

Unless stated otherwise, all abbreviations and defined terms contained in this Abridged Prospectus are defined in the "Definitions" section of this Abridged Prospectus.

**THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

All enquiries concerning the Rights Issue should be addressed to Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor"), our Registrar for the Rights Issue, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. If you have sold or transferred all your Shares, you should hand this Abridged Prospectus, together with the NPA and RSF for the Rights Shares and RCPS-i B (collectively, the "Documents") at once to the agent/broker through whom you effected the sale/transfer for onward transmission to your purchaser(s) and/or transferee(s).

The Documents are only despatched to shareholders of S P Setia who have a registered address in Malaysia and whose names appear in the Record of Depositors at 5.00 p.m. on 30 November 2017. Entitled Shareholders who do not have a registered address in Malaysia and wish to provide their Malaysian address, should inform their respective stockbrokers or Tricor to effect the change of address by 30 November 2017. The Documents are not intended to be (and will not be) issued, circulated or distributed in any country or jurisdiction other than Malaysia and no action has been or will be taken to ensure that either the Rights Issue or the Documents comply with the laws related to public offerings of any country or jurisdiction where action for such purpose is required, other than the laws of Malaysia. Entitled Shareholders and/or their renounee(s) and/or transferee(s), if applicable, who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of the Provisional Rights Shares and/or Provisional RCPS-i B (collectively, the "Provisional Rights Securities"), application for the Excess Rights Shares and/or Excess RCPS-i B (collectively, the "Excess Rights Securities") or the subscription, offer, sale, resale, pledge or other transfer of the Provisional Rights Securities would result in the contravention of any laws of such countries or jurisdictions. Our Company, the Principal Adviser or any other advisers to the Rights Issue shall not accept any responsibility or liability in the event that any acceptance or renunciation (as the case may be) of the Provisional Rights Securities, application for the Excess Rights Securities, or the subscription, offer, sale, resale, pledge or other transfer of the Provisional Rights Securities made by any Entitled Shareholders and/or their renounee(s) and/or transferee(s), if applicable, is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which the said Entitled Shareholders and/or their renounee(s) and/or transferee(s), if applicable, are residents.

Our shareholders have approved, among others, the Rights Issue at our EGM for Shareholders held on 16 November 2017, and our RCPS-i A holders have approved the Rights Issue of RCPS-i B at our EGM for RCPS-i A Holders held on 16 November 2017. On 24 July 2017, the Shariah Advisory Council of the SC had informed that it has no objection to the structure of the RCPS-i B. BNM had, vide its letter dated 8 September 2017, approved the issuance of RCPS-i B to non-resident shareholders of S P Setia pursuant to the Rights Issue of RCPS-i B. Non-resident shareholders are to note the conditions imposed by BNM which, among others, require non-resident shareholders who intend to undertake foreign currency hedging to only enter into foreign currency hedging contracts with licensed domestic banks (i.e. commercial banks, licensed investment banks or Islamic banks other than international Islamic banks). Further / other conditions imposed by BNM are set out in Section 1 of this Abridged Prospectus. Bursa Securities had, vide its letter dated 23 October 2017, approved the admission of RCPS-i B to the Official List of Bursa Securities and the listing of and quotation for, among others, the Rights Shares, RCPS-i B and new Shares to be issued upon conversion of the RCPS-i B on the Main Market of Bursa Securities. The approval of Bursa Securities is in no way reflective of the merits of the Rights Issue and does not indicate that Bursa Securities recommends the Rights Issue. The admission of RCPS-i B to the Official List of Bursa Securities and the listing of and quotation for the Rights Shares, RCPS-i B and the new Shares to be issued upon conversion of the RCPS-i B will commence after, among others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful Entitled Shareholders and/or their renounee(s) and/or transferee(s), if applicable, have been duly credited with the Rights Securities allotted to them, and notices of allotment have been despatched to them.

This Abridged Prospectus has been registered by the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents have also been lodged with the Registrar of Companies who takes no responsibility for the contents of the Documents.

Our Board has seen and approved the Documents. Our Board collectively and individually accepts full responsibility for the accuracy of the information given and confirms that, after having made all reasonable enquiries and to the best of its knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

Maybank IB, being the Principal Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" AS SET OUT IN SECTION 9 OF THIS ABRIDGED PROSPECTUS.**

# Setia

## S P SETIA BERHAD

(Company No. 19698-X)

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

- (I) **RENOUNCEABLE RIGHTS ISSUE OF UP TO 451,916,434 NEW ORDINARY SHARES IN S P SETIA BERHAD ("S P SETIA") ("RIGHTS SHARES") ON THE BASIS OF 2 RIGHTS SHARES FOR EVERY 15 EXISTING ORDINARY SHARES IN S P SETIA ("S P SETIA SHARES") HELD AS AT 5.00 P.M. ON 30 NOVEMBER 2017 AT AN ISSUE PRICE OF RM2.65 PER RIGHTS SHARE ("RIGHTS ISSUE OF SHARES"); AND**
- (II) **RENOUNCEABLE RIGHTS ISSUE OF UP TO 1,355,749,304 NEW CLASS B ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE SHARES IN S P SETIA ("RCPS-i B") ON THE BASIS OF 2 RCPS-i B FOR EVERY 5 EXISTING S P SETIA SHARES HELD AS AT 5.00 P.M. ON 30 NOVEMBER 2017 AT AN ISSUE PRICE OF RM0.88 PER RCPS-i B ("RIGHTS ISSUE OF RCPS-i B")**

Principal Adviser, Managing Underwriter and Joint Underwriter

Joint Underwriter



RHB Investment Bank Berhad  
(Company No. 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

### IMPORTANT RELEVANT DATES AND TIMES

Entitlement Date for the Rights Issue of Shares and Rights Issue of RCPS-i B	:	Thursday, 30 November 2017 at 5.00 p.m.
Last date and time for the sale of the Provisional Rights Shares and Provisional RCPS-i B	:	Monday, 11 December 2017 at 5.00 p.m.
Last date and time for the transfer of the Provisional Rights Shares and Provisional RCPS-i B	:	Thursday, 14 December 2017 at 4.00 p.m.
Last date and time for acceptance and payment for the Provisional Rights Shares and Provisional RCPS-i B	:	Tuesday, 19 December 2017 at 5.00 p.m.
Last date and time for application and payment for the Excess Rights Shares and Excess RCPS-i B	:	Tuesday, 19 December 2017 at 5.00 p.m.

**UNLESS STATED OTHERWISE, ALL ABBREVIATIONS AND DEFINED TERMS CONTAINED IN THIS ABRIDGED PROSPECTUS ARE DEFINED IN THE "DEFINITIONS" SECTION OF THIS ABRIDGED PROSPECTUS.**

**THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.**

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE RIGHTS ISSUE AND ANY INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

**THE VALUATION UTILISED FOR THE PURPOSE OF THE I&P ACQUISITION SHOULD NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE I&P PROPERTIES.**

**YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.**

**SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA (SUCH AS OUR DIRECTORS AND ADVISERS) ARE RESPONSIBLE.**

**THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF THE RIGHTS SHARES AND RCPS-i B BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY THE RIGHTS SHARES AND RCPS-i B IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.**

**THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.**

## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:

7 <sup>th</sup> DRP	:	The DRP that provides our shareholders with an option to reinvest their Final Dividend in new Shares, which was completed on 20 July 2017
8 <sup>th</sup> DRP	:	The DRP that provides our shareholders with an option to reinvest their Interim Dividend in new Shares, which was completed on 16 October 2017
Abridged Prospectus	:	This abridged prospectus dated 30 November 2017 issued by our Company for the Rights Issue
Act	:	Companies Act, 2016
Amendments	:	Collectively, Amendments I and Amendments II
Amendments I	:	Amendments to our Constitution to facilitate the issuance of the RCPS-i B and implementation of the Rights Issue of RCPS-i B
Amendments II	:	Amendments to our Constitution to comply with the requirements of the Act which came into force on 31 January 2017
ART	:	AmanahRaya Trustees Berhad
ART-ASB	:	AmanahRaya Trustees Berhad (as trustee for Amanah Saham Bumiputera)
Bangi Land	:	A piece of freehold land measuring approximately 342.50 acres (or 14,919,300 square feet) held under GRN 49395, Lot 1913, Mukim of Semenyih, District of Ulu Langat, State of Selangor Darul Ehsan
Bangi Land PSA	:	Conditional profit sharing agreement dated 14 April 2017 between KL East and Seriemas in relation to the profit sharing arrangements for the proposed mixed development township on Bangi Land
Bangi Land SPA	:	Conditional sale and purchase agreement dated 14 April 2017 between KL East and Seriemas in relation to the Proposed Bangi Land Acquisition
BNM	:	Bank Negara Malaysia
Board	:	Board of directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
By-Laws	:	The by-laws governing the LTIP, which sets out the terms and conditions of the ESOS and the ESGP
CBRE   WTW	:	C H Williams Talhar & Wong Sdn. Bhd., being one of the independent valuers for the I&P Properties and the property market consultant
CDS	:	Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository

**DEFINITIONS** *(Cont'd)*

CDS Account	:	Securities account established by Bursa Depository for a depositor for the recording of deposits and dealings in such securities by the depositor
Circular	:	Circular to our shareholders and RCPS-i A holders dated 25 October 2017 in relation to the Corporate Exercises
Closing Date	:	19 December 2017 at 5.00 p.m., being the last date and time for the acceptance, application and payment for the Provisional Rights Securities and Excess Rights Securities
CMSA	:	Capital Markets and Services Act, 2007
Corporate Exercises	:	Collectively, the I&P Acquisition, Proposed Bangi Land Acquisition, Rights Issue of Shares, Rights Issue of RCPS-i B, Placement and Amendments
Constitution	:	Constitution of our Company
Conversion Ratio	:	Being 5 new Shares for 21 every RCPS-i B held
Dato' Nizam	:	Dato' Mohd. Nizam bin Zainordin
Documents	:	Collectively, the Rights Shares Documents and RCPS-i B Documents
DRP	:	Dividend reinvestment plan that provides our shareholders with the option to reinvest the dividend to which they are entitled in new Shares
EGM for Shareholders	:	Extraordinary general meeting for our shareholders in relation to the Corporate Exercises which was held on 16 November 2017
EGM for RCPS-i A Holders	:	Extraordinary general meeting for our RCPS-i A holders in relation to the Rights Issue of RCPS-i B which was held on 16 November 2017
Entitled Shareholders	:	Our shareholders whose names appear in our Record of Depositors on the Entitlement Date
Entitlement Date	:	30 November 2017 at 5.00 p.m., being the date and time on which the names of our shareholders must appear in our Record of Depositors in order to be entitled to the Rights Issue
EPF	:	Employees Provident Fund Board
EPS	:	Earnings per share
ESGP	:	Employee share grant plan comprising the performance share plan and restricted share plan adopted by our Company, as may be modified or altered from time to time
ESOS	:	Employee share option scheme
ESOS Option	:	Options granted and/or to be granted to the eligible persons to subscribe for new Shares pursuant to the ESOS
Excess Rights Shares	:	Rights Shares which are not taken up or validly taken up by our Entitled Shareholders and/or their renounee(s) and/or transferee(s), if applicable, by the Closing Date
Excess Rights Securities	:	Collectively, Excess Rights Shares and Excess RCPS-i B



**DEFINITIONS** (Cont'd)

Excess RCPS-i B	:	RCPS-i B which are not taken up or validly taken up by our Entitled Shareholders and/or their renouncee(s) and/or transferee(s), if applicable, by the Closing Date
Final Dividend	:	Single-tier final dividend of 16.0 sen per S P Setia Share for the FYE 31 December 2016 that was declared by our Board on 23 February 2017 and approved by our shareholders at the 42 <sup>nd</sup> Annual General Meeting held on 18 May 2017
Foreign Addressed Shareholders	:	Entitled Shareholders who have not provided an address in Malaysia for the service of the Documents
FPE	:	Financial period ended
Funds	:	The funds under PNB's management, comprising Amanah Saham Bumiputera, Amanah Saham Bumiputera 2, Amanah Saham Gemilang – Amanah Saham Persaraan, Amanah Saham Gemilang - Amanah Saham Kesihatan, Amanah Saham Gemilang - Amanah Saham Pendidikan, Amanah Saham Nasional 3 Imbang, Amanah Saham Nasional 2, Amanah Saham Nasional, Amanah Saham Wawasan 2020, Amanah Saham Malaysia, Amanah Saham Didik and Amanah Saham 1Malaysia
FYE	:	Financial year ended/ending, as the case may be
GDV	:	Gross development value
I&P	:	I&P Group Sdn Berhad
I&P Acquisition	:	Acquisition of 1,000,000,000 I&P Shares, representing the entire equity interest in I&P, for a cash consideration of RM3.65 billion
I&P Group	:	Collectively, I&P and its subsidiaries
I&P Landbank	:	The 4,276 acres of landbank owned by the I&P Group located in Klang Valley and Johor Bahru
I&P Properties	:	All developed properties, land held for property development, on-going property development projects and investment properties owned by the I&P Group inclusive of the I&P Landbank
I&P Property Valuation Certificates	:	Valuation certificates on the I&P Properties from: (a) Jones Lang Wootton dated 13 October 2017; (b) CBRE   WTW dated 7 July 2017; and (c) Khong & Jaafar dated 12 October 2017
I&P Property Valuation Reports	:	Valuation reports on the I&P Properties based on the valuation date of 30 April 2017 prepared by: (a) Jones Lang Wootton; (b) CBRE   WTW; and (c) Khong & Jaafar
I&P Purchase Consideration	:	RM3.65 billion, being the cash purchase price for the I&P Sale Shares
I&P Sale Shares	:	1,000,000,000 I&P Shares, acquired by our Company pursuant to the I&P SPA, representing the entire equity interest of I&P

**DEFINITIONS** *(Cont'd)*

I&P Shares	: Ordinary share(s) in I&P
I&P SPA	: Conditional share purchase agreement dated 22 June 2017, read together with the supplemental share purchase agreement dated 16 October 2017, between our Company and the I&P Vendors in relation to the I&P Acquisition
I&P Vendors	: Collectively, PNB, ART-ASB and Dato' Nizam
Independent Valuers	: Collectively, the independent valuers for the I&P Properties, namely Jones Lang Wootton, CBRE   WTW and Khong & Jaafar
Interim Dividend	: Single-tier interim dividend of 4.0 sen per S P Setia Share for the FYE 31 December 2017 that was declared by our Board on 17 August 2017
Joint Underwriters	: Collectively, Maybank IB and RHB IB
Jones Lang Wootton	: Jones Lang Wootton, being one of the independent valuers for the I&P Properties
Khong & Jaafar	: Khong & Jaafar Sdn. Bhd., being one of the independent valuers for the I&P Properties
KL East	: KL East Sdn. Bhd., a wholly-owned subsidiary of our Company
KWAP	: Kumpulan Wang Persaraan (Diperbadankan)
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 31 October 2017, being the latest practicable date prior to the date of this Abridged Prospectus
LTIP	: Long term incentive plan of our Company comprising the ESOS and the ESGP
Market Day	: A day on which Bursa Securities is open for trading in securities
Maximum Scenario	: Has the meaning ascribed to it in Section 10 of this Abridged Prospectus
Maybank IB or Principal Adviser	: Maybank Investment Bank Berhad
Maybank Islamic or Shariah Adviser	: Maybank Islamic Berhad
Minimum Scenario	: Has the meaning ascribed to it in Section 10 of this Abridged Prospectus
NA	: Net assets
NBV	: Net book value
NPA	: Collectively, the Rights Shares NPA and RCPS-i B NPA
PAT	: Profit after tax
PBT	: Profit before tax

**DEFINITIONS** *(Cont'd)*

Placement	:	Placement of new Shares to investors to be identified to raise gross proceeds of up to RM1.2 billion
Placement Shares	:	New Shares to be issued pursuant to the Placement
PNB	:	Permodalan Nasional Berhad
Price-Fixing Date	:	16 November 2017, being the date on which our Board had fixed the issue price and the entitlement basis for the Rights Issue, as well as the Conversion Ratio
Proposed Bangi Land Acquisition	:	Collectively, the proposed acquisition of Bangi Land by KL East from Seriemas for a cash consideration of RM447,579,000 and the proposed profit share between KL East and Seriemas from the development of the Bangi Land
Provisional RCPS-i B	:	RCPS-i B provisionally allotted to our Entitled Shareholders
Provisional Rights Securities	:	Collectively, Provisional Rights Shares and Provisional RCPS-i B
Provisional Rights Shares	:	Rights Shares provisionally allotted to our Entitled Shareholders
RCPS-i A	:	The existing Islamic redeemable convertible preference shares of our Company issued on 2 December 2016
RCPS-i B	:	New Class B Islamic redeemable convertible preference shares of our Company to be issued pursuant to the Rights Issue of RCPS-i B
RCPS-i B Documents	:	Collectively, this Abridged Prospectus and the accompanying RCPS-i B NPA and RCPS-i B RSF
RCPS-i B Issue Price	:	Issue price of RM0.88 per RCPS-i B
RCPS-i B NPA	:	Notice of provisional allotment of RCPS-i B for the Rights Issue of RCPS-i B
RCPS-i B RSF	:	Rights subscription form for the RCPS-i B
Record of Depositors	:	The record of depositors maintained by Bursa Depository under the Rules of Bursa Depository
RHB IB	:	RHB Investment Bank Berhad
Rights Issue	:	Collectively, Rights Issue of Shares and Rights Issue of RCPS-i B
Rights Issue of RCPS-i B	:	Renounceable rights issue of up to 1,355,749,304 RCPS-i B on the basis of 2 RCPS-i B for every 5 existing Shares held by the Entitled Shareholders on the Entitlement Date at the RCPS-i B Issue Price
Rights Issue of Shares	:	Renounceable rights issue of up to 451,916,434 Rights Shares on the basis of 2 Rights Shares for every 15 existing Shares held by the Entitled Shareholders on the Entitlement Date at the Rights Share Issue Price
Rights Shares	:	New Shares to be issued pursuant to the Rights Issue of Shares
Rights Shares Documents	:	Collectively, this Abridged Prospectus and the accompanying Rights Shares NPA and Rights Shares RSF

**DEFINITIONS** (Cont'd)

Rights Share Issue Price	:	Issue price of RM2.65 per Rights Share
Rights Shares NPA	:	Notice of provisional allotment of Rights Shares under the Rights Issue of Shares
Rights Shares RSF	:	Rights subscription form for the Rights Shares
RPGT	:	Real property gains tax
RSF	:	Collectively, the Rights Shares RSF and the RCPS-i B RSF
Rules of Bursa Depository	:	The rules of Bursa Depository as issued pursuant to the SICDA
SC	:	Securities Commission Malaysia
Seriemas	:	Seriemas Development Sdn. Berhad
Shariah Pronouncement Letter	:	Shariah pronouncement letter dated 21 July 2017 issued by Maybank Islamic
SICDA	:	Securities Industry (Central Depositories) Act, 1991
S P Setia or Company	:	S P Setia Berhad
S P Setia Group or Group	:	Collectively, our Company and our subsidiaries
S P Setia Share(s) or Share(s)	:	Ordinary share(s) in our Company
Sukuk Musharakah	:	Islamic 5-years non-callable perpetual notes issued by our Company on 13 December 2013
TERP	:	Theoretical ex-rights price
Tricor or Registrar for the Rights Issue	:	Tricor Investor & Issuing House Services Sdn. Bhd.
Undertakings	:	The following irrevocable undertakings, further details of which are set out in Section 4.1 of this Abridged Prospectus: <ul style="list-style-type: none"> <li>(a) letter of undertaking dated 19 June 2017 provided by PNB, in favour of our Company; and</li> <li>(b) letter of undertaking dated 20 June 2017 provided by ART, as the trustee of the Funds, in favour of our Company</li> </ul>
Underwriting Agreement	:	Underwriting agreement dated 16 November 2017 between the Company and the Joint Underwriters
VWAMP	:	Volume-weighted average market price
Yayasan	:	Yayasan Pelaburan Bumiputra
<b>CURRENCIES</b>		
AUD	:	Australian Dollar
GBP	:	Great Britain Pounds



**DEFINITIONS** (Cont'd)

HKD	:	Hong Kong Dollar
RM and sen	:	Ringgit Malaysia and sen
RMB	:	Renminbi
SGD	:	Singapore Dollar
USD	:	United States Dollar
VND	:	Vietnamese Dong

**EXCHANGE RATES** <sup>(1)</sup>

AUD 1.00	:	RM3.2456
GBP 1.00	:	RM5.5870
HKD 100.00	:	RM54.2356
RMB 1.00	:	RM0.6383
SGD 1.00	:	RM3.1077
USD 1.00	:	RM4.2310
VND 100.00	:	RM0.0186

**Note:**

(1) *The exchange rates are based on the middle rate as published/made available by BNM at 5.00 p.m. on the LPD.*

All references to "**our Company**" or "**S P Setia**" in this Abridged Prospectus are to S P Setia, and references to "**our Group**" are to our Company and our subsidiaries, collectively. All references to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company and, where the context requires otherwise, shall include our Company and our subsidiaries.

All references to "**you**" or "**your**" in this Abridged Prospectus are to our Entitled Shareholders and/or, where the context requires otherwise, the renounee(s) and/or transferee(s).

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Reference to persons shall include corporations and individuals, unless otherwise specified.

Any reference in this Abridged Prospectus to any legislation, statute, guidelines, rules or regulations is a reference to that legislation, statute, guidelines, rules or regulations, as amended or re-enacted from time to time. Any reference to time of day or date in this Abridged Prospectus is a reference to Malaysian time and date respectively, unless otherwise specified.

Any discrepancies in the figures included in this Abridged Prospectus between the amounts stated, actual figures and the totals thereof are due to rounding.

This Abridged Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Abridged Prospectus including, without limitation, those regarding our Group's financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. There can be no assurance that such forward-looking statements will materialise, be fulfilled or be achieved.

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## CORPORATE DIRECTORY

## OUR BOARD

<b>Name (Designation)</b>	<b>Address</b>	<b>Nationality</b>	<b>Age</b>	<b>Occupation</b>
Tan Sri Dato' Seri Dr. Wan Mohd Zahid bin Mohd Noordin <i>(Non-Independent Non-Executive Chairman)</i>	No. 3, Jalan SS 1/25 Kampung Tunku 47300 Petaling Jaya Selangor Darul Ehsan	Malaysian	77	Company Director
Dato' Khor Chap Jen <i>(President and Chief Executive Officer)</i>	No. 1, Jalan Setia Nusantara U13/22U Setia Eco Park 40170 Shah Alam Selangor Darul Ehsan	Malaysian	58	Company Director/ President/ Chief Executive Officer (S P Setia)
Dato' Ahmad Pardas bin Senin <i>(Senior Independent Non-Executive Director)</i>	No. 35, Jalan Athinahapan 4 Taman Tun Dr Ismail 60000 Kuala Lumpur	Malaysian	65	Company Director
Dato' Seri Ir. Hj. Mohd Noor bin Yaacob <i>(Independent Non-Executive Director)</i>	No. 9, Jalan K6 Taman Melawati 53100 Kuala Lumpur	Malaysian	63	Company Director
Noraini binti Che Dan <i>(Independent Non-Executive Director)</i>	No. 32, Jalan SS17/2L 47500 Subang Jaya Selangor Darul Ehsan	Malaysian	61	Company Director
Philip Tan Puay Koon <i>(Independent Non-Executive Director)</i>	No. 115, Jalan Terasek 1 Bangsar Baru 59100 Kuala Lumpur	Malaysian	60	Company Director
Tengku Dato' Ab. Aziz bin Tengku Mahmud <i>(Non-Independent Non-Executive Director)</i>	No. 3, Jalan SS18/28A 47500 Subang Jaya Selangor Darul Ehsan	Malaysian	60	Company Director
Dato' Halipah binti Esa <i>(Non-Independent Non-Executive Director)</i>	No. 1, Jalan P10/9 Presint 10 62250 Putrajaya	Malaysian	67	Company Director
Dato' Zuraidah binti Atan <i>(Non-Independent Non-Executive Director)</i>	R5C Rumbia Kampung Warisan Condo Jalan Jelatek 54200 Kuala Lumpur	Malaysian	58	Company Director / Advocate & Solicitor
Dato' Azmi bin Mohd Ali <i>(Non-Independent Non-Executive Director)</i>	No. 61, Jalan Keramat Hujung Bukit Keramat 54000 Kuala Lumpur	Malaysian	57	Company Director / Advocate & Solicitor

**CORPORATE DIRECTORY (Cont'd)****AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Noraini binti Che Dan	Chairperson	Independent Non-Executive Director
Philip Tan Puay Koon	Member	Independent Non-Executive Director
Dato' Azmi bin Mohd Ali	Member	Non-Independent Non-Executive Director

**COMPANY SECRETARIES**

: Lee Wai Ngan (LS 0000184)  
5-10, Block A  
Shang Villa, Jalan SS 7/15  
Kelana Jaya  
47301 Petaling Jaya  
Selangor Darul Ehsan

Lee Wai Kim (MAICSA 7036446)  
No. 7 Jalan Kemuning Indah 32/141E  
Kemuning Utama  
40460 Shah Alam  
Selangor Darul Ehsan

**REGISTERED OFFICE**

: Plaza 138, Suite 18.03  
18<sup>th</sup> Floor, 138 Jalan Ampang  
50450 Kuala Lumpur

Tel. no.: +603-2161 5466  
Fax no.: +603-2163 6968  
E-mail: systems@ssassociates.com.my

**HEAD OFFICE**

: S P Setia Berhad Corporate HQ  
No. 12, Persiaran Setia Dagang  
Setia Alam, Seksyen U13  
40170 Shah Alam  
Selangor Darul Ehsan

Tel. no.: +603-3348 2255  
Fax no.: +603-3344 3232  
E-mail: corp@spsetia.com  
Website: www.spsetia.com  
*(Information on this website does not constitute part of this Abridged Prospectus)*

**AUDITORS AND REPORTING ACCOUNTANTS FOR THE RIGHTS ISSUE**

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

Tel. no.: +603-7495 8000  
Fax no.: +603-2095 5332



**CORPORATE DIRECTORY (Cont'd)**

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- REGISTRAR FOR THE RIGHTS ISSUE** : 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. no.: +603-2783 9299  
Fax no.: +603-2783 9222
- PRINCIPAL BANKERS** : Affin Bank Berhad  
17<sup>th</sup> Floor, Menara Affin  
80, Jalan Raja Chulan  
50200 Kuala Lumpur
- Tel. no.: +603-2055 9000  
Fax no.: +603-2026 1415
- : Alliance Bank Malaysia Berhad  
Menara Multi-Purpose, Capital Square  
8, Jalan Munshi Abdullah  
50100 Kuala Lumpur
- Tel. no.: +603-5516 9988
- : Al Rajhi Banking & Investment Corporation (Malaysia) Bhd.  
Ground Floor, East Block Wisma Selangor Dredging  
142-B Jalan Ampang  
50450 Kuala Lumpur
- Tel. no.: +603-2301 7000  
Fax no.: +603-2170 7100
- : AmBank (M) Berhad  
Level 18, Menara Dion  
Jalan Sultan Ismail  
50250 Kuala Lumpur
- Tel. no.: +603-2026 3939  
Fax no.: +603-2026 6855
- : Bank Islam Malaysia Berhad  
Level 32, Menara Bank Islam  
No. 22, Jalan Perak  
50450 Kuala Lumpur
- Tel. no.: +603-2088 8000  
Fax no.: +603-2088 8028
- : Bank Muamalat Malaysia Berhad  
Ibu Pejabat, Menara Bumiputra  
21, Jalan Melaka  
50100 Kuala Lumpur
- Tel. no.: +603-2698 8787

**CORPORATE DIRECTORY (Cont'd)**

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- PRINCIPAL BANKERS (Cont'd)**
- : CIMB Bank Berhad  
17<sup>th</sup> Floor, Menara CIMB  
No. 1, Jalan Stesen Sentral 2  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
  
Tel. no.: +603-2261 8888  
Fax no.: +603-2261 8889
  - : Export-Import Bank of Malaysia Berhad  
Aras 1, EXIM BANK  
Jalan Sultan Ismail, P.O. Box 13028  
50250 Kuala Lumpur  
  
Tel. no.: +603-2601 2000  
Fax no.: +603-2601 2100
  - : Hong Leong Bank Berhad  
Level 10, Menara Hong Leong  
No. 6, Jalan Damanlela, Bukit Damansara,  
50490 Kuala Lumpur  
  
Tel. no.: +603-2081 8888  
Fax no.: +603-2081 8934
  - : HSBC Bank Malaysia Berhad  
No. 2, Leboh Ampang  
50100 Kuala Lumpur
  - : Industrial and Commercial Bank of China (Malaysia) Berhad  
Level 35, Menara Maxis,  
Kuala Lumpur City Centre,  
50088 Kuala Lumpur  
  
Tel. no.: +603-2301 3399  
Fax no.: +603-2301 3388
  - : Malayan Banking Berhad  
Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur  
  
Tel. no.: +603-2070 8833
  - : Maybank Islamic Berhad  
Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur  
  
Tel. no.: +603-2070 8833
  - : OCBC Bank (Malaysia) Berhad  
Head Office, Menara OCBC  
18, Jalan Tun Perak  
50050 Kuala Lumpur

**CORPORATE DIRECTORY (Cont'd)**

- PRINCIPAL BANKERS (Cont'd)**
- : Public Bank Berhad  
Menara Public Bank  
146, Jalan Ampang  
50450 Kuala Lumpur  
  
Tel. no.: +603-2176 6000  
Fax no.: +603-2163 9917
  - : RHB Bank Berhad  
Level 7, Tower 3, RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
  
Tel. no.: +603-9287 8888  
Fax no.: +603-9280 6167
  - : Sumitomo Mitsui Banking Corporation Malaysia Berhad  
Suite 22-03, Level 22, Integra Tower  
The Intermark, 348, Jalan Tun Razak  
50400 Kuala Lumpur  
  
Tel. no.: +603-2176 1500  
Fax no.: +603-2165 1599
  - : United Overseas Bank (Malaysia) Bhd  
Level 11, Menara UOB  
Jalan Raja Laut  
50350 Kuala Lumpur  
  
Tel. no.: +603-2692 7722  
Fax no.: +603-2691 6073
- SOLICITOR FOR THE RIGHTS ISSUE**
- : Wong & Partners  
Level 21, The Gardens South Tower  
Mid Valley City, Lingkaran Syed Putra  
Kuala Lumpur 59200  
  
Tel. no.: +603-2298 7888  
Fax no.: +603-2282 2669
- PRINCIPAL ADVISER, MANAGING UNDERWRITER AND JOINT UNDERWRITER**
- : Maybank Investment Bank Berhad  
32<sup>nd</sup> Floor, Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur  
  
Tel. no.: +603-2059 1888  
Fax no.: +603-2078 4194
- JOINT UNDERWRITER**
- : RHB Investment Bank Berhad  
Level 13, Tower Three  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
  
Tel. no.: +603-9287 3888  
Fax no.: +603-9280 6402

**CORPORATE DIRECTORY (Cont'd)**

- PROPERTY MARKET CONSULTANT** : C H Williams Talhar & Wong Sdn. Bhd.  
30-01, 30<sup>th</sup> Floor  
Menara Multi-Purpose  
8 Jalan Munshi Abdullah  
P O Box 12157  
50100 Kuala Lumpur
- Tel. no.: +603-2616 8888  
Fax no.: +603-2616 8899
- INDEPENDENT VALUERS** : C H Williams Talhar & Wong Sdn. Bhd.  
30-01, 30<sup>th</sup> Floor  
Menara Multi-Purpose  
8 Jalan Munshi Abdullah  
P O Box 12157  
50100 Kuala Lumpur
- Tel. no.: +603-2616 8888  
Fax no.: +603-2616 8899
- : Jones Lang Wootton  
8<sup>th</sup> Floor, Bangunan Getah Asli (Menara)  
148 Jalan Ampang  
50450 Kuala Lumpur
- Tel. no.: +603-2161 2522  
Fax no.: +603-2161 8060
- : Khong & Jaafar Sdn. Bhd.  
57-1, Jalan Telawi Tiga  
Bangsar Baru  
59100 Kuala Lumpur
- Tel. no.: +603-2282 9699  
Fax no.: +603-2282 9799
- SHARIAH ADVISER FOR THE RIGHTS ISSUE OF RCPS-i B** : Maybank Islamic Berhad  
Level 10, Tower A, Dataran Maybank  
No 1, Jalan Maarof  
59000 Kuala Lumpur
- Tel. no.: +603-2297 2001  
Fax no.: +603-2297 2002
- STOCK EXCHANGE LISTED AND LISTING SOUGHT** : Main Market of Bursa Securities

# Setia

**S P SETIA BERHAD**

(Company No. 19698-X)

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

**Registered Office**

Plaza 138, Suite 18.03  
18<sup>th</sup> Floor, 138 Jalan Ampang  
50450 Kuala Lumpur

30 November 2017

**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*)

Noraini binti Che Dan (*Independent Non-Executive Director*)

Philip Tan Puay Koon (*Independent Non-Executive Director*)

Tengku Dato' Ab. Aziz bin Tengku Mahmud (*Non-Independent Non-Executive Director*)

Dato' Halipah binti Esa (*Non-Independent Non-Executive Director*)

Dato' Zuraidah binti Atan (*Non-Independent Non-Executive Director*)

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

**To : Our shareholders**

Dear Sir/Madam,

- (I) **RENOUNCEABLE RIGHTS ISSUE OF UP TO 451,916,434 RIGHTS SHARES ON THE BASIS OF 2 RIGHTS SHARES FOR EVERY 15 EXISTING SHARES HELD AS AT 5.00 P.M. ON 30 NOVEMBER 2017 AT AN ISSUE PRICE OF RM2.65 PER RIGHTS SHARE; AND**
- (II) **RENOUNCEABLE RIGHTS ISSUE OF UP TO 1,355,749,304 RCPS-i B ON THE BASIS OF 2 RCPS-i B FOR EVERY 5 EXISTING SHARES HELD AS AT 5.00 P.M. ON 30 NOVEMBER 2017 AT AN ISSUE PRICE OF RM0.88 PER RCPS-i B**

**1. INTRODUCTION**

On 22 June 2017, Maybank IB had, on behalf of our Board, announced that we proposed to undertake, among others, the Rights Issue of Shares and the Rights Issue of RCPS-i B.

On 26 July 2017, Maybank IB had, on behalf of our Board, announced that the Shariah Advisory Council of the SC had, vide its letter dated 24 July 2017, informed that it has no objection to the Rights Issue of RCPS-i B.

On 19 September 2017, Maybank IB had, on behalf of our Board, announced that BNM had, vide its letter dated 8 September 2017, which was received by our Company on 19 September 2017, approved the issuance of RCPS-i B to our non-resident shareholders ("**Non-Resident Shareholders**") pursuant to the Rights Issue of RCPS-i B ("**BNM Approval**") subject to the following conditions:

<b>No.</b>	<b>Conditions</b>	<b>Status of compliance</b>
(a)	S P Setia must notify BNM of the final number of RCPS-i B issued to Non-Resident Shareholders and the date of such issuance; and	To be complied

<u>No.</u>	<u>Conditions</u>	<u>Status of compliance</u>
(b)	S P Setia must obtain BNM's prior approval for any changes to the terms of the RCPS-i B specified in the BNM Approval.	Noted.

The BNM Approval will be automatically revoked if:

- (a) any information or documents submitted by our Company pursuant to the application to BNM is false, inaccurate, incomplete or confusing, or contains any errors or material omission;
- (b) the proceeds of the Rights Issue of RCPS-i B to be raised from our Non-Resident Shareholders are utilised for purposes other than to finance the I&P Acquisition; or
- (c) our Company amends any of the terms of the Rights Issue of RCPS-i B (including the utilisation of proceeds) without obtaining BNM's prior approval.

In addition, the BNM Approval is also subject to the following:

- (a) our Company may redeem the RCPS-i B in RM or foreign currency (other than in the national currency of Israel). Where redemption is made in RM, the payment must be made into the external accounts of our Non-Resident Shareholders which are maintained in Malaysia;
- (b) any conversion of foreign currency into RM or vice versa must be carried out by licensed domestic banks (i.e. commercial banks, licensed investment banks or Islamic banks other than international Islamic banks) ("**Licensed Domestic Banks**");
- (c) our Company must ensure that any foreign currency hedging contract to be entered into by our Non-Resident Shareholder is entered into with a Licensed Domestic Bank; and
- (d) legal actions can be taken against our Company under sub-section 214(9) of the Financial Services Act, 2013 in the event our Company fails to comply with any of the above conditions.

On 24 October 2017, Maybank IB had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 23 October 2017 approved the following:

- (a) admission of up to 1,363,636,364 RCPS-i B to the Official List of Bursa Securities; and
- (b) listing of and quotation for the following, on the Main Market of Bursa Securities:
  - (i) up to 504,201,680 Rights Shares;
  - (ii) up to 1,363,636,364 RCPS-i B;
  - (iii) up to 424,028,268 Placement Shares; and
  - (iv) up to 358,851,674 new Shares to be issued upon conversion of the RCPS-i B.



The approval of Bursa Securities is subject to, among others, the following conditions:

No.	Conditions	Status of compliance
(a)	S P Setia and Maybank IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Corporate Exercises;	Noted
(b)	S P Setia and Maybank IB to inform Bursa Securities upon the completion of the Corporate Exercises; and	To be complied
(c)	S P Setia to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Corporate Exercises are completed.	To be complied

On 16 November 2017, Maybank IB had, on behalf of our Board, announced that:

- (a) our shareholders had, at the EGM for Shareholders held on even date, approved the Corporate Exercises and our RCPS-i A holders had, at the EGM for RCPS-i A Holders held on even date, approved the Rights Issue of RCPS-i B;
- (b) the Rights Share Issue Price has been fixed at RM2.65 per Rights Share, and the entitlement basis for the Rights Issue of Shares has been fixed at 2 Rights Shares for every 15 existing Shares held by the Entitled Shareholders on the Entitlement Date;
- (c) the RCPS-i B Issue Price has been fixed at RM0.88 per RCPS-i B, and the entitlement basis for the Rights Issue of RCPS-i B has been fixed at 2 RCPS-i B for every 5 existing Shares held by the Entitled Shareholders on the Entitlement Date;
- (d) the Entitlement Date has been fixed on 30 November 2017 at 5.00 p.m.; and
- (e) we had on even date entered into the Underwriting Agreement with the Joint Underwriters.

A certified true copy of the extract of the resolutions pertaining to the Corporate Exercises passed at the EGM for Shareholders and EGM for RCPS-i A Holders are set out in **Appendices I(A)** and **I(B)** of this Abridged Prospectus, respectively.

The admission of RCPS-i B to the Official List of Bursa Securities and the listing of and quotation for the Rights Shares, RCPS-i B and new Shares to be issued upon conversion of the RCPS-i B, will commence after, among others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful Entitled Shareholders and/or their renounee(s) and/or transferee(s), if applicable, have been duly credited with the Rights Securities allotted to them, and notices of allotment have been despatched to them.

No person is authorised to give any information or make any representation not contained in the Documents, and if given or made, such information or representation must not be relied upon as having been authorised by us or Maybank IB in connection to the Rights Issue.

