin ("**Dato' Noor Farida**") is a Non-Independent Non-Executive Director of S P Setia and a representative of PNB on the Board.

Pursuant to Bursa Securities' approval for the Waiver, Tan Sri Dato' Dr Wan Zahid and Dato' Noor Farida, who are both the representatives of PNB on the Board, are not deemed interested in the Proposed JV and Proposed Acquisition. Nevertheless, they have voluntarily abstained and will continue to abstain from deliberating and voting on the relevant resolutions pertaining to the Proposed JV and Proposed Acquisition at the meetings of the Board.

Save as disclosed above, none of the major shareholders and/or Directors of S P Setia and/or persons connected to them have any interest, direct or indirect, in the Proposed JV and Proposed Acquisition.

10. PERCENTAGE RATIO PURSUANT TO PARAGRAPH 10.02(G) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES ("LISTING REQUIREMENTS")

The highest percentage ratio pursuant to paragraph 10.02(g) of the Listing Requirements is 22.9%, computed based on the audited consolidated financial statements of S P Setia for the financial year ended 31 October 2011.

11. APPROVALS REQUIRED

The Proposed JV and Proposed Acquisition are not subject to the approval of shareholders of S P Setia in view of the Waiver granted by Bursa Securities.

12. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed JV and Proposed Acquisition are expected to be completed by the third (3^{rd}) quarter of 2012 calendar year.

13. ADVISER

AmInvestment Bank has been appointed as the Main Adviser to S P Setia for the Proposed JV and Proposed Acquisition.

14. DIRECTORS' STATEMENT

The Board having considered all aspects of the Proposed JV and Proposed Acquisition is of the opinion that the Proposed JV and Proposed Acquisition are in the best interest of the Group.

15. DOCUMENTS FOR INSPECTION

The SSA and the Contract are available for inspection at the registered office of S P Setia at Plaza 138, Suite 18.03, 18^{th} Floor, 138 Jalan Ampang, 50450 Kuala Lumpur, Malaysia, during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this Announcement.

This announcement is dated 5 July 2012.