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

## 2. DETAILS OF THE RIGHTS ISSUE OF SHARES

### 2.1 Rights Issue of Shares

In accordance with the terms of the Rights Issue of Shares as approved by our shareholders at the EGM for Shareholders and subject to the terms of the Rights Shares Documents, the Rights Issue of Shares entails a provisional allotment of up to 451,916,434 Rights Shares to the Entitled Shareholders on the basis of 2 Rights Shares for every 15 existing Shares held on the Entitlement Date at the Rights Share Issue Price.

The actual number of Rights Shares to be issued will be determined based on the total number of Shares in issue as at the Entitlement Date. The Rights Shares will be provisionally allotted to the Entitled Shareholders on the Entitlement Date. Fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as our Board shall in its sole and absolute discretion deem fit or expedient and in the best interest of our Company.

The Rights Issue of Shares is renounceable in full or in part provided that any renunciation is done on or before the last day for the sale or transfer of the Provisional Rights Shares. Accordingly, the Entitled Shareholders can subscribe for, renounce or transfer their entitlements to the Provisional Rights Shares in full or in part. For avoidance of doubt, the entitlements to the Provisional Rights Shares and the Provisional RCPS-i B can be renounced separately.

Any Rights Share which is not subscribed or validly subscribed by the Closing Date will be made available for excess application by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable). It is the intention of our Board to allocate the Excess Rights Shares, if any, in a fair and equitable manner in accordance with the procedures set out in Section 12.4 of this Abridged Prospectus.

As you are an Entitled Shareholder and the shares are prescribed securities, your CDS Account will be duly credited with the number of Provisional Rights Shares which you are entitled to subscribe for under the terms of the Rights Issue of Shares. You will find enclosed with this Abridged Prospectus, the Rights Shares NPA notifying you of the crediting of such securities into your CDS Account and the Rights Shares RSF to enable you to subscribe for the Rights Shares provisionally allotted to you, as well as to apply for the Excess Rights Shares if you choose to do so.

Any dealings in our securities will be subject to the provisions of the SICDA and the Rules of Bursa Depository. Upon allotment and issuance, the Rights Shares will be credited directly into the respective CDS Accounts of the successful applicants. No physical Rights Shares certificates will be issued but notices of allotment will be despatched to the successful applicants.

**IF YOU WISH TO ACCEPT THE PROVISIONAL RIGHTS SHARES (IN FULL OR IN PART) AS SPECIFIED IN THE RIGHTS SHARES NPA AND/OR APPLY FOR THE EXCESS RIGHTS SHARES, YOU MAY DO SO BY COMPLETING THE RIGHTS SHARES RSF.**

## 2.2 Basis and justification for the Rights Share Issue Price

The Rights Share Issue Price of RM2.65 per Rights Share was determined by our Board on the Price-Fixing Date, after taking into consideration, *inter alia*, the funding requirements of our Company to part-finance the I&P Acquisition, the prevailing market price of our Shares as well as the pricing for recent rights issue exercises implemented by other listed companies in Malaysia.

The Rights Share Issue Price of RM2.65 per Rights Share represents a discount of approximately 20.2% to the TERP of our Shares of RM3.32, based on the 5-day VWAMP of the Shares up to and including 15 November 2017, being the last Market Day preceding the Price-Fixing Date ("**Last Market Day**") of RM3.41, was fixed after taking into consideration the following:

- (i) the discounts for the rights issue of shares exercises of other listed companies in Malaysia to finance an acquisition of assets ranging from 18.6% to 35.0%;
- (ii) prospects of our enlarged Group after the completion of the I&P Acquisition; and
- (iii) the parallel implementation of the Rights Issue of RCPS-i B where the Entitled Shareholders will be provided with an opportunity to subscribe for RCPS-i B which offers an attractive annual Expected Preferential Dividend Rate (as defined in Section 3.2 of this Abridged Prospectus) of 5.93%.

## 2.3 Ranking of the Rights Shares

The Rights Shares will, upon allotment and issuance, rank equally in all respects with the then existing Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the Rights Shares.

## 2.4 Last date and time for the acceptance, application and payment for the Rights Issue of Shares

The last date and time for the acceptance, application and payment for the Rights Issue of Shares is 5.00 p.m. on Tuesday, 19 December 2017.

## 3. DETAILS OF THE RIGHTS ISSUE OF RCPS-i B

### 3.1 Rights Issue of RCPS-i B

In accordance with the terms of the Rights Issue of RCPS-i B as approved by our shareholders at the EGM for Shareholders and by our RCPS-i A holders at the EGM for RCPS-i A Holders, and subject to the terms of the RCPS-i B Documents, the Rights Issue of RCPS-i B entails a provisional allotment of up to 1,355,749,304 RCPS-i B to the Entitled Shareholders on the basis of 2 RCPS-i B for every 5 existing Shares held on the Entitlement Date at the RCPS-i B Issue Price.

The actual number of RCPS-i B to be issued will be determined based on the total number of Shares in issue as at the Entitlement Date. The RCPS-i B will be provisionally allotted to the Entitled Shareholders on the Entitlement Date. Fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as our Board shall in its sole and absolute discretion deem fit or expedient and in the best interest of our Company.

The Rights Issue of RCPS-i B is renounceable in full or in part provided that any renunciation is done on or before the last day for the sale or transfer of the Provisional RCPS-i B. Accordingly, the Entitled Shareholders can subscribe for, renounce or transfer their entitlements to the RCPS-i B in full or in part. For avoidance of doubt, the entitlements to the Provisional RCPS-i B and the Provisional Rights Shares can be renounced separately.

Any RCPS-i B which is not subscribed or validly subscribed by the Closing Date shall be made available for excess application by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable). It is the intention of our Board to allocate the Excess RCPS-i B, if any, in a fair and equitable manner in accordance with the procedures set out in Section 12.4 of this Abridged Prospectus.

As you are an Entitled Shareholder and the shares are prescribed securities, your CDS Account will be duly credited with the number of Provisional RCPS-i B which you are entitled to subscribe for under the terms of the Rights Issue of RCPS-i B. You will find enclosed with this Abridged Prospectus, the RCPS-i B NPA notifying you of the crediting of such securities into your CDS Account and the RCPS-i B RSF to enable you to subscribe for the RCPS-i B provisionally allotted to you, as well as to apply for the Excess RCPS-i B if you choose to do so.

Any dealings in our securities will be subject to the provisions of the SICDA and the Rules of Bursa Depository. Upon allotment and issuance, the RCPS-i B will be credited directly into the respective CDS Accounts of the successful applicants. No physical RCPS-i B certificates will be issued but notices of allotment will be despatched to the successful applicants.

**IF YOU WISH TO ACCEPT THE PROVISIONAL RCPS-i B (IN FULL OR IN PART) AS SPECIFIED IN THE RCPS-i B NPA AND/OR APPLY FOR THE EXCESS RCPS-i B, YOU MAY DO SO BY COMPLETING THE RCPS-i B RSF.**

### 3.2 Salient terms of the RCPS-i B

The salient terms of the RCPS-i B <sup>(1)</sup> are as follows:

RCPS-i B Issue Price	:	RM 0.88 per RCPS-i B
RCPS-i B Issue Size	:	Up to 1,355,749,304 RCPS-i B
Form	:	The RCPS-i B will be issued in registered form.
Tenure	:	Perpetual <sup>(2)</sup>
Issue Date	:	Date of issue of the RCPS-i B to be determined by our Board (" <b>Issue Date</b> ").
Dividend	:	The RCPS-i B shall carry the right to receive preferential dividends, out of the distributable profits of our Company earned from the 1 <sup>st</sup> day of the calendar month following the Issue Date (" <b>Profits</b> "), when declared and approved by our Board, at the expected preferential dividend rate of 5.93% per annum.

From the period commencing on and including the 5<sup>th</sup> anniversary of the Issue Date until the Redemption Date (as defined below), an additional stepped-up preferential dividend rate of 1.0% per annum above the expected rate mentioned above, 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) on any Preferential Dividend Entitlement Date (as defined below) ("**Expected Preferential Dividend Rate**") shall not exceed a total rate of 20% per annum.

Subject to the availability of Profits, the preferential dividends (if declared) shall be distributable semi-annually (save in respect of the 1<sup>st</sup> distribution), with the RCPS-i B holders being entitled to the 1<sup>st</sup> distribution on such date being the next preferential dividend entitlement date of the RCPS-i A (in accordance with its terms) following the Issue Date, and subsequently, at successive intervals of every 6 months thereafter (each of the aforementioned dates shall be referred to as "**Preferential Dividend Entitlement Date**").

The maximum amount of preferential dividends that can be declared and paid on each Preferential Dividend Entitlement Date ("**Expected Preferential Dividend Amount**"), shall be capped at such Expected Preferential Dividend Rate unless otherwise decided by our Board.

On any Preferential Dividend Entitlement Date:

- (i) in the event that the Profits are lower than the Expected Preferential Dividend Amount and our Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount (in whole or in part):
  - (a) our Company may, at its discretion, declare and pay any amount of preferential dividends up to an amount equal to the Profits as at such Preferential Dividend Entitlement Date. (The amount of Profits declared as preferential dividends by our Company on a particular Preferential Dividend Entitlement Date, if any, shall be referred to as "**Declared Sum**"); and
  - (b) the amount equivalent to the difference between: (A) the Profits as at such Preferential Dividend Entitlement Date; and (B) Declared Sum, shall be cumulative ("**Deferred Dividends 1**"), so long as the RCPS-i B remains unredeemed. In this instance, the amount equivalent to the difference between: (A) the Expected Preferential Dividend Amount; and (B) the Profits as at such Preferential Dividend Entitlement Date, shall not be cumulative; and
- (ii) in the event that the Profits are more than the Expected Preferential Dividend Amount and our Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount (in whole or in part):

- (a) the amount equivalent to the difference between: (A) the Expected Preferential Dividend Amount; and (B) the Declared Sum, shall be cumulative ("**Deferred Dividends 2**"), so long as the RCPS-i B remains unredeemed.

Deferred Dividends 1 and Deferred Dividends 2 (as the case may be) (collectively referred to as "**Deferred Dividends**") may be declared and/or paid, at the discretion of our Company, on any subsequent Preferential Dividend Entitlement Date, provided that the Cumulative Condition (as defined below) is fulfilled on such Preferential Dividend Entitlement Date.

"**Cumulative Condition**" of the RCPS-i B means on any Preferential Dividend Entitlement Date, our Company:

- (i) has sufficient Profits that is at least equivalent to the aggregate of the Declared Sum and any Deferred Dividends accumulated as at and on such Preferential Dividend Entitlement Date;
- (ii) has maintained books and records that evidence our Company having Profits that is at least equivalent to the aggregate of the Declared Sum and any Deferred Dividends accumulated as at and on such Preferential Dividend Entitlement Date; and
- (iii) makes an announcement on the Main Market of Bursa Securities that such amount of Deferred Dividends on such Preferential Dividend Entitlement Date shall be cumulative.

The Deferred Dividends shall not be payable to the RCPS-i B holders if our Company has not declared it as a preferential dividend. For clarity, the Deferred Dividends that are not declared will not be payable in the following circumstances:

- (i) upon the winding-up, liquidation or dissolution of our Company. Accordingly, the RCPS-i B holders shall (in and for compliance with Shariah, and by the decision of our Board at the relevant time on their behalf) waive all Deferred Dividends that our Company has not declared; and
- (ii) upon the RCPS-i B holders converting the RCPS-i B to S P Setia Shares. Accordingly, the RCPS-i B holders shall (in and for compliance with Shariah) waive all Deferred Dividends that our Company has not declared.

Where there is no Profit available for the declaration and payment of dividends, our Company shall have no obligation to declare or distribute any preferential dividends on the relevant Preferential Dividend Entitlement Date. 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 Shares save for preferential dividends declared but unpaid up to the date of conversion notice.



Subject to the rights to the preferential dividends and any additional preferential dividends declared and distributed as our Board deems fit, the RCPS-i B holders shall not be entitled to participate in the surplus profits of our Company (if any) remaining at such time after the payment of the preferential dividends and such additional preferential dividends (if any).

**Conversion Rights** : The RCPS-i B shall be convertible, at the option of the RCPS-i B holder, at any time commencing from the Issue Date and up to such date no later than 9 Market Days prior to the Redemption Date (as defined below), into such number of fully-paid new Shares, without payment of any consideration and in accordance with the Conversion Ratio (as defined below).

**Conversion Ratio** : The conversion ratio shall be 5 new Shares for every 21 RCPS-i B held.

If the conversion results in a fractional entitlement to Shares, such fractional entitlement shall be disregarded and no refund or credit, whether in the form of RCPS-i B, cash or otherwise, shall be given in respect of the disregarded fractional entitlement.

The Conversion Ratio shall be 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. Our Company shall give notice in writing to the RCPS-i B holders of its intention to make such adjustments to the Conversion Ratio.

**Redemption** : (i) Our Company may at any time on or after the 5<sup>th</sup> anniversary of the Issue Date, at its discretion, redeem all (and not some only of) the outstanding RCPS-i B by giving not less than 30 days' notice in writing to the RCPS-i B holders of its intention to do so, subject to compliance with the Act, including where such RCPS-i B is intended to be redeemed out of the capital of our Company, such notice of redemption shall be subject to all directors of our Company having made a solvency statement in relation to such redemption in accordance with the provisions of the Act. The redemption of the RCPS-i B shall take effect on the 30<sup>th</sup> day from the date of the notice or such other later date as may be specified in the notice ("**Redemption Date**"). The notice shall state the Redemption Date and the book closure date to be used to determine the RCPS-i B holders who are entitled to receive the redemption payment.

(ii) On the Redemption Date, our Company shall redeem all (and not some only of) the outstanding RCPS-i B (that do not form part of any RCPS-i B to be converted into new Shares) in cash at a redemption price, which shall be the aggregate of: (i) the RCPS-i B Issue Price; (ii) any preferential dividends declared but unpaid as at the Redemption Date; and (iii) any Deferred Dividends as at the Redemption Date.

- (iii) Upon redemption of the RCPS-i B, the RCPS-i B holders shall (in and for compliance with Shariah) waive their rights to receive any Profit that has not been declared as preferential dividend by our Company and which do not form any part of the Deferred Dividends from the period beginning on the last dividend declaration date preceding the Redemption Date up to the Redemption Date. By subscribing to the RCPS-i B, the RCPS-i B holders agree (in and for compliance with Shariah) to this waiver with such waiver to be decided by our Board at the point of redemption on their behalf.

**Rights to receive notices, reports and attend meetings and voting rights** : The RCPS-i B holders shall be entitled to the same rights as our ordinary shareholders 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 our Company, save and except in respect of any resolution made:

- (i) when the preferential dividends or any part thereof is in arrears and unpaid for more than 6 months;
- (ii) on a proposal to reduce our Company's share capital;
- (iii) on a proposal for the disposal of substantially the whole of our Company's property, business and undertaking;
- (iv) on a proposal to wind up our Company;
- (v) during the winding up of our Company; or
- (vi) on any proposal that affects the rights and privileges attached to the RCPS-i B, including the amendments to the Constitution.

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 1 vote for each RCPS-i B held.

**Listing status** : The RCPS-i B and the new Shares to be issued arising from the conversion of the RCPS-i B will be listed and quoted on the Main Market of Bursa Securities.

**Ranking of RCPS-i B** : The RCPS-i B shall rank equally amongst themselves and with other preference shares issued by our Company (including the RCPS-i A) in all respects, and will rank ahead in point of priority to the holders of the S P Setia Shares and all other classes of shares (if any) in our Company, in respect of payment of dividends and payment out of assets of our Company upon any liquidation, dissolution, or winding up of our Company, provided always that our Board approves such payment of dividends and payment out of assets of our Company on this basis and further affirms the priority of payment to the holders of the RCPS-i B.

The RCPS-i B is subordinated to the Sukuk Musharakah issued by our Company on 13 December 2013 in respect of payment of dividends.

Rating : The RCPS-i B will not be rated

Governing Law : Laws of Malaysia

**Notes:**

- (1) *The Shariah Adviser had pronounced that the RCPS-i B is in compliance with the principles of Shariah. Please refer to **Appendix VIII** of this Abridged Prospectus for the Shariah Pronouncement Letter.*
- (2) *The tenure of the RCPS-i B is not fixed for purposes of classifying the RCPS-i B as an equity instrument in accordance with the Malaysian Financial Reporting Standards.*

### **3.3 Basis and justification for the RCPS-i B Issue Price and Conversion Ratio**

The RCPS-i B Issue Price of RM0.88 per RCPS-i B was determined by our Board on the Price-Fixing Date after taking into consideration, among others, the following:

- (i) the TERP of our Shares of RM3.32, based on the 5-day VWAMP of Shares up to and including the Last Market Day of RM3.41;
- (ii) the funding requirements of our Company to part-finance the I&P Acquisition, details of which are set out in Section 7.4 of this Abridged Prospectus; and
- (iii) prospects of our enlarged Group after the completion of the I&P Acquisition which are expected to remain positive. Please refer to Section 8.3 of this Abridged Prospectus for further details.

The Conversion Ratio is 5 new Shares for every 21 RCPS-i B held. Based on the RCPS-i B Issue Price and the Conversion Ratio (i.e.  $RM0.88 \times 21/5$ ), the implied conversion price is RM3.70 for every new Share ("**Implied Conversion Price**"). The Implied Conversion Price represents a premium of approximately 11.4% to the TERP of our Shares of RM3.32, based on the 5-day VWAMP of the Shares up to and including the Last Market Day of RM3.41.

The Implied Conversion Price is set at a premium after taking into consideration the following:

- (i) the market price of our Shares based on the historical price movement up to the Price-Fixing Date;
- (ii) the convertibility feature of the RCPS-i B at any time prior to our Company exercising the redemption option, details of which are set out in Section 3.2 of this Abridged Prospectus; and
- (iii) prospects of our enlarged Group as set out in Section 8.3 of this Abridged Prospectus.

Under the Maximum Scenario, based on the Conversion Ratio, the maximum number of new Shares to be issued upon full conversion of the RCPS-i B is 322,797,453.

### **3.4 Ranking of the RCPS-i B and the new Shares to be issued upon conversion of the RCPS-i B**

Please refer to Section 3.2 of this Abridged Prospectus for ranking of the RCPS-i B.

The new Shares to be issued upon conversion of the RCPS-i B will, upon allotment and issuance, rank equally in all respects with the then existing Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid, the entitlement date of which is prior to the date of allotment of the new Shares to be issued upon conversion of the RCPS-i B.

### **3.5 Last date and time for the acceptance, application and payment for the Rights Issue of RCPS-i B**

The last date and time for the acceptance, application and payment for the Rights Issue of RCPS-i B is 5.00 p.m. on Tuesday, 19 December 2017.

## **4. SHAREHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENT**

### **4.1 Shareholders' undertakings**

As at the LPD, the direct shareholdings of PNB and the Funds in our Company are approximately 847.9 million Shares (representing 28.06% of the total issued Shares) and 1,143.3 million Shares (representing 37.83% of the total issued Shares), respectively. Our Company has procured the following undertakings in respect of the Rights Issue:

- (a) letter of undertaking dated 19 June 2017 from PNB, pursuant to which PNB irrevocably undertakes to subscribe in full its entitlement under the Rights Issue as at the Entitlement Date; and
- (b) letter of undertaking dated 20 June 2017 from ART, pursuant to which ART, as the trustee of the Funds, irrevocably undertakes that the Funds shall:
  - (i) subscribe in full their respective entitlements under the Rights Issue as at the Entitlement Date; and
  - (ii) in respect of the Rights Issue of RCPS-i B, apply for additional RCPS-i B not taken up or not validly taken up by other Entitled Shareholders and/or their renounee(s) up to a maximum of RM340.0 million of RCPS-i B by way of excess application.

The Funds have provided the Undertakings for the additional RCPS-i B only and not for the additional Rights Shares. Our Company has not sought undertakings for the additional Rights Shares as underwriting arrangement has been procured for the same. This will ensure our Company remains in compliance with the public shareholding spread requirement of Bursa Securities and has adequate free float for the Shares.

For illustrative purposes, based on the shareholdings of PNB and the Funds in our Company as at the LPD, their respective entitlements under the Rights Issue and the committed excess application pursuant to the Undertakings, are set out below.

## Under the Rights Issue of Shares

	Direct shareholding as at the LPD		Entitlement		Total Rights Shares to be subscribed pursuant to the Undertakings	
	No. of Shares (million)	%	Minimum Scenario No. of Shares (million)	Maximum Scenario % <sup>(2)</sup>	Minimum Scenario No. of Shares (million)	Maximum Scenario % <sup>(2)</sup>
PNB Funds	847.9 <sup>(1)</sup>	28.06	113.1	27.32	113.1	28.06
	1,143.3 <sup>(1)</sup>	37.83	152.4	38.07	152.4	37.83
	<b>1,991.2</b>	<b>65.89</b>	<b>265.5</b>	<b>65.39</b>	<b>265.5</b>	<b>65.89</b>

## Under the Rights Issue of RCPS-i B

	Direct shareholding as at the LPD		Entitlement		Excess RCPS-i B to be applied for pursuant to the Undertakings		Total RCPS-i B to be subscribed pursuant to the Undertakings	
	No. of Shares (million)	%	Minimum Scenario No. of RCPS-i B (million)	Maximum Scenario % <sup>(3)</sup>	Minimum Scenario No. of RCPS-i B (million)	Maximum Scenario % <sup>(3)</sup>	Minimum Scenario No. of RCPS-i B (million)	Maximum Scenario % <sup>(3)</sup>
PNB Funds	847.9 <sup>(1)</sup>	28.06	339.2	29.85	-	-	339.2	29.85
	1,143.3 <sup>(1)</sup>	37.83	457.3	40.24	339.9	29.91	797.2	70.15
	<b>1,991.2</b>	<b>65.89</b>	<b>796.5</b>	<b>70.09</b>	<b>339.9</b>	<b>29.91</b>	<b>1,136.4</b>	<b>100.00</b>

## Notes:

- (1) For information only, as at the LPD, PNB and the Funds also hold approximately 273.4 million RCPS-i A (representing 24.25% of the total issued RCPS-i A) and 515.1 million RCPS-i A (representing 45.68% of the total issued RCPS-i A), respectively, in our Company.
- (2) Based on total Rights Shares of 403.0 million and 451.9 million to be issued under the Minimum Scenario and Maximum Scenario, respectively.
- (3) Based on total RCPS-i B of 1,136.4 million and 1,355.7 million to be issued under the Minimum Scenario and Maximum Scenario, respectively.

In view of the Undertakings, PNB and the Funds will collectively subscribe up to an aggregate of RM1.0 billion of RCPS-i B (“**Minimum Subscription Level**”).

PNB and ART have, in their respective Undertakings, confirmed that their Undertakings would not fail due to insufficient financial resources and that each of them has the necessary funds and/or financing to perform their Undertakings. Maybank IB has verified that both PNB and ART have sufficient financial resources to fulfil their commitments pursuant to the Undertakings.

## 4.2 Underwriting arrangement

The Rights Issue of Shares will be undertaken on a full subscription basis. On 16 November 2017, we entered into the Underwriting Agreement where the Joint Underwriters will underwrite up to an aggregate of 156,378,323 Rights Shares, representing approximately 34.60% of the total Rights Shares to be issued under the Maximum Scenario, at the Rights Share Issue Price, in the following proportions:

<b>Joint Underwriters</b>	<b>No. of Shares</b>	<b>%</b>
Maybank IB	93,826,994	60.0
RHB IB	62,551,329	40.0
<b>Total</b>	<b>156,378,323</b>	<b>100.0</b>

The underwriting commission payable by our Company is 0.5% of the value of the underwritten Rights Shares based on the Rights Share Issue Price, subject to the terms and conditions of the Underwriting Agreement. The underwriting commission and all related costs in relation to the underwriting arrangement will be fully borne by our Company.

The Rights Issue of RCPS-i B will be undertaken on the Minimum Subscription Level basis based on the Undertakings. We did not procure an underwriting arrangement for the remaining RCPS-i B for which no undertaking has been obtained given that the proceeds to be raised on minimum subscription level basis are sufficient to meet the funding requirement for the I&P Acquisition.

The Undertakings will not give rise to a mandatory general offer obligation pursuant to the Malaysian Code on Take-Overs and Mergers 2016 as the Rights Issue of Shares will be undertaken on a full subscription basis and the remaining Rights Shares for which no undertaking has been obtained will be fully underwritten.

In the event that only PNB and the Funds fully convert their RCPS-i B, our Company will remain in compliance with the public shareholding spread requirement of Bursa Securities under the Minimum Scenario, as shown below:

	<b>Direct shareholding as at the LPD</b>		<b>After the Rights Issue</b>		<b>After the Placement<sup>(2)</sup> and conversion of RCPS-i B</b>	
	<b>No. of Shares</b>	<b>%</b>	<b>No. of Shares</b>	<b>%</b>	<b>No. of Shares</b>	<b>%</b>
	<b>(‘million)</b>		<b>(‘million)</b>		<b>(‘million)</b>	
Non-public <sup>(1)</sup>	1,994.2	65.98	2,260.1	65.98	2,530.7	62.09
Public	1,028.1	34.02	1,165.2	34.02	1,545.2	37.91
	<b>3,022.3</b>	<b>100.00</b>	<b>3,425.3</b>	<b>100.00</b>	<b>4,075.9</b>	<b>100.0</b>

**Notes:**

- (1) Includes Directors, substantial shareholders (except where such shareholder(s) fulfils all the requirements under the Listing Requirements to be included as ‘public’), and associates of Directors and substantial shareholders of our Company.
- (2) Assuming 380,000,000 Placement Shares are issued. For information only, without the Placement, the public shareholding spread shall be 31.53%.



## 5. USE OF PROCEEDS

Based on the Minimum Scenario and Maximum Scenario, the Rights Issue is expected to raise gross proceeds as follows:

	<b>Minimum Scenario</b> <b>(RM'million)</b>	<b>Maximum Scenario</b> <b>(RM'million)</b>
Rights Issue of Shares	1,068	1,198
Rights Issue of RCPS-i B	1,000	1,193
<b>Total</b>	<b>2,068</b>	<b>2,391</b>

The gross proceeds of the Rights Issue is expected to be used in the following manner:

<b>Description of use of proceeds</b>	<b>Minimum Scenario</b> <b>(RM'million)</b>	<b>Maximum Scenario</b> <b>(RM'million)</b>	<b>Expected timeframe for utilisation from the date of listing of the Rights Shares and RCPS-i B</b>
Part-finance the I&P Acquisition (as set out in Section 7.1 of this Abridged Prospectus)	2,000	2,000	6 months
New and on-going property development projects of our enlarged Group <sup>(1)</sup>	53	361	36 months
General working capital requirements of our enlarged Group <sup>(2)</sup>	5	20	12 months
Defray estimated expenses relating to, among others, the I&P Acquisition and the Rights Issue <sup>(3)</sup>	10	10	6 months
<b>Total</b>	<b>2,068</b>	<b>2,391</b>	

### Notes:

(1) *The proceeds are allocated to fund part of the property development costs of new and on-going projects of our enlarged Group, such as regulatory fees, consultant and professional fees, project management as well as administrative cost, after the completion of the I&P Acquisition. Currently, our Group and the I&P Group, in aggregate, have 45 on-going property development projects.*

(2) *The working capital requirements refer to, among others, day-to-day operating and administrative expenses, and other operating expenses such as sales and marketing, advertising and promotional expenditure, and professional fees in relation to the property development business.*

(3) *Comprising the following:*

	<b><i>Amount</i></b>
	<b><i>(RM'000)</i></b>
<i>Professional fees (Note a)</i>	7,000
<i>Underwriting commission</i>	2,162
<i>Fees payable to the authorities</i>	500
<i>Printing and despatch cost of the Circular and Abridged Prospectus, advertising cost, cost of convening the extraordinary general meetings</i>	338
<b>Total</b>	<b><u>10,000</u></b>

**Note:**

(a) *Comprises professional fees payable to the Independent Valuers, advisers in undertaking the financial and taxation due diligence for the I&P Acquisition, solicitors, independent adviser for the I&P Acquisition and the Rights Issue, Reporting Accountants, Shariah Adviser, Registrar for the Rights Issue and the Principal Adviser.*

*Any surplus of proceeds that are not used to defray such estimated expenses will be used for general working capital of our Group.*

In the event the actual gross proceeds to be raised from the Rights Issue is higher or lower than the estimated gross proceeds set out above, such variance shall be adjusted to/from the gross proceeds allocated for property development projects and/or working capital.

For the avoidance of doubt, proceeds raised from the Rights Issue of RCPS-i B will be used in Shariah-compliant manner.

Pending the use of proceeds for the purposes as set out above, the proceeds will be placed in profit/interest-bearing deposits with financial institutions and/or short-term money market instruments. Further, proceeds from the Rights Issue of RCPS-i B will be placed in deposits with Islamic financial institutions or Islamic short-term money market instruments to comply with Shariah principles. The profit/interest (as the case may be) derived from such deposits will be used for working capital purposes.

There will be no proceeds raised upon conversion of the RCPS-i B into new Shares as the conversion will be satisfied by surrendering such number of RCPS-i B to be converted based on the Conversion Ratio.

## **6. RATIONALE FOR THE RIGHTS ISSUE**

The Rights Issue is undertaken to raise proceeds to be used in the manner set out in Sections 5 and 7.4 of this Abridged Prospectus.

After due consideration of the various methods of fund raising and other types of instruments as well as capital structure of our Company, our Board is of the opinion that the issuance of the Rights Shares and RCPS-i B, via the Rights Issue, is the most appropriate means of raising funds to, amongst others, part-finance the I&P Acquisition, for the following reasons:

- (i) further strengthen the capital base of our Company to reflect the enlarged operations following the I&P Acquisition;
- (ii) provide the Entitled Shareholders with an opportunity to further increase their equity participation in our Company on a pro-rata basis via the subscription of the Rights Shares at a discount to the prevailing market price of our Shares, without diluting their respective equity interest, provided that such Entitled Shareholders fully subscribe for their respective entitlements for the Rights Shares;

- (iii) the issuance of the RCPS-i B would minimise the immediate dilutive effect on the EPS of our Company as the RCPS-i B is expected to be converted over a period of time; and
- (iv) the RCPS-i B offers an attractive annual Expected Preferential Dividend Rate of 5.93% as well as an opportunity for the Entitled Shareholders to further increase their equity participation in our Company via the convertibility feature of the RCPS-i B.

## 7. DETAILS OF THE I&P ACQUISITION

### 7.1 Background information

On 22 June 2017, Maybank IB had, on behalf of our Board, announced that we had, on even date, entered into a conditional share purchase agreement with the I&P Vendors in connection with the I&P Acquisition.

On 16 October 2017, Maybank IB had, on behalf of our Board, announced that we had, on even date, entered into a supplemental share purchase agreement with the I&P Vendors to amend and vary certain terms of the conditional share purchase agreement dated 22 June 2017. Our Board also resolved to waive the condition precedent under the I&P SPA in relation to the listing of the Rights Shares and RCPS-i B on the Main Market of Bursa Securities ("**Waiver**"). With the Waiver, the completion of the I&P Acquisition can take place ahead of the completion of the Rights Issue.

On 16 November 2017, our shareholders had at the EGM for Shareholders approved the I&P Acquisition. The I&P Acquisition is expected to complete by early December 2017.

The I&P Acquisition entails the acquisition of the I&P Sale Shares by our Company from the I&P Vendors, for the I&P Purchase Consideration. The breakdown for the amounts payable to each I&P Vendor is as follows:

<u>I&amp;P Vendor</u>	<u>I&amp;P Purchase Consideration</u>
	<b>(RM)</b>
PNB	2,007,499,996.35
ART-ASB	1,642,500,000.00
Dato' Nizam	3.65
<b>Total</b>	<b><u>3,650,000,000.00</u></b>

The I&P Sale Shares will be acquired free from any interest or equity of any person (including any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement.

Upon completion of the I&P Acquisition, I&P will become our wholly-owned subsidiary.

### 7.2 Background information on I&P

I&P was incorporated in Malaysia as a private limited company on 15 April 2005 under the Companies Act 1965 and is deemed registered under the Act.

The I&P Group was formed in 2009 following the rationalisation exercise of 3 property companies under the umbrella of PNB, namely Island & Peninsular Sdn. Bhd., Petaling Garden Sdn. Bhd. and Pelangi Sdn. Bhd., all of which were previously listed on the Main Board (now known as the Main Market) of Bursa Securities before being privatised in 2006 and 2007, and converted to private companies.

The principal activities of I&P are investment holding and provision of management services. Its subsidiary companies are principally involved in property development, sale of land and completed properties, sublease of land, property management services, investment holding and management and operation of golf course and golf club.

The I&P Group has a wide array of diverse products consisting of townships, integrated developments, residential projects, offices, retail and recreational facilities. The I&P Group has established foothold in prominent locations across Klang Valley and Johor Bahru. The on-going developments include Bandar Kinrara, Temasya Glenmarie, Alam Impian, Bandar Baru Seri Petaling, Alam Sari, Kota Bayuemas, Alam Damai and Alam Sutera in Klang Valley, as well as Taman Rinting, Taman Pelangi, Taman Pelangi Indah and Taman Industri Jaya in Johor Bahru.

As at the LPD, I&P has 30 subsidiary companies and 6 associate companies. Further details on the I&P Group and the Accountants' Report on I&P are set out in **Appendices III and VII** of this Abridged Prospectus, respectively.

### 7.3 Basis and justification for the I&P Purchase Consideration

The I&P Purchase Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the adjusted unaudited consolidated NA of I&P as at 30 April 2017 which was arrived at, as follows:

	<b>Amount</b> <b>(RM'million)</b>
Unaudited consolidated NA as at 30 April 2017	3,230
Add : Net revaluation surplus based on the effective interest owned by I&P	2,779 <sup>(1)</sup>
<b>Adjusted unaudited consolidated NA</b>	<b>6,010 <sup>(2)</sup></b>

#### Notes:

(1) *The net revaluation surplus was arrived at as follows:*

	<b>Amount</b> <b>(RM'million)</b>
<i>Indicative aggregated market value of the I&amp;P Properties as ascribed by the Independent Valuers upon signing of the I&amp;P SPA</i>	7,391
<i>Less : Unaudited aggregated NBV as at 30 April 2017</i>	(3,139)
<i>Less : Estimated deferred tax liabilities to be accrued arising from the revaluation</i>	(1,045)
<i>Net revaluation surplus</i>	3,207
<b><i>Net revaluation surplus based on the effective interest owned by I&amp;P</i></b>	<b>2,779</b>

(2) *Rounding adjustment*

We have appointed 3 independent valuers, namely Jones Lang Wootton, CBRE | WTW and Khong & Jaafar, to undertake the valuation of the I&P Properties. The aggregated market value of the I&P Properties ascribed by the Independent Valuers as at 30 April 2017 was RM7,369.2 million.

Please refer to **Appendices IX to XI** of this Abridged Prospectus for the I&P Property Valuation Certificates which set out the detailed basis and assumptions used in the valuation.

We are of the view that the I&P Purchase Consideration is justifiable after taking into consideration the following:

- (a) the I&P Purchase Consideration represents a discount of approximately 39% to the adjusted unaudited consolidated NA of I&P as at 30 April 2017;
- (b) the development potential of the I&P Landbanks given that they are located in Klang Valley and Johor Bahru where we operate; and
- (c) the ability to fully control the future business direction of the I&P Group.

#### 7.4 Source of funding

The I&P Purchase Consideration will be funded via the following:

	(RM'million)	(%)
Rights Issue of Shares	1,000	27.40
Rights Issue of RCPS-i B	1,000	27.40
Bank borrowings	1,500	41.10
Internally generated funds	150	4.10
<b>Total</b>	<b>3,650</b>	<b>100.00</b>

The I&P Purchase Consideration comprises:

- (a) RM73,000,000 ("**Deposit**"), representing the deposit paid to PNB (on its own behalf and on behalf of Dato' Nizam) and ART-ASB on the date of execution of the I&P SPA in the form of bank guarantee(s) ("**Bank Guarantee(s)**");
- (b) RM109,500,000, representing the retention sum submitted to the Director General of Inland Revenue within 60 days from the date of disposal of the I&P Sale Shares in accordance with the Real Property Gains Tax Act, 1976 ("**RPGT Act**"), in view of the confirmation by the I&P Vendors that I&P is a 'real property company' as defined under the RPGT Act; and
- (c) RM3,467,500,000 ("**Balance Sum**"), representing the balance sum to be paid to the I&P Vendors, within 3 business days from the listing of the Rights Shares and the RCPS-i B on the Main Market of Bursa Securities or the drawdown of the facilities amounting to RM1,000,000,000, whichever is later ("**Payment Date**").

On the Payment Date, we shall pay to the I&P Vendors the following:

- (i) the Deposit, conditional upon the return of the Bank Guarantee(s) to our Company; and
- (ii) the Balance Sum.

If the Deposit and the Balance Sum are not paid within 3 months from the date of completion of the I&P Acquisition ("**Interest-Free Period**"), interest shall accrue on the outstanding sum, at a rate of 5% per annum calculated on a daily basis from the expiry of the Interest-Free Period up till the Payment Date, and such accrued interest shall be paid to the I&P Vendors on the Payment Date.

## **7.5 Rationale and benefits of the I&P Acquisition**

Since the I&P Group has 4,276 acres of landbank located in Klang Valley and Johor Bahru, the I&P Acquisition will complement and enlarge our existing landbank as the I&P Landbank is strategically located close to the vicinity of our existing projects in Klang Valley and Johor. The I&P Acquisition will also enable our Group to leverage on the development potential of the I&P Landbank to boost our future growth in these key regions. This provides our Group with synergistic benefits as we will be able to embark on the development of the I&P Landbank by capitalising on the success of its developments in these regions which can be expected to contribute positively to the future financial performance of our enlarged Group. Our Group will also be better positioned to reach out to a broader range of customers in locations where the I&P Group has a strong footing.

Besides the strategic location of the I&P Landbank, we consider I&P a good fit because of its strong balance sheet and minimal borrowings of only RM1.0 million as at 30 April 2017. In this regard, upon completion of the I&P Acquisition, the Rights Issue and the Placement, the net gearing of our enlarged Group will remain low and this will provide financial flexibility for our Group to fund our future property development projects and significant debt capacity for our enlarged Group to execute opportunistic acquisitions of landbank when the time arises.

Further, the I&P Acquisition will enable our Group to increase our operational efficiencies by tapping into the workforce of the I&P Group. As at the LPD, the I&P Group has 353 staff with experience in the property development market.

The I&P Acquisition is in line with our Group's land-banking strategy and it will allow us to fast track our expansion plans with the increase in our landbank from 5,452 acres to 9,728 acres. Such expansion will further strengthen our position as one of the key property development players in Malaysia.

## **7.6 Details of other corporate exercise / scheme**

Save as disclosed below, our Board confirms that there is no other corporate exercise / scheme other than the I&P Acquisition and Rights Issue which had been announced but not completed by our Company as at the LPD:

- (a) the Proposed Bangi Land Acquisition; and
- (b) the Placement.

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## 8. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

### 8.1 Overview and outlook of the Malaysian economy

The Malaysian economy in 2Q 2017 recorded a growth of 5.8% (1Q 2017: 5.6%), surpassing BNM's annual gross domestic product ("GDP") growth forecast of 4.3-4.8%. Domestic demand registered 5.7% growth, spurred by private consumption which was boosted by improvement in wages and consumers' spending sentiment. Inflation doubled from 2.1% for 2016 to register at 4% as of 2Q 2017.

Construction contributed the most towards economic growth in 2Q 2017. Services sector performed well quarter-on-quarter ("q-o-q") and year-on-year ("y-o-y"), supported by wholesale and retail trade performance. Households were also seen increasing their spending which led to the improvements of wholesale and retail trades. RM4 billion net increase was recorded for Foreign Direct Investment ("FDI") to close at RM17 billion in 1Q 2017. The primary beneficiaries were the services sector (1Q 2017: RM6.5 billion, 4Q 2016: RM4.6 billion), particularly the real estate and information and telecommunication sub-sectors. Real estate was still the biggest gainer of FDI despite FDI moderating to RM8.3 billion in 2Q 2017.

Based on surveys undertaken by the Malaysian Institute of Economic Research ("MIER"), Consumer Sentiments Index (CSI) for 2Q 2017 improved q-o-q and y-o-y to 80.7 points, attributable to stable employment and wage increase which enhanced consumers' financial confidence. Meanwhile, encouraging sales performance coupled with potential for expansion in export sales and production steered Business Conditions Index (BCI) to an 11-quarter high at 114.1 points. Albeit a slight drop q-o-q, the Residential Property Index (RPI) in overall displayed optimism as it continued to approach the 100 points threshold since 2H 2016 and reached 97 points in 2Q 2017. Turning to Retail Trade Index (RTI), it elevated q-o-q to reach 105 points, underpinned by higher tourist arrivals, disposable income and government spending on infrastructures. The House Price Index (HPI) in Malaysia, Selangor and Johor all closed higher y-o-y in 4Q 2016 at 233.8, 244.5 and 185 points respectively.

Selangor and Johor are the largest and 4th largest economy respectively by states in Malaysia. As of 2015, Selangor constituted 22.6% of Malaysia's GDP while Johor's national GDP share for the same year was 9.3%. For the same year, the GDP growth of Selangor and Johor fared higher than the national GDP growth of 5%. Selangor (28.9%) was the largest contributor to Malaysia's manufacturing sector followed by Penang and Johor (12.8%). Selangor and Johor accounted for 44.1% of the country's construction sector.

In 2015 Selangor's GDP amounted to RM240 billion, a 5.7% growth from 2014. Leading the pack of economic sectors in Selangor were services followed by manufacturing and construction. Meanwhile, an annual growth of 5.4% brought Johor's GDP to RM98.9 billion in 2015. Similar to Selangor, services and manufacturing were the major contributor to the state's economy followed by agriculture sector. Wholesale and retail trade dominated the services sectors in both states.

Comparison using GDP per capita in 2015 revealed that the income level of Selangor populace (RM42,611) was 30% more affluent than that of Johor (RM29,539). It is noteworthy that the economic performances for Selangor and Johor were comparable with the former managing to achieve an average growth of 6.2% while the latter's average growth was 6% between 2010 and 2015. This qualified Selangor and Johor as the 3rd and 4th fastest growing states in Malaysia, respectively.

As of 2Q 2017, the size of loans in the financial market is valued at RM1.55 trillion, of which 32.2% was intended for purchase of real estate properties. Rate for loans ranged from 3.61% to 3.79% for the quarters in 2016, whilst the latest rate in 2Q 2017 was 3.61%. The total amount of loans applied for in 1Q 2017 rose compared to the previous quarter, registering at RM204.6 billion (1Q 2017: RM197.4 billion).

Purchase of residential property constituted 29.9% (or RM61 billion) of the total loan application while purchase of non-residential property took up 10.8% (or RM22.1 billion). Both represented a q-o-q growth. Loan approval rate for purchase of residential property exhibited minimal variation since 1Q 2016. The approval rate for such purpose in 2Q 2017 exceeded 2016's average of 42.3%, to register at 42.9. Interestingly, the annual increase in loan value approved for purchase of residential property purchase was approximately 14.2% despite marginal increase in approval rate of 1.08%. This disproportionate uptrend may be a reflection of either appreciation of residential property or a boost in demand for higher end residential property. Mixed changes were observed on loans for purchases of non-residential property whereby the approval rate increased by 4.4% q-o-q but declined by 2.6% y-o-y for 2Q of 2017.

*(Source: Market commentary on landed residential and commercial sectors in relation to S P Setia's portfolio, by CBRE | WTW, August 2017 and revised in September 2017)*

In 2016, the Malaysian economy recorded a growth of 4.2% (2015:5.0%) despite considerable external and domestic headwinds. Domestic demand continued to anchor growth, supported mainly by private sector spending. The Malaysian economy is projected to register growth of 4.3% - 4.8% in 2017 (2016: 4.2%).

On the supply side, all economic sectors continued to expand in 2016, with the exception of the agriculture sector. All economic sectors are projected to register positive growth in 2017. The services and manufacturing sectors would be the key contributors to overall growth.

Inflationary pressures in the economy remained low with headline inflation averaging 2.1% in 2016 (2015: 2.1%). Core inflation was also relatively stable during the year, averaging 2.1% in 2016 (2015: 2.3%) as demand-driven inflationary pressures in the economy remained largely contained. Headline inflation is projected to increase in 2017 averaging between 3.0% - 4.0% (2016: 2.1%), reflecting primarily the pass-through impact of the increase in global oil prices on domestic retail fuel prices.

The Monetary Policy Committee had adjusted the degree of monetary accommodativeness by reducing the overnight policy rate (OPR) by 25 basis points to 3.0% on 13 July 2016. Given the uncertainties in the global economic and financial environment, the Malaysian economy is projected to expand at a moderate pace of 4.3% - 4.8% in 2017, driven primarily by domestic demand from the private sector.

Global economic activity is projected to improve in 2017, underpinned by an expansion in domestic demand in the advanced and emerging market economies, boosted in part by expansionary fiscal policies in selected major economies.

*(Source: Outlook and Policy in 2017, BNM)*

## **8.2 Overview and outlook of the property sector**

The transaction activity in Malaysia's property market was subdued in 2016. Total transaction volume went down by 11.5% (or 41,680 units). 203,064 residential properties changed hands in 2016. This was 13.9% less as compared to 2015. The transaction value likewise dropped by 3% to RM145.4 billion, being the lowest since 2013. The sales performance of residential property in Malaysia, according to preliminary numbers by National Property Information Centre ("**NAPIC**"), recorded a decline moving from 42.1% on 2015 to 31.4% in 2016.

Transactions involving commercial property saw a reduction of 25.3% from 2015 to 2016, which translates into 23,745 units. Nevertheless, value for commercial transactions increased by RM9.5 billion to RM35.9 billion.



Back in 2010, aggregate transaction volume for Selangor and Johor was 39.4% of the total transaction volume in Malaysia. As of 2016, Selangor and Johor's combined transaction volume constituted 37% of the total national transaction volume. Although transaction volume in Selangor and Johor for 2016 has reduced compared to 2010, the fact that their share of transaction volume at national level remained relatively unchanged may serve as an indication of the stability and sustainability of the property market in these states.

(a) *Residential sector*

In Selangor, transactions involving residential properties have constantly remained on a decline since 2012. The annual change of -15.5% in 2016 (2016: 48,879 units, 2015: 57,827 units) was the biggest drop post-2010 and extended the downtrend which saw an aggregate reduction of 35.1% in residential transaction volume from 2011 (2011: 75,344 units). Turning to transaction value in the state, 2016 continued on a 2<sup>nd</sup> consecutive annual decline at -11.8% (2016: RM21.9 billion, 2015: RM24.9 billion). The decline since 2012 is likely to be the after effect of the cooling measures that had taken some time to curb speculations whereas the slowdown in 2016 could be mainly due to external factors.

When broken down into price range, residential properties priced RM250,001–RM500,000 was the main selection property for 2016 followed by those priced RM500,001–RM1,000,000. It is worth pointing out that properties in the RM500,001–RM1,000,000 range was the 5<sup>th</sup> most transacted price range in the previous year.

By type, 2–3 storey terrace was the most actively transacted residential property type in 2016, recording 13,859 units, with most of them valued at the RM500,001–RM1,000,000 range. Ranked 2<sup>nd</sup> was condominium/apartment (10,113 units) and 3<sup>rd</sup> was single storey terraced homes (5,768 units).

Comparison among districts showed that Petaling Jaya district possessed the most transaction at 16,026 units, followed by Hulu Langat district and Klang district which recorded 9,714 and 7,954 transactions, respectively.

There is an incoming supply of 117,192 units of residential properties and another 80,922 planned units which are expected to enter the market in 3 to 4 years' time. This represents an addition of 14.2% into the existing stock. While a large number of units are expected to complete within the short-medium term, nevertheless, according to preliminary numbers by NAPIC, the sales performance in 2016 improved to 35.6% with 8,087 newly launched units from 2015's 33.3% of 9,678 units.

In the case of Johor, although the residential sector continued on a down trend from 2015 to 2016, some improvement was observed. When measured in value, RM8.6 billion worth of residential properties changed hands and this represented a strengthening in value by 24.8%, to close at an annual drop of -7.6%.

Accounting for 32.8% of the residential transactions in 2016, properties priced between RM250,001 and RM500,000 consistently garnered the most interest in the market. A total of 8,253 units of 2–2½ storey terrace were transacted in the market, making it the most preferred type of residential property in Johor. To be more precise, 2–2½ storey terrace houses valued at RM250,001–RM500,000 held the highest share of transaction. The 2<sup>nd</sup> most popular residential property was 1–1½ storey terrace (6,538 units), followed by vacant plot (2,614 units).

The district of Johor Bahru (13,353 transactions) had the most active residential market, leading by a significant margin ahead of Batu Pahat district (2,655 transactions) and Kulajaya district (2,332 transactions).

Johor will experience an incoming supply of 91,576 residential units and 86,949 planned units in near future. It is to be noted that the sales performance of residential property in Johor rose from 29.8% with 8,808 units launched to 36.6% in 2016 amidst the launch of 9,393 new residential units.

(b) *Commercial sector*

The commercial sector in Selangor also experienced similar fate as its residential property in which the commercial transaction volume in 2016 was 3-quarters of that in 2015 (2016: 5,601 units, 2015: 7,472 units). Commercial transaction value for the state in 2016 persisted on 4<sup>th</sup> consecutive annual decrease of -13.2%, to settle down at RM6 billion.

Segregation into price range revealed that majority of the commercial properties changed hands at a value between RM250,001 and RM500,000, then closely ensued by those priced RM500,001–RM1,000,000 and RM1,000,000 and above. These 3 price groups comprised approximately 80% of the state's commercial transactions.

Units worth RM500,001–RM1,000,000 experienced the highest transaction volume among the 1,290 units of office lots transacted. This was then followed by 2–2½ storey shop (1,016 units) and shop unit/retail lot (907 units).

Resembling the pattern observed in the residential market in Selangor, the district of Petaling (2,920 transactions), Klang (746 transactions) and Hulu Langat (704 transactions) dominated the state's commercial property market. As of 1Q 2017, incoming supply of commercial properties stood at 34,712 units while planned supply amounted to 16,545 units for Selangor. Although the number of unsold shop units rose from 173 in 2015 to 343 in 2016, this portion could be considered as insignificant given that the supply revolves around tens of thousands of properties.

The commercial sector in Johor faced greater annual decline of -25.5% in volume to close 2016 with 3,359 transactions. Nonetheless, the transaction value experienced improvement in growth from -42.2% in 2015, to -23.4% (RM2.9 billion) in 2016.

Majority of the commercial deals were transacted in the RM250,001–RM500,000 price range. 2–2½ storey shop was by far, the best received commercial property in the Johor market, with 1,420 units transacted in 2016. In terms of preference, shop units of such type priced from RM250,001 to RM500,000 edged slightly over those priced from RM500,001 to RM1,000,000. 3–3½ storey shop (621 units) qualified as 2<sup>nd</sup> highest transacted commercial property type in the state. The next was vacant plot (451 transactions).

Similar to the residential sector, Johor Bahru district (1,469 transactions) and Batu Pahat district (406 transactions) were the top 2 largest markets in its state, with Muar district (13,356 transactions) taking the 3<sup>rd</sup> spot.

The commercial property market stock in Johor is anticipated to expand by 44.2% whereby incoming supply and planned supply currently recorded 29,158 units and 22,990 units, respectively. The sales performance of shop units in Johor was relatively more encouraging compared to Selangor since the number of unsold shop units dropped marginally from 1,492 in 2015, to 1,489 in 2016. Similar to Selangor, the proportion of unsold units against the supply of shop units is still considered as insignificant to the state's overall commercial market.

When measured in transaction volume and value, the residential and commercial markets in Malaysia continued to be subdued in 2016, likely impacted by both external and internal factors leading to a prolonged "wait-and-see" attitude. Whilst the local market performance of Selangor and Johor followed the national trend, interest in their property markets remained resilient taking into account that these 2 states have successfully maintained their significant contribution to Malaysia's property market since 2010.

Moreover, the slower market condition can be attributed to a few reasons. The 1<sup>st</sup> would be the issuance of Responsible Finance Guidelines ("RFG") which took effect in 2012. The RFG introduced more stringent loan criteria for homebuyers. In the Budget 2014, the RFGT was revised which essentially discouraged investment activities in the property market. Subsequently, the implementation of Goods and Services Tax in 2015 meant businesses were facing higher cost of doing business. All these are cooling measures that would have impact on the residential and commercial markets directly or indirectly.

Despite what appears to be tightening of policies and measures relating to the property market, the underlying intention of the authorities is to ensure sustainable growth of both the property and financial sectors. Suppressive measures discourage investment activities and instil risk-averse behaviours. On the flip side, such measures could actually enhance the accessibility of the property market hence, bringing in more demand. As the developers continue to understand and cater for the market need, together with the government's intention to stabilise the market, new sources of demand, especially genuine homebuyers, would enter the market. There are also measures put in place aimed at stimulating the market. The exemption of stamp duties on eligible 1<sup>st</sup> time homebuyers effective this year is a case in point.

Given that the shifts in policies and measures mostly took place between 2012 and 2014, the market performance in recent years could be the result of such transition. On a positive note, in spite of the drop in total transactions volume in 2016, the average value per transaction actually rose by 5%. In fact, as mentioned previously, some of the sectors were improving albeit net negative growth. Should this trend of improvement prevail, the market will bottom out in the near future.

Furthermore, infrastructure projects shall be the boosters for the local economy and the property market, especially projects involving land transport. The examples are:

- *Inter-state: The East Coast Railway Link (ECRL) which is expected to operate in 2024 will run from Wakaf Bharu to Gombak and Port Klang*
- *Inter-state: The High Speed Rail (HSR) connecting Kuala Lumpur to Singapore and passing through Iskandar Malaysia is scheduled for completion in 2026*
- *Johor: There is also a proposal for a Johor – Woodlands Rapid Transit System*
- *Selangor: The Mass Rapid Transit (MRT) Sungai Buloh - Kajang Line started its service on 16 July 2017. The other Sungai Buloh – Serdang – Putrajaya Line is under construction.*

Since 2014, 7 approvals have been granted for highway projects around Klang Valley worth RM20 billion. Some notable examples are:

- *Damansara – Shah Alam Expressway (DASH)*
- *Sungai Besi – Ulu Kelang Elevated Expressway (SUKE)*
- *Duta – Ulu Kelang Expressway (DUKE) extension*

In terms of mega projects, the government recently unveiled its plan to establish the World's first Digital Free Trade Zone in Kuala Lumpur and a Robotic Future City in Johor Bahru. Other flagship mega projects in Malaysia that have been garnering public and investors' interest are Bandar Malaysia, Tun Razak Exchange, Bukit Bintang City Centre, Kwasa Damansara township and Iskandar Malaysia. All in all, the improvements on public transport and road networks are going to unlock new areas for residential developments. Similarly, establishment of business and trade hubs could raise demand for commercial properties.

For residential sector, properties priced at affordable range shall continue to receive welcoming response from the market. Apart from pricing, well-developed surrounding and proximity to public transport could be the key criteria to increase the attractiveness of a property.

Population growth and rising middle-class will continue to steer residential demand. Rising consumers and business confidence on the other hand, would spur demand for commercial properties. Acknowledging the current sales and production fell below the 4Q 2016 mark, MIER anticipates that increase in current new bookings and capital investment are likely to shine some light onto the residential market again in early 2018. Malaysia's economic performance in 1<sup>st</sup> half of 2017 was better than expected. Such robust growth painting an auspicious outlook for the 2<sup>nd</sup> half of 2017. The government remains committed in developing infrastructures in major cities. This will definitely complement the real estate industry as new areas for development and business opportunities are being unlocked from time to time.

*(Source: Market commentary on landed residential and commercial sectors in relation to S P Setia's portfolio, by CBRE | WTW, August 2017 and revised in September 2017)*

### **8.3 Prospects of our Group**

For the 9-month FPE 30 September 2017, our Group achieved sales of RM2.82 billion<sup>(1)</sup> where the local projects contributed RM1.66 billion or 59% of the total sales while international projects contributed RM1.16 billion or 41% of the total sales. On the local front, the sales secured were largely from Central region with RM1.17 billion whereas Southern and Northern regions combined, contributed RM495.6 million of sales.

As for the international projects, the Sapphire By The Gardens in Melbourne achieved a take-up rate of 83% amounting to RM871.7 million in less than four months since the date of launch. At United Kingdom, Battersea Power Station contributed an effective share of RM149.2 million whereas projects in Singapore and Vietnam contributed an aggregate sales of RM89.4 million. Notwithstanding the total sales achieved, the local market remains subdued and the underlying demand is only strong for selective products and locations. However, the demand in international markets has increased as the sales achieved for the 9-month FPE 30 September 2017 was higher than the 12 months sales in 2016. Overall, our Group foresees a stronger contribution from its international projects for FYE 31 December 2017.

<sup>1</sup> *These sales were contributed by the following developments, including, amongst others, Setia Alam, Setia EcoHill, Setia EcoHill 2, Setia Eco Park, Setia Eco Glades, Setia Eco Templer, Setia Sky Residences, Setia Sky Seputeh, TRIO by Setia, Bukit Indah Johor, Setia Indah, Setia Tropika, Setia Eco Gardens, Setia Eco Cascadia, Setia Business Park II, Setia Pearl Island, Setia Vista, Setia Pinnacle, Setia Sky Ville, KL Eco City, Eco Xuan, Eco Lakes, 18 Woodsville, Eco Sanctuary, Maison Carnegie, Sapphire by the Gardens and Battersea Power Station.*

October 2017 was a major milestone for our Group as the entire Battersea Power Station Phase 1 comprising 12 blocks or 865 units were completed. The constructions of Phase 2 and Phase 3a are on-going and are on target to be completed in year 2020 and 2021 respectively. As for the Northern Line Extension ("NLE"), the tunnelling is progressing well and the excavation of the station and crossover box is also progressing as scheduled. Upon completion, the addition of the NLE is expected to further enhance the placemaking components and economically benefit the commercial activities in Battersea Power Station.

Moving forward into the remaining months of FYE 31 December 2017, our Group will focus more on the launches of mid-range landed properties in the Klang Valley. In view of prevailing market sentiment, our Group is strategically repositioning the launch of its condominium project such as Setia Sky Seputeh (Tower B) and bringing forward the launches of more mid-priced range landed properties. In the fourth quarter of FYE 31 December 2017, our Group plans to launch projects with a combined GDV of RM2.03 billion and the notable launches are in Setia Alam, Setia EcoHill, Setia Eco Templer and KL Eco City. Our Group remains resilient with its diversified range of new launches and the strategy is to launch more of the landed properties in our Group's flagship townships where the underlying demand by owner occupiers are still favourable.

Upon completion of the I&P Acquisition, I&P Group will become our wholly-owned subsidiary where the land banks of our enlarged Group will increased by 4,276 acres to 9,660 acres, making our Group the third largest property developer in terms of land banks size in Malaysia. In addition, our enlarged Group will also have further options to firmly roll out more products to meet market demand.

Based on the recent news reports, we understand that the Government has directed Dewan Bandaraya Kuala Lumpur to cease considering and approving the development of shopping complexes, offices, serviced apartments and luxury condominiums priced over RM1.0 million in Kuala Lumpur effective 1 November 2017. At this juncture, our on-going projects are not affected by the abovementioned directive as we continue to focus on landed properties.

We are confident that with our proven track record, the strong brand names under our Group's stable, established township and right product strategies, we will continue to move forward resiliently, positioning ourselves for the longer horizon.

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## 9. RISK FACTORS

You should carefully consider, in addition to the other information contained in this Abridged Prospectus, the following risk factors which may have an impact on the future performance of our Group, before subscribing for the Rights Shares and/or RCPS-i B.

### 9.1 Risks relating to our Group

#### 9.1.1 Competition risk

Our 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 sale and marketing of properties. Future success will depend significantly on the ability of our Group to respond to ever changing economic conditions and market demands, the progress of development and construction and launch of the property development projects of our Group. We expect to remain competitive despite the increased competition due to our established brand name, track record, strategic location of our developments, attractive promotional campaigns and the generally high cost of entry into the property development business. Our Group will continue to take measures to mitigate competition risks such as conducting market intelligence surveys to understand home buyers' needs, monitoring and adjusting development products and implementing innovative marketing strategies in response to changing economic conditions and market demands.

While we seek to remain competitive in terms of pricing, design, quality and strategic marketing, there is no assurance that our proactive measures can effectively mitigate the potential adverse effects of competition on our future financial performance and position.

#### 9.1.2 Dependence on contractors

We engage third-party contractors to undertake construction, infrastructure and landscaping work for our property development projects. Generally, one main contractor is engaged for each development project, depending on the size of the development, to supervise the performance / progress of various sub-contractors. Hence, we are dependent on the main contractors and subject to the inherent risk relating to such contractors, including construction defects, potential delay in completing the projects, shortage of workers and/or failure to obtain relevant permits.

Our Group implements stringent selection criteria to ensure that only contractors with proven track record and adequate financial resources are engaged to undertake construction work in our Group's development projects. We are not dependent on any single contractor as we engage the services of many contractors for the development of our various projects. In addition, our Group also seeks to mitigate such risks by closely monitoring the contractors' work progress in order to ensure the timely completion of the property development projects.

### **9.1.3 Performance of joint ventures**

We are exposed to the inherent risk of disputes with, or the breach of obligations by, our joint venture partners that may lead to the termination of a joint venture. There are however provisions and procedures to manage such disputes and breaches to secure the resolution of the issues before they become critical. If we are unable to resolve such issues, and in the absence of other commercially viable options, a decision to terminate a joint venture that relates to a material property development project may materially and adversely affect our business, financial condition, result of operations and prospects.

Based on our past track record, we have not faced termination or abortion of any joint venture development projects undertaken by us as a result of any dispute or default in obligations or breach of responsibilities by us or our joint venture partners. We generally play a key role, and have management and operational control, in our joint ventures. We have fulfilled our obligations under the relevant joint venture agreements as and when they are due and have not defaulted on any such obligations. Further, we are also cautious in choosing our joint venture partners and have an established selection criteria to identify viable joint venture partners including their financial standing, reputation and quality of management.

### **9.1.4 Scarcity of commercially viable landbanks for development**

For our Group to continue to be successful in the property development industry, we rely to a large extent on our existing landbanks, as well as on our ability to replenish our landbanks by acquiring suitable lands with development potential to deliver sustainable growth and profitability. However, our Group faces intense competition from other property developers (either local or international) in identifying and acquiring strategically located landbanks at commercially viable prices. Such competition has created scarcity in strategically located land. This may result in higher land acquisition cost, which may in turn lead to a potential decrease in our profitability and affect our prospects. Hence, a portion of the proceeds from the Rights Issue will be used to fund I&P Acquisition (which will increase our landbank) and future property development.

While we may be able to continue to identify new landbanks and replenish our landbanks, we may need to do so at less than ideal or at commercially viable prices and terms. In the face of competition, it would also be more challenging to secure opportunities to jointly develop lands with land owners on commercially viable profit sharing terms and with good development potential to spur our growth, as our Group continues to undertake our development plans.

### **9.1.5 Foreign exchange fluctuation risk**

Our Group's reporting currency is denominated in RM whilst the functional and reporting currencies of our foreign operations are denominated in AUD, GBP, SGD, RMB and VND. The cash flows of our foreign operations are affected by purchases of land, investment, development and operating costs, financing and revenues. Consequently, our revenues, costs, profits and asset values are affected by fluctuations in the foreign currency exchange rates of the abovementioned currencies. We are also exposed to foreign exchange risk as we may provide additional capital/funds to our foreign subsidiaries or jointly controlled entities and/or repatriate our profits from these entities, if such need arises from time to time.

However, our 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.

Nevertheless, there is no assurance that the measures adopted/taken are adequate such that there are no adverse and material effects on the financial performance of our Group arising from foreign exchange rate fluctuations.

## **9.2 Risks relating to the property development industry**

### **9.2.1 Performance of the property market**

Our 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. Any adverse developments affecting the property markets such as the deterioration in property demand and the property rental market may also have an adverse impact on our business operations and financial performance.

The property market has been dampened in the past few years, particularly since the introduction of cooling measures by the government to restrict the overheating of the market and curb excessive price increases. For example, the following regulations have been introduced by the government which impacted the property development industry in Malaysia:

- (i) RPGT was reinstated in 2010. The effective maximum RPGT rates were raised from 5% in 2010 to 30% in 2014;
- (ii) prohibition of acquisition by foreigners of properties valued less than RM500,000 per unit, which threshold was revised upward to RM1,000,000 under the Guideline on the Acquisition of Properties issued by the Economic Planning Unit of the Prime Minister's Department (which was effective 1 March 2014);
- (iii) in 2010, BNM announced a maximum loan-to-value ratio of 70% for third home purchases by consumers; and
- (iv) banks can no longer provide financing for projects with developer interest bearing scheme, wherein interest payments on the loan obtained by the buyers are borne by the property developers until the property has been completely constructed.

Based on the recent news reports, we understand that the Government has directed Dewan Bandaraya Kuala Lumpur to cease considering and approving the development of shopping complexes, offices, serviced apartments and luxury condominiums priced over RM1.0 million in Kuala Lumpur effective 1 November 2017. At this juncture, it is not clear as to how long the moratorium will be in place.

Any further introduction of cooling measures by the government as well as the tightening of lending criteria by the banks may adversely impact our property development business, and may lead to an imbalance between supply of, and demand for, properties in Malaysia which can cause property overhang.



While our operations and financial performance have not been materially and adversely affected by the performance of the property market in Malaysia as well as the other countries in which we operate, we will diligently monitor the development and changes within the local and international property markets in planning our future developments to maintain our competitiveness. Further, to manage the risk of property overhang, we have capitalised on our experience to offer different types and price ranges for our residential and commercial properties to suit different market demands and phasing the development of our projects according to the market conditions/demands.

### **9.2.2 Fluctuation in costs of construction materials and labour**

As our Group engages third-party contractors to undertake construction, infrastructure and landscaping work for our property development projects, they will supply the construction materials and labour for the work undertaken. These contractors may be subject to supply risks pertaining to the availability and costs of construction materials and labour.

Where there is an increase in the costs of construction materials and our contractors are unable to secure alternative supply at costs acceptable to us, the construction costs of our projects may increase and hence our margins from such projects may be reduced. Therefore, our profitability and financial performance will be adversely affected.

The construction of our property projects also requires a large number of skilled and unskilled labour. Hence, any increase in costs of labour or shortages of skilled and/or unskilled labour could cause increases in construction costs and subsequently, the delay in the completion of projects.

### **9.2.3 Political, economic and regulatory risks**

Similar to other industries, our business operations are subject to the jurisdiction of various governmental agencies or ministries. Any adverse development in the political, economic and regulatory conditions in Malaysia and other countries in which we operate namely, Australia, United Kingdom, China, Vietnam and Singapore, could materially and adversely affect the financial and operational conditions and the profitability of our Group. Political and economic uncertainties include but are not limited to changes in general economic and business conditions, government legislations and policies affecting our industry, employment and inflation levels, changes in political leadership, change of labour laws, changes in interest rates, economic recession, expropriation, nationalisation, renegotiation or nullification of existing contracts, taxation and currency exchange controls. As an example, the property development business will be sensitive to, among others, foreign exchange movements, interest rate movements, consumer sentiments, regulation changes and/or the tightening of credit conditions.

While we will continue to take precautionary measures such as diversifying our operations in various countries and by implementing prudent business, financial and risk management and efficient operating procedures, there can be no assurance that any material change in political, economic and regulatory conditions in jurisdictions or countries where our Group's projects are based will not materially affect our operations and financial performance.

#### **9.2.4 Compulsory land acquisition by the respective governments**

There is an inherent risk that our Group's development or project lands may be compulsorily acquired by the respective governments of the countries in which they are located for, amongst others, public use or due to public interest.

If all or any portion of our development or project lands are compulsorily acquired by the respective governments at any point in time, the amount of compensation paid to our Group may be less than the market value of the lands and/or the purchase consideration that we have paid in acquiring such lands. Accordingly, our Group's business, financial condition, results of operations and prospects could be adversely affected.

### **9.3 Risks relating to the Rights Issue**

#### **9.3.1 Capital market risk**

The market price of our Shares and RCPS-i B are, and will be, influenced by prevailing market sentiments, volatility of the stock market, interest rate movements, trades of substantial amount of S P Setia's securities in the open market on Bursa Securities in the future, corporate developments and future profitability of our Group as well as the prospects of the property industry. Hence, there is no assurance that the market price of our Shares will trade above the TERP of our Shares or the market price of the RCPS-i B will remain at or above the RCPS-i B Issue Price.

The RCPS-i B is a new class of security for our Company and there is no prior market for it. No assurance can be given that an active market for the RCPS-i B will develop upon or subsequent to the listing of and quotation for the RCPS-i B on the Main Market of Bursa Securities or, if developed, that such a market is sustainable or will be adequately liquid.

#### **9.3.2 Delay in or termination of the Rights Issue**

The Rights Issue is exposed to the risk that it may be delayed or terminated in the event a material adverse change of events or circumstances (such as force majeure events), which is beyond the control of our Company and Maybank IB, arises prior to the completion of the Rights Issue.

There can be no assurance that a material adverse change of events or circumstances will not occur and cause a delay in or termination of the Rights Issue. In the event the Rights Issue is terminated, our Company will undertake the necessary procedures to ensure the refund of monies is made in full without interest, in respect of the accepted application for the subscription of the Rights Issue including the Excess Rights Shares and Excess RCPS-i B within 14 days after our Company is required to do so. If such monies are not refunded within 14 days after our Company becomes liable, our Company will repay such monies in accordance with Section 243(2) of the CMSA and subject to compliance with applicable Shariah principles.

In the event the Rights Shares and RCPS-i B have been allotted to the successful Entitled Shareholders and/or their renounee(s) or transferee(s), (if applicable) and the Rights Issue is subsequently cancelled or terminated, a return of monies to the successful applicants can only be achieved by way of cancellation of the share capital as provided under the Act. Such cancellation requires the approval of our shareholders by way of special resolution in a general meeting, if objected by our creditors, would be subject to determination by the High Court of Malaya. There can be no assurance that such monies can be returned within a short period of time under such circumstances.

#### **9.4 Risks relating to the I&P Acquisition**

The key risk that may arise from, or may be associated with, the I&P Acquisition, include the following:

##### **9.4.1 Reliance on the existing key management team of the I&P Group**

The success of the I&P Group is, to a certain extent, attributable to the experiences and competency of the existing key management team of the I&P Group. While our Company has been an experienced player in the property development sector, our understanding of the status and prospects of the I&P Properties and I&P Landbank may not be as comprehensive as that known to the I&P Group. There is no assurance that we will be able to retain the existing key management team of the I&P Group after the completion of the I&P Acquisition. Any significant or sudden loss of the services of the key management team of the I&P Group without suitable and timely replacement could have an adverse effect on the integration process. Accordingly, succession planning is one of the main areas to be reviewed during the integration process.

##### **9.4.2 Investment risk**

The I&P Acquisition is being undertaken with a view to expand our Group's future growth in key regions in Malaysia, and is expected to contribute positively to the future earnings of our Group. However, there is no assurance that the anticipated benefits from the I&P Acquisition will be realised, or that our Group will be able to generate sufficient returns from the property development projects undertaken by the I&P Group, to offset the associated cost of investment. As such, there is no assurance that the I&P Acquisition will improve our Group's future earnings, and the duration for our Group to recoup our investment in I&P could be longer than expected.

Nevertheless, our Board has exercised due care in considering the potential risks and benefits associated with the I&P Acquisition, and our Board believes that the I&P Acquisition is synergetic to our enlarged Group.

#### **9.5 Forward-looking statements**

This Abridged Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Abridged Prospectus, including, without limitation, those regarding the financial position, business strategies, prospects, plans and objectives for future operations of our Group, are forward-looking statements. Such forward-looking statements are made based on estimates and assumptions made by our Board, and although believed to be reasonable as at the LPD, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievements, or industry results expressed or implied by such forward-looking statements.

In light of these uncertainties, the inclusion of such forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company and Maybank IB in relation to the Rights Issue that the plans and objectives of our Group will be achieved.

## 10. EFFECTS OF THE CORPORATE EXERCISES

The Proposed Bangi Land Acquisition and the Amendments will not have any effect on the share capital and substantial shareholders' shareholdings in our Company. The Amendments also will not have any effect on the NA per S P Setia Share and gearing of our Group.

The proforma effects of the Corporate Exercises have taken into consideration the following:

- (a) as at the LPD, our Company has the following securities:
  - (i) 3,022,340,940 Shares in issue;
  - (ii) 1,127,625,002 outstanding RCPS-i A; and
  - (iii) 44,853,750 outstanding ESOS Options;
- (b) the Proposed Bangi Land Acquisition will be completed after the Corporate Exercises; and
- (c) assuming 380,000,000 Placement Shares are issued based on an illustrative issue price of RM3.15 for each Placement Share, representing a discount of approximately 5.2% to the TERP of our Shares of RM3.32, based on the 5-day VWAMP of the Shares up to and including the Last Market Day of RM3.41.

The effects of the Corporate Exercises have been shown based on the following scenarios:

**Minimum Scenario** : Entails the issuance of 402,978,792 Rights Shares and 1,136,363,636 RCPS-i B, which were arrived at based on the following assumptions:

- (i) none of the RCPS-i A are converted into new Shares prior to the Entitlement Date;
- (ii) none of the outstanding ESOS Options are exercised prior to the Entitlement Date;
- (iii) all the Entitled Shareholders subscribe in full for their respective entitlement under the Rights Issue of Shares; and
- (iv) only PNB and the Funds subscribe for the RCPS-i B under the Rights Issue of RCPS-i B amounting to RM1.0 billion, pursuant to the Undertakings.

**Maximum Scenario** : Entails the issuance of 451,916,434 Rights Shares and 1,355,749,304 RCPS-i B, which were arrived at based on the following assumptions:

- (i) 1,127,625,002 RCPS-i A are converted into 322,178,572 new Shares prior to the Entitlement Date;
- (ii) 44,853,750 ESOS Options are exercised resulting in the issuance of 44,853,750 new Shares prior to the Entitlement Date; and
- (iii) all the Entitled Shareholders subscribe in full for their respective entitlement under the Rights Issue.

**The proforma effects of the Placement in this section are illustrated based on the assumptions and scenarios as mentioned above and should not be regarded as an indication or reference to the final issue price and the final issue size of the Placement, which will be determined by our Board and announced closer to the implementation of the Placement.**

## 10.1 Share capital

The proforma effects of the Corporate Exercises on the issued share capital of our Company are as follows:

### Ordinary share capital

	Minimum Scenario		Maximum Scenario	
	(million)	(RM'million)	(million)	(RM'million)
As at the LPD	3,022.3	5,611.2 <sup>(1)</sup>	3,022.3	5,611.2 <sup>(1)</sup>
To be issued assuming full conversion of the RCPS-i A	-	-	322.2	1,127.6
To be issued assuming full exercise of the ESOS Options	-	-	44.9	155.5
To be issued pursuant to the Rights Issue of Shares	403.0	1,067.9	451.9	1,197.6
To be issued pursuant to the Placement	380.0	1,197.0	380.0	1,197.0
To be issued assuming full conversion of the RCPS-i B	270.6	1,000.0	322.8	1,193.1
<b>Enlarged issued share capital</b>	<b>4,075.9</b>	<b>8,876.1</b>	<b>4,544.1</b>	<b>10,482.0</b>

### Preference share capital

	Minimum Scenario		Maximum Scenario	
	(million)	(RM'million)	(million)	(RM'million)
As at the LPD	1,127.6	1,126.9 <sup>(1)</sup>	1,127.6	1,126.9 <sup>(1)</sup>
Assuming full conversion of the RCPS-i A	-	-	(1,127.6)	(1,126.9)
To be issued pursuant to the Rights Issue of RCPS-i B	1,136.4	1,000.0	1,355.7	1,193.1
Assuming full conversion of the RCPS-i B	(1,136.4)	(1,000.0)	(1,355.7)	(1,193.1)
<b>Enlarged issued preference share capital</b>	<b>1,127.6</b>	<b>1,126.9</b>	<b>-</b>	<b>-</b>

#### Note:

- (1) Pursuant to the commencement of the Act, all amounts standing to the credit of our Company's share premium account has become part of our Company's share capital.

## 10.2 NA per S P Setia Share and gearing

Based on the latest audited consolidated statement of financial position of our Company as at 31 December 2016 and on the assumptions that the I&P Acquisition and Rights Issue had been effected on that date, the proforma effects of the I&P Acquisition and Rights Issue on the NA per S P Setia Share and gearing of our Group, are as follows:

Minimum Scenario	(II)			(III)		
	Audited as at 31 December 2016 (RM'000)	(I) Adjustments pursuant to the subsequent events <sup>(1)</sup> (RM'000)	After (I) and the I&P Acquisition (RM'000)	After (II) and the Rights Issue (RM'000)		
Share capital	2,140,140	5,611,240	5,611,240	6,679,134		
Share capital – RCPS-i	11,276	1,126,857	1,126,857	2,126,857		
Share premium	2,945,523	-	-	-		
Share premium – RCPS-i	1,115,632	-	-	-		
Reserve from common control	-	-	(899,657)	(899,657)		
Other deficit	-	-	(20,402)	(20,402)		
Capital reserve	-	-	6,288	6,288		
Share based payment reserve	65,316	89,870	89,870	89,870		
Exchange translation reserve	204,486	204,486	204,486	204,486		
Retained profits	2,718,191	2,073,472	2,838,226 <sup>(2)</sup>	2,828,226 <sup>(3)</sup>		
<b>Total equity / NA attributable to owners of our Company</b>	<b>9,200,564</b>	<b>9,105,925</b>	<b>8,956,908</b>	<b>11,014,802</b>		
Perpetual bond	610,787	610,787	610,787	610,787		
Non-controlling interests	431,730	431,730	938,331	938,331		
<b>Total equity / NA</b>	<b>10,243,081</b>	<b>10,148,442</b>	<b>10,506,026</b>	<b>12,563,920</b>		
Number of Shares in issue ('000)	2,853,520	3,022,341	3,022,341	3,425,320		
Total net borrowings	1,655,695	1,750,334	1,240,941	2,833,047		
NA per S P Setia Share attributable to owners of our Company <sup>(4)</sup> (RM)	2.83	2.64	2.59	2.59		
Net gearing <sup>(5)</sup> (times)	0.16	0.17	0.12	0.23		

**Notes:**

- (1) Subsequent events after 31 December 2016 representing the following transactions:
- (a) Issuance of 9,611,793 new Shares from the exercise of ESOS Options and vesting of Shares pursuant to the ESGP between 1 January 2017 and the LPD;
  - (b) charge to profit and loss in respect of the share-based payment under the LTIP amounting to RM25.7 million between 1 January 2017 and the LPD;
  - (c) adjustment for the issuance of the new Shares pursuant to the 7<sup>th</sup> DRP and 8<sup>th</sup> DRP as well as payment of the Final Dividend and Interim Dividend;
  - (d) consolidation of share capital and share premium pursuant to the requirements under the Act; and
  - (e) payment of preferential dividend of RM42.7 million to the RCPS-i A holders.
- (2) After including the retained profits and adjustment in consolidation of RM707.7 million arising from consolidating the I&P Group as a result of the I&P Acquisition.
- (3) After deducting estimated expenses of approximately RM10.0 million in relation to, among others, the I&P Acquisition and the Rights Issue.
- (4) Calculated as total equity/NA attributable to owners of our Company (excluding the share capital and share premium relating to RCPS-i) divided by the number of Shares in issue.
- (5) Calculated as total net borrowings (comprises the total of short term debts, long term debts, existing redeemable cumulative preference shares issued by our subsidiaries and bank overdraft net of short term deposits and cash and bank balances) divided by total equity / NA.

Maximum Scenario	(I)	(II)	(III)	(IV)
	Audited as at 31 December 2016 (RM'000)	Adjustments pursuant to the subsequent events <sup>(1)</sup> (RM'000)	After (I) and conversion / exercise of convertibles <sup>(2)</sup> (RM'000)	After (I) and the I&P Acquisition (RM'000)
				After (III) and the Rights Issue (RM'000)
Share capital	2,140,140	5,611,240	6,894,363	8,091,942
Share capital – RCPS-i	11,276	1,126,857	-	1,193,059
Share premium	2,945,523	-	-	-
Share premium – RCPS-i	1,115,632	-	-	-
Reserve from common control	-	-	-	(899,657)
Other deficit	-	-	-	(20,402)
Capital reserve	-	-	-	6,288
Share based payment reserve	65,316	89,870	65,902	65,902
Exchange translation reserve	204,486	204,486	204,486	204,486
Retained profits	2,718,191	2,073,472	2,072,704	2,837,458 <sup>(3)</sup>
<b>Total equity / NA attributable to owners of our Company</b>	<b>9,200,564</b>	<b>9,105,925</b>	<b>9,237,455</b>	<b>11,469,076</b>
Perpetual bond	610,787	610,787	610,787	610,787
Non-controlling interests	431,730	431,730	431,730	938,331
<b>Total equity / NA</b>	<b>10,243,081</b>	<b>10,148,442</b>	<b>10,279,972</b>	<b>13,018,194</b>
Number of Shares in issue ('000)	2,853,520	3,022,341	3,389,373	3,841,290
Total net borrowings	1,655,695	1,750,334	1,618,804	2,378,773
NA per S P Setia Share attributable to owners of our Company <sup>(5)</sup> (RM)	2.83	2.64	2.73	2.68
Net gearing <sup>(6)</sup> (times)	0.16	0.17	0.16	0.18



**Notes:**

- (1) Subsequent events after 31 December 2016 representing the following transactions:
  - (a) Issuance of 9,611,793 new Shares from the exercise of ESOS Options and vesting of Shares pursuant to the ESGP between 1 January 2017 and the LPD;
  - (b) charge to profit and loss in respect of the share-based payment under the LTIP amounting to RM25.7 million between 1 January 2017 and the LPD;
  - (c) adjustment for the issuance of the new Shares pursuant to the 7<sup>th</sup> DRP and 8<sup>th</sup> DRP as well as payment of the Final Dividend and the Interim Dividend;
  - (d) consolidation of share capital and share premium pursuant to the requirements under the Act; and
  - (e) payment of preferential dividend of RM42.7 million to the RCPS-i A holders.
- (2) Assuming full exercise of the ESOS Options and full conversion of the RCPS-i A.
- (3) After including the retained profits and adjustment in consolidation of RM707.7 million arising from consolidating the I&P Group as a result of the I&P Acquisition.
- (4) After deducting estimated expenses of approximately RM10.0 million in relation to, among others, the I&P Acquisition and the Rights Issue.
- (5) Calculated as total equity/NA attributable to owners of our Company (excluding the share capital and share premium relating to RCPS-i) divided by the number of Shares in issue.
- (6) Calculated as total net borrowings (comprises the total of short term debts, long term debts, existing redeemable cumulative preference shares issued by our subsidiaries and bank overdraft net of short term deposits and cash and bank balances) divided by total equity / NA.

### 10.3 Earnings and EPS

The I&P Acquisition is expected to contribute positively to the consolidated earnings of our Company as the I&P Group's financial results will be consolidated with that of our Group for the FYE 31 December 2017 on a full year basis by applying predecessor value method applicable to business combinations of entities under common control.

Although the EPS of our Company will immediately be diluted as a result of the increase in the number of Shares in issue arising from the issuance of the Rights Shares and Placement Shares and the conversion of the RCPS-i B over time, the I&P Acquisition is expected to contribute positively to the future earnings and EPS of our Group upon the development of the I&P Landbank.

Assuming that the I&P Acquisition and the Rights Issue of Shares had been completed on 1 January 2016, being the beginning of the FYE 31 December 2016, the proforma effects of the I&P Acquisition and Rights Issue of Shares on our Company's consolidated earnings and EPS, are as follows:

	Audited for FYE 31 December 2016 (RM'000)	(I)	(II)	
		After the I&P Acquisition (RM'000)	After (I) and the Rights Issue of Shares	
			Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Profits attributable to owners of our Company	808,030	798,030 <sup>(1)</sup>	798,030	798,030
Profits of the I&P Group for FYE 31 December 2016	-	140,566	140,566	140,566
Finance cost arising from the I&P Acquisition <sup>(2)</sup>	-	(71,600)	(71,600)	(71,600)
<b>Enlarged profits attributable to owners of our Company</b>	<b>808,030</b>	<b>866,996</b>	<b>866,996</b>	<b>866,996</b>
Number of Shares in issue ('000)	2,853,520	2,853,520	3,425,320 <sup>(3)</sup>	3,841,290 <sup>(3)</sup>
<b>Net EPS (sen)</b>	<b>28.32</b>	<b>30.38</b>	<b>25.31</b>	<b>22.57</b>

**Notes:**

- (1) Adjusted for the estimated expenses in relation to, among others, the I&P Acquisition and the Rights Issue of approximately RM10.0 million.
- (2) The I&P Purchase Consideration will be partially funded via new bank borrowings, resulting in additional finance cost of approximately RM71.60 million per annum.
- (3) Based on the assumptions as set out in Section 10 of this Abridged Prospectus

## 11. WORKING CAPITAL, BORROWINGS, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

### 11.1 Working capital

Our Board is of the opinion that after taking into consideration the amount to be raised from the Rights Issue, funds generated from our operations and credit facilities available to our Group, our Group will have sufficient working capital for a period of 12 months from the date of this Abridged Prospectus.

### 11.2 Borrowings

As at the LPD, the total borrowings of our Group (all of which are interest-bearing) are set out below:

<b>Total borrowings</b>	<b>(RM'million)</b>
Short-term borrowings (payable within 12 months)	1,771.3 <sup>(1)</sup>
Long-term borrowings (payable after 12 months)	4,941.9
Redeemable cumulative preference shares	54.3
<b>Total</b>	<b>6,767.5</b>

**Note:**

(1) Includes bank overdrafts of our Group amounting to RM18.4 million as at the LPD.

As at the LPD, our Group has the following foreign currency borrowings:

	<b>Amount in foreign currency (million)</b>	<b>Amount in RM <sup>(1)</sup> (million)</b>
GBP	129.5	723.5
SGD	185.5	576.8
<b>Total</b>		<b>1,300.3</b>

**Note:**

(1) Based on the respective exchange rates as of the reporting period.

Our Group has not defaulted on payments of either interest or principal sum on any borrowing for the FYE 31 December 2016 and the subsequent financial period up to the LPD.

**11.3 Material commitments**

Save as disclosed below, as at the LPD, our Board is not aware of any other material commitments incurred or known to be incurred by our Group, which may have a material impact on the profits and/or NA of our Group:

	<u>(RM'million)</u>
Commitments of subsidiary companies:	
Contractual commitments to purchase development land	717.3
Contractual commitments for construction of investment properties	173.4
Contractual commitments for acquisition of property, plant and equipment	226.8
<b>Sub-total</b>	<b><u>1,117.5</u></b>
Share of commitments of jointly controlled entities:	
Contractual commitments for construction of investment properties	39.3
<b>Total</b>	<b><u>1,156.8</u></b>

The above commitment will be funded by our Group's existing cash balances, internally generated funds and/or bank borrowings.

**11.4 Contingent liabilities**

As at the LPD, there were no contingent liabilities in respect of our Group.

However, on 17 November 2017, our Company had announced that the Inland Revenue Board of Malaysia ("IRB") had served on our wholly-owned subsidiary, Bandar Setia Alam Sdn Bhd ("**BSASB**") notices of additional assessment for the years of assessment 2008, 2009, 2010, 2011 and 2013 for additional income tax of RM51,985,822.19 and a penalty of RM23,393,619.99, amounting to RM75,379,442.18 in aggregate ("**Notices of Additional Assessment**"). The additional income tax and penalty were imposed by the IRB as it had taken the view that the gains received by BSASB from the disposal of certain land and properties during the relevant years of assessment are subject to income tax under the Income Tax Act 1967, and are not capital gains tax under the RPGT Act.

BSASB will challenge the said disputed Notices of Additional Assessment and take all necessary actions to protect the interest of BSASB and our Group.

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## 12. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE OR TRANSFER AND EXCESS APPLICATION

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SECURITIES, AND THE PROCEDURES TO BE FOLLOWED BY YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S), IF APPLICABLE, SHOULD YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S), IF APPLICABLE, WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT(S) AS WELL AS INSTRUCTIONS FOR APPLICATION FOR EXCESS RIGHTS SECURITIES, ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE DOCUMENTS CAREFULLY.

UNLESS OTHERWISE STATED, ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SECURITIES EITHER IN FULL OR IN PART MUST BE MADE ON THE RSF (AS APPLICABLE) ISSUED TOGETHER WITH THIS ABRIDGED PROSPECTUS AND MUST BE COMPLETED IN ACCORDANCE WITH THE NOTES AND INSTRUCTIONS CONTAINED IN THE DOCUMENTS. ACCEPTANCES WHICH DO NOT STRICTLY CONFORM TO THE TERMS AND CONDITIONS AS WELL AS NOTES AND INSTRUCTIONS IN THE DOCUMENTS OR WHICH ARE ILLEGIBLE MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

### 12.1 General

The Provisional Rights Securities will be prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional Rights Securities will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renounee(s) and/or transferee(s), if applicable, are required to have valid and subsisting CDS Accounts when making applications to subscribe for the Rights Shares and/or RCPS-i B.

If you are an Entitled Shareholder, you will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Rights Securities into your CDS Account and the RSF to enable you to subscribe for such Provisional Rights Securities that have been provisionally allotted to you, as well as to apply for Excess Rights Securities, if you choose to do so.

### 12.2 Procedures for acceptance and payment

If you wish to accept your entitlement to the Provisional Rights Securities, either in full or in part, please complete Parts I(A) and II of the RSF (as applicable) in accordance with the notes and instructions contained in the RSF. Thereafter, please send each completed and signed RSF with the relevant payments in the reply envelope enclosed with this Abridged Prospectus, by the mode of despatch of your choice (at your own risk) to our Registrar for the Rights Issue, Tricor, at the following address:

FOR DELIVERY BY HAND, COURIER AND/OR ORDINARY POST

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. no.: +603-2783 9299  
Fax no.: +603-2783 9222

or alternatively at:

Tricor Customer Service Centre  
Unit G-3, Ground Floor, Vertical Podium  
Avenue 3, Bangsar South  
No.8, Jalan Kerinchi  
59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on the Closing Date.

If you have lost, misplaced or for any other reasons require another copy of the RSF, you may obtain additional copies from one of the following:

- (i) Malaysian stockbroking companies;
- (ii) our Head Office at:  
S P Setia Berhad Corporate HQ  
No. 12, Persiaran Setia Dagang  
Setia Alam, Seksyen U13  
40170 Shah Alam  
Selangor Darul Ehsan;
- (iii) our Registrar for Rights Issue at:  
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

or alternatively at:

Tricor Customer Service Centre  
Unit G-3, Ground Floor, Vertical Podium  
Avenue 3, Bangsar South  
No.8, Jalan Kerinchi  
59200 Kuala Lumpur;

or

- (iv) Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)

1 RSF can only be used for acceptance of the Provisional Rights Shares or Provisional RCPS-i B standing to the credit in 1 CDS Account. Separate RSFs must be used for the acceptance of Provisional Rights Shares or Provisional RCPS-i B standing to the credit in more than 1 CDS Account. The Provisional Rights Securities accepted by you will be credited into the CDS Account(s) where the Provisional Rights Shares or Provisional RCPS-i B are credited.

The minimum number of Provisional Rights Shares that can be accepted is 1 Rights Share. Similarly, the minimum number of Provisional RCPS-i B that can be accepted is 1 RCPS-i B. However, you should note that a trading board lot of the Rights Shares and RCPS-i B comprises 100 Rights Shares and 100 RCPS-i B, respectively.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full and exact amount payable for the Provisional Rights Shares or Provisional RCPS-i B accepted in the form of Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia and made payable to:

- (i) **“SETIA RIGHTS ACCOUNT”** for the Provisional Rights Shares; and
- (ii) **“SETIA RCPS ACCOUNT”** for the Provisional RCPS-i B.

The Banker's draft or Cashier's Order or Money Order or Postal Order should be crossed **“A/C PAYEE ONLY”** and **endorsed on the reverse side with your name in block letters, contact number and CDS Account number**. The payment must be made for the exact amount. Any acceptance accompanied by excess or insufficient payment or payment other than in the manner prescribed in this Abridged Prospectus may or may not be accepted at the absolute discretion of our Board. Details of the remittances must be filled in the appropriate boxes provided in the RSF.

If acceptance and payment for the Provisional Rights Securities allocated to you (whether in full or in part) are not received by Tricor by 5.00 p.m. on the Closing Date, your Provisional Rights Securities will be deemed to have been declined and will be cancelled. Our Board will then have the right to allocate such Rights Shares and RCPS-i B not taken up to applicants who have applied for Excess Rights Securities in the manner as set out in Section 12.4 of this Abridged Prospectus.

**YOU SHOULD NOTE THAT ALL RSF(S) AND REMITTANCES LODGED WITH TRICOR WILL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**PROOF OF TIME OF POSTAGE SHOULD NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY TRICOR. NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR THE APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR TRICOR IN RESPECT OF THE RIGHTS ISSUE.**

Applications should not be deemed to have been accepted by reason of the remittance being presented for payment. Our Board reserves the right at its absolute discretion not to accept any application, in full or in part, without assigning any reason thereof.

Notification on the outcome of your application will be despatched to you by ordinary post to the address as shown on Bursa Depository's record at your own risk within the timelines as follows:

- (i) successful application – a notice of allotment will be despatched within 8 Market Days from the Closing Date (or such other period as may be prescribed by Bursa Securities) and the Rights Shares and/or RCPS-i B will be allotted within 8 Market Days from the Closing Date; or
- (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the Closing Date.

### **12.3 Procedures for sale or transfer of Provisional Rights Securities**

The Provisional Rights Securities are renounceable securities and will be traded on Bursa Securities commencing from 4 December 2017 up to and including 11 December 2017. As such, you may sell all or part of your entitlement to the Provisional Rights Securities during such period. You may also transfer all or part of your entitlement to the Provisional Rights Securities from 4 December 2017 to 4.00 p.m. on 14 December 2017. For the avoidance of doubt, the entitlements to the Provisional Rights Shares and the Provisional RCPS-i B can be renounced separately.

As the Provisional Rights Securities are prescribed securities, should you wish to sell or transfer all or part of your entitlement to the Provisional Rights Securities to one or more persons, you may do so through your stockbrokers without first having to request for a split of the Provisional Rights Securities standing to the credit in your CDS Account.

You may sell such entitlement on Bursa Securities or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository, both for the period up to the last day and time for the sale or transfer of the Provisional Rights Securities (in accordance with the Rules of Bursa Depository).

**YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL RIGHTS SECURITIES, YOU NEED NOT DELIVER ANY DOCUMENT (INCLUDING THE RELEVANT RSF) TO YOUR STOCKBROKERS IN RESPECT OF THE PORTION OF THE PROVISIONAL RIGHTS SECURITIES SOLD OR TRANSFERRED. HOWEVER, YOU ARE ADVISED TO ENSURE THAT YOU MUST HAVE SUFFICIENT NUMBER OF PROVISIONAL RIGHTS SECURITIES STANDING TO THE CREDIT IN YOUR CDS ACCOUNT BEFORE SELLING OR TRANSFERRING.**

If you have sold or transferred only part of the Provisional Rights Securities, you may still accept the balance of the Provisional Rights Securities not sold or transferred by completing Parts I(A) and II of the RSF. Please refer to Section 12.2 of this Abridged Prospectus for the procedures for acceptance and payment.

#### **12.4 Procedures for Excess Rights Securities application**

If you wish to apply for Excess Rights Securities, you may do so by completing Part I(B) of the relevant RSF (in addition to Parts I(A) and II) in accordance with the notes and instructions contained in the relevant RSF. Thereafter, please send each completed and signed RSF with a **separate remittance** for the full amount payable on the Excess Rights Securities applied for in the reply envelope enclosed with this Abridged Prospectus by the mode of despatch of your choice (at your own risk) to Tricor so as to arrive not later than 5.00 p.m. on the Closing Date.

The minimum number of Excess Rights Shares and Excess RCPS-i B that can be applied for is 1 Rights Share and 1 RCPS-i B, respectively. However, you should note that a trading board lot of Rights Shares and RCPS-i B comprises 100 Rights Shares and 100 RCPS-i B, respectively.

Payment for the Excess Rights Securities applied for should be made in the same manner described in Section 12.2 of this Abridged Prospectus except that the Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia should be made payable to:

- (i) **"SETIA EXCESS ACCOUNT"** for the Excess Rights Shares; and
- (ii) **"SETIA EXCESS RCPS ACCOUNT"** for the Excess RCPS-i B.

The Banker's Draft or Cashier's Order or Money Order or Postal Order should be crossed **"A/C PAYEE ONLY"** and **endorsed on the reverse side with your name in block letters, contact number and CDS Account number**. The payment must be made for the exact amount. Any application accompanied by excess or insufficient payment or payment other than in the manner prescribed in this Abridged Prospectus may or may not be accepted at the absolute discretion of our Board. Details of the remittances must be filled in the appropriate boxes provided in the RSF.



It is the intention of our Board to allocate the Excess Rights Shares and Excess RCPS-i B, if any, in a fair and equitable manner in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, after step (i), for allocation to our Entitled Shareholders who have applied for the Excess Rights Securities, on a pro-rata basis and in board lots, calculated based on their respective shareholdings in S P Setia as at the Entitlement Date;
- (iii) thirdly, after steps (i) and (ii), for allocation to our Entitled Shareholders who have applied for the Excess Rights Securities, on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Securities applied for; and
- (iv) fourthly, after steps (i), (ii) and (iii), for allocation to the renounee(s) and/or transferee(s), if applicable, who have applied for the Excess Rights Securities, on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Securities applied for.

In the event of any Excess Rights Securities balance after steps (i), (ii), (iii) and (iv) are carried out, steps (ii), (iii) and (iv) will be repeated in the same sequence of allocation i.e. steps (ii), (iii) and (iv) again to allocate the balance Excess Rights Securities until such balance is exhausted.

Nevertheless, our Board reserves the right to allocate any Excess Rights Securities applied for in such manner as it deems fit or expedient and in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intentions of our Board set out in steps (i) to (iv) above are achieved. Our Board reserves the right at its absolute discretion not to accept any application for Excess Rights Securities, in full or in part, without assigning any reason thereof.

**YOU SHOULD NOTE THAT ALL RSF(S) AND REMITTANCES LODGED WITH TRICOR WILL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**PROOF OF TIME OF POSTAGE SHOULD NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY TRICOR. NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF FOR THE EXCESS RIGHTS SHARES APPLICATION, EXCESS RCPS-i B APPLICATION OR THE APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR TRICOR.**

Applications for Excess Rights Securities shall not be deemed to have been accepted by reason of the remittance being presented for payment. Our Board reserves the right at its absolute discretion not to accept any Excess Rights Securities application, in full or in part, without assigning any reason thereof.

Notification on the outcome of your application for the Excess Rights Securities will be despatched to you by ordinary post to the address as shown on Bursa Depository's record at your own risk within the timelines as follows:

- (i) successful application – a notice of allotment will be despatched within 8 Market Days from the Closing Date (or such other period as may be prescribed by Bursa Securities) and the Rights Shares and/or RCPS-i B will be allotted within 8 Market Days from the Closing Date; or
- (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the Closing Date.

## 12.5 Procedures to be followed by renounees and transferees

If you are a renounee or transferee or if you had purchased any Provisional Rights Securities, you may obtain a copy of this Abridged Prospectus and/or the accompanying RSF to enable you to accept the Provisional Rights Securities, from one of the following:

- (i) Malaysian stockbroking companies;
- (ii) our Head Office at:  
S P Setia Berhad Corporate HQ  
No. 12, Persiaran Setia Dagang  
Setia Alam, Seksyen U13  
40170 Shah Alam  
Selangor Darul Ehsan;
- (iii) our Registrar for the Rights Issue at:  
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

or alternatively at:

Tricor Customer Service Centre  
Unit G-3, Ground Floor, Vertical Podium  
Avenue 3, Bangsar South  
No.8, Jalan Kerinchi  
59200 Kuala Lumpur;

or

- (iv) Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com)

As a renounee or transferee, the procedures for acceptance, payment, selling or transferring of the Provisional Rights Securities are the same as that which are applicable to our Entitled Shareholders as described in Sections 12.2 and 12.3 of this Abridged Prospectus. Please refer to the relevant sections for the procedures to be followed.

Renounees and transferees are advised to read and adhere to the RSF and the notes and instructions contained in the RSF.

## 12.6 CDS Accounts

Bursa Securities has prescribed the securities listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Rights Securities are prescribed securities and as such, all dealings in the Provisional Rights Securities will be by book entries through CDS Accounts and will be subject to the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS Account in order to subscribe for the Provisional Rights Securities. Failure to comply with these specific instructions for application or inaccuracy in the CDS Account numbers may result in your application being rejected.

Your subscription for the Provisional Rights Securities should mean consent to receiving such Provisional Rights Securities as deposited securities which will be credited directly into your CDS Account. No physical certificates will be issued.

All Excess Rights Securities allotted should be credited directly into the CDS Account of successful applicants.

If you have multiple CDS Accounts into which the Provisional Rights Securities have been credited, you cannot use a single RSF to apply for all these Provisional Rights Securities. Separate RSFs must be used for each CDS Account. If successful, the Rights Shares and/or RCPS-i B that you applied for will be credited into the respective CDS Accounts into which such Provisional Rights Shares and/or Provisional RCPS-i B have been credited.

## **12.7 Foreign Addressed Shareholders and/or shareholders subject to laws of foreign jurisdictions**

The Documents have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction, and have not been (and will not be) lodged, registered or approved under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any jurisdiction other than Malaysia.

The Documents are not intended to be (and will not be) issued, circulated or distributed and the Provisional Rights Securities will not be made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Provisional Rights Securities to which this Abridged Prospectus relates is only available to persons receiving the Documents electronically or otherwise within Malaysia.

As a result, the Documents have not been (and will not be) despatched to our Foreign Addressed Shareholders. However, Foreign Addressed Shareholders may collect the Documents from Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur or alternatively at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur, who will be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents.

If you are a Foreign Addressed Shareholder, our Company will not make or be bound to make any enquiry as to whether you have a registered address in Malaysia other than as stated in our Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. Our Company will assume that the Provisional Rights Shares, Provisional RCPS-i B and the acceptance thereof by you would be in compliance with the terms and conditions of the Rights Issue and would not be in breach of the laws of any jurisdiction. Our Company will further assume that you have accepted the Provisional Rights Securities in Malaysia and will at all applicable times be subject to the laws of Malaysia.

As an Entitled Shareholder, you and/or your renouncee(s) and/or transferee(s), if applicable, may only accept or renounce or transfer (as the case may be) all or any of the Provisional Rights Securities to the extent that it would be lawful to do so, and our directors and officers of our Company and Maybank IB (collectively, the "**Parties**"), would not in connection with the Rights Issue, be in breach of the laws of any foreign country or jurisdiction to which you and/or your renouncee(s) and/or transferee(s), if applicable, is or might be subject. You and/or your renouncee(s) and/or transferee(s), if applicable, shall be solely responsible to seek advice from your legal and/or professional advisers as to the laws of the country or jurisdiction to which you are or might be subject. The Parties shall not accept any responsibility or liability whatsoever to any party if any acceptance and/or renunciation and/or transfer made by any Entitled Shareholder and/or his renouncee(s) and/or transferee(s), if applicable, is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction.

In addition, each person, by accepting the delivery of the Documents, accepting any Provisional Rights Securities by signing any of the forms accompanying the Documents or subscribing for or acquiring any Provisional Rights Securities, will be deemed to have represented, warranted, acknowledged and declared in favour of (and which representations, warranties, acknowledgements and declarations will be relied upon by) the Parties as follows:

- (a) the Parties would not, by acting on the acceptance or renunciation in connection with the Provisional Rights Securities, be in breach of the laws of any jurisdiction to which you and/or your renounee(s) and/or transferee(s), if applicable, are or may be subject;
- (b) you and/or your renounee(s) and/or transferee(s), if applicable, have complied with the laws to which you and/or your renounee(s) and/or transferee(s) are or may be subject in connection with the acceptance or renunciation;
- (c) you and/or your renounee(s) and/or transferee(s), if applicable, are not a nominee or agent of a person for whom the Parties would, by acting on the acceptance or renunciation of the Provisional Rights Securities, be in breach of the laws of any jurisdiction to which that person is or may be subject;
- (d) you and/or your renounee(s) and/or transferee(s), if applicable, are aware that the Provisional Rights Securities can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (e) you and/or your renounee(s) and/or transferee(s), if applicable, have obtained a copy of this Abridged Prospectus and have had access to such financial and other information and have been provided the opportunity to ask such questions to the representatives of the Parties and receive answers thereto as you and/or your renounee(s) and/or transferee(s), if applicable, deem necessary in connection with your and/or your renounee(s) and/or transferee(s), if applicable, decision to subscribe for or purchase the Provisional Rights Securities; and
- (f) you and/or your renounee(s) and/or transferee(s), if applicable, have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Provisional Rights Securities, and are prepared to bear the economic and financial risks of investing in and holding the Provisional Rights Securities.

**PERSONS RECEIVING THE DOCUMENTS (INCLUDING, WITHOUT LIMITATION, CUSTODIANS, NOMINEES AND TRUSTEES) MUST NOT, IN CONNECTION WITH THE RIGHTS ISSUE, DISTRIBUTE OR SEND THE DOCUMENTS INTO ANY JURISDICTIONS WHERE TO DO SO WOULD OR MIGHT CONTRAVENE LOCAL SECURITIES, EXCHANGE CONTROL OR RELEVANT LAWS OR REGULATIONS.**

**ENTITLED SHAREHOLDERS AND ANY OTHER PERSON HAVING POSSESSION OF THIS ABRIDGED PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS ARE ADVISED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL REQUIREMENTS APPLICABLE THERETO. NO PERSON IN ANY TERRITORY OUTSIDE OF MALAYSIA RECEIVING THIS ABRIDGED PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS MAY TREAT THE SAME AS AN OFFER, INVITATION OR SOLICITATION TO SUBSCRIBE FOR OR ACQUIRE ANY PROVISIONAL RIGHTS SECURITIES UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS IN SUCH TERRITORY.**

**WE RESERVE THE RIGHT, IN OUR ABSOLUTE DISCRETION, TO TREAT ANY ACCEPTANCE AS INVALID, IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE APPLICABLE LEGAL OR REGULATORY REQUIREMENTS. THE PROVISIONAL RIGHTS SECURITIES RELATING TO ANY ACCEPTANCE WHICH IS TREATED AS INVALID WILL BE INCLUDED IN THE POOL OF EXCESS RIGHTS SECURITIES AVAILABLE FOR EXCESS APPLICATION BY THE OTHER ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S) AND/OR TRANSFEREE(S), IF APPLICABLE. YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S), IF APPLICABLE, WILL ALSO HAVE NO CLAIMS WHATSOEVER AGAINST THE PARTIES IN RESPECT OF YOUR AND/OR YOUR RENOUNCEE(S)' AND/OR TRANSFEREE(S)', IF APPLICABLE, ENTITLEMENT UNDER THE RIGHTS ISSUE OR TO ANY NET PROCEEDS THEREOF.**

**NON-RESIDENT SHAREHOLDERS ARE ALSO TO NOTE THE CONDITIONS IMPOSED BY BNM, WHICH, AMONG OTHERS, REQUIRE NON-RESIDENT SHAREHOLDERS WHO INTEND TO UNDERTAKE FOREIGN CURRENCY HEDGING TO ONLY ENTER INTO FOREIGN CURRENCY HEDGING CONTRACTS WITH LICENSED DOMESTIC BANKS (I.E. COMMERCIAL BANKS, LICENSED INVESTMENT BANKS OR ISLAMIC BANKS OTHER THAN INTERNATIONAL ISLAMIC BANKS). FURTHER / OTHER CONDITIONS IMPOSED BY BNM ARE SET OUT IN SECTION 1 OF THIS ABRIDGED PROSPECTUS.**

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**13. TERMS AND CONDITIONS**

**13.1 Terms and conditions of the Rights Issue of Shares**

The issuance of the Rights Shares pursuant to the Rights Issue of Shares is governed by the terms and conditions as set out in the Rights Shares Documents.

**13.2 Terms and conditions of the Rights Issue of RCPS-i B**

The issuance of the RCPS-i B pursuant to the Rights Issue of RCPS-i B is governed by the terms and conditions as set out in the RPCS-i B Documents.

**14. FURTHER INFORMATION**

You are requested to refer to the attached appendices for further information.

Yours faithfully,  
For and on behalf of the Board of  
**S P SETIA BERHAD**



**DATO' AHMAD PARDAS BIN SENIN**  
Senior Independent Non-Executive Director

CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT OUR EGM FOR SHAREHOLDERS HELD ON 16 NOVEMBER 2017

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

EXTRACT OF MINUTES of the Extraordinary General Meeting (“EGM”) for Shareholders of S P Setia Berhad (“S P Setia” or “the Company”) 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, 16 November 2017 at 9.30 a.m.

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**ORDINARY RESOLUTION 1**

**PROPOSED ACQUISITION OF A PIECE OF FREEHOLD LAND MEASURING APPROXIMATELY 342.50 ACRES (OR 14,919,300 SQUARE FEET) HELD UNDER GRN 49395, LOT 1913, MUKIM SEMENYIH, DISTRICT OF ULU LANGAT, STATE OF SELANGOR DARUL EHSAN (“BANGI LAND”) BY KL EAST SDN. BHD. (“KL EAST”), A WHOLLY-OWNED SUBSIDIARY OF S P SETIA FROM SERIEMAS DEVELOPMENT SDN BERHAD (“SERIEMAS”), FOR A CASH CONSIDERATION OF RM447,579,000 AND THE PROPOSED PROFIT SHARE FROM THE DEVELOPMENT ON THE BANGI LAND (COLLECTIVELY, “PROPOSED BANGI LAND ACQUISITION”)**

The Chairman declared that Ordinary Resolution 1 was carried and that the resolution was passed as follows:

“**THAT**, subject to and conditional upon the approvals of all relevant authorities and/or parties (where required) being obtained, approval be and is hereby given to KL East, to acquire the Bangi Land, for a cash consideration of RM447,579,000, upon such terms and conditions set out in the conditional sale and purchase agreement dated 14 April 2017 between KL East and Seriemas (“**Bangi Land SPA**”);

**THAT**, approval be and is hereby given to KL East to share 20% of the audited profit before taxation from each phase of the development on the Bangi Land consisting of sale of units and/or land parcels, subject to a maximum of RM44,757,900 calculated at the rate of RM3.00 per square foot of the Bangi Land, upon such terms and conditions set out in the conditional profit sharing agreement dated 14 April 2017 between KL East and Seriemas (“**PSA**”);

**THAT**, the board of directors of KL East and/or the board of directors of the Company (“**Board**”) (with the exception of the interested directors) be and are hereby empowered and authorised to assent to any modifications to the Bangi Land SPA, PSA, and sign and execute any other ancillary agreements and documents in relation thereto (as may be amended from time to time by further agreement between the parties) in connection with the Proposed Bangi Land Acquisition, for and on behalf of KL East and/or the Company;

**THAT**, in order to implement and complete the Proposed Bangi Land Acquisition, the board of directors of KL East and/or the Board (with the exception of the interested directors) be and are hereby empowered and authorised to give full effect to the Proposed Bangi Land Acquisition with full powers to do or procure to be done all acts, deeds and things (including all applications and submissions to the relevant regulatory authorities and bodies) as they may in their absolute discretion deem fit, necessary, expedient or appropriate in the best interest of KL East and/or the Company.

**AND THAT**, all previous acts made and/or done by the board of directors of KL East and/or the Board in connection with the Proposed Bangi Land Acquisition be and are hereby confirmed and ratified.”

**CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT OUR EGM FOR SHAREHOLDERS HELD ON 16 NOVEMBER 2017 (Cont'd)**

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S P SETIA BERHAD

Extract of Minutes of Extraordinary General Meeting for Shareholders held on  
16 November 2017

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**ORDINARY RESOLUTION 2****PROPOSED ACQUISITION OF 1,000,000,000 ORDINARY SHARES IN I&P GROUP SDN. BERHAD (“I&P”) REPRESENTING THE ENTIRE EQUITY INTEREST IN I&P, FOR A CASH CONSIDERATION OF RM3.65 BILLION (“PROPOSED I&P ACQUISITION”)**

The Chairman declared that Ordinary Resolution 2 was carried and that the resolution was passed as follows:

“**THAT**, subject to the passing of Ordinary Resolutions 3 and 4, and conditional upon the approvals of all the relevant authorities being obtained,

- (a) the Proposed I&P Acquisition, subject to the terms and conditions as stipulated in the share purchase agreement dated 22 June 2017 and the supplemental share purchase agreement dated 16 October 2017 between S P Setia, Permodalan Nasional Berhad, AmanahRaya Trustees Berhad (as trustee for Amanah Saham Bumiputera) and Dato’ Mohd. Nizam bin Zainordin (“**I&P SPA**”), be and is hereby approved; and
- (b) the Board (with the exception of the interested directors) be and is hereby empowered and authorised to carry out and proceed with the Proposed I&P Acquisition, to assent to any modifications to the I&P SPA, and to sign and execute any other ancillary agreements and documents in relation thereto (as may be amended from time to time by further agreement between the parties) in connection with the Proposed I&P Acquisition, for and on behalf of the Company;

**THAT**, in order to implement and complete the Proposed I&P Acquisition, the Board (with the exception of the interested directors), be and is hereby empowered and authorised to give full effect to the Proposed I&P Acquisition with full powers to approve, agree and assent to any conditions, variations, revaluations, modifications, and/or amendments in any manner as may be required/permitted by the relevant regulatory authorities or deemed necessary by the Board (with the exception of the interested directors), and to do or procure to be done all such acts, things and matters (including all applications and submissions to the relevant regulatory authorities and bodies) as they may in their absolute discretion deem fit, necessary, expedient or appropriate in the best interest of the Company;

**AND THAT**, all previous acts made and/or done by the Board in connection with the Proposed I&P Acquisition be and are hereby confirmed and ratified.”

**ORDINARY RESOLUTION 3****PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES IN S P SETIA (“S P SETIA SHARES”) (“RIGHTS SHARES”) TO RAISE GROSS PROCEEDS OF UP TO RM1.2 BILLION (“PROPOSED RIGHTS ISSUE OF SHARES”)**

The Chairman declared that Ordinary Resolution 3 was carried and that the resolution was passed as follows:

“**THAT**, subject to the passing of Ordinary Resolutions 2 and 4, and conditional upon the approvals of all the relevant authorities being obtained,



**CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT OUR EGM FOR SHAREHOLDERS HELD ON 16 NOVEMBER 2017 (Cont'd)**

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**S P SETIA BERHAD**  
**Extract of Minutes of Extraordinary General Meeting for Shareholders held on**  
**16 November 2017**

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- (a) the Proposed Rights Issue of Shares, by way of issuance of Rights Shares, be and is hereby approved;
- (b) the utilisation of proceeds from the Proposed Rights Issue of Shares, as detailed in Section 8, Part C of the circular dated 25 October 2017 (“Circular”), be and is hereby approved; and
- (c) the Board (with the exception of the interested directors) be and is hereby empowered and authorised to:
  - (i) allot and issue such number of Rights Shares at such issue price and entitlement basis to be determined and announced later by the Board, to the entitled shareholders whose names appear in S P Setia's Record of Depositors (“**Entitled Shareholders**”) and/or their renounee(s) and/or transferee(s), at the close of business on an entitlement date to be determined and announced later by the Board (“**Entitlement Date**”), to raise gross proceeds of up to RM1.2 billion;
  - (ii) deal with any fractional entitlement that may arise from the Proposed Rights Issue of Shares in such manner as the Board shall in its sole and absolute discretion deem fit or expedient and in the best interest of S P Setia;
  - (iii) make available for excess applications by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s), and to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by the Board; and
  - (iv) vary the manner and/or purpose of utilisation of proceeds from the Proposed Rights Issue of Shares in such manner as the Board may deem fit and in the best interest of S P Setia in accordance with the quantum of the proceeds of the Proposed Rights Issue of Shares ultimately received by S P Setia;

**THAT**, the Rights Shares shall, upon allotment and issuance, rank equally in all respects with the existing S P Setia Shares including the entitlements to dividends, rights, allotments and/or any other distributions, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders, for which the entitlement date is prior to the date of allotment of the Rights Shares;

**THAT**, the Board (with the exception of the interested directors) be and is hereby authorised and empowered to implement, finalise and give full effect to the Proposed Rights Issue of Shares with full power to assent to and accept any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or deemed necessary by the Board (with the exception of the interested directors) and to sign, execute and deliver on behalf of S P Setia all such documents with any party or parties, and to do or procure to be done all such acts, things and matters as they may in their absolute discretion deem fit, necessary, expedient or appropriate in the best interest of the Company;

**AND THAT**, all previous acts made and/or done by the Board in connection with the Proposed Rights Issue of Shares be and are hereby confirmed and ratified.”

**CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT OUR EGM FOR SHAREHOLDERS HELD ON 16 NOVEMBER 2017 (Cont'd)**

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**S P SETIA BERHAD**  
**Extract of Minutes of Extraordinary General Meeting for Shareholders held on**  
**16 November 2017**

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**ORDINARY RESOLUTION 4****PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW CLASS B ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE SHARES IN S P SETIA (“RCPS-i B”) TO RAISE GROSS PROCEEDS OF UP TO RM1.2 BILLION (“PROPOSED RIGHTS ISSUE OF RCPS-i B”)**

The Chairman declared that Ordinary Resolution 4 was carried and that the resolution was passed as follows:

“**THAT**, subject to the passing of Ordinary Resolutions 2 and 3, and the passing of the Ordinary Resolution at the extraordinary general meeting for the holders of the existing Islamic redeemable convertible preference shares (“**RCPS-i A**”), and conditional upon the approvals of all the relevant authorities being obtained,

- (a) the Proposed Rights Issue of RCPS-i B, based on the terms of the RCPS-i B detailed in Section 4.2, Part C of the Circular, be and is hereby approved;
- (b) the utilisation of proceeds from the Proposed Rights Issue of RCPS-i B, as detailed in Section 8, Part C of the Circular, be and is hereby approved; and
- (c) the Board (with the exception of the interested directors) be and is hereby empowered and authorised to:
  - (i) allot and issue such number of RCPS-i B at such issue price and entitlement basis to be determined and announced later by the Board, to the Entitled Shareholders and/or their renounee(s) and/or transferee(s), at the close of business on the Entitlement Date, to raise gross proceeds of up to RM1.2 billion;
  - (ii) deal with any fractional entitlement that may arise from the Proposed Rights Issue of RCPS-i B and any fractional new S P Setia Shares arising from the conversion of the RCPS-i B in such manner as the Board shall in its sole and absolute discretion deem fit or expedient and in the best interest of S P Setia;
  - (iii) make available for excess applications by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s), and to allocate the excess RCPS-i B in a fair and equitable manner on a basis to be determined by the Board;
  - (iv) vary the manner and/or purpose of utilisation of proceeds from the Proposed Rights Issue of RCPS-i B in such manner as the Board may deem fit and in the best interest of S P Setia in accordance with the quantum of the proceeds of the Proposed Rights Issue of RCPS-i B ultimately received by S P Setia; and
  - (v) allot and issue such number of new S P Setia Shares, credited as fully paid-up, to the holders of the RCPS-i B arising from the conversion of the RCPS-i B by the holders of RCPS-i B, from time to time, in accordance with the provisions of S P Setia's constitution;

**CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT OUR EGM FOR SHAREHOLDERS HELD ON 16 NOVEMBER 2017 (Cont'd)**

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S P SETIA BERHAD

Extract of Minutes of Extraordinary General Meeting for Shareholders held on  
16 November 2017

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**THAT**, for the purposes of compliance with Shariah, in the event any ordinary dividends are declared by S P Setia after the issuance of the RCPS-i B, and subject to the Board approving such declaration, all the ordinary shareholders of S P Setia shall waive their right to such dividend payment unless and until S P Setia has paid any preferential dividends declared but unpaid or not declared and cumulated to the holders of the RCPS-i B; and that the priority of distribution of the preferential dividends shall be determined by the Board at the point of distribution on behalf of the shareholders of the Company;

**THAT**, the new S P Setia Shares to be issued upon conversion of the RCPS-i B shall, upon allotment and issuance, rank equally in all respects with the existing S P Setia Shares including the entitlements to dividends, rights, allotments and/or any other distributions, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders, for which the entitlement date is prior to the date of allotment of the new S P Setia Shares to be issued upon conversion of the RCPS-i B;

**THAT**, the Board (with the exception of the interested directors) be and is hereby authorised and empowered to give full effect to the Proposed Rights Issue of RCPS-i B with full power to assent to and accept any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or deemed necessary by the Board (with the exception of the interested directors) and to sign, execute and deliver on behalf of S P Setia all such documents with any party or parties, and to do or procure to be done all such acts, things and matters as they may in their absolute discretion deem fit, necessary, expedient or appropriate in the best interest of the Company;

**AND THAT**, all previous acts made and/or done by the Board in connection with the Proposed Rights Issue of RCPS-i B be and are hereby confirmed and ratified.”

**ORDINARY RESOLUTION 5****PROPOSED PLACEMENT OF NEW S P SETIA SHARES (“PLACEMENT SHARES”) TO INVESTORS TO BE IDENTIFIED TO RAISE GROSS PROCEEDS OF UP TO RM1.2 BILLION (“PROPOSED PLACEMENT”)**

The Chairman declared that Ordinary Resolution 5 was carried and that the resolution was passed as follows:

“**THAT** conditional upon the approvals of all the relevant authorities being obtained,

- (a) the Proposed Placement, by way of issuance of the Placement Shares, be and is hereby approved;
- (b) the utilisation of proceeds from the Proposed Placement, as detailed in Section 8, Part C of the Circular, be and is hereby approved; and
- (c) the Board be and is hereby empowered and authorised to:
  - (i) allot and issue the Placement Shares to investors to be identified later by way of a book-building exercise, to raise gross proceeds of up to RM1.2 billion;

**CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT OUR EGM FOR SHAREHOLDERS HELD ON 16 NOVEMBER 2017 (Cont'd)**

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S P SETIA BERHAD

Extract of Minutes of Extraordinary General Meeting for Shareholders held on  
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- (ii) determine and vary if deemed fit, necessary and/or expedient, the issue price of the Placement Shares based on the 5-day volume weighted average market price of S P Setia Shares immediately preceding the price-fixing date, with a discount to be determined and announced later; and
- (iii) vary the manner and/or purpose of utilisation of proceeds from the Proposed Placement in such manner as the Board may deem fit and in the best interest of S P Setia in accordance with the quantum of the proceeds of the Proposed Placement ultimately received by S P Setia;

**THAT**, the Placement Shares will upon allotment and issuance, rank equally in all respects with the existing S P Setia Shares including the entitlements to dividends, rights, allotments and/or any other distributions, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders, for which the entitlement date is prior to the date of allotment of the Placement Shares;

**THAT**, the Board be and is hereby authorised and empowered to give full effect to the Proposed Placement with full power to assent to and accept any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or deemed necessary by the Board and to sign, execute and deliver on behalf of S P Setia all such documents with any party or parties, and to do or procure to be done all such acts, things and matters as they may in their absolute discretion deem fit, necessary, expedient or appropriate in the best interest of the Company;

**AND THAT**, all previous acts made and/or done by the Board in connection with the Proposed Placement be and are hereby confirmed, approved and ratified.”

**SPECIAL RESOLUTION 1**

**PROPOSED AMENDMENTS TO THE CONSTITUTION OF S P SETIA TO FACILITATE THE ISSUANCE OF RCPS-i B PURSUANT TO THE PROPOSED RIGHTS ISSUE OF RCPS-i B (“PROPOSED AMENDMENTS I”)**

The Chairman declared that Special Resolution 1 was carried and that the resolution was passed as follows:

**“THAT**, subject to the passing of Ordinary Resolution 4, and conditional upon the approvals of all the relevant authorities being obtained, the Proposed Amendments I be and is hereby approved, by inserting the new Article 7A, setting out the terms of the RCPS-i B as set out in Appendix C(IV) of the Circular;

**AND THAT**, the Board be and is hereby authorised and empowered to give full effect to the Proposed Amendments I with full power to assent to and accept any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or deemed necessary by the Board and to sign, execute and deliver on behalf of S P Setia all such documents with any party or parties and to take all such steps and to do all such acts, things and matters as it may deem fit, necessary and/or expedient in order to implement, finalise and give full effect to the Proposed Amendments I.”

**CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTIONS RELATING TO THE CORPORATE EXERCISES PASSED AT OUR EGM FOR SHAREHOLDERS HELD ON 16 NOVEMBER 2017 (Cont'd)**

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**S P SETIA BERHAD**  
 Extract of Minutes of Extraordinary General Meeting for Shareholders held on  
 16 November 2017

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**SPECIAL RESOLUTION 2**

**PROPOSED AMENDMENTS TO THE CONSTITUTION OF S P SETIA TO COMPLY WITH THE REQUIREMENTS OF THE COMPANIES ACT 2016 (“PROPOSED AMENDMENTS II”)**

The Chairman declared that Special Resolution 2 was carried and that the resolution was passed as follows:

“**THAT** conditional upon the approvals of all the relevant authorities being obtained, the Proposed Amendments II be and is hereby approved, by deleting, inserting additional clauses and articles and/or modifying certain clauses and articles to comply with the requirements of the Companies Act 2016 in the manner as set out in Appendix C(IV) of the Circular;

**AND THAT**, the Board be and is hereby authorised and empowered to give full effect to the Proposed Amendments II with full power to assent to and accept any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or deemed necessary by the Board and to sign, execute and deliver on behalf of S P Setia all such documents with any party or parties and to take all such steps and to do all such acts, things and matters as it may deem fit, necessary and/or expedient in order to implement, finalise and give full effect to the Proposed Amendments II.”

CERTIFIED TRUE COPY



.....  
 DATO' KHOR CHAP TEN  
 DIRECTOR



.....  
 LEE WAI KIM  
 (MAICSA 7036446)  
 SECRETARY

Dated this: 16 November 2017

**CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTION RELATING TO THE RIGHTS ISSUE OF RCPS-i B PASSED AT OUR EGM FOR RCPS-i A HOLDERS HELD ON 16 NOVEMBER 2017**

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

EXTRACT OF MINUTES of the Extraordinary General Meeting (“EGM”) for Holders of Islamic Redeemable Convertible Preference Shares of S P Setia Berhad (“S P Setia” or “the Company”) 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, 16 November 2017 at 11.00 a.m.

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**ORDINARY RESOLUTION**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW CLASS B ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE SHARES IN S P SETIA (“RCPS-i B”) TO RAISE GROSS PROCEEDS OF UP TO RM1.2 BILLION (“PROPOSED RIGHTS ISSUE OF RCPS-i B”)**

The Chairman declared that the Ordinary Resolution was carried and that the resolution was passed as follows:

“**THAT**, subject to the passing of Ordinary Resolution 4 at the EGM for the shareholders of S P Setia, and conditional upon the approvals of all the relevant authorities being obtained,

- (a) the Proposed Rights Issue of RCPS-i B, based on the terms of the RCPS-i B detailed in Section 4.2, Part C of the circular dated 25 October 2017, be and is hereby approved;
- (b) the board of directors of the Company (“**Board**”) (with the exception of the interested directors) be and is hereby empowered and authorised to:
  - (i) allot and issue such number of RCPS-i B at such issue price and entitlement basis to be determined and announced later by the Board, to the entitled shareholders whose names appear in S P Setia's Record of Depositors (“**Entitled Shareholders**”) and/or their renounee(s) and/or transferee(s), at the close of business on an entitlement date to be determined and announced later by the Board, to raise gross proceeds of up to RM1.2 billion;
  - (ii) deal with any fractional entitlement that may arise from the Proposed Rights Issue of RCPS-i B and any fractional new ordinary shares of S P Setia (“**S P Setia Shares**”) arising from the conversion of the RCPS-i B in such manner as the Board shall in its sole and absolute discretion deem fit or expedient and in the best interest of S P Setia; and
  - (iii) make available for excess applications by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s), and to allocate the excess RCPS-i B in a fair and equitable manner on a basis to be determined by the Board;

**THAT**, the Board (with the exception of the interested directors) be and is hereby authorised and empowered to give full effect to the Proposed Rights Issue of RCPS-i B with full power to assent to and accept any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or deemed necessary by the Board (with the exception of the interested directors) and to sign, execute and deliver on behalf of S P Setia all such documents with any party or parties, and to do or procure to be done all such acts, things and matters as they may in their absolute discretion deem fit, necessary, expedient or appropriate in the best interest of the Company;

**CERTIFIED TRUE COPY OF THE EXTRACT OF THE RESOLUTION RELATING TO THE RIGHTS ISSUE OF RCPS-i B PASSED AT OUR EGM FOR RCPS-i A HOLDERS HELD ON 16 NOVEMBER 2017 (Cont'd)**

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**S P SETIA BERHAD**  
**Extract of Minutes of Extraordinary General Meeting for Holders of Islamic Redeemable Convertible Preference Shares held on 16 November 2017**

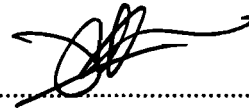
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**AND THAT, all previous acts made and/or done by the Board in connection with the Proposed Rights Issue of RCPS-i B be and are hereby confirmed and ratified.”**

CERTIFIED TRUE COPY



.....  
DATO' KHOR CHAP JEN  
DIRECTOR



.....  
LEE WAI KIM  
(MAICSA 7036446)  
SECRETARY

Dated this: 16 November 2017

**INFORMATION ON OUR COMPANY****1. HISTORY AND BUSINESS**

Our Company was incorporated in Malaysia under the Companies Act, 1965 on 8 August 1974, and is deemed registered under the Act. Our Company converted to a public company on 2 September 1992. On 12 April 1993, our Company was listed on the Second Board of Bursa Securities and subsequently transferred to the Main Board of Bursa Securities (now known as Main Market of Bursa Securities) on 4 June 1996.

The principal activity of our Company is investment holding. The principal activities of our subsidiaries and associated companies are as set out in Section 5 of this Appendix.

**2. SHARE CAPITAL****2.1 Issued share capital**

The issued share capital of our Company as at the LPD, is as follows:

	<u>No. of securities</u>
<b>Shares</b>	3,022,340,940
<b>RCPS-i A</b>	1,127,625,002

**2.2 Changes in issued share capital**

Details of the changes in our issued share capital for the past 3 years up to the LPD, are as follows:

<u>Date of allotment</u>	<u>No. of Shares allotted</u>	<u>Cash consideration (RM)</u>	<u>Non-cash consideration (RM)</u>	<u>Type of issue</u>	<u>Cumulative share capital <sup>(1)</sup> (RM)</u>
15 December 2014	1,980	-	3.06	ESGP	1,903,750,000.50
16 January 2015	3,000,000	3.07	-	ESOS	1,906,000,000.50
27 January 2015	168,750	3.03	-	ESOS	1,906,126,563.00
4 February 2015	40,000	3.07	-	ESOS	1,906,156,563.00
26 February 2015	72,000	3.03	-	ESOS	1,906,210,563.00
6 March 2015	71,000	3.07	-	ESOS	1,906,263,813.00
6 March 2015	9,000	3.03	-	ESOS	1,906,270,263.00
12 March 2015	7,724	3.03	-	ESOS	1,906,276,356.00
1 April 2015	530,000	3.07	-	ESOS	1,906,673,856.00
28 April 2015	57,750	3.07	-	ESOS	1,906,717,168.50
13 May 2015	3,000,000	3.07	-	ESOS	1,908,967,168.50
19 May 2015	65,000	3.07	-	ESOS	1,909,015,918.50
8 June 2015	42,786,880	3.10	-	DRP	1,941,106,078.50



## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<u>Date of allotment</u>	<u>No. of Shares allotted</u>	<u>Cash consideration (RM)</u>	<u>Non-cash consideration (RM)</u>	<u>Type of issue</u>	<u>Cumulative share capital <sup>(1)</sup> (RM)</u>
9 June 2015	160,000	3.07	-	ESOS	1,941,226,078.50
30 June 2015	6,783,285	-	3.12	ESGP	1,946,313,542.25
1 July 2015	46,854	-	3.12	ESGP	1,946,348,682.75
28 July 2015	73,750	3.03	-	ESOS	1,946,403,995.25
9 September 2015	33,025,020	2.83	-	DRP	1,971,172,760.25
21 September 2015	16,000	3.03	-	ESOS	1,971,184,760.25
22 October 2015	26,000	3.03	-	ESOS	1,971,204,260.25
26 October 2015	53,000	3.03	-	ESOS	1,971,244,010.25
17 November 2015	30,000	3.07	-	ESOS	1,971,266,510.25
13 January 2016	30,000	3.02	-	ESOS	1,971,289,010.25
31 March 2016	30,000	3.02	-	ESOS	1,971,311,510.25
13 April 2016	30,000	3.02	-	ESOS	1,971,334,010.25
21 April 2016	30,000	3.07	-	ESOS	1,971,356,510.25
19 May 2016	30,000	3.07	-	ESOS	1,971,379,010.25
5 July 2016	9,129,207	-	2.88	ESGP	1,978,225,915.50
3 August 2016	179,964,772	2.65	-	DRP	2,113,199,494.50
16 August 2016	4,000	2.72	-	ESOS	2,113,202,494.50
26 August 2016	60,000	3.07	-	ESOS	2,113,247,494.50
26 August 2016	10,000	2.72	-	ESOS	2,113,254,994.50
6 September 2016	6,000	2.72	-	ESOS	2,113,259,494.50
8 September 2016	10,000	2.72	-	ESOS	2,113,266,994.50
14 September 2016	60,000	3.07	-	ESOS	2,113,311,994.50
26 September 2016	60,000	3.07	-	ESOS	2,113,356,994.50
5 October 2016	106,000	3.07	-	ESOS	2,113,436,494.50
5 October 2016	50,000	3.03	-	ESOS	2,113,473,994.50
5 October 2016	27,000	3.02	-	ESOS	2,113,494,244.50

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<u>Date of allotment</u>	<u>No. of Shares allotted</u>	<u>Cash consideration (RM)</u>	<u>Non-cash consideration (RM)</u>	<u>Type of issue</u>	<u>Cumulative share capital <sup>(1)</sup> (RM)</u>
5 October 2016	15,000	2.72	-	ESOS	2,113,505,494.50
10 October 2016	20,000	2.72	-	ESOS	2,113,520,494.50
10 October 2016	56,000	3.02	-	ESOS	2,113,562,494.50
13 October 2016	43,500	3.03	-	ESOS	2,113,595,119.50
19 October 2016	17,000	3.02	-	ESOS	2,113,607,869.50
19 October 2016	89,500	3.07	-	ESOS	2,113,674,994.50
25 October 2016	83,990	2.72	-	ESOS	2,113,737,987.00
25 October 2016	96,300	3.02	-	ESOS	2,113,810,212.00
25 October 2016	40,000	3.03	-	ESOS	2,113,840,212.00
31 October 2016	421,990	2.72	-	ESOS	2,114,156,704.50
31 October 2016	126,900	3.02	-	ESOS	2,114,251,879.50
31 October 2016	60,000	3.07	-	ESOS	2,114,296,879.50
22 November 2016	34,367,408	3.11	-	DRP	2,140,072,435.50
2 December 2016	1,127,625,002	1.00	-	Rights issue of RCPS-i A	2,151,348,685.52
16 December 2016	90,000	3.07	-	ESOS	2,151,416,185.52
3 January 2017	15,000	2.72	-	ESOS	2,151,427,435.52
31 January 2017	Amalgamation of share premium and share redemption reserve account to share capital pursuant to the migration to no par value regime				6,212,499,675.22
16 February 2017	16,000	3.02	-	ESOS	6,212,547,995.22
24 February 2017	90,000	3.07	-	ESOS	6,212,824,295.22
17 March 2017	30,000	3.02	-	ESOS	6,212,914,895.22
22 March 2017	90,000	3.07	-	ESOS	6,213,191,195.22
18 April 2017	60,000	3.02	-	ESOS	6,213,372,395.22
25 April 2017	11,500	3.07	-	ESOS	6,213,407,700.22
4 May 2017	440,000	3.07	-	ESOS	6,214,758,500.22
15 May 2017	55,000	2.72	-	ESOS	6,214,908,100.22

## INFORMATION ON OUR COMPANY (Cont'd)

<u>Date of allotment</u>	<u>No. of Shares allotted</u>	<u>Cash consideration (RM)</u>	<u>Non-cash consideration (RM)</u>	<u>Type of issue</u>	<u>Cumulative share capital <sup>(1)</sup> (RM)</u>
22 May 2017	20,000	3.02	-	ESOS	6,214,968,500.22
29 May 2017	508,000	3.07	-	ESOS	6,216,528,060.22
2 June 2017	10,000	2.72	-	ESOS	6,216,555,260.22
13 June 2017	65,000	3.07	-	ESOS	6,216,754,810.22
13 June 2017	33,000	3.02	-	ESOS	6,216,854,470.22
13 June 2017	246,550	2.72	-	ESOS	6,217,525,086.22
21 June 2017	32,000	3.07	-	ESOS	6,217,623,326.22
21 June 2017	10,000	2.72	-	ESOS	6,217,650,526.22
3 July 2017	7,417,082	-	3.44	ESGP	6,243,165,288.30
19 July 2017	123,421,658	3.30	-	DRP	6,650,456,759.70
2 August 2017	90,000	3.07	-	ESOS	6,650,733,059.70
10 August 2017	134,500	3.07	-	ESOS	6,651,145,974.70
16 August 2017	10,161	-	3.44	ESGP	6,651,180,928.54
15 September 2017	10,000	2.72	-	ESOS	6,651,208,128.54
20 September 2017	20,000	2.72	-	ESOS	6,651,262,528.54
26 September 2017	45,000	2.86	-	ESOS	6,651,391,228.54
28 September 2017	53,000	3.07	-	ESOS	6,651,553,938.54
13 October 2017	35,787,575	3.09	-	DRP	6,762,137,545.29
27 October 2017	100,000	3.07	-	ESOS	6,762,444,545.29

**Note:**

<sup>(1)</sup> The cumulative share capital value for the period between 15 December 2014 and 30 January 2017 represents the cumulative share capital value of our Company, calculated based on the par value of RM0.75 per Share and excludes any premium on such Shares.

In view of the Act which came into force on 31 January 2017 and the abolishment of the par value regime under the Act, the cumulative share capital value for the period after 31 January 2017 therefore represents the cumulative share capital value of our Company, which includes any premium on such Shares.

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

## 3. SUBSTANTIAL SHAREHOLDERS

The proforma effects of the Rights Issue and Placement on the shareholdings of our substantial shareholders based on the Register of Substantial Shareholders of our Company as at the LPD are as follows:

Minimum Scenario	As at the LPD				(I)			
	Direct	%	No. of Shares (million)	Indirect	%	No. of Shares (million)	Indirect	%
PNB	847.9	28.06	-	-	28.06	961.0	-	-
ART-ASB	782.3	25.88	-	-	25.88	886.6	-	-
KWAP	237.6	7.86	24.9	0.83 <sup>(1)</sup>	7.86	269.3	28.3	0.83 <sup>(1)</sup>
EPF	196.4	6.50	-	-	6.53	223.8	-	-
Yayasan	-	-	847.9	28.06 <sup>(2)</sup>	-	-	961.0	28.06 <sup>(2)</sup>
	After (I) and the Rights Issue of RCPS-i B				(II)			
	Direct	%	No. of Shares (million)	Indirect	%	No. of Shares (million)	Indirect	%
PNB	961.0	28.06	-	-	25.25	961.0	-	-
ART-ASB	886.6	25.88	-	-	23.30	886.6	-	-
KWAP	269.3	7.86	28.3	0.83 <sup>(1)</sup>	7.08	269.3	28.3	0.74 <sup>(1)</sup>
EPF	223.8	6.53	-	-	5.88	223.8	-	-
Yayasan	-	-	961.0	28.06 <sup>(2)</sup>	-	-	961.0	25.25 <sup>(2)</sup>

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

	(IV)				(I)							
	After (III) and assuming full conversion of the RCPS-i B				As at the LPD			Assuming full conversion / exercise of convertibles <sup>(3)</sup>				
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
No. of Shares (million)	%	No. of Shares (million)	%	No. of Shares (million)	%	No. of Shares (million)	%	No. of Shares (million)	%	No. of Shares (million)	%	
PNB	1,041.7	25.56	-	-	-	-	-	926.0	27.32	-	-	
ART-ASB	961.1	23.58	-	-	-	-	-	888.7	26.22	-	-	
KWAP	269.3	6.61	28.3	0.69 <sup>(1)</sup>	237.6	7.86	24.9	0.83 <sup>(1)</sup>	269.7	7.96	24.9	0.74 <sup>(1)</sup>
EPF	223.8	5.49	-	-	196.4	6.50	-	-	220.6	6.51	-	-
Yayasan	-	-	1,041.7	25.56 <sup>(2)</sup>	-	-	847.9	28.06 <sup>(2)</sup>	-	-	926.0	27.32 <sup>(2)</sup>
<b>Maximum Scenario</b>												
PNB	847.9	28.06	-	-	847.9	28.06	-	-	847.9	28.06	-	-
ART-ASB	782.3	25.88	-	-	782.3	25.88	-	-	782.3	25.88	-	-
KWAP	237.6	7.86	24.9	0.83 <sup>(1)</sup>	237.6	7.86	24.9	0.83 <sup>(1)</sup>	237.6	7.86	24.9	0.74 <sup>(1)</sup>
EPF	196.4	6.50	-	-	196.4	6.50	-	-	196.4	6.50	-	-
Yayasan	-	-	847.9	28.06 <sup>(2)</sup>	-	-	847.9	28.06 <sup>(2)</sup>	-	-	847.9	28.06 <sup>(2)</sup>

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

	(II)			(III)		
	After (II) and the Rights Issue of Shares			After (II) and the Rights Issue of RCPS-i B		
	Direct	Indirect	%	Direct	Indirect	%
No. of Shares (million)	No. of Shares (million)	%	No. of Shares (million)	No. of Shares (million)	%	
PNB	1,049.5	-	27.32	1,049.5	-	27.32
ART-ASB	1,007.2	-	26.22	1,007.2	-	26.22
KWAP	305.6	28.3	7.96	305.6	28.3	7.96
EPF	250.1	-	6.51	250.1	-	6.51
Yayasan	-	1,049.5	27.32 <sup>(2)</sup>	-	1,049.5	27.32 <sup>(2)</sup>
	(IV)			(V)		
	After (III) and the Placement			After (IV) and assuming full conversion of RCPS-i B		
	Direct	Indirect	%	Direct	Indirect	%
No. of Shares (million)	No. of Shares (million)	%	No. of Shares (million)	No. of Shares (million)	%	
PNB	1,049.5	-	24.86	1,137.7	-	25.04
ART-ASB	1,007.2	-	23.86	1,191.8	-	24.03
KWAP	305.6	28.3	7.24	331.3	30.6	7.29
EPF	250.1	-	5.92	271.1	-	5.97
Yayasan	-	1,049.5	24.86 <sup>(2)</sup>	-	1,137.7	25.04 <sup>(2)</sup>

**Notes:**<sup>(1)</sup> Deemed interest by virtue of the Shares held by its fund managers.<sup>(2)</sup> Deemed to have indirect interest through its shareholding of 100% less 1 share of PNB by virtue of Section 8 of the Act.<sup>(3)</sup> Assuming full exercise of the ESOS Options and full conversion of the RCPS-i A.

## INFORMATION ON OUR COMPANY (Cont'd)

## 4. DIRECTORS' SHAREHOLDINGS

As at the LPD, save for Dato' Khor Chap Jen, none of the Directors of our Company holds any Shares directly or indirectly. The proforma effects of the Rights Issue and Placement on the shareholdings of Dato' Khor Chap Jen based on his shareholdings as at the LPD are illustrated as follows:

Minimum Scenario	As at the LPD			(I) After the Rights Issue of Shares		
	Direct No. of Shares ( '000)	%	Indirect No. of Shares ( '000)	Direct No. of Shares ( '000)	%	Indirect No. of Shares ( '000)
Dato' Khor Chap Jen	804.4	0.03	-	911.7	0.03	-
	(II) After (I) and the Rights Issue of RCPS-i B			(III) After (II) and the Placement		
	Direct No. of Shares ( '000)	%	Indirect No. of Shares ( '000)	Direct No. of Shares ( '000)	%	Indirect No. of Shares ( '000)
Dato' Khor Chap Jen	911.7	0.03	-	911.7	0.02	-
	(IV) After (III) and assuming full conversion of the RCPS-i B					
	Direct No. of Shares ( '000)	%	Indirect No. of Shares ( '000)			
Dato' Khor Chap Jen	988.3	0.02	-			

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

Maximum Scenario	As at the LPD			(I) Assuming full conversion / exercise of convertibles <sup>(1)</sup>		
	Direct No. of Shares (‘000)	%	Indirect No. of Shares (‘000)	Direct No. of Shares (‘000)	%	Indirect No. of Shares (‘000)
Dato' Khor Chap Jen	804.4	0.03	-	10,467.9	0.31	-
	(II)					
	After (I) and the Rights Issue of Shares			After (II) and the Rights Issue of RCPS-i B		
	Direct No. of Shares (‘000)	%	Indirect No. of Shares (‘000)	Direct No. of Shares (‘000)	%	Indirect No. of Shares (‘000)
Dato' Khor Chap Jen	11,863.7	0.31	-	11,863.7	0.31	-
	(IV)					
	After (III) and the Placement			After (IV) and assuming full conversion of the RCPS-i B		
	Direct No. of Shares (‘000)	%	Indirect No. of Shares (‘000)	Direct No. of Shares (‘000)	%	Indirect No. of Shares (‘000)
Dato' Khor Chap Jen	11,863.7	0.28	-	12,860.6	0.28	-

**Note:**

<sup>(1)</sup> Assuming full exercise of the ESOS Options and full conversion of the RCPS-i A.



**INFORMATION ON OUR COMPANY (Cont'd)**
**5. SUBSIDIARIES AND ASSOCIATED COMPANIES**

The subsidiaries and associated companies of our Company as at the LPD are as follows:

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Bandar Setia Alam Sdn Bhd	6 December 2001 / Malaysia	RM50,000,000	100	Property development and property investment holding
Setia Indah Sdn Bhd	16 August 1989 / Malaysia	RM25,000,000	100	Property development and property investment holding
Setia Duta One Sdn Bhd	12 April 2000 / Malaysia	RM5,100,000	100	Under members' voluntary liquidation
Syarikat Kemajuan Jerai Sdn Bhd	22 July 1975 / Malaysia	RM30,000,000	100	Under members' voluntary liquidation
S P Setia Project Management Sdn Bhd	13 August 1992 / Malaysia	RM500,000	100	Property development project management
Lagavest Sdn Bhd	11 May 1993 / Malaysia	RM2,500,001	100	Under members' voluntary liquidation
Wawasan Indera Sdn Bhd	14 December 1991 / Malaysia	RM37,500,000	100	Property development
S P Setia Eco- Projects Management Sdn Bhd	15 February 1994 / Malaysia	RM350,000	100	Property development, project management and other related activities
Setia Fontaines Sdn Bhd (formerly known as Setia Recreation Sdn Bhd)	16 February 2000 / Malaysia	RM1,000,000	100	Property development
Ambleside Sdn Bhd	18 February 1993 / Malaysia	RM300,000	100	Under members' voluntary liquidation

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Bukit Indah (Johor) Sdn Bhd	12 July 1994 / Malaysia	RM25,000,000	100	Property development and property investment holding
Setia Bina Raya Sdn Bhd	29 April 1999 / Malaysia	RM1,000,000	100	Dormant
Setia Precast Sdn Bhd	17 June 1995/ Malaysia	RM30,000,000	100	Building contractors
Setia-Wood Industries Sdn Bhd	22 July 1975 / Malaysia	RM3,840,000	100	Prefabrication, installation, sale of wood products and provision of kiln dry services
S P Setia Marketing Sdn Bhd	22 October 1988 / Malaysia	RM2,000,000	100	Sale of wood products and building materials
S P Setia Estate Management Sdn Bhd	27 October 1992 / Malaysia	RM10,000	60	Under creditors' voluntary liquidation
Setia Readymix Sdn Bhd	14 October 1996 / Malaysia	RM5,000,000	100	Building contractors and manufacturing and sale of building materials
Bukit Indah (Perak) Sdn Bhd	17 November 1981 / Malaysia	RM2,000,002	100	Property development
S P Setia Management Services Sdn Bhd	11 September 1981 / Malaysia	RM30,000,000	100	Investment holding
Futurecrest (M) Sdn Bhd	6 July 1989 / Malaysia	RM8,880,000	100	Investment holding
Shabra Development Sdn Bhd	13 December 1984 / Malaysia	RM8,300,000	100	Property development
KL Eco City Sdn Bhd	7 August 1989 / Malaysia	RM5,000,000	100	Property development and property investment holding

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Setia Prefab Sdn Bhd	23 July 1981 / Malaysia	RM500,000	100	Investment holding
Manih System Construction Sdn Bhd	28 August 1986 / Malaysia	RM10,000,000	100	Under members' voluntary liquidation
Suharta Sdn Bhd	9 January 1984 / Malaysia	RM1,250,000	60	Under creditors' voluntary liquidation
Tenaga Raya Sdn Bhd	30 January 1975 / Malaysia	RM2,386,000	100	Dormant
Cosmotek Sdn Bhd	21 January 1984 / Malaysia	RM300,000	100	Under members' voluntary liquidation
SJ Classic Land Sdn Bhd	14 August 1997 / Malaysia	RM100,000	60	Under members' voluntary liquidation
Indera Perasa Sdn Bhd	16 October 1995 / Malaysia	RM1,000,000	100	Investment holding, property and building management
Dian Mutiara Sdn Bhd	7 September 1991 / Malaysia	RM2	100	Under members' voluntary liquidation
KL East Sdn Bhd	12 June 2009 / Malaysia	RM2	100	Investment holding
Setia Eco Templer Recreation Sdn Bhd	5 December 2014 / Malaysia	RM2	100	Operate and manage a recreation club, banqueting and leasing of retail and food and beverage outlets
Setia IP Holdings Sdn Bhd	15 December 2014 / Malaysia	RM2	100	Custodian and management of S P Setia Berhad Group's intellectual property rights
Kenari Kayangan Sdn Bhd	18 April 1994 / Malaysia	RM100,000	99.99	Under members' voluntary liquidation

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Setia Ecohill 2 Sdn Bhd	23 July 1998 / Malaysia	RM10,000,000	100	Property development and property investment holding
Setia Ecohill Recreation Sdn Bhd (formerly known as S P Setia Property Holdings Sdn Bhd)	1 September 1999 / Malaysia	RM300,000	100	Operate and manage a recreation club
Setia Hicon Sdn Bhd	26 January 1999 / Malaysia	RM3,000,000	100	Property development
S P Setia Technology Sdn Bhd	30 March 2000 / Malaysia	RM2,500,002	100	Provision of money lending service
S P Setia PMC Sdn Bhd	25 May 2000 / Malaysia	RM10,000	100	Providing accounting, finance and corporate secretarial services
Setia Promenade Sdn Bhd	23 May 1996 / Malaysia	RM10,000,000	100	Property development and property investment holding
Bukit Indah Property Management Sdn Bhd	10 March 1995 / Malaysia	RM300,000	70	Property development
Kewira Jaya Sdn Bhd	8 February 2000 / Malaysia	RM250,000	100	Property development and property investment holding
Kay Pride Sdn Bhd	13 January 1989 / Malaysia	RM250,000	100	Property development and property investment holding

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Aeropod Sdn Bhd	30 March 2007 / Malaysia	RM1,000,000	100	Property development, property investment holding and general construction
Setiahomes (MM2H) Sdn Bhd	11 February 2000 / Malaysia	RM2	100	Dormant
Eco Meridian Sdn Bhd	27 July 2010 / Malaysia	RM1,000,000	100	Construction and operation of concession asset and property investment holding
Setia Ecohill Sdn Bhd	8 June 2010 / Malaysia	RM250,000	100	Property development and property investment holding
S P Setia (Indonesia) Sdn Bhd	13 July 2010 / Malaysia	RM2	100	Dormant
Retro Highland Sdn Bhd	3 August 2010 / Malaysia	RM4	50	Property development
Setia City Development Sdn Bhd	25 February 2011 / Malaysia	RM1,000,000	100	Property development and property investment holding
Gita Kasturi Sdn Bhd	20 July 2011 / Malaysia	RM250,000	100	Property development and property investment holding
Intra Hillside Sdn Bhd	23 August 2011 / Malaysia	RM5,000,000	100	Property development and property investment holding
Setia Alam Recreation Sdn Bhd	15 February 2012 / Malaysia	RM2	100	Operate and manage a recreation club
Setia Eco Green Sdn Bhd	1 December 2011 / Malaysia	RM2	100	Property holding

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Setia Eco Heights Sdn Bhd	15 February 2012 / Malaysia	RM2	100	Dormant
Setia Eco Land Sdn Bhd	1 December 2011 / Malaysia	RM5,000,000	100	Property development and property investment holding
S P Setia Property Services Sdn Bhd	27 June 2012 / Malaysia	RM10,000	100	Operation of convention centre
Flexrise Projects Sdn Bhd	28 June 2012 / Malaysia	RM1,000,000	100	Property investment holding
Pelita Mentari Sdn Bhd	21 June 2012 / Malaysia	RM2	100	Property investment holding
Setia Eco Templer Sdn Bhd	11 October 2012 / Malaysia	RM1,000,000	100	Property development and property investment holding
Setia EM (Central) Sdn Bhd	9 November 2012 / Malaysia	RM2	100	Property management services
S P Setia DMC Sdn Bhd	12 December 2012 / Malaysia	RM2	100	Development management consultancy
Exceljade Sdn Bhd	13 March 2007 / Malaysia	RM2,000,000	100	Property development
Sendiman Sdn Bhd	4 April 2006 / Malaysia	RM25,000,000	100	Property development
Setia Ventures Excellence Sdn Bhd	5 September 2017 / Malaysia	RM1	100	Investment holding and treasury management
Kemboja Mahir Sdn Bhd	22 June 2004 / Malaysia	RM500,000	70	Property development and investment holding

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Bandar Eco- Setia Sdn Bhd	6 December 2001 / Malaysia	RM25,000,000	50	Property development and property investment
Setia Eco Park Recreation Sdn Bhd	9 March 2010 / Malaysia	RM2	50	Operate and manage a recreation club
Ganda Anggun Sdn Bhd	22 January 2001 / Malaysia	RM1,000,000	70	Property development
Kesas Kenangan Sdn Bhd	29 August 2006 / Malaysia	RM100,000,000	70	Property development and property investment
Setia Eco Glades Sdn Bhd	29 March 2007 / Malaysia	RM156,000,000	70	Property development and property investment holding
Greenhill Resources Sdn Bhd	14 April 2008 / Malaysia	RM17,800,000	50	Property investment holding, as the owner, landlord and operator of a retail mall
Setia Federal Hill Sdn Bhd	11 February 2000 / Malaysia	RM1,000,000	50	1. To develop an integrated commercial and residential development known as Setia Federal Hill  2. To carry out for the Ministry of Health the planning and development of the Kompleks Institut Penyelidikan Kesihatan Bersepadu
Setia Putrajaya Sdn Bhd	11 September 1996 / Malaysia	RM50,000,000	60	Property development, building construction and investment holding

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Setia Putrajaya Development Sdn Bhd	27 March 1997 / Malaysia	RM1,000,000	60	Property development
Setia Putrajaya Construction Sdn Bhd	2 July 1997 / Malaysia	RM1,000,000	60	Under members' voluntary liquidation
Golden Klang Valley Sdn Bhd	20 June 1979 / Malaysia	RM500,000	50	Under members' voluntary liquidation
Suharta Development Sdn Bhd	16 June 1990 / Malaysia	RM4,500,000	30.6	Under creditors' voluntary liquidation
Yunikhas Sdn Bhd	8 August 1986 / Malaysia	RM500,000	54	Under creditors' voluntary liquidation
Aneka Baru (M) Sdn Bhd	12 January 1985 / Malaysia	RM502,000	54	Under members' voluntary liquidation
Setia International Limited	30 May 2007 / Malaysia	USD10	100	Investment holding
Setia MyPhuoc Limited	30 May 2007 / Malaysia	USD10	100	Investment holding
Setia Capital (Vietnam) Limited	12 February 2008 / British Virgin Islands	USD10	100	Dormant
Setia Land (Vietnam) Limited	12 February 2008 / British Virgin Islands	USD10	100	Dormant
Setia Australia Limited	13 April 2010 / Malaysia	USD10	100	Investment holding
Setia Lai Thieu Limited	7 September 2009 / British Virgin Islands	USD1,000	95	Investment holding
Setia Lai Thieu One Member Company Limited	10 March 2010 / Vietnam	VND125,403,008,763	95	Property development



## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Setia (Melbourne) Development Company Pty Ltd	4 May 2010 / Australia	AUD12,000,000	100	Property development
Setia St Kilda (Melbourne) Pty Ltd	16 May 2012 / Australia	AUD10,100,001	100	Property development
Setia Carnegie Pty Ltd	25 November 2015 / Australia	AUD1	100	Property development
Setia A'Beckett (Melbourne) Pty Ltd	22 June 2017 / Australia	AUD1	100	Property development
Setia Land (China) Limited	15 July 2009 / Hong Kong	HKD1	100	Dormant
S P Setia International (S) Pte Ltd	8 April 2009 / Singapore	SGD1,000,000	100	Promotion, marketing and other activities related to property development
S P Setia Development Pte Ltd	17 April 2012 / Singapore	SGD2	100	Dormant
Setia (Bukit Timah) Pte Ltd	26 April 2017 / Singapore	SGD3,000,000	100	Promotion, marketing and other activities related to property development
SetiaBecamex Joint Stock Company	8 November 2007 / Vietnam	VND643,000,000,00 0	55	Property development
S P Setia Foundation	1 March 2000 / Malaysia	N/A <sup>(1)</sup>	N/A	Promotion and advancement of education, and 'caring values through activities and dissemination of knowledge
Setia Badminton Academy	8 February 2002 / Malaysia	N/A <sup>(2)</sup>	N/A	Promotion of badminton

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
PTB Property Developer Sdn Bhd	18 January 1996 / Malaysia	RM505,000	49	Dormant
Qinzhou Development (Malaysia) Consortium Sdn Bhd	23 February 2012 / Malaysia	RM2,000,000	45	Investment holding
China–Malaysia Qinzhou Industrial Park (Guangxi) Development Co Ltd	22 November 2013 / China	RMB800,000,000	22	Property development
Battersea Project Holding Company Limited	22 June 2012 / Jersey	GBP84,825	40	Investment holding
Battersea Project Land Company Limited	22 July 2012 / Jersey	GBP0.10	40	Property development and property investment holding
Battersea Phase 1 Holding Company Limited	29 July 2013 / Jersey	GBP10	40	Property investment holding
Battersea Project Phase 1 Company Limited	23 November 2012 / Jersey	GBP10	40	Property investment holding
Battersea Project Phase 1 Management Company Limited	23 November 2012 / Jersey	GBP10	40	Dormant

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Battersea Project Phase 1 Retail, Leisure, F&B Nominee Limited	23 November 2012 / Jersey	GBP10	40	Dormant
Battersea Project Phase 1 Retail, Leisure, F&B GP Limited	23 November 2012 / Jersey	GBP10	40	Property development and property investment holding
Battersea Project Phase 1 Retail, Leisure, F&B LP Limited	23 November 2012 / Jersey	GBP10.00	40	Property development and property investment holding
Battersea Project Phase 1 Retail, Leisure, F&B Limited Partnership	19 December 2012 / England and Wales	N/A <sup>(3)</sup>	N/A	Property development and property investment holding
Battersea Phase 2 Holding Company Limited	23 August 2013 / Jersey	GBP10	40	Investment holding
Battersea Project Phase 2 Company Limited	23 November 2012 / Jersey	GBP10	40	Property investment holding
Battersea Project Phase 2 Development Company Limited	23 August 2013 / Jersey	GBP10	40	Property development
Battersea Project Phase 2 Residential Company Limited	23 August 2013 / Jersey	GBP10	40	Property development

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Battersea Project Phase 2 Nominee Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Project Phase 2 Management Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Power Station Energy Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Project Phase 2 GP Limited	23 August 2013 / Jersey	GBP10	40	Property development and property investment holding
Battersea Project Phase 2 LP Limited	23 August 2013 / Jersey	GBP10	40	Property development and property investment holding
Battersea Project Phase 2 Commercial Limited Partnership	22 October 2013 / England and Wales	N/A <sup>(3)</sup>	N/A	Property development and property investment holding
Battersea Phase 3 Holding Company Limited	23 August 2013 / Jersey	GBP10	40	Property investment holding
Battersea Project Phase 3 Company Limited	23 August 2013 / Jersey	GBP10	40	Property investment holding

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Battersea Project Phase 3 Development Company Limited	23 August 2013 / Jersey	GBP10	40	Property development
Battersea Project Phase 3 Residential Company Limited	23 August 2013 / Jersey	GBP10	40	Property development
Battersea Project Phase 3 Nominee Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Project Phase 3 Management Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Project Phase 3 GP Limited	23 August 2013 / Jersey	GBP10	40	Property development and property investment holding
Battersea Project Phase 3 LP Limited	23 August 2013 / Jersey	GBP10	40	Property development and property investment holding
Battersea Project Phase 3 Commercial Limited Partnership	22 October 2013 / England and Wales	N/A <sup>(3)</sup>	N/A	Property development and property investment holding
Battersea Phase 4 Holding Company Limited	23 August 2013 / Jersey	GBP10	40	Investment holding
Battersea Project Phase 4 Company Limited	23 August 2013 / Jersey	GBP10	40	Property investment holding

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Battersea Project Phase 4 Development Company Limited	23 August 2013 / Jersey	GBP10	40	Property development
Battersea Project Phase 4 Residential Company Limited	23 August 2013 / Jersey	GBP10	40	Property development
Battersea Project Phase 4 Nominee Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Project Phase 4 Management Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Project Phase 4 GP Limited	23 August 2013 / Jersey	GBP10	40	Property development and property investment holding
Battersea Project Phase 4 LP Limited	23 August 2013 / Jersey	GBP10	40	Property development and property investment holding
Battersea Project Phase 4 Commercial Limited Partnership	22 October 2013 / England and Wales	N/A <sup>(3)</sup>	N/A	Property development and property investment holding
Battersea Phase 5 Holding Company Limited	23 August 2013 / Jersey	GBP10	40	Investment holding
Battersea Project Phase 5 Company Limited	23 August 2013 / Jersey	GBP10	40	Property investment holding

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Battersea Project Phase 5 Development Company Limited	23 August 2013 / Jersey	GBP10	40	Property development
Battersea Project Phase 4A Company Limited	23 August 2013 / Jersey	GBP10	40	Property development
Battersea Phase 6 Holding Company Limited	23 August 2013 / Jersey	GBP10	40	Investment holding
Battersea Project Phase 6 Company Limited	23 August 2013 / Jersey	GBP10	40	Property investment holding
Battersea Project Phase 6 Development Company Limited	23 August 2013 / Jersey	GBP10	40	Property development
Battersea Project Phase 6 Residential Company Limited	23 August 2013 / Jersey	GBP10	40	Property development
Battersea Project Phase 6 Nominee Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Project Phase 6 Management Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Project Phase 6 GP Limited	23 August 2013 / Jersey	GBP10	40	Property development and property investment holding

## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Battersea Project Phase 6 LP Limited	23 August 2013 / Jersey	GBP10	40	Property development and property investment holding
Battersea Project Phase 6 Commercial Limited Partnership	22 October 2013 / England and Wales	N/A <sup>(3)</sup>	N/A	Property development and property investment holding
Battersea Phase 7 Holding Company Limited	23 August 2013 / Jersey	GBP10	40	Investment holding
Battersea Project Phase 7 Company Limited	23 August 2013 / Jersey	GBP10	40	Property investment holding
Battersea Project Phase 7 Development Company Limited	23 August 2013 / Jersey	GBP10	40	Property development
Battersea Project Phase 7 Residential Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Project Phase 7 Nominee Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Project Phase 7 Management Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Project Phase 7 GP Limited	23 August 2013 / Jersey	GBP10	40	Property development and property investment holding



## APPENDIX II

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Battersea Project Phase 7 LP Limited	23 August 2013 / Jersey	GBP10	40	Property development and property investment holding
Battersea Project Phase 7 Commercial Limited Partnership	22 October 2013 / England and Wales	N/A <sup>(3)</sup>	N/A	Property development and property investment holding
Battersea Project Residual Land Company Limited	23 August 2013 / Jersey	GBP10	40	Dormant
Battersea Project Phase 2 Refurbishment Company Limited	23 November 2012 / Jersey	GBP10	40	Property development
Battersea Project Phase 1 Office Nominee Limited	3 December 2015 / Jersey	GBP10	40	Property investment holding
Battersea Project Phase 1 Office GP Limited	3 December 2015 / Jersey	GBP10	40	Property development and property investment holding
Battersea Project Phase 1 Office LP Limited	3 December 2015 / Jersey	GBP10	40	Property development and property investment holding
Battersea Project Phase 1 Office Limited Partnership	20 October 2016 / England and Wales	N/A <sup>(3)</sup>	N/A	Property development and property investment holding
Battersea Power Station Malaysia Sdn Bhd	30 October 2012 / Malaysia	RM250,000	40	Marketing

## INFORMATION ON OUR COMPANY (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
The Battersea Power Station Foundation	2 December 2014 / England and Wales	N/A <sup>(1)</sup>	N/A	Charitable foundation
Battersea Power Station Development Company Limited	20 July 2012 / England and Wales	GBP50,000	40	Development Management Services
Battersea Power Station Estates Limited	20 December 2012 / England and Wales	GBP50,000	40	Sales and lettings services
Battersea Power Station Estate Management Limited	20 September 2016 / England and Wales	GBP1	40	Estate management services
Battersea Power Station Asset Management Limited	20 September 2016 / England and Wales	GBP1	40	Asset management services
Battersea Power Station Management Services Limited	20 September 2016 / England and Wales	GBP1	40	Management services
The Brooks Court Management Company Limited	25 November 1998 / England and Wales	GBP10	4	Management company
Battersea Academy for Skills Excellence (BASE) Community Interest Company	1 December 2016 / United Kingdom	GBP1	40	Promotion of employment, skills development/training, enterprise and culture

**INFORMATION ON OUR COMPANY (Cont'd)**

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**Notes:**

- (1) *Not applicable as there is no share capital in the foundation.*
- (2) *Not applicable as there is no share capital in the academy.*
- (3) *Not applicable as there is no share capital in a commercial limited partnership.*

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**INFORMATION ON OUR COMPANY (Cont'd)**
**6. PROFIT AND DIVIDEND RECORD**

Our profit and dividend record based on our audited consolidated financial statements for the FYE 31 October 2014, 14-month FPE 31 December 2015 and FYE 31 December 2016, and our unaudited consolidated interim financial statements for the 9-month FPE 30 September 2016 and 9-month FPE 30 September 2017 are as follows:

	Audited			Unaudited	
	FYE 31 October	14-month FPE 31 December	FYE 31 December	9-month FPE 30 September	9-month FPE 30 September
	2014	2015 <sup>(1)</sup>	2016	2016	2017
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	3,870,211	6,746,343 <sup>(2)</sup>	4,957,165	3,185,366	2,577,394
Cost of sales	(2,725,428)	(4,683,055)	(3,515,750)	(2,298,807)	(1,814,590)
Gross profit	1,144,783	2,063,288	1,441,415	886,559	762,804
Other income	173,624	223,447	257,359	192,563	152,625
Selling and marketing expenses	(169,478)	(314,212)	(172,151)	(98,726)	(137,304)
Administrative and general expenses	(251,395)	(330,793)	(295,258)	(176,263)	(208,808)
Share of results of jointly controlled entities	(77,867)	(109,530)	68,715	(58,689)	220,739
Share of results of associated companies	(94)	4,533	4,877	686	(20,868)
Finance costs	(59,966)	(110,292)	(120,288)	(88,695)	(101,516)
PBT	759,607	1,426,441 <sup>(2)</sup>	1,184,669	657,435	667,672
Tax expense	(252,797)	(415,433)	(285,390)	(220,827)	(114,011)
<b>Profit for the year/period</b>	<b>506,810</b>	<b>1,011,008</b>	<b>899,279</b>	<b>436,608</b>	<b>553,661</b>
<b>Profit for the year/period attributable to:</b>					
Holders of perpetual bond	32,066	42,291	36,236	27,201	27,102
Non-controlling interests	87,067	50,459	55,013	26,172	31,839
Owners of our Company	387,677	918,258	808,030	383,235	494,720
	<b>506,810</b>	<b>1,011,008</b>	<b>899,279</b>	<b>436,608</b>	<b>553,661</b>
Earnings before interest, taxation, depreciation and amortisation	847,832	1,569,739	1,330,985	765,706	789,693
Weighted average number of Shares in issue ('000)	2,489,044	2,575,293	2,709,903	2,668,600	2,889,801

## INFORMATION ON OUR COMPANY (Cont'd)

	Audited			Unaudited	
	FYE 31 October	14-month FPE 31 December	FYE 31 December	9-month FPE 30 September	9-month FPE 30 September
	2014	2015 <sup>(1)</sup>	2016	2016	2017
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Basic EPS (sen)	15.58	35.66	29.82	14.36	15.64
Diluted EPS (sen)	15.49	35.30	26.47	14.26	13.87
Net dividend per S P Setia Share declared (sen)	9.7	23.0	20.0	4.0	4.0
<b>Profit margin:</b>					
Gross profit margin <sup>(3)</sup>	29.6%	30.6%	29.1%	27.8%	29.6%
PBT margin <sup>(4)</sup>	19.6%	21.1%	23.9%	20.6%	25.9%
Net profit margin (excluding share of results of jointly controlled entities and associated companies) <sup>(5)</sup>	15.1%	16.5%	16.7%	15.5%	13.7%

**Notes:**

- (1) In 2015, our Group changed its financial year end from 31 October to 31 December.
- (2) For the unaudited 12-month FPE 31 October 2015, our Group achieved revenue of RM5,606 million and PBT of RM1,123 million respectively.
- (3) Computed based on gross profit divided by revenue.
- (4) Computed based on PBT divided by revenue.
- (5) Computed based on profit for the year/period (excluding share of results of jointly controlled entities and associated companies) divided by revenue.

**Commentaries on financial performance:****FYE 31 October 2014****Revenue**

For the FYE 31 October 2014, our Group achieved total revenue of RM3,870.2 million.

Revenue from property development of RM3,570.0 million was the main contributor to our Group's performance, representing 92.2% of our Group's revenue for the FYE 31 October 2014. The revenue from property development activities was mainly attributable to revenue recognition from ongoing projects such as Setia Alam and Setia Eco Park in Shah Alam, Setia Ecohill in Semenyih, Setia Eco Glades in Cyberjaya, Setia Sky Residences at Jalan Tun Razak, KL Eco City at Jalan Bangsar, Aeropod in Kota Kinabalu, Bukit Indah, Setia Indah, Setia Tropika, Setia Eco Cascadia, Setia Business Park II, Setia Eco Gardens and Setia Sky 88 in Johor Bahru, Setia Pearl Island, Setia Vista, Setia Greens, Setia V Residences and Brook Residences in Pulau Pinang as well as 18 Woodsville and Eco Sanctuary in Singapore.

**INFORMATION ON OUR COMPANY (Cont'd)**

The revenue from construction of RM196.2 million was a small percentage of overall Group's operations, representing 5.1% of our Group's total revenue, and was mainly derived from the following:

- (a) Subterranean Penang International Convention & Exhibition Centre in Pulau Pinang ("**SPICE**");
- (b) Jabatan Keretapi Negeri Sabah ("**JKNS**") building in Sabah undertaken pursuant to a development agreement with the Sabah State Government, in exchange for a land in Sabah for the Aeropod project ("**JKNS Building**"); and
- (c) Kompleks Insitut Penyelidikan Kesihatan Bersepadu in Setia Alam undertaken pursuant to a privatisation agreement with the Ministry of Health, in exchange for a land in Bangsar for the Setia Federal Hill project ("**1NIH Complex**").

Revenue from other operations of RM104.1 million, representing 2.7% of our Group's total revenue, mainly consist of wood-based manufacturing, trading activities and the Setia City Convention Centre operations.

**PBT**

For the FYE 31 October 2014, our Group achieved total PBT of RM759.6 million.

PBT from property development activities of RM748.6 million was the main contributor, representing 98.6% of our Group's PBT for the FYE 31 October 2014. The PBT from property development activities was mainly contributed by our ongoing projects stated above.

The PBT from construction and other operations of RM6.6 million and RM4.4 million, respectively, were a small percentage of overall Group's operations, representing 0.9% and 0.5%, respectively of our Group's PBT.

The overall PBT margin of our Group for the FYE 31 October 2014 is 19.6%.

**14-month FPE 31 December 2015****Revenue**

For the 14-month FPE 31 December 2015, our Group achieved total revenue of RM6,746.3 million, which represents a 74.3% increase in revenue as compared to the previous financial year.

Revenue from property development of RM6,222.8 million was the main contributor to our Group's performance, representing 92.2% of our Group's total revenue for the 14-month FPE 31 December 2015. The revenue from the property development activities had increased by RM2,652.8 million (74.3%) as compared to the previous financial year. Such increase was mainly due to the following:

- (a) revenue contribution of RM1,250 million from the completion and handovers of our Australia project (Fulton Lane) beginning from March 2015 up to 31 October 2015, which has been accounted for based on the completion method; and
- (b) additional two months revenue of about RM1,080 million arising from change in financial year end from 31 October to 31 December. The additional two months revenue was mainly contributed from the completion and handovers of various phases of our township development such as Setia EcoHill in Semenyih (RM171 million), Setia Eco Glades in Cyberjaya (RM93 million), Setia Alam in Shah Alam (RM303 million) and Setia Tri-Angle in Setia Pearl Island (RM41 million) at the end of the FPE.

**INFORMATION ON OUR COMPANY (Cont'd)**

The revenue from property development activities was mainly attributable to the ongoing projects such as Setia Alam and Setia Eco Park in Shah Alam, Setia EcoHill in Semenyih, Setia Eco Glades in Cyberjaya, Setia Sky Residences at Jalan Tun Razak, KL Eco City at Jalan Bangsar, Aeropod in Kota Kinabalu, Bukit Indah, Setia Indah, Setia Tropika, Setia Eco Cascadia, Setia Business Park II, Setia Eco Gardens and Setia Sky 88 in Johor Bahru, Setia Pearl Island, Setia Vista, Brook Residences and Setia V Residences in Pulau Pinang, 18 Woodsville and Eco Sanctuary in Singapore as well as Fulton Lane in Australia.

The revenue from construction of RM280.9 million was a small percentage of overall Group's operations, representing 4.2% of our Group's total revenue. The revenue from construction had increased by RM84.7 million (43.2%) as compared to the previous financial year. The revenue from construction was mainly derived from the following:

- (a) SPICE;
- (b) JKNS Building;
- (c) 1NIH Complex; and
- (d) commuter station at KL Eco City undertaken pursuant to a privatisation agreement with Datuk Bandar Kuala Lumpur, in exchange for development of KL Eco City ("**KL Eco City Commuter Station**").

Revenue from other operations of RM242.7 million, representing 3.6% of our Group's total revenue, were mainly contributed by wood-based manufacturing, trading activities, and the operations of retail mall and Setia City Convention Centre.

**PBT**

For the 14-month FPE 31 December 2015, our Group achieved total PBT of RM1,426.4 million.

PBT from property development activities of RM1,380.3 million was the main contributor, representing 96.8% of our Group's PBT for the 14-month FPE 31 December 2015. The PBT from property development activities had increased by RM631.7 million (84.4%) as compared to the previous financial year. The increase was mainly attributable to the completion and handovers of our maiden property project in Australia, Fulton Lane. In addition, the completion and handovers of various phases of our township development during the last two months of the financial period such as Setia EcoHill in Semenyih, Setia Eco Glades in Cyberjaya, Setia Alam in Shah Alam and Setia Tri-Angle in Setia Pearl Island also contributed to our Group's PBT.

The PBT from construction and other operations of RM8.5 million and RM37.6 million, respectively, were a small percentage of overall Group's operations, representing 0.6% and 2.6%, respectively, of our Group's PBT.

The PBT margin of our Group for the 14-month FPE 31 December 2015 had improved slightly to 21.1% from 19.6% due to better PBT margin derived from our Australia project (Fulton Lane).

**FYE 31 December 2016****Revenue**

For the FYE 31 December 2016, our Group achieved total revenue of RM4,957.2 million, which represents a 26.5% decrease in revenue as compared to the previous 14-month financial period.

**INFORMATION ON OUR COMPANY (Cont'd)**

Revenue from property development of RM4,484.4 million was the main contributor to our Group's performance, representing 90.5% of our Group's total revenue. The revenue from property development activities had decreased by RM1,738.4 million (27.9%) as compared to the previous financial period. Higher revenue recognised in previous financial period was mainly attributed to the completion and handovers our Australia project (Fulton Lane) which contributed RM1,250 million in revenue in the previous period as well as additional two months period arising from change of financial year end from 31 October to 31 December which contributed RM1,080 million in revenue. Notwithstanding, these were offset by the revenue recognised from staged handover of our second Australia project (Parque Melbourne) of RM393.6 million starting from December 2016, which has been accounted for based on the completion method.

The revenue from property development activities was mainly attributable to revenue recognition from the ongoing projects such as Setia Alam and Setia Eco Park in Shah Alam, Setia EcoHill in Semenyih, Setia Eco Glades in Cyberjaya, Setia Sky Residences at Jalan Tun Razak, Perumahan Penjawat Awam 1Malaysia (PPA1M) in Putrajaya, KL Eco City at Jalan Bangsar, Aeropod in Kota Kinabalu, Bukit Indah, Setia Indah, Setia Tropika, Setia Eco Cascadia, Setia Business Park II, Setia Eco Gardens and Setia Sky 88 in Johor Bahru, Setia Pearl Island, Setia Vista, Setia Pinnacle and Setia V Residences in Penang, Eco Sanctuary in Singapore as well as Parque Melbourne in Australia.

The revenue from construction of RM306.0 million was a small percentage of overall Group's operations, representing 6.2% of our Group's total revenue. The revenue from construction had increased by RM25.1 million (9.0%). The revenue from construction was mainly derived from the following:

- (a) SPICE;
- (b) 1NIH Complex; and
- (c) KL Eco City Commuter Station.

The revenue from other operations of RM166.7 million, representing 3.4% of our Group's total revenue, were mainly contributed by wood-based manufacturing, trading activities, and the operations of retail mall and Setia City Convention Centre.

**PBT**

For the FYE 31 December 2016, our Group achieved total PBT of RM1,184.7 million, which represents a 16.9% decrease in PBT as compared to the previous 14-month financial period.

PBT from property development activities of RM1,172.9 million was the main contributor, representing 99.0% of our Group's PBT for the FYE 31 December 2016. The PBT from property development activities was mainly attributable to our ongoing projects as mentioned above as well as the profits contributed by jointly controlled entities from the completion of Phase 1 of the Battersea Power Station project and handover of two out of twelve blocks of Phase 1 to purchasers.

The PBT from the property development activities decreased by RM207.4 million (15.0%). Higher PBT recognised in previous financial period mainly attributed to our Australia project (Fulton Lane) as well as additional two months period arising from change of financial year end from 31 October to 31 December.

The decrease in PBT (i.e. 16.9%) was lower as compared to decrease in revenue (i.e. 26.5%) mainly due to increase in the share of results of jointly controlled entities as a result of recognition of profit from the staged handover of Phase 1 of the Battersea Power Station project of RM82 million, which has been accounted for based on completion method as well.



**INFORMATION ON OUR COMPANY (Cont'd)**

The PBT from construction and other operations of RM5.9 million and RM5.8 million, respectively, were a small percentage of overall Group's operations, representing 0.5% and 0.5%, respectively of our Group's PBT.

The PBT margin of our Group for the FYE 31 December 2016 marginally improved compared to the 14-month FPE 31 December 2015 from 21.1% to 23.9%. During the financial year, our Group's share of results of jointly controlled entities has increased by 162.7% as a result of the staged completion and handovers of Phase 1 of the Battersea Power Station project, which has been accounted for based on completion method, and this contributed to the improved PBT margin.

**9 month FPE 30 September 2017****Revenue**

For the 9-month FPE 30 September 2017, our Group achieved revenue of RM2,577.4 million, representing a 19.1% decrease in revenue as compared to 9-month FPE 30 September 2016.

Property development revenue of RM2,250.2 million was the main contributor to our Group's performance, representing 87.3% of our Group's total revenue for the 9-month FPE 30 September 2017. The revenue from property development activities had decreased by RM606.0 million (21.2%) as compared to 9-month FPE 30 September 2016 as projects, such as phases in KL Eco City at Jalan Bangsar, Eco Sanctuary in Singapore and Perumahan Penjawat Awam 1Malaysia (PPA1M) in Putrajaya, were completed during the 9-month FPE 30 September in 2016. Further, our Group was not able to recognise revenue from substantially sold developments which were still at early stages of construction.

The revenue from property development activities was attributable to ongoing project such as Setia Alam and Setia Eco Park in Shah Alam, Setia EcoHill and Setia EcoHill 2 in Semenyih, Setia Eco Glades in Cyberjaya, Setia Eco Templer in Rawang, KL Eco City at Jalan Bangsar, Aeropod in Kota Kinabalu, Bukit Indah, Setia Indah, Setia Tropika, Setia Eco Cascadia, Setia Business Park II, Setia Eco Gardens and Setia Sky 88 in Johor Bahru, Setia Pearl Island, Setia Vista, Setia Pinnacle, Setia Sky Ville and Setia V Residences in Penang.

The revenue from construction of RM184.7 million was a small percentage of overall Group's operations, representing 7.2% of our Group's total revenue. The revenue from construction had decreased by RM15.2 million (7.6%) as compared to 9-month FPE 30 September 2016. Revenue from construction was mainly derived from the following:

- (a) 1NIH Complex at Setia Alam; and
- (b) KL Eco City Commuter Station.

Revenue from other operations of RM142.5 million, representing 5.5% of our Group's total revenue were mainly contributed by wood-based manufacturing, trading activities and the operation of retail mall and Setia City Convention Centre.

**PBT**

For the FPE 30 September 2017, our Group achieved total PBT of RM667.7 million, which represents a 1.6% increase in PBT as compared to the previous financial period.

**INFORMATION ON OUR COMPANY (Cont'd)**

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PBT from property development activities of RM647.7 million was the main contributor, representing 97.0% of our Group's PBT for the FPE 30 September 2017. PBT from property development activities increased by RM69.5 million (12.0%) as compared to the previous financial period due to contribution from the share of results of jointly controlled entities arising from the staged completion and handover of eight blocks of Phase 1 to purchasers of the Battersea Power Station project during the FPE 30 September 2017. We started to handover the eight blocks of Phase 1 to purchasers in November 2016. As at 30 September 2017, ten out of twelve blocks of Phase 1 of the Battersea Power Station project has been completed.

The PBT from construction and other operations of RM8.2 million and RM11.8 million, respectively, were a small percentage of overall Group's operations, representing 1.2% and 1.8%, respectively of our Group's PBT.

The PBT margin of our Group for the FPE 30 September 2017 had improved by approximately 5.3% due to the increase in contribution from the share of results of jointly controlled entities of 476.1% arising from the staged completion and handover of eight blocks of Phase 1 of the Battersea Power Station project during the 9-month FPE 30 September 2017.

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**INFORMATION ON OUR COMPANY (Cont'd)**


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**7. HISTORICAL SHARE PRICES**

The monthly high and low market prices of the Shares as traded on the Main Market of Bursa Securities for the last 12 months from November 2016 to October 2017 are set out below:

	<u>High</u>	<u>Low</u>
	<b>RM</b>	<b>RM</b>
<b>2016</b>		
November	3.57	3.10
December	3.42	3.11
<b>2017</b>		
January	3.46	3.12
February	3.51	3.34
March	3.61	3.37
April	3.77	3.45
May	4.50	3.61
June	4.00	3.35
July	3.49	3.20
August	3.55	3.24
September	3.66	3.34
October	3.60	3.25

Last transacted market price of our Shares on 22 June 2017, being the last full trading day prior to the announcement of the Corporate Exercises 3.64

Last transacted market price of our Shares as at the LPD 3.27

Last transacted market price of our Shares on 27 November 2017, being the last trading day prior to the ex-date for the Rights Issue 3.40

*(Source: Bloomberg Finance L.P.)*

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**INFORMATION ON I&P****1. SHARE CAPITAL**

As at the LPD, the entire issued share capital of I&P is RM2,392,519,217 comprising 1,000,000,000 I&P Shares.

**2. SHAREHOLDERS**

The shareholders of I&P and their respective shareholdings in I&P as at the LPD are as follows:

Name	Country of incorporation / Nationality	Direct		Indirect	
		No. of I&P Shares	%	No. of I&P Shares	%
PNB	Malaysia	549,999,999	55.00	-	-
ART-ASB	Malaysia	450,000,000	45.00	-	-
Dato' Nizam	Malaysian	1	-*	-	-
Yayasan	Malaysia	-	-	549,999,999	55.00 <sup>(1)</sup>

**Notes:**

\* Negligible

(1) Deemed to have indirect interest through its shareholding of 100% less 1 share of PNB by virtue of Section 8 of the Act.

**3. DIRECTORS**

The particulars of the directors of I&P are as follows:

Name	Designation	Nationality
Tan Sri Abdul Wahid bin Omar	Chairman	Malaysian
Yuslina binti Mohd. Yunus	Director	Malaysian
Datin Paduka Dr. Halimaton Saadiah binti Hashim	Director	Malaysian
Dato' Mohd. Nizam bin Zainordin	Director	Malaysian
Datuk Aznam bin Dato' Mansor	Director	Malaysian
Khalid bin Sufat	Director	Malaysian
Dato' Syed Mohamed bin Syed Ibrahim	Director	Malaysian
Haji Ikhwan bin Haji Zaidel	Director	Malaysian

Save for Dato' Nizam who holds 1 I&P Share, none of the directors of I&P holds any I&P Shares as at the LPD.

**INFORMATION ON I&P (Cont'd)**
**4. SUBSIDIARY AND ASSOCIATED COMPANIES**

As at the LPD, I&P has 30 subsidiary companies and they are as follows:

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
I & P Setiawangsa Sdn. Bhd.	15 September 1973 / Malaysia	RM15,000,000	100	Property development
I & P Menara Sendirian Berhad	4 February 1983 / Malaysia	RM206,550,000	100	Property development
I & P Alam Impian Sdn. Bhd.	15 July 1996 / Malaysia	RM386,000,000	99	Property development
Perumahan Kinrara Berhad	30 June 1920 / Malaysia	RM139,102,240	51	Property development, operation of golf course and resort
Kinrara Golf Club Sdn. Bhd.	25 May 1984 / Malaysia	RM2	51	Management and operation of golf course and golf club (ceased operations in 2011)
Kinrara Urusharta Sdn. Bhd.	2 August 2001 / Malaysia	RM2	51	Providing property management services (temporarily ceased operations since financial year ended 31 January 2008)
I & P Kota Bayuemas Sdn. Bhd.	11 January 2002 / Malaysia	RM237,700,000	52	Property development
Syarikat Perumahan Pegawai Kerajaan Sendirian Berhad	29 March 1971 / Malaysia	RM117,000,000	70	Development and sales of land, residential and commercial properties and rental of properties
Plaza Damansara Sdn. Bhd.	31 July 1984 / Malaysia	RM2	70	Development, sale and rental of commercial properties (ceased operations on 1 February 2009)

## INFORMATION ON I&amp;P (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Petaling Garden Sdn. Bhd.	11 November 1957 / Malaysia	RM171,113,188	100	Property development and investment holding
PG Resorts Sdn. Bhd.	30 July 1991 / Malaysia	RM5,000,000	100	Property development
Biltmore (M) Sdn. Bhd.	18 August 1984 / Malaysia	RM500,000	100	Property development
Corporate Premier Sdn. Bhd.	16 September 1988 / Malaysia	RM2	100	Property development and investment holding
Temasya Development Co. Sdn. Bhd.	14 August 1974 / Malaysia	RM20,790,170	66	Property development
Alpine Affluent Sdn. Bhd.	25 October 2003 / Malaysia	RM2	66	Property development
Scenic Promenade Sdn. Bhd.	2 April 2007 / Malaysia	RM2	66	Sublease of land
Pelangi Sdn. Bhd.	30 December 1972 / Malaysia	RM430,280,000	100	Property development and investment holding
Taman Gunong Hijau Sdn. Bhd.	16 November 1973 / Malaysia	RM16,291,800	89	Property development and investment in real properties
Yukong Development (Pte) Limited	27 April 1951 / Singapore	SGD660,000	100	Property development and investment in real properties
I & P Multi Resources Sdn. Berhad	24 June 2000 / Malaysia	RM2	100	Investment holding
Peninsular Land Development Sdn. Berhad	17 April 1964 / Malaysia	RM18,750,000	100	Property development

## APPENDIX III

## INFORMATION ON I&amp;P (Cont'd)

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
I & P Inderawasih Jaya Sdn. Bhd.	30 December 1965 / Malaysia	RM5,000,000	100	Property development
I & P Supply Berhad	24 June 1974 / Malaysia	RM6,000,000	100	Trading of building materials, chemical and fertiliser (ceased operations since 2008)
I & P Development Sdn. Bhd.	31 July 1982 / Malaysia	RM250,000	100	Property development
I & P Nibong Sdn. Bhd.	23 January 1984 / Malaysia	RM250,000	100	Property development
Petaling Garden Industrial Estate Sdn. Bhd.	30 October 1989 / Malaysia	RM500,000	100	Investment holding (ceased operation since 2007)
Perusahaan Minyak Sawit Bintang Sendirian Berhad	4 March 1980 / Malaysia	RM3,600,007	100	Processing of oil palm (ceased operations in April 2017)
Yong Peng Realty Sdn. Bhd.	2 February 1974 / Malaysia	RM12,175,506	100	Cultivating & marketing of oil palm fruits (ceased operations in April 2017)
Pelangi Concrete Industries Sdn. Bhd.	12 January 1981 / Malaysia	RM3,500,000	100	Investment holding
Eng Lee Knitting Factory Sdn. Bhd.	22 August 1973 / Malaysia	RM93,500	100	The company was formed with a principal objective to carry on business as knitters, spinners and textile merchants but has not commenced operation since the date of incorporation

**INFORMATION ON I&P (Cont'd)**

As at the LPD, I&P has 6 associated companies and they are as follows:

<b>Company</b>	<b>Date / Country of incorporation</b>	<b>Issued share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Tanah Sutera Development Sdn. Bhd.	4 May 1990 / Malaysia	RM35,000,000	35	Property development and investment in real properties
Tanah Sutera Management Sdn. Bhd.	30 January 2007 / Malaysia	RM400,000	35	Property management
German Clay Products (M) Sdn. Bhd.	4 January 1996 / Malaysia	RM29,200,000	45	Investment holding
Hock Lam Batu Bata Sdn. Berhad.	14 August 1972 / Malaysia	RM10,450,000	45	Manufacturing of clay related products (ceased manufacturing operations in 2006, and application to strike off company submitted on 30 June 2017)
Fahim-I Hitech Sdn. Bhd.	12 March 2002 / Malaysia	RM3,000,000	20	Research and development and consulting services in multimedia, computer and information technology
Merit Properties Sdn. Bhd.	8 February 1984 / Malaysia	RM41,000,000	20	Property development, investment in real properties and providing management services



## INFORMATION ON I&amp;P (Cont'd)

## 5. SUMMARY OF FINANCIAL INFORMATION

A summary of the audited consolidated financial information of I&P for the past 3 FYEs 31 December 2014, 31 December 2015 and 31 December 2016 is as follows:

	FYE 31 December		
	2014	2015	2016
	(RM '000)	(RM '000)	(RM '000)
Revenue	1,426,793	951,303	813,601
Cost of sale	(920,605)	(493,572)	(433,675)
Gross profit	506,188	457,731	379,926
PBT	442,733	376,759	253,173
Profits from discontinuing operations	-	9,224	4,632
PAT	329,111	281,488	168,005
PAT attributable to non-controlling interests	52,802	68,035	27,439
PAT attributable to owners of the company	276,309	213,453	140,566
Gross profit margin (%)	35.5	48.1	46.7
PAT margin (%)	23.1	29.6	20.6
Gross EPS (sen)	44.3	37.7	25.3
Net EPS (sen)	27.6	21.3	14.1
Share capital	1,000,000	1,000,000	1,000,000
Total equity / NA attributable to owners of the company	3,083,967	3,140,518	3,161,084
Total borrowings	1,000	1,000	1,000
No. of shares outstanding ('000)	1,000,000	1,000,000	1,000,000
NA per share (RM)	3.08	3.14	3.16
Current ratio (times)	2.58	2.85	3.41
Gearing (times)	*	*	*

**Note:**

\* *Negligible*

**Commentaries on financial performance:****FYE 31 December 2014**

For the FYE 31 December 2014, the I&P Group achieved revenue of RM1,426.8 million. The main contributor to I&P Group's revenue was sale of properties of RM1,190.0 million, representing 83.4% of the revenue of the I&P Group. Revenue from other operations comprise sale of goods, sale of land, rental income from investment properties and services which recorded revenue of RM212.5 million (14.9%), RM12.8 million (0.9%), RM6.4 million (0.4%) and RM5.2 million (0.4%), respectively.

The I&P Group recorded cost of sales of RM920.6 million. The main contributor to the I&P Group's cost of sales was cost of properties sold of RM721.1 million, representing 78.3% of the cost of sales of the I&P Group. Cost of sales from other operations comprise cost of goods sold, cost of land sold and cost of services which recorded cost of sales of RM191.8 million (20.8%), RM5.3 million (0.6%) and RM2.4 million (0.3%), respectively. As a result, the I&P Group recorded a gross profit of RM506.2 million.

The PAT and PAT margins of the I&P Group for the FYE 31 December 2014 was RM329.1 million and 23.1% respectively.

**INFORMATION ON I&P (Cont'd)****FYE 31 December 2015**

The revenue of the I&P Group for the FYE 31 December 2015 decreased by RM475.5 million (33.3%). This was partly due to reclassification of the sale of goods attributable to Perusahaan Minyak Sawit Bintang Sendirian Berhad ("PMSB") and Yong Peng Realty Sdn. Bhd. ("YPSB") from revenue to discontinued operations, as a result of the I&P Group's disposal of its plantation business in the current financial year. The sale of goods attributable to PMSB and YPSB amounted to RM212.5 million in the FYE 31 December 2014. After taking into account of the reclassification, lower revenue in the current financial year was also due to lower sale of properties which decreased by RM284.2 million (23.9%) from RM1,190.0 million in the FYE 31 December 2014 to RM905.8 million in the FYE 31 December 2015 due to lower revenue contribution from our ongoing property development projects in Alam Impian, Bandar Baru Seri Petaling and Temasya Glenmarie of RM116.9 million, RM93.3 million and RM52.3 million, respectively. The decrease in the total revenue was partially offset by the increase in revenue from the sale of land which had increased by RM18.0 million (141.0%) from RM12.8 million in the FYE 31 December 2014 to RM30.8 million in the FYE 31 December 2015.

The cost of sales for the FYE 31 December 2015 decreased by RM427.0 million (46.4%). This was primarily due to the reclassification of the cost of goods sold attributable to PMSB and YPSB to discontinued operations which amounted to RM191.8 million for the FYE 31 December 2014. Besides, the cost of properties sold had decreased by RM232.4 million (32.2%) from RM721.1 million in the FYE 31 December 2014 to RM488.8 million in the FYE 31 December 2015.

Notwithstanding the decrease in the total revenue, the I&P Group registered a better gross profit margin of 48.1% as compared to 35.5% in the previous financial year and this was mainly due to better profit margin derived from the disposal of land as land cost were low.

Similarly, the PAT margin improved by 6.5%, from 23.1% for the FYE 31 December 2014 to 29.6% for the FYE 31 December 2015. This was primarily due to higher profit margins derived from the disposal of land.

**FYE 31 December 2016**

The revenue of the I&P Group for the FYE 31 December 2016 decreased by RM137.7 million (14.5%) primarily due to lower sale of properties during the year which decreased by RM247.1 million from RM905.8 million in the FYE 31 December 2015 to RM658.7 million in the FYE 31 December 2016 due to lower revenue contribution from our ongoing property development projects in Temasya Glenmarie, Alam Impian and Bandar Kinrara of RM67.9 million, RM59.6 million and RM113.8 million, respectively. However, this was partially mitigated by the increase in revenue from sale of land by RM109.7 million from RM30.8 million in the FYE 31 December 2015 to RM140.5 million in the FYE 31 December 2016. During the FYE 31 December 2016, the I&P Group disposed of the following:

<b>Location</b>	<b>Acres</b>	<b>Revenue (RM'million)</b>
Bandar Baru Seri Petaling	6.20	96.0
Alam Damai (compulsory acquisition)	4.09	43.7
Pulai, Johor	10.09	0.8
<b>Total</b>		<b>140.5</b>

**INFORMATION ON I&P (Cont'd)**

Cost of sales decreased by RM59.9 million (12.1%), which was lower than the decline in revenue. Cost of properties sold decreased by RM129.1 million from RM488.8 million in the FYE 31 December 2015 to RM359.7 million in the FYE 31 December 2016, which is in line with the decrease in revenue. This was offset by an increase in cost of land sold by RM68.5 million from RM2.0 million in the FYE 31 December 2015 to RM70.5 million for the FYE 31 December 2016 due higher land cost attributable to the sale of land during the year. As a result, gross profit decreased by RM77.8 million (17.0%).

The I&P Group recorded an increase in administrative expenses and sales and marketing expenses of RM26.9 million and decrease in share of profit of associates of RM11.5 million. As a result, the PAT decreased by RM113.5 million (40.3%).

The PAT margin declined by 8.9%, from 29.6% for the FYE 31 December 2015 to 20.6% for the FYE 31 December 2016. Higher PAT margin was recorded in the previous financial year as a result of the disposal of land which yields higher profit margins as they were purchased at lower prices as compared to the lands sold in the current year.

There were no exceptional and/or extraordinary items reported in the audited consolidated financial statements of I&P for the past 3 FYEs 31 December 2014 to 2016. There have been no peculiar accounting policies adopted by I&P and there have been no audit qualifications reported in the audited consolidated financial statements of I&P for the past 3 FYEs 31 December 2014 to 2016.

**6. Material commitments**

Save as disclosed below, as at the LPD, there are no other material commitments incurred or known to be incurred by I&P which may have a material impact on the profits and/or NA of the I&P Group:

	<b>(RM)</b>
Property, plant & equipment	
Contractual commitment for construction of sales gallery	961,011
<b>Total</b>	<b>961,011</b>

**7. Contingent liabilities**

As at the LPD, there is no contingent liability, which upon becoming enforceable, may have a material impact on the profits and/or NA of the I&P Group.

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**



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**REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

(Prepared for inclusion in the Abridged Prospectus to shareholders of S P Setia Berhad to be dated 30 November 2017 ("Abridged Prospectus"))

16 November 2017

The Board of Directors  
 S P Setia Berhad  
 Plaza 138, Suite 18.03  
 18<sup>th</sup> Floor, 138 Jalan Ampang  
 50450 Kuala Lumpur

Dear Sirs,

S P SETIA BERHAD ("S P SETIA" OR "THE COMPANY") AND ITS SUBSIDIARIES (COLLECTIVELY KNOWN AS "THE GROUP") PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of S P Setia as at 31 December 2016 ("**Pro forma Consolidated Statements of Financial Position**"). The Pro forma Consolidated Statements of Financial Position have been prepared by the Board of Directors of S P Setia ("**Board**") in connection with the following corporate transactions:

- (i) acquisition of 1,000,000,000 ordinary shares in I&P Group Sdn Berhad ("**I&P**") representing the entire equity interest in I&P, for a cash consideration of RM3.65 billion ("**I&P Acquisition**");
- (ii) renounceable rights issue of up to 451,916,434 new ordinary shares in S P Setia ("**S P Setia Shares**") ("**Rights Shares**") on the basis of 2 Rights Shares for every 15 existing S P Setia Shares held at 5.00 p.m. on 30 November 2017 at an issue price of RM2.65 per Rights Share ("**Rights Issue of Shares**"); and
- (iii) renounceable rights issue of up to 1,355,749,304 new Class B Islamic redeemable convertible preference shares in S P Setia ("**RCPS- i B**") on the basis of 2 RCPS-i B for every 5 existing S P Setia Shares held at 5.00 p.m. on 30 November 2017 at an issue price of RM0.88 per RCPS-i B ("**Rights Issue of RCPS-i B**").

(Collectively referred to as the "**Corporate Transactions**").

The Pro forma Consolidated Statements of Financial Position and the related notes are set out in Appendix A for which we have stamped for the purposes of identification. The applicable criteria on the basis of which the Board has compiled the Pro forma Consolidated Statements of Financial Position are specified in the Prospectus Guidelines - Abridged Prospectus issued by the Securities Commission Malaysia ("**SC**") and described in Note 1 of Appendix A.

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

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The Pro forma Consolidated Statements of Financial Position have been compiled by the Board to illustrate the impacts of the events or transactions set out in Note 1 on the Group's financial position as at 31 December 2016 as if the events or transactions had taken place at 31 December 2016. As part of this process, information about the financial position of the Group has been extracted by the Board from the financial statements of the Group for the financial year ended ("FYE") 31 December 2016, on which an audit report has been published.

**The Directors' Responsibility for the Pro forma Consolidated Statements of Financial Position**

The Board is responsible for compiling the Pro forma Consolidated Statements of Financial Position on the basis of the applicable criteria.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Our Responsibilities**

Our responsibility is to express an opinion, as required by the Prospectus Guidelines - Abridged Prospectus issued by the SC, about whether the Pro forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board on the basis of the applicable criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board has compiled, in all material respects, the Pro forma Consolidated Statements of Financial Position on the basis of the applicable criteria.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro forma Consolidated Statements of Financial Position.

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

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The purpose for the inclusion of the Pro forma Consolidated Statements of Financial Position in the Abridged Prospectus is solely to illustrate the impacts of significant events or transactions on unadjusted financial information of S P Setia as if the events had occurred or the transactions had been undertaken at an earlier date selected for the purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board in the compilation of Pro forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- (i) the related pro forma adjustments give appropriate effect to those criteria; and
- (ii) the Pro forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted consolidated statements of financial position.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the events or transactions in respect of which the Pro forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro forma Consolidated Statements of Financial Position.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis of our opinion.

### **Opinion**

In our opinion, the Pro forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria.

We draw attention to Note 2 (iii) (b) of the Pro Forma Consolidated Statements of Financial Position. The market price of S P Setia Shares and the existing Islamic Redeemable Convertible Preference Shares of S P Setia ("RCPS-i A") on close of business on 15 November 2017 are RM3.41 per share and RM1.06 per RCPS-i A respectively. Based on this current market price, RCPS-i A may not be converted to S P Setia Shares as the implied conversion price of the instrument is above the current market price of S P Setia Shares. The Pro Forma Consolidated Statements of Financial Position under the maximum scenario is prepared solely to illustrate the effects on the total number of share capital of S P Setia should this instrument be fully converted. Our opinion is not qualified in respect of this matter.

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

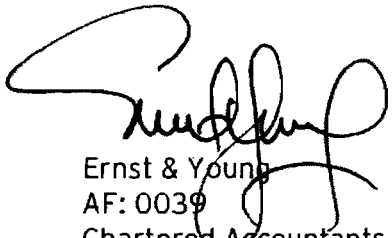
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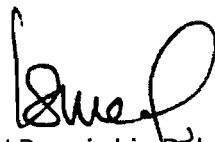
**Other matters**

This letter is issued for the sole purpose of complying with the Prospectus Guidelines - Abridged Prospectus. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with the standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Corporate Transactions. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Corporate Transactions.

Yours faithfully,



Ernst & Young  
AF: 0039  
Chartered Accountants  
Kuala Lumpur, Malaysia



Ismed Darwis bin Bahatlar  
No. 2921/04/18 (J)  
Chartered Accountant

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

## APPENDIX A

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

1. Basis of Preparation

1.1 The pro forma consolidated statements of financial position of S P Setia Berhad ("S P Setia" or "Company") as at 31 December 2016 ("Pro forma Consolidated Statements of Financial Position"), for which the Board of Directors of S P Setia ("Board") are solely responsible have been prepared for illustrative purpose only for inclusion in the Abridged Prospectus to shareholders of S P Setia to be dated 30 November 2017 in connection with the corporate transactions:

- (i) acquisition of 1,000,000,000 ordinary shares in I&P Group Sdn Berhad ("I&P") representing the entire equity interest in I&P, for a cash consideration of RM3.65 billion ("I&P Acquisition");
- (ii) renounceable rights issue of up to 451,916,434 new ordinary shares in S P Setia ("S P Setia Shares") ("Rights Shares") on the basis of 2 Rights Shares for every 15 existing S P Setia Shares held at 5.00 p.m. on 30 November 2017 at an issue price of RM2.65 per Rights Share ("Rights Issue of Shares"); and
- (iii) renounceable rights issue of up to 1,355,749,304 new Class B Islamic redeemable convertible preference shares in S P Setia ("RCPS- i B") on the basis of 2 RCPS-i B for every 5 existing S P Setia Shares held at 5.00 p.m. on 30 November 2017 at an issue price of RM0.88 per RCPS-i B ("Rights Issue of RCPS-i B").

(Collectively referred to as the "Corporate Transactions").

1.2 The Pro forma Consolidated Statements of Financial Position illustrate the effects of the Corporate Transactions assuming the Corporate Transactions have been affected on 31 December 2016.

1.3 The Pro forma Consolidated Statements of Financial Position has been prepared using the merger method for the I&P Acquisition. Under the merger method:

- (i) if the cost of merger is lower than the nominal value of the share capital of the subsidiary acquired, a credit balance will arise and be treated as merger reserve under the Pro forma Consolidated Statements of Financial Position; or
- (ii) if the cost of merger exceeds the nominal value of the share capital of the subsidiary acquired, a debit balance will arise and be treated as merger deficit under the Pro forma Consolidated Statements of Financial Position.



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

## APPENDIX A

- 1.4 The Pro forma Consolidated Statements of Financial Position have been properly compiled using the audited consolidated financial statements of S P Setia for the financial year ended ("FYE") 31 December 2016 which was prepared in accordance with Financial Reporting Standards (FRS) issued by the Malaysian Accounting Standards Board and with the requirements of the Companies Act 2016 and in a manner consistent with both the format of the financial statements and the accounting policies of S P Setia and its subsidiaries (collectively referred to as the "Group"). Each adjustment made to the information used in the preparation of the Pro forma Consolidated Statements of Financial Position is appropriate for the purpose of preparing the Pro forma Consolidated Statements of Financial Position.
- 1.5 Adjustments for certain subsequent events related to the Corporate Transactions have been illustrated in the Pro forma Consolidated Statements of Financial Position, as described in Note 2 (i).
- 1.6 The Pro forma Consolidated Statements of Financial Position do not purport to predict the future financial position of the Group.
- 1.7 The Pro forma Consolidated Statements of Financial Position and the notes thereto, are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.
- 1.8 Transaction costs for equity instruments are accounted for as a deduction from retained earnings.
- 1.9 S P Setia's Employee Share Option Scheme ("ESOS") and Employee Share Grant Plan ("ESGP") Reserve
- (i) ESOS
- ESOS included in the option reserve represents the equity-settled share options granted to employees ("ESOS Options"). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the ESOS Options, and is reduced by the expiry or exercise of the ESOS Options.
- (ii) ESGP
- ESGP included in the option reserve represents the equity-settled shares granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date and is reduced by the forfeiture or vesting of the equity-settled shares.

At each reporting date, the management will revise its estimates of the number of ESOS Options/ESGP that will ultimately be exercised/vested. This cost is recognized in profit or loss, with a corresponding increase in the option reserve over the remaining vesting period.

## APPENDIX IV

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

## APPENDIX A

1.10 The effects of the Corporate Transactions have been shown based on the following scenarios:

Minimum Scenario

Entails the issuance of 402,978,792 Rights Shares and 1,136,363,636 RCPS-i B, which were arrived at based on the following assumptions:

- (i) none of the existing Islamic redeemable convertible preference shares of S P Setia ("RCPS-i A") are converted into new S P Setia Shares prior to the entitlement date for the Rights Issue of Shares and Rights Issue of RCPS-i B ("**Entitlement Date**");
- (ii) none of the outstanding ESOS Options are exercised prior to the Entitlement Date;
- (iii) all shareholders of S P Setia whose name appears in the Record of Depositors on the Entitlement Date ("**Entitled Shareholders**") subscribe in full their respective entitlement under the Rights Issue of Shares; and
- (iv) only Permodalan Nasional Berhad ("PNB") and the funds under PNB's management, comprising Amanah Saham Bumiputera, Amanah Saham Bumiputera 2, Amanah Saham Gemilang - Amanah Saham Persaraan, Amanah Saham Gemilang - Amanah Saham Kesihatan, Amanah Saham Gemilang - Amanah Saham Pendidikan, Amanah Saham Nasional 3 Imbang, Amanah Saham Nasional 2, Amanah Saham Nasional, Amanah Saham Wawasan 2020, Amanah Saham Malaysia, Amanah Saham Didik and Amanah Saham 1Malaysia (collectively referred to as the "**Funds**") subscribe for RM1.0 billion in value of RCPS-i B under the Rights Issue of RCPS-i B pursuant to the following irrevocable undertaking:
  - (a) letter of undertaking dated 19 June 2017 provided by PNB in favour of S P Setia; and
  - (b) letter of undertaking dated 20 June 2017 provided by AmanahRaya Trustees Berhad, as the trustee of the Funds, in favour of S P Setia.

(Collectively referred to as the "**Undertaking**")

Maximum Scenario

Entails the issuance of 451,916,434 Rights Shares and 1,355,749,304 RCPS-i B, which were arrived at based on the following assumptions:

- (i) 44,853,750 ESOS Options are exercised resulting in the issuance of 44,853,750 new S P Setia Shares prior to the Entitlement Date;

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

## APPENDIX A

- (ii) 1,127,625,002 RCPS-i A are converted into 322,178,572 new S P Setia Shares prior to the Entitlement Date; and
- (iii) all the Entitled Shareholders subscribe in full their respective entitlement under the Rights Issue of Shares and the Rights Issue of RCPS-i B.

2. Pro forma Adjustments

The Pro forma Consolidated Statements of Financial Position incorporate the following adjustments:

i. Pro forma I

Pro forma I incorporates the effects of changes in equity for the period from 1 January 2017 up to 31 October 2017 ("LPD" or "Latest Practicable Date") due to the following:

- (a) issuance of 366,550 S P Setia Shares at an exercise price of RM2.72 each, 159,000 S P Setia Shares at an exercise price of RM3.02 each, 45,000 S P Setia Shares at an exercise price of RM2.86 each and 1,614,000 S P Setia Shares at an exercise price of RM3.07 each which have been exercised between 1 January 2017 up to the 31 October 2017;
- (b) consolidation of share capital and share premium pursuant to the requirements under the Companies Act 2016;
- (c) charge to profit or loss in respect of the share based payment under the long term incentive plan ("LTIP") amounting to RM25,695,000 between 1 January 2017 up to the 31 October 2017;
- (d) payment of approved single tier final dividend of 16 sen per share amounting to RM456,834,000 of which RM407,291,000 has been reinvested to share capital and the balance RM49,543,000 paid in cash;
- (e) payment of interim dividend of 4 sen per share amounting to RM119,453,000 of which RM110,584,000 has been reinvested to share capital and the balance RM8,869,000 paid in cash; and
- (f) payment of RM42,737,000 in cash in relation to the preferential dividend of 6.49% per annum in respect of the 6 months financial period ended 30 June 2017, for the RCPS-i A and an additional one-off preferential dividend of 6.49% per annum for the RCPS-i A for the period from 2 December 2016 to 31 December 2016.

## APPENDIX IV

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## APPENDIX A

Item (a) gave rise to an increase in the issued share capital and share premium of the Company of RM7,664,000 and RM38,000 respectively with the total cash inflow of RM6,561,000 and a debit charged to the option reserve amounting to RM1,141,000,000. The share issuance expenses results in a charge to share premium and a cash outflow amounting to RM51,000;

Item (b) gave rise to an increase in the share capital of the Company of RM4,061,142,000 (made up of the share premium of the ordinary shares and RCPS-i which collectively amounted to RM4,061,155,000, adjusted with the increase in share premium of RM38,000 and the adjustment of share issuance expenses against share premium of RM51,000 as mentioned in the paragraph above) and a corresponding decrease in share premium account;

Item (c) gave rise to the recognition of employee cost of the LTIP during the period from 1 January 2017 up to the 31 October 2017 which gave rise to an increase in option reserve of RM25,695,000 and a corresponding debit to the retained earnings;

Item (d) gave rise to an increase in the share capital of the Company of RM407,291,000 with a corresponding decrease in retained earnings by RM456,834,000 and cash outflow of RM49,543,000;

Item (e) gave rise to an increase in share capital amounting to RM110,584,000 with a corresponding decrease in retained earnings by RM119,453,000 and cash outflow of RM8,869,000; and

Item (f) gave rise to a decrease in retained earnings by RM42,737,000 and cash outflow of RM42,737,000.

ii. **Pro forma II (a)**

Under the Minimum Scenario, Pro forma II (a) incorporates Pro forma I and the effects of:

- (a) I&P Acquisition which involves the following:
- i. the incorporation of the audited financial statements of I&P and its subsidiaries ("I&P Group") as at 31 December 2016 as follows:

RM'000

**Assets**

**Non-current assets**

Property, plant and equipment	103,732
Investment properties	167,094
Land held for development	2,309,365

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## APPENDIX A

RM'000

<b>Non-current assets (cont'd.)</b>	
Intangible assets	2,283
Investment in associated companies	339,338
Other investment	231
Trade and other receivables	22,454
Deferred tax assets	14,330
<b>Total non-current assets</b>	<b>2,958,827</b>
<b>Current assets</b>	
Property development costs	309,255
Inventories	379,467
Accrued billings	41,889
Trade receivables	175,347
Other receivables	130,287
Amounts due from related companies	3,705
Current tax assets	23,708
Other investment	30,000
Short term deposits	299,511
Cash and bank balance	210,882
Asset of disposal group classified as held for sale	21,963
<b>Total current assets</b>	<b>1,626,014</b>
<b>Total assets</b>	<b>4,584,841</b>
<b>Equity and liabilities</b>	
<b>Equity</b>	
Share capital	2,392,519
Reserve from common control	(689,752)
Other deficit	(20,402)
Capital reserves	6,288
Retained earnings	1,472,431
Non-controlling interest	506,601
<b>Total equity</b>	<b>3,667,685</b>
<b>Non-current liabilities</b>	
Trade payables	23,767
Other payables	4,557
Provision	380,344
Deferred tax liabilities	31,304
<b>Total non-current liabilities</b>	<b>439,972</b>

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## APPENDIX A

RM'000

<b>Current liabilities</b>	
Trade payables	248,252
Other payables	70,878
Progress billings	8,820
Provision	32,598
Short term borrowings	1,000
Provision for zakat	2,236
Current tax payables	2,516
Amount owing to related companies	110,884
<b>Total current liabilities</b>	<b>477,184</b>
<b>Total equity and liabilities</b>	<b>4,584,841</b>

- ii. the harmonisation of the accounting principles and bases consistent with those adopted in the preparation of audited financial statements of S P Setia as follows:
- Reversal of fair value adjustment on investment properties amounting to RM49,037,000;
  - Recognition of fair value on land held for development amounting to RM527,217,000;
  - Deferred tax effect in relation to the above amounting to RM138,282,000; and
  - Reduction in retained earnings by RM707,677,000.
- iii. the merger deficit arising from the difference between the consideration paid with the net assets acquired amounting to RM209,905,000.

iii. **Pro forma II (b)**

Under the Maximum Scenario, Pro forma II (b) incorporates Pro forma I and the effects of:

- (a) Assuming all outstanding exercisable ESOS Options are exercised and 44,853,750 new S P Setia Shares are issued prior to the Entitlement Date;

Item (a) gave rise to an increase in the issued share capital of S P Setia by RM155,498,000 with a corresponding increase in cash balance by RM131,530,000 and a decrease in option reserve by RM23,968,000; and

- (b) Assuming full conversion of 1,127,625,002 RCPS-i A are converted into 322,178,572 new S P Setia Shares. The conversion ratio for RCPS-i A is 2 S P Setia Shares for every 7 RCPS-i A held.

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Item (b) gave rise to an increase in the issued share capital of S P Setia by RM1,127,625,000 with a corresponding decrease in RCPS-i A by RM1,126,857,000 and a decrease in retained earnings by RM768,000.

The market price of S P Setia Shares and RCPS-i A on close of business on 15 November 2017 are RM3.41 per share and RM1.06 per RCPS-i A respectively. Based on this current market price the RCPS-i A may not be converted to S P Setia Shares as the implied conversion price of the instrument is above the current market price of S P Setia Shares. The Pro Forma Consolidated Statements of Financial Position under the maximum scenario is prepared solely to illustrate the effects on the total number of share capital of S P Setia should this instrument be fully converted.

**iv. Pro forma III (a)**

Under the Minimum Scenario, Pro forma III (a) incorporates Pro forma II (a) and the effects of:

- (a) The issuance of 402,978,792 Rights Shares at an issue price of RM2.65 per Right Share pursuant to the Rights Issue of Shares.

The Rights Issue of Shares gave rise to an increase in the issued share capital of S P Setia by RM1,067,894,000 and corresponding cash inflow of RM1,067,894,000;

- (b) The issuance of 1,136,363,636 RCPS-i B at an issue price of RM0.88 per RCPS-i B pursuant to the Rights Issue of RCPS-i B.

The Rights Issue of RCPS-i B gave rise to an increase in the issued share capital of S P Setia by RM1,000,000,000 and corresponding cash inflow of RM1,000,000,000;

- (c) Estimated expenses of RM10,000,000 in relation to the Corporate Transactions which was charged to the retained earnings with corresponding cash outflow of RM10,000,000;

- (d) The total proceeds from the Rights Issue of Shares and the Rights Issue of RCPS-i B are to be allocated for:

	RM' 000
Part finance of the I&P Acquisition	2,000,000
Expenses in relation to the Corporate Transactions	10,000
New and on-going property development projects of the enlarged Group *	52,894
General working capital requirements of the enlarged Group *	5,000
Total	2,067,894

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## APPENDIX A

*\* After settlement of the consideration for the I&P Acquisition and expenses in relation to the Corporate Transactions, the remaining proceeds, will be retained by the Company and is expected to be used for new and on-going property development projects of the enlarged Group and working capital requirements;*

- (e) The Company is also assumed to obtain external borrowing amounting to RM1,500,000,000 which increased the Company borrowings by RM1,500,000,000 with corresponding cash inflow of RM1,500,000,000; and
- (f) The settlement of the consideration for the I&P Acquisition amounting to RM3,650,000,000 in cash.

The adjustments made to cash and bank balances in Pro forma II (a) in arriving at the cash and bank balances amount in Pro forma III (a) are summarised in the table below:

	RM' 000	RM' 000
Cash and bank balances as per Pro forma II (a)		1,581,530
Proceeds from Rights Issue of Shares	1,067,894	
Proceeds from Rights Issue of RCPS-i B	1,000,000	
Proceeds from external bank borrowing	1,500,000	
Expenses in relation to the Corporate Transactions	(10,000)	
Settlement of consideration for the I&P Acquisition	<u>(3,650,000)</u>	
Net movement in cash and bank balances		<u>(92,106)</u>
Cash and bank balances as per Pro forma III (a)		<u>1,489,424</u>

v. **Pro forma III (b)**

Under the Maximum Scenario, Pro forma III (b) incorporates Pro forma II (b) and the effects of:

- (a) I&P Acquisition which involves the following:
- i. the incorporation of the audited financial statements of I&P Group as at 31 December 2016 as follows:

	RM'000
<b>Assets</b>	
<b>Non-current assets</b>	
Property, plant and equipment	103,732
Investment properties	167,094
Land held for development	2,309,365
Intangible assets	2,283
Investment in associated companies	339,338



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RM'000

<b>Non-current assets (cont'd.)</b>	
Other investment	231
Trade and other receivables	22,454
Deferred tax assets	14,330
<b>Total non-current assets</b>	<b>2,958,827</b>
<b>Current assets</b>	
Property development costs	309,255
Inventories	379,467
Accrued billings	41,889
Trade receivables	175,347
Other receivables	130,287
Amounts due from related companies	3,705
Current tax assets	23,708
Other investment	30,000
Short term deposits	299,511
Cash and bank balance	210,882
Asset of disposal group classified as held for sale	21,963
<b>Total current assets</b>	<b>1,626,014</b>
<b>Total assets</b>	<b>4,584,841</b>
<b>Equity and liabilities</b>	
<b>Equity</b>	
Share capital	2,392,519
Reserve from common control	(689,752)
Other deficit	(20,402)
Capital reserves	6,288
Retained earnings	1,472,431
Non-controlling interest	506,601
<b>Total equity</b>	<b>3,667,685</b>
<b>Non-current liabilities</b>	
Trade payables	23,767
Other payables	4,557
Provision	380,344
Deferred tax liabilities	31,304
<b>Total non-current liabilities</b>	<b>439,972</b>
<b>Current liabilities</b>	
Trade payables	248,252
Other payables	70,878
Progress billings	8,820
Provision	32,598
Short term borrowings	1,000

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RM'000

<b>Current liabilities (cont'd.)</b>	
Provision for zakat	2,236
Current tax payables	2,516
Amount owing to related companies	110,884
<b>Total current liabilities</b>	<b>477,184</b>
<b>Total equity and liabilities</b>	<b>4,584,841</b>

- ii. the harmonisation of the accounting principles and bases consistent with those adopted in the preparation of audited financial statements of S P Setia as follows:
- Reversal of fair value adjustment on investment properties amounting to RM49,037,000;
  - Recognition of fair value on land held for development amounting to RM527,217,000;
  - Deferred tax effect in relation to the above amounting to RM138,282,000; and
  - Reduction in retained earnings by RM707,677,000.
- iii. the merger deficit arising from the difference between the consideration paid with the net assets acquired amounting to RM209,905,000.

vi. **Pro forma IV**

Under the Maximum Scenario, Pro forma IV incorporates Pro forma III (b) and the effects of:

- (a) The issuance of 451,916,434 Rights Shares at an issue price of RM2.65 per Right Share pursuant to the Rights Issue of Shares.

The Rights Issue of Shares gave rise to an increase in the issued share capital of S P Setia by RM1,197,579,000 and corresponding cash inflow of RM1,197,579,000;

- (b) The issuance of 1,355,749,304 RCPS-i B at an issue price of RM0.88 per RCPS-i B pursuant to the Rights Issue of RCPS-i B.

The Rights Issue of RCPS-i B gave rise to an increase in the issued share capital of S P Setia by RM1,193,059,000 and corresponding cash inflow of RM1,193,059,000;

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

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- (c) Estimated expenses of RM10,000,000 in relation to the Corporate Transactions which was charged to the retained earnings with the corresponding cash outflow of RM10,000,000;
- (d) The total proceeds from the Rights Issue of Shares and the Rights Issue of RCPS-i B are to be allocated for:

	RM' 000
Part finance the I&P Acquisition	2,000,000
Expenses in relation to the Corporate Transactions	10,000
New and on-going property development projects of the enlarged Group *	360,638
General working capital requirements of the enlarged Group *	20,000
<b>Total</b>	<b><u>2,390,638</u></b>

*\* After settlement of the consideration for the I&P Acquisition and expenses in relation to the Corporate Transactions, the remaining proceeds will be retained by the Company and is expected to be used for new and on-going property development projects of the enlarged Group and working capital requirements;*

- (e) The Company is also assumed to obtain external borrowing amounting to RM1,500,000,000 which increased the Company borrowings by RM1,500,000,000 with corresponding cash inflow of RM1,500,000,000; and
- (f) The settlement of the consideration for the I&P Acquisition amounting to RM3,650,000,000 in cash.

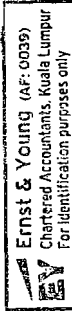
The adjustments made to cash and bank balances in Pro forma III (b) to arrive at the cash and bank balances amount in Pro forma IV are summarised in the table below:

	RM' 000	RM' 000
Cash and bank balances as per Pro forma III (b)		1,713,060
Proceeds from Rights Issue of Shares	1,197,579	
Proceeds from Rights Issue of RCPS-i B	1,193,059	
Proceeds from external bank borrowing	1,500,000	
Expenses in relation to the Corporate Transactions	(10,000)	
Settlement of consideration for the I&P Acquisition	<u>(3,650,000)</u>	
Net movement in cash and bank balances		<u>230,638</u>
Cash and bank balances as per Pro forma IV		<u>1,943,698</u>

## APPENDIX IV

## PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

S P SETIA BERHAD ("S P SETIA" OR THE "COMPANY")  
 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016  
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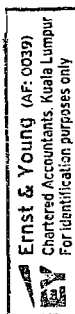
	Audited as at 31 December 2016	Adjustments	Pro forma I After Adjustments for subsequent events after 31 December 2016	Adjustments	Pro forma II (a) After (I) and the I&P Acquisition	Adjustments	Pro forma III(a) After (II (a)) and rights issue of ordinary shares and RCPS-I B, external borrowing and settlement for the I&P Acquisition
<b>RM'000</b>							
<b>Assets</b>							
<b>Non-current assets</b>							
Property, plant and equipment	271,508	-	271,508	103,733	375,241	-	375,241
Investment properties	1,015,951	-	1,015,951	118,057	1,134,008	-	1,134,008
Land held for property development	5,579,638	-	5,579,638	2,836,582	8,416,220	-	8,416,220
Intangible assets	11,633	-	11,633	2,283	13,916	-	13,916
Investments in associated companies	121,873	-	121,873	339,338	461,211	-	461,211
Investments in jointly controlled entities	1,677,723	-	1,677,723	-	1,677,723	-	1,677,723
Other investment	-	-	-	231	231	-	231
Trade and other receivables	-	-	-	22,454	22,454	-	22,454
Deferred tax assets	165,485	-	165,485	14,330	179,815	-	179,815
Total Non-current assets	8,843,811	-	8,843,811	3,437,008	12,280,819	-	12,280,819
<b>Current Assets</b>							
Property development costs	2,105,675	-	2,105,675	309,255	2,414,930	-	2,414,930
Inventories	877,905	-	877,905	379,467	1,257,372	-	1,257,372
Accrued billings	1,007,928	-	1,007,928	41,889	1,049,817	-	1,049,817
Other receivables, deposits and prepayments	227,120	-	227,120	130,287	357,407	-	357,407
Trade receivables	690,278	-	690,278	175,347	865,625	-	865,625
Gross amount due from customers	3,825	-	3,825	-	3,825	-	3,825
Amounts owing by related companies	-	-	-	3,705	3,705	-	3,705
Amounts owing by jointly controlled entities	633,669	-	633,669	-	633,669	-	633,669
Amounts owing by associated companies	138	-	138	-	138	-	138
Current tax assets	129,464	-	129,464	23,708	153,172	-	153,172
Other investments	-	-	-	30,000	30,000	-	30,000
Short term deposits	2,704,840	-	2,704,840	299,511	3,004,351	-	3,004,351
Cash and bank balances	1,465,287	(94,639)	1,370,648	210,882	1,581,530	(92,106)	1,489,424
Total Current Assets	9,846,129	(94,639)	9,751,490	1,604,051	11,355,541	(92,106)	11,263,435
Assets of disposal group classified as held for sale	-	-	-	21,963	21,963	-	21,963
Total Assets	18,689,940	(94,639)	18,595,301	5,063,022	23,658,323	(92,106)	23,566,217

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

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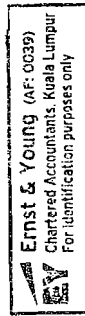
RM'000	Pro forma I		Pro forma II (a)		Pro forma III(a)		
	Audited as at 31 December 2016	Adjustments	After Adjustments for subsequent events after 31 December 2016	Adjustments	After (i) and the I&P Acquisition	Adjustments	After (ii (a)) and rights issue of ordinary shares and RCPS-I B, external borrowing and settlement for the I&P Acquisition
<b>Equity and Liabilities</b>							
<b>Equity</b>							
Share capital	2,140,140	3,471,100	5,611,240	-	5,611,240	1,067,894	6,679,134
RCPS-I	11,276	1,115,581	1,126,857	-	1,126,857	1,000,000	2,126,857
Share premium - ordinary shares	2,945,523	(2,945,523)	-	-	-	-	-
Share premium - RCPS-I	1,115,632	(1,115,632)	-	-	-	-	-
Reserve from common control	-	-	-	(899,657)	(899,657)	-	(899,657)
Other deficit	-	-	-	(20,402)	(20,402)	-	(20,402)
Capital reserve	-	-	-	6,288	6,288	-	6,288
Share based payment reserve	65,316	24,554	89,870	-	89,870	-	89,870
Exchange translation reserve	204,486	-	204,486	-	204,486	-	204,486
Retained earnings	2,718,191	(644,719)	2,073,472	764,754	2,838,226	(10,000)	2,828,226
Equity attributable to owners of the Company	9,200,564	(94,639)	9,105,925	(149,017)	8,956,908	2,057,894	11,014,802
Perpetual bond	610,787	-	610,787	-	610,787	-	610,787
Non-controlling interests	431,730	-	431,730	506,601	938,331	-	938,331
Total Equity	10,243,081	(94,639)	10,148,442	357,584	10,506,026	2,057,894	12,563,920
<b>Non-current liabilities</b>							
Redeemable cumulative preference shares	53,513	-	53,513	-	53,513	-	53,513
Trade payables	-	-	-	23,767	23,767	-	23,767
Other payables and accruals	40,000	-	40,000	4,557	44,557	-	44,557
Provision	-	-	-	380,344	380,344	-	380,344
Long term borrowings	3,798,538	-	3,798,538	-	3,798,538	1,500,000	5,298,538
Deferred tax liabilities	13,114	-	13,114	169,586	182,700	-	182,700
Total non-current liabilities	3,905,165	-	3,905,165	578,254	4,483,419	1,500,000	5,983,419

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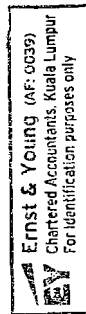
RM'000	Pro forma I		Pro forma II (a)		Pro forma II(a) After (II (a)) and rights issue of ordinary shares and RCPS-i B, external borrowing and settlement for the I&P Acquisition
	Audited as at 31 December 2016	Adjustments 31 December 2016 After Adjustments for subsequent events after 31 December 2016	Adjustments	After (I) and the I&P Acquisition	
<b>Current liabilities</b>					
Gross amount due to customers	5,707	5,707	-	5,707	5,707
Trade payables	1,363,670	1,363,670	248,252	1,611,922	1,611,922
Other payables and accruals	516,509	516,509	70,878	587,387	587,387
Progress billings	65,594	65,594	8,820	74,414	74,414
Provision for affordable housing	504,258	504,258	21,352	525,610	525,610
Provisions	-	-	11,246	11,246	11,246
Provision for zakat	-	-	2,236	2,236	2,236
Short term borrowings	1,973,771	1,973,771	1,000	1,974,771	1,974,771
Current tax liabilities	112,185	112,185	2,516	114,701	114,701
Amount owing to shareholders of I&P	-	-	3,650,000	3,650,000	(3,650,000)
Amount owing to immediate holding company	-	-	110,426	110,426	110,426
Amount owing to related companies	-	-	458	458	458
Total current liabilities	4,541,694	4,541,694	4,127,184	8,668,878	5,018,878
Total Liabilities	8,446,859	8,446,859	4,705,438	13,152,297	11,002,297
Total Equity and Liabilities	18,689,940	(94,639) 18,595,301	5,063,022	23,658,323	(92,106) 23,566,217
<b>Other information:-</b>					
Number of S P Setia Ordinary Shares in issue ('000)	2,853,520	168,821	-	3,022,341	402,979
Number of S P Setia RCPS-i in issue ('000)	1,127,625	-	-	1,127,625	1,136,364
Net Assets per S P Setia Share attributable to owners of the Company (RM) (a)	2.83	2.64	2.59	2.59	2.59

(a) Calculated as Equity attributable to the owners of the Company (excluding share capital and share premium relating to RCPS-i) divided by the number of S P Setia Ordinary Shares in issue

## APPENDIX IV

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

S P SETIA BERHAD ("S P SETIA" OR THE "COMPANY")  
 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016  
 MAXIMUM SCENARIO

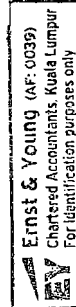


	Pro forma I				Pro forma II(b)		Pro forma III(b)		Pro forma IV	
	Audited as at 31 December 2016	Adjustments	After Adjustments for subsequent events after 31 December 2016	After (I) and conversion of ESOS and RCPS-I A	Adjustments	After (II (b)) and the I&P Acquisition	Adjustments	After (III (b)) and rights issue of ordinary shares and RCPS-I B, external borrowing and settlement for the I&P Acquisition		
<b>RM'000</b>										
<b>Assets</b>										
Non-current assets										
Property, plant and equipment	271,508	-	271,508	271,508	103,733	375,241	-	375,241		
Investment properties	1,015,951	-	1,015,951	1,015,951	118,057	1,134,008	-	1,134,008		
Land held for property development	5,579,638	-	5,579,638	5,579,638	2,836,582	8,416,220	-	8,416,220		
Intangible assets	11,633	-	11,633	11,633	2,283	13,916	-	13,916		
Investments in associated companies	121,873	-	121,873	121,873	339,338	461,211	-	461,211		
Investments in jointly controlled entities	1,677,723	-	1,677,723	1,677,723	-	1,677,723	-	1,677,723		
Other investment	-	-	-	-	231	231	-	231		
Trade and other receivables	-	-	-	-	22,454	22,454	-	22,454		
Deferred tax assets	165,485	-	165,485	165,485	14,330	179,815	-	179,815		
Total Non-current assets	8,843,811	-	8,843,811	8,843,811	3,437,008	12,280,819	-	12,280,819		
<b>Current Assets</b>										
Property development costs	2,105,675	-	2,105,675	2,105,675	309,255	2,414,930	-	2,414,930		
Inventories	877,905	-	877,905	877,905	379,467	1,257,372	-	1,257,372		
Accrued billings	1,007,928	-	1,007,928	1,007,928	41,889	1,049,817	-	1,049,817		
Other receivables, deposits and prepayments	227,120	-	227,120	227,120	130,287	357,407	-	357,407		
Trade receivables	690,278	-	690,278	690,278	175,347	865,625	-	865,625		
Gross amount due from customers	3,825	-	3,825	3,825	-	3,825	-	3,825		
Amounts owing by related companies	-	-	-	-	3,705	3,705	-	3,705		
Amounts owing by jointly controlled entities	633,669	-	633,669	633,669	-	633,669	-	633,669		
Amounts owing by associated companies	138	-	138	138	-	138	-	138		
Current tax assets	129,464	-	129,464	129,464	23,708	153,172	-	153,172		
Other investments	-	-	-	-	30,000	30,000	-	30,000		
Short term deposits	2,704,840	-	2,704,840	2,704,840	299,511	3,004,351	-	3,004,351		
Cash and bank balances	1,465,287	(94,639)	1,370,648	1,502,178	210,882	1,713,060	230,638	1,943,698		
Total Current Assets	9,846,129	(94,639)	9,751,490	9,883,020	1,604,051	11,487,071	230,638	11,717,709		
Assets of disposal group classified as held for sale	-	-	-	-	21,963	21,963	-	21,963		
Total Assets	18,689,940	(94,639)	18,595,301	18,726,831	5,063,022	23,789,853	230,638	24,020,491		

## APPENDIX IV

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

S P SETIA BERHAD ("S P SETIA" OR THE "COMPANY")  
 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016  
 MAXIMUM SCENARIO



APPENDIX A

RM'000	Pro forma I		Pro forma II(b)		Pro forma III(b)		Pro forma IV	
	Audited as at 31 December 2016	Adjustments	After Adjustments for subsequent events after 31 December 2016	After (I) and conversion of ESOS and RCPS-I A	Adjustments	After (II (b)) and the I&P Acquisition	Adjustments	After (III (b)) and rights issue of ordinary shares and RCPS-I B, external borrowing and settlement for the I&P Acquisition
<b>Equity and Liabilities</b>								
<b>Equity</b>								
Share capital	2,140,140	3,471,100	5,611,240	6,894,363	-	6,894,363	1,197,579	8,091,942
RCPS-I	11,276	1,115,581	1,126,857	(1,126,857)	-	-	1,193,059	1,193,059
Share premium - ordinary shares	2,945,523	(2,945,523)	-	-	-	-	-	-
Share premium - RCPS-I	1,115,632	(1,115,632)	-	-	-	-	-	-
Reserve from common control	-	-	-	-	(899,657)	(899,657)	-	(899,657)
Other deficit	-	-	-	-	(20,402)	(20,402)	-	(20,402)
Capital reserve	-	-	-	-	6,288	6,288	-	6,288
Share based payment reserve	65,316	24,554	89,870	65,902	-	65,902	-	65,902
Exchange translation reserve	204,486	-	204,486	204,486	-	204,486	-	204,486
Retained earnings	2,718,191	(644,719)	2,073,472	2,072,704	764,754	2,837,458	(10,000)	2,827,458
Equity attributable to owners of the Company	9,200,564	(94,639)	9,105,925	9,237,455	(149,017)	9,088,438	2,380,638	11,469,076
Perpetual bond	610,787	-	610,787	610,787	-	610,787	-	610,787
Non-controlling interests	431,730	-	431,730	431,730	506,601	938,331	-	938,331
Total Equity	10,243,081	(94,639)	10,148,442	10,279,972	357,584	10,637,556	2,380,638	13,018,194
<b>Non-current liabilities</b>								
Redeemable cumulative preference shares	53,513	-	53,513	53,513	-	53,513	-	53,513
Trade payables	-	-	-	-	23,767	23,767	-	23,767
Other payables and accruals	40,000	-	40,000	40,000	4,557	44,557	-	44,557
Provision	-	-	-	-	380,344	380,344	-	380,344
Long term borrowings	3,798,538	-	3,798,538	3,798,538	-	3,798,538	1,500,000	5,298,538
Deferred tax liabilities	13,114	-	13,114	13,114	169,586	182,700	-	182,700
Total non-current liabilities	3,905,165	-	3,905,165	3,905,165	578,254	4,483,419	1,500,000	5,983,419

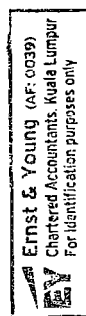


## APPENDIX IV

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

S P SETIA BERHAD ("S P SETIA" OR THE "COMPANY")  
 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016  
 MAXIMUM SCENARIO

APPENDIX A



	Pro forma I		Pro forma II(a)		Pro forma II(b)		Pro forma IV After (iii) (b) and rights issue of ordinary shares and RCPS-I B, external borrowing and settlement for the I&P Acquisition
	Audited as at 31 December 2016	Adjustments	After Adjustments for subsequent events after 31 December 2016	Adjustments	After (i) and conversion of ESOS and RCPS-I A	Adjustments	
<b>RM'000</b>							
<u>Current liabilities</u>							
Gross amount due to customers	5,707	-	5,707	-	5,707	-	5,707
Trade payables	1,363,670	-	1,363,670	-	1,611,922	248,252	1,611,922
Other payables and accruals	516,509	-	516,509	-	587,387	70,878	587,387
Progress billings	65,594	-	65,594	-	74,414	8,820	74,414
Provision for affordable housing	504,258	-	504,258	-	525,610	21,352	525,610
Provisions	-	-	-	-	11,246	11,246	11,246
Provision for zakat	-	-	-	-	2,236	2,236	2,236
Short term borrowings	1,973,771	-	1,973,771	-	1,974,771	1,000	1,974,771
Current tax liabilities	112,185	-	112,185	-	114,701	2,516	114,701
Amount owing to shareholders of I&P	-	-	-	-	3,650,000	3,650,000	(3,650,000)
Amount owing to immediate holding company	-	-	-	-	110,426	110,426	110,426
Amount owing to related companies	-	-	-	-	458	458	458
Total current liabilities	4,541,694	-	4,541,694	-	8,668,878	4,127,184	5,018,878
Total Liabilities	8,446,859	-	8,446,859	-	13,152,297	4,705,438	11,002,297
Total Equity and Liabilities	18,689,940	(94,639)	18,595,301	131,530	23,789,853	5,063,022	24,020,491
<u>Other information:-</u>							
Number of S P Setia Ordinary Shares in issue ('000)	2,853,520	168,821	3,022,341	367,032	3,389,373	-	451,916
Number of S P Setia RCPS-I in issue ('000)	1,127,625	-	1,127,625	(1,127,625)	-	-	1,355,749
Net Assets per S P Setia Share attributable to owners of the Company (RM) (a)	2.83		2.64		2.73		2.68

(a) Calculated as Equity attributable to the owners of the Company (excluding share capital and share premium relating to RCPS-I) divided by the number of S P Setia Ordinary Shares in issue


AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON


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**S P SETIA BERHAD**  
**(19698 - X)**  
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**  
**31 December 2016**

**CERTIFIED TRUE COPY**  
  
Ernst & Young (AF: 039)  
EY Chartered Accountants

  
Ismed Darwis bin Bahatlar  
No. 2921/04/18(J)  
Chartered Accountant  
Partner

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

S P SETIA BERHAD  
(Incorporated in Malaysia)

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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**S P SETIA BERHAD  
(Incorporated in Malaysia)****CORPORATE INFORMATION**

<b>DOMICILE</b>	<b>:</b> Malaysia
<b>LEGAL FORM AND PLACE OF INCORPORATION</b>	<b>:</b> Public listed company limited by way of shares incorporated in Malaysia
<b>REGISTERED OFFICE</b>	<b>:</b> Plaza 138, Suite 18.03 18th Floor, 138 Jalan Ampang 50450 Kuala Lumpur
<b>PRINCIPAL PLACE OF BUSINESS</b>	<b>:</b> S P Setia Berhad Corporate HQ No.12, Persiaran Setia Dagang Setia Alam, Seksyen U13 40170 Shah Alam Selangor Darul Ehsan

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

Page 2

**S P SETIA BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

**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.

There have been no significant changes in the nature of these activities during the financial year.

**CHANGE OF FINANCIAL YEAR END**

In 2015, the Company changed its financial year from 31 October to 31 December. In this regard, the previous reporting period covered a period of 14 months from 1 November 2014 to 31 December 2015. The current reporting year covers a period of 12 months from 1 January 2016 to 31 December 2016. Consequently, the comparative amounts for the statements of comprehensive income, statements of changes in equity, statements of cash flows and related notes to the financial statements are not comparable.

**RESULTS**

	Group RM'000	Company RM'000
Net profit for the financial year	899,279	680,592

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

	Group RM'000	Company RM'000
Attributable to:		
Owners of the Company	808,030	644,356
Holders of Perpetual bond	36,236	36,236
Non-controlling interests	55,013	-
	<u>899,279</u>	<u>680,592</u>

## 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 RM0.75 each of the Company pursuant to the DRP was renewed by the shareholders at the 41st Annual General Meeting ("AGM") of the Company held on 18 May 2016.

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.

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

- (a) A single-tier final dividend of 19 sen per share each amounting to RM499,416,016 in respect of the financial period ended 31 December 2015. A total of 179,964,772 new ordinary shares of RM0.75 each were issued on 3 August 2016 at an issue price of RM2.65 per share under the DRP and the remaining portion of RM22,509,370 was paid in cash on 3 August 2016; and
- (b) A single-tier interim dividend of 4 sen per share each amounting to RM112,738,145 in respect of the financial year ended 31 December 2016. A total of 34,367,408 new ordinary shares of RM0.75 each were issued on 22 November 2016 at an issue price of RM3.11 per share under the DRP and the remaining portion of RM5,855,506 was paid in cash on 22 November 2016.

The Directors now recommend a single-tier final dividend of 16 sen per share amounting to RM456,563,186 in respect of the financial year ended 31 December 2016. The financial statements for the current financial year do not reflect this proposed dividend, which if approved by the shareholders at the 42nd AGM of the Company, will be accounted for in equity as an appropriation of retained earnings for the financial year ending 31 December 2017.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**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 14 to 16.

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, the Company increased its issued and paid-up share capital from RM1,971,266,510 to RM2,151,416,185 by way of :

- (a) Issuance of 214,332,180 new 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:

		5th DRP	6th DRP
Issue price	(RM)	2.65	3.11
No. of shares issued		179,964,772	34,367,408

- (b) Allotment of 9,129,207 shares pursuant to the vesting of shares under the Employee Share Grant Plan ("ESGP");
- (c) Issuance of 1,703,180 new shares pursuant to the exercise of options under the Employee Share Option Scheme ("ESOS") at the following option prices:

		ESOS 1	ESOS 2	ESOS 3	ESOS 4
Exercise price	(RM)	3.07	3.03	3.02	2.72
No. of shares issued		585,500	133,500	413,200	570,980

The new shares rank pari passu in all respects with the then existing ordinary shares of the Company.

- (d) Issuance of 1,127,625,002 islamic redeemable convertible preference shares ("RCPS-i") of RM0.01 each.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)****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. The LTIP shall be in force for a period of 5 years up to 9 April 2018. On 23 February 2017, the Board of Directors approved the extension of the LTIP for another 5 years up to 9 April 2023 pursuant to By-Laws 18.2 of the By-Laws of LTIP.

The LTIP comprises the ESGP and ESOS. The salient features, terms and details of the LTIP are disclosed in Note 19 to the financial statements.

During the financial year, the Company granted 5,428,892 shares under the ESGP and 9,586,440 options under the ESOS to eligible Executive Directors and eligible employees of the Company and/or its eligible subsidiaries. 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 19 to the financial statements.

**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

Mr Philip Tan Puay Koon

Dato' Azmi Bin Mohd Ali (appointed on 3 March 2016)

Tun Dato' Seri Zaki Bin Tun Azmi (resigned on 25 February 2016)

Encik Zainal Abidin Bin Jamal (resigned on 25 February 2016)



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**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 subsidiaries during the financial year except for the following:

	----- No. of ordinary shares of RM0.75 each -----			
	At 1.1.2016	Addition	Disposal	At 31.12.2016
Dato' Khor Chap Jen - direct	287,811	274,779	-	562,590

	----- No. of islamic redeemable convertible preference shares ("RCPS-i") of RM0.01 each -----			
	At 1.1.2016	Addition	Disposal	At 31.12.2016
Dato' Khor Chap Jen - direct	-	222,178	-	222,178

The following Director had an interest in LTIP during the financial year:

	----- No. of shares under the ESGP -----				
	At 1.1.2016	Granted	Vested	Lapsed	At 31.12.2016
Dato' Khor Chap Jen	456,200	150,000	(247,000)	-	359,200

	----- No. of share options under the ESOS -----				
	At 1.1.2016	Granted	Exercised	Lapsed	At 31.12.2016
Dato' Khor Chap Jen	8,000,000	1,600,000	-	-	9,600,000

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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**DIRECTORS' BENEFITS**

Since the end of the previous financial period, 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 31 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 37 to the financial statements.

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.

**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 the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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- (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.
- (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; 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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**AUDITORS' REMUNERATION**

Details of auditors' remuneration are set out in Note 31 to the financial statements.

**SIGNIFICANT EVENTS**

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 44 to the financial statements.

**AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 23 February 2017.

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**S P SETIA BERHAD  
(Incorporated in Malaysia)**

**STATEMENTS OF FINANCIAL POSITION - 31 DECEMBER 2016**

	Note	<----- Group ----->		<----- Company ----->	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	2	271,508	260,051	2	29
Investment properties	3	1,015,951	726,378	1,728	1,738
Land held for property development	4	5,579,638	5,304,330	-	-
Intangible asset	5	11,633	7,215	-	-
Investments in associated companies	6	121,873	120,217	95,621	95,621
Investments in jointly controlled entities	7	1,677,723	1,086,835	33,375	34,992
Investments in subsidiary companies	8	-	-	4,908,273	3,730,189
Amounts owing by subsidiary companies	9	-	-	1,790,889	1,392,759
Deferred tax assets	11	165,485	126,529	569	619
<b>Total non-current assets</b>		<b>8,843,811</b>	<b>7,631,555</b>	<b>6,830,457</b>	<b>5,255,947</b>
<b>Current assets</b>					
Property development costs	12	2,105,675	2,111,798	-	-
Inventories	13	877,905	878,926	-	-
Accrued billings		1,007,928	615,517	-	-
Other receivables, deposits and prepayments	14	227,120	230,056	1,480	5,945
Trade receivables	15	690,278	604,967	-	-
Gross amount due from customers	16	3,825	14,189	-	-
Amounts owing by jointly controlled entities	10	633,669	510,293	341,677	298,950
Amounts owing by associated companies		138	107	138	-
Amounts owing by subsidiary companies	9	-	-	759,561	741,692
Current tax assets		129,464	73,203	9,030	9,107
Short-term deposits	17	2,704,840	2,019,912	1,582,554	613,316
Cash and bank balances	18	1,465,287	1,732,218	15,512	32,760
<b>Total current assets</b>		<b>9,846,129</b>	<b>8,791,186</b>	<b>2,709,952</b>	<b>1,701,770</b>
<b>TOTAL ASSETS</b>		<b>18,689,940</b>	<b>16,422,741</b>	<b>9,540,409</b>	<b>6,957,717</b>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**S P SETIA BERHAD  
(Incorporated in Malaysia)**

**STATEMENTS OF FINANCIAL POSITION - 31 DECEMBER 2016 (CONT'D.)**

	Note	<----- Group ----->		<----- Company ----->	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	19	2,140,140	1,971,266	2,140,140	1,971,266
Share capital - RCPS-i	20	11,276	-	11,276	-
Share premium ( <i>non-distributable</i> )		2,945,523	2,496,683	2,945,523	2,496,683
Share premium - RCPS-i ( <i>non-distributable</i> )		1,115,632	-	1,115,632	-
Share based payment reserve ( <i>non-distributable</i> )		65,316	63,037	65,316	63,037
Exchange translation reserve ( <i>non-distributable</i> )		204,486	341,343	-	-
Retained earnings ( <i>distributable</i> )		2,718,191	2,522,315	557,885	525,683
Equity attributable to owners of the Company		9,200,564	7,394,644	6,835,772	5,056,669
Perpetual bond	21	610,787	610,787	610,787	610,787
Non-controlling interests		431,730	387,008	-	-
<b>Total equity</b>		<b>10,243,081</b>	<b>8,392,439</b>	<b>7,446,559</b>	<b>5,667,456</b>
<b>Non-current liabilities</b>					
Redeemable cumulative preference shares	22	53,513	53,770	-	-
Other payables and accruals	25	40,000	-	-	-
Long term borrowings	23	3,798,538	3,414,000	1,247,767	469,705
Deferred tax liabilities	11	13,114	40,476	-	-
<b>Total non-current liabilities</b>		<b>3,905,165</b>	<b>3,508,246</b>	<b>1,247,767</b>	<b>469,705</b>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**S P SETIA BERHAD  
(Incorporated in Malaysia)**

**STATEMENTS OF FINANCIAL POSITION - 31 DECEMBER 2016 (CONT'D.)**

	Note	<----- Group ----->		<----- Company ----->	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Current liabilities</b>					
Gross amount due to customers	16	5,707	125	-	-
Trade payables	24	1,363,670	1,241,441	-	-
Other payables and accruals	25	516,509	550,675	11,428	10,735
Progress billings		65,594	341,879	-	-
Provision for affordable housing	26	504,258	458,540	-	-
Short term borrowings	23	1,973,771	1,782,898	736,072	646,271
Current tax liabilities		112,185	146,498	-	-
Amounts owing to subsidiary companies	9	-	-	98,583	163,550
<b>Total current liabilities</b>		<b>4,541,694</b>	<b>4,522,056</b>	<b>846,083</b>	<b>820,556</b>
<b>Total liabilities</b>		<b>8,446,859</b>	<b>8,030,302</b>	<b>2,093,850</b>	<b>1,290,261</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>18,689,940</b>	<b>16,422,741</b>	<b>9,540,409</b>	<b>6,957,717</b>

*The accompanying notes form an integral part of the financial statements*

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**S P SETIA BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

		<----- Group ----->		<----- Company ----->	
	Note	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Revenue	27	4,957,165	6,746,343	-	-
Cost of sales	28	(3,515,750)	(4,683,055)	-	-
Gross profit		1,441,415	2,063,288	-	-
Other income	29	257,359	223,447	780,676	587,625
Selling and marketing expenses		(172,151)	(314,212)	-	-
Administrative and general expenses		(295,258)	(330,793)	(25,047)	(22,399)
Share of results of jointly controlled entities		68,715	(109,530)	-	-
Share of results of associated companies		4,877	4,533	-	-
Finance costs	30	(120,288)	(110,292)	(72,760)	(59,337)
Profit before tax	31	1,184,669	1,426,441	682,869	505,889
Tax expense	32	(285,390)	(415,433)	(2,277)	(13,932)
Profit for the year/period		899,279	1,011,008	680,592	491,957
Other comprehensive income, net of tax: (Items that may be reclassified subsequently to profit or loss)					
Exchange differences on translation of foreign operations		(136,950)	329,915	-	-
Total comprehensive income for the year/period		762,329	1,340,923	680,592	491,957
Profit attributable to:					
Holders of Perpetual bond		36,236	42,291	36,236	42,291
Non-controlling interests		55,013	50,459	-	-
Owners of the Company		91,249	92,750	36,236	42,291
		808,030	918,258	644,356	449,666
		899,279	1,011,008	680,592	491,957
Total comprehensive income attributable to:					
Holders of Perpetual bond		36,236	42,291	36,236	42,291
Non-controlling interests		54,920	50,989	-	-
Owners of the Company		91,156	93,280	36,236	42,291
		671,173	1,247,643	644,356	449,666
		762,329	1,340,923	680,592	491,957
Basic earnings per share (sen)	33	29.82	35.66		
Diluted earnings per share (sen)	33	26.47	35.30		

*The accompanying notes form an integral part of the financial statements*



## APPENDIX V

## AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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S P SETIA BERHAD  
(Incorporated in Malaysia)CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Note	Attributable to owners of the Company									
	Share capital RM'000	Share capital - RCPS-i RM'000	Share premium RM'000	Share premium - RCPS-i RM'000	Share-based payment reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Perpetual bond RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 31.10.2014	1,903,748	-	2,290,486	-	43,363	11,958	1,852,776	622,998	338,337	7,063,666
Total other comprehensive income for the period, represented by exchange differences on translation of foreign operations	-	-	-	-	-	329,385	-	-	530	329,915
Profit for the period	-	-	-	-	-	-	918,258	-	50,459	968,717
Distribution for the period	-	-	-	-	-	-	-	42,291	-	42,291
Distribution paid	-	-	-	-	-	-	-	(54,502)	-	(54,502)
Transactions with owners:										
Issuance of ordinary shares										
- DRP	56,859	-	169,241	-	-	-	-	-	-	226,100
- exercise of ESGP	5,124	-	16,321	-	(21,445)	-	-	-	-	-
- exercise of ESOS	5,535	-	20,873	-	(3,768)	-	-	-	-	22,640
Share issuance expenses	-	-	(238)	-	-	-	-	-	-	(238)
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(248,719)	-	5,182	(256,219)
Share-based payment under the LTTP	-	-	-	-	44,887	-	-	-	(7,500)	44,887
Balance at 31.12.2015	1,971,266	-	2,496,683	-	63,037	341,343	2,522,315	610,787	387,008	8,392,439

## APPENDIX V

## AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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S P SETIA BERHAD  
(Incorporated in Malaysia)CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D.)

Note	Attributable to owners of the Company									
	Share capital RM'000	Share capital - RCPS-i RM'000	Share premium RM'000	Share premium - RCPS-i RM'000	Share-based payment reserve RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	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	610,787	387,008	8,392,439
Total other comprehensive income for the year, represented by exchange differences on translation of foreign operations	-	-	-	-	-	(136,857)	-	-	(93)	(136,950)
Profit for the year	-	-	-	-	-	-	808,030	-	55,013	863,043
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	-	11,276	-	1,116,349	-	-	-	-	-	1,127,625
Share issuance expenses	-	-	(282)	(717)	-	-	-	-	-	(999)
Dividends paid	-	-	-	-	-	-	(612,154)	-	(10,198)	(622,352)
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	204,486	2,718,191	610,787	431,730	10,243,081

The accompanying notes form an integral part of the financial statements

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**S P SETIA BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

Note	----- Non-distributable -----				Distributable			Total RM'000
	Share capital RM'000	Share capital - RCPS-i RM'000	Share premium RM'000	Share premium - RCPS-i RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	Perpetual bond RM'000	
Balance at 31.10.2014	1,903,748	-	2,290,486	-	43,363	324,736	622,998	5,185,331
Total other comprehensive income for the period, represented by profit for the period	-	-	-	-	-	449,666	-	449,666
Distribution for the period	-	-	-	-	-	-	42,291	42,291
Distribution paid	-	-	-	-	-	-	(54,502)	(54,502)
Transactions with owners:								
Issuance of ordinary shares:								
- DRP	56,859	-	169,241	-	-	-	-	226,100
- exercise of ESGP	5,124	-	16,321	-	(21,445)	-	-	-
- exercise of ESOS	5,535	-	20,873	-	(3,768)	-	-	22,640
Share issuance expenses	-	-	(238)	-	-	-	-	(238)
Dividends paid	34	-	-	-	-	(248,719)	-	(248,719)
Share-based payment under the LTIP	-	-	-	-	44,887	-	-	44,887
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	-	11,276	-	1,116,349	-	-	-	1,127,625
Share issuance expenses	-	-	(282)	(717)	-	-	-	(999)
Dividends paid	34	-	-	-	-	(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

*The accompanying notes form an integral part of the financial statements*

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**S P SETIA BERHAD  
(Incorporated in Malaysia)**

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	----- Group ----->		<----- Company ----->	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	1,184,669	1,426,441	682,869	505,889
Adjustments for:				
Allowance for doubtful debts no longer required	-	(17)	-	-
Bad and doubtful debts	4,075	7,220	3,672	794
Depreciation of property, plant and equipment and investment properties	26,028	33,006	12	17
Net gain on disposal of property, plant and equipment	(210)	(49)	(25)	(1)
Gain on disposal of investment properties	(229)	-	-	-
Gain on liquidation/disposal of subsidiary companies	(1,123)	(636)	-	-
Property, plant and equipment written off	52	482	17	1
Share of results of jointly controlled entities	(68,715)	109,530	-	-
Share of results of associated companies	(4,877)	(4,533)	-	-
Interest income from financial assets measured at amortised cost	(266)	-	(5,583)	(5,471)
Interest expense on financial liabilities measured at amortised cost	3,349	3,196	-	-
Loss from fair value adjustment of financial assets	4,006	-	1,089	1,825
Gain from fair value adjustment of financial liabilities	-	-	(2,793)	-
Share-based payment	31,483	44,887	643	961
Unrealised foreign exchange gain	(32,625)	(3,718)	(31,789)	(1,558)
Interest expense	116,939	107,096	72,760	59,337
Dividend income	-	-	(622,767)	(420,468)
Interest income	(118,985)	(133,309)	(108,628)	(149,576)
Rental income	(57,660)	(19,363)	-	-
Operating profit/(loss) before working capital changes	1,085,911	1,570,233	(10,523)	(8,250)
Changes in property development costs	562,324	1,046,449	-	-
Changes in accrued billings/progress billings	(730,861)	(216,187)	-	-
Changes in gross amount due from/to customers	19,058	2,568	-	-
Changes in inventories	234,742	216,974	-	-
Changes in receivables	(257,370)	(449,607)	3,408	382
Changes in payables	151,065	51,936	693	2,082
Cash generated from/(used in) operations	1,064,869	2,222,366	(6,422)	(5,786)
Rental received	1,565	2,253	-	-
Interest received	60,765	64,574	774	90
Interest paid	(262,240)	(302,625)	(2,168)	(2,421)
Net tax paid	(443,409)	(301,573)	(2,150)	(15,133)
Net cash generated from/(used in) operating activities	421,550	1,684,995	(9,966)	(23,250)

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**S P SETIA BERHAD  
(Incorporated in Malaysia)**

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D.)**

	<----- Group ----->		<----- Company ----->	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to land held for property development	(701,094)	(604,647)	-	-
Purchase of property, plant and equipment	(49,215)	(55,478)	-	(17)
Purchase of investment properties	(303,810)	(108,072)	-	-
Proceeds from disposal of property, plant and equipment	1,152	1,061	33	1
Proceeds from disposal of investment properties	315	42,901	-	-
Net outflow from liquidation of subsidiary companies	-	(2,822)	-	-
Acquisition of additional shares in existing subsidiary companies	-	-	(2,760)	(12,299)
Acquisition of additional shares in an existing jointly controlled entity	(696,566)	(363,697)	-	-
Repayment from/(Capital contribution) to a jointly controlled entity	970	(566)	1,617	(943)
Capital contribution to an associated company	-	(1,472)	-	(1,472)
Advances to an associated company	(31)	(107)	(138)	-
Advances to subsidiary companies	-	-	(940,207)	(182,693)
Advances to jointly controlled entities	(38,527)	(151,764)	(34,535)	(133,226)
Placement of sinking fund, debt service reserve, escrow and revenue accounts	(16,331)	(2,747)	-	-
Redeemable cumulative preference share dividends received	-	-	2,968	2,968
Interest received	58,486	68,735	19,907	29,656
Dividend received	-	-	12,278	7,500
Rental received	56,095	17,110	-	-
<b>Net cash used in investing activities</b>	<b>(1,688,556)</b>	<b>(1,161,565)</b>	<b>(940,837)</b>	<b>(290,525)</b>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**S P SETIA BERHAD  
(Incorporated in Malaysia)**

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTD.)**

	<----- Group ----->		<----- Company ----->	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of ordinary shares - exercise of ESOS	5,003	22,640	5,003	22,640
Payment of share issuance expenses	(999)	(238)	(999)	(238)
Repayment to non-controlling shareholders of a subsidiary company	(25,725)	(5,517)	-	-
Drawdown of bank borrowings	2,594,186	2,490,212	1,288,423	321,263
Repayment of bank borrowings	(1,966,480)	(1,693,852)	(350,000)	(200,000)
Proceeds from issuance of RCPS-i	1,127,625	-	1,127,625	-
Perpetual bond distribution paid	(36,236)	(54,502)	(36,236)	(54,502)
Interest paid	(761)	(1,357)	(63,887)	(55,457)
Redeemable cumulative preference share dividends paid to non-controlling interests	(1,272)	(1,272)	-	-
Dividends paid to non-controlling interests	(10,198)	(7,500)	-	-
Dividends paid	(28,365)	(22,619)	(28,365)	(22,619)
<b>Net cash generated from financing activities</b>	<b>1,656,778</b>	<b>725,995</b>	<b>1,941,564</b>	<b>11,087</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>389,772</b>	<b>1,249,425</b>	<b>990,761</b>	<b>(302,688)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>26,924</b>	<b>75,187</b>	<b>(572)</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD</b>	<b>3,659,414</b>	<b>2,334,802</b>	<b>589,805</b>	<b>892,493</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>	<b>4,076,110</b>	<b>3,659,414</b>	<b>1,579,994</b>	<b>589,805</b>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**S P SETIA BERHAD  
(Incorporated in Malaysia)**

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D.)**

	<----- Group ----->		<----- Company ----->	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Short-term deposits	2,704,840	2,019,912	1,582,554	613,316
Cash and bank balances	1,420,627	1,703,889	15,512	32,760
Bank overdrafts	(49,357)	(64,387)	(18,072)	(56,271)
	4,076,110	3,659,414	1,579,994	589,805
Cash and cash equivalents included in the cash flows comprise the following amounts:				
Short-term deposits	2,704,840	2,019,912	1,582,554	613,316
Cash and bank balances	1,465,287	1,732,218	15,512	32,760
Bank overdrafts	(49,357)	(64,387)	(18,072)	(56,271)
	4,120,770	3,687,743	1,579,994	589,805
Less: Amounts restricted in Sinking Fund, Debt Service Reserve, Escrow and Revenue Accounts	(44,660)	(28,329)	-	-
	4,076,110	3,659,414	1,579,994	589,805

*The accompanying notes form an integral part of the financial statements*

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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**S P SETIA BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**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, 1965.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

In the previous financial period, the Company changed its financial year end from 31 October to 31 December. The previous reporting period covered a period of 14 months from 1 November 2014 to 31 December 2015. Consequently, the comparative amounts for the statements of comprehensive income, statements of changes in equity, statements of cash flows and related notes to the financial statements are not comparable.

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 period except for the adoption of the following new/revised FRS and amendments to FRSs:

FRS 14	Regulatory Deferral Accounts
Amendments to FRS 5, FRS 7, FRS 119 and FRS 134	Annual Improvements to FRSs 2012-2014 Cycle
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities : Applying the Consolidation Exception
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 101	Disclosure Initiative
Amendments to FRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements

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



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

(b) Amendments to FRSs that are not yet effective

The Group and the Company have not applied the following Amendments to FRSs that have been issued by MASB but are not yet effective:

Amendments to FRSs	Effective for financial periods beginning on or after
Amendments to FRS 107	1 January 2017
Amendments to FRS 112	1 January 2017
Amendments to FRS 2	1 January 2018
Amendments to FRS 9	1 January 2018
Amendments to FRS 10 and FRS 128	Deferred

The Amendments to FRSs are expected to have no material impact on the financial statements of the Group and the Company upon their initial application except as discussed below:

FRS 107: Disclosure Initiative

The Amendments to FRS107 *Statement of Cash Flows* requires an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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**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 has opted to defer adoption of MFRS framework.

Based on the MASB announcement on 2 September 2014, the effective date for the adoption of MFRS Framework by the Transitioning Entities was deferred from annual periods beginning on or after 1 January 2015 to annual periods beginning on or after 1 January 2017.

On the same day, MASB also issued MFRS 15 *Revenue from Contracts with Customers* and *Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)*. MFRS 15 is effective for annual periods beginning on or after 1 January 2018 while the *Agriculture: Bearer Plants* amendment is effective for annual periods beginning on or after 1 January 2016. On 17 November 2014, MASB issued MFRS 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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Based on the MASB announcement on 8 September 2015, the effective date for the adoption of MFRS Framework by the Transitioning Entities was deferred from annual periods beginning on or after 1 January 2017 to annual periods beginning on or after 1 January 2018.

Accordingly, the Group has elected to continue to apply the FRS framework up to its financial year ending 31 December 2017. The Group will adopt the MFRS framework and prepare its first set of MFRS framework financial statements for the financial year ending 31 December 2018.

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

(c) 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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.

(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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (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 are discussed below:

***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 2016 are disclosed in Notes 2 and 3 to the financial statements.

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.

***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 2016 are disclosed in Note 13 to the financial statements.

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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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*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 2016 are disclosed in Notes 9, 10, 14 and 15 to the financial statements.

*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 non-financial assets as at 31 December 2016 are as disclosed in Notes 2, 3, 4, 5, 6, 7, 8, 12 and 16 to the financial statements.

*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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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The carrying amounts of the Group's and the Company's tax assets as at 31 December 2016 were RM129,464,000 and RM9,030,000 (2015: RM73,203,000 and RM9,107,000), respectively.

The carrying amount of the Group's tax liabilities as at 31 December 2016 was RM112,185,000 (2015: RM146,498,000).

*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 2016 are disclosed in Note 11 to the financial statements.

*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(l) and 1(m) 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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*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 2016 is disclosed in Note 26 to the financial statements.

(d) **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.

(e) **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.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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 Syarikat Kemajuan Jerai Sdn Bhd and Wawasan Indera Sdn Bhd which are acquired under common control.

Business combinations under common control are accounted using the pooling of interests method, where the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the date that common control was established. The assets and liabilities acquired are included in the consolidated statements of financial position at their existing carrying amounts.

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 interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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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 interest 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 interest 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)****(f) Investments in associated companies and jointly controlled entities**

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 jointly controlled entity 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 jointly controlled entities 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 jointly controlled entities are included in profit or loss.

Investments in associated companies and jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting. Under the equity method, the investments in associated companies and jointly controlled entities 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 jointly controlled entities. Distribution received from associated companies and jointly controlled entities reduce the carrying amount of the investment. Where there has been change recognised in other comprehensive income by the associated companies and jointly controlled entities, the Group recognised its share of such changes in other comprehensive income.

An investment in an associated company or a jointly controlled entity 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 jointly controlled entity.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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 jointly controlled entities' profit or loss in the period in which the investment is acquired.

Unrealised gains on transactions between the Group and its associated companies or jointly controlled entities are eliminated to the extent of the Group's interest in the associated companies or jointly controlled entities. 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 jointly controlled entity 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 jointly controlled entity.

The results and reserves of associated companies or jointly controlled entities 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.

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.

(g) 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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:

Freehold buildings	2%
Leasehold land	Lease term of 99 years
Plant, machinery, cranes and trucks	20%
Renovations, computer equipment, office equipment, furniture and fittings	10% - 33%
Motor vehicles	20%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

(h) *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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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 land	Lease term of 99 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

*(i) 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(m) 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.

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(o) 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(l)(iii) and 1(j) respectively.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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(g) 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.

(j) 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(p)(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.

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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)****(k) 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.

**(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.

**(l) 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 put 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.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)***(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.

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 a financial assistance given by authority, the amount will be deducted against the property development costs.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)****(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 subterranean Penang International Convention & Exhibition Centre ("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.

**(m) 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.

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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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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).

(n) 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 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.

(o) 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 subsidiaries 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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*(ii) Financial instrument categories and subsequent measurement*Financial assets

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. The Group and the Company only have financial assets categorised as loans and receivables.

*Loans and receivables*

This category comprises debt instruments that are not quoted in an active market, 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)****(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.

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.

**(p) Impairment of assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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.

(iii) *Property, plant and equipment, investment properties, intangible asset, land held for property development and investments in subsidiary companies, associated companies and jointly controlled entities*

Property, plant and equipment, investment properties, intangible asset, land held for property development and investments in subsidiary companies, associated companies and jointly controlled entities 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 to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are charged to profit or loss immediately.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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.

- (q) Share capital, Islamic redeemable cumulative preference shares ("RCPS-i") and Sukuk Musharakah ("Perpetual bond")

Ordinary shares, RCPS-i 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 and RCPS-i are recorded at nominal value and proceeds received in excess, if any, of the nominal value of shares issued, are accounted for as share premium. Share premium are classified as equity. Costs incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to profit or loss.

The proceeds received net of any directly attributable transaction costs are credited to share capital or perpetual capital securities.

Dividends on ordinary shares and RCPS-i as well as distribution on Perpetual bond are recognised in equity in the period in which they are declared.

- (r) Redeemable cumulative preference shares

Redeemable cumulative preference shares ("RCPS") 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)****(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 contracts and development projects can be reliably estimated as described in Notes 1(l) and 1(m) 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.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (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.

**(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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (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 subsidiaries incorporated in Malaysia make contributions to the Employees Provident Fund ("EPF") and foreign subsidiaries 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)***(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.

ESGP

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.

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.

ESOS

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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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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 premium 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.

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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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**(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 jointly controlled entities, 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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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
- in respect of deductible temporary differences associated with investments in subsidiary companies, associated companies and jointly controlled entities, 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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**(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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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**(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.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**2. PROPERTY, PLANT AND EQUIPMENT**

Group	Freehold land	Freehold buildings	Leasehold land	Plant, machinery, cranes and trucks	Computer equipment, office equipment, renovations, furniture and fittings	Motor vehicles	Capital work-in-progress	Total
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>								
At 1.1.2016	7,887	188,532	13,670	21,481	117,868	30,455	22,558	402,451
Additions	-	1,136	572	5,063	7,467	3,903	31,074	49,215
Disposals	-	-	-	(62)	(150)	(4,394)	-	(4,606)
Write-offs	-	-	-	-	(336)	(139)	-	(475)
Reclass to land held for property development (see Note 4)	-	-	-	-	-	-	(15,039)	(15,039)
Reclass (to)/from investment properties (see Note 3)	(56)	-	-	-	-	-	293	237
Reclassification	166	(166)	-	-	942	-	(942)	-
Exchange differences	-	101	-	1	173	-	-	275
<b>At 31.12.2016</b>	<b>7,997</b>	<b>189,603</b>	<b>14,242</b>	<b>26,483</b>	<b>125,964</b>	<b>29,825</b>	<b>37,944</b>	<b>432,058</b>
<b>Accumulated depreciation</b>								
At 1.1.2016	-	21,191	35	16,926	85,125	18,773	-	142,050
Charge for the year	-	3,897	148	2,469	12,837	2,780	-	22,131
Disposals	-	-	-	(62)	(144)	(3,458)	-	(3,664)
Write-offs	-	-	-	-	(222)	(90)	-	(312)
Exchange differences	-	19	-	-	87	-	-	106
<b>At 31.12.2016</b>	<b>-</b>	<b>25,107</b>	<b>183</b>	<b>19,333</b>	<b>97,683</b>	<b>18,005</b>	<b>-</b>	<b>160,311</b>
<b>Accumulated impairment losses</b>								
At 1.1.2016	-	202	-	-	148	-	-	350
Write-offs	-	-	-	-	(111)	-	-	(111)
<b>At 31.12.2016</b>	<b>-</b>	<b>202</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>239</b>
<b>Net carrying amount</b>								
At 31.12.2016	7,997	164,294	14,059	7,150	28,244	11,820	37,944	271,508

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
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Group	Freehold land	Freehold buildings	Leasehold land	Plant, machinery, cranes and trucks	Computer equipment, office renovations, furniture and fittings	Motor vehicles	Capital work-in- progress	Total
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
At 1.11.2014	7,887	178,828	-	22,732	108,535	30,126	5,381	353,489
Additions	-	6,006	13,670	511	11,872	4,248	19,171	55,478
Disposals	-	-	-	(59)	(1,271)	(3,774)	-	(5,104)
Write-offs	-	-	-	(1,704)	(3,912)	(145)	-	(5,761)
Transfer from property development costs (see Note 12)	-	3,393	-	-	-	-	-	3,393
Reclassification	-	-	-	-	1,994	-	(1,994)	-
Exchange differences	-	305	-	1	650	-	-	956
At 31.12.2015	7,887	188,532	13,670	21,481	117,868	30,455	22,558	402,451
Accumulated depreciation								
At 1.11.2014	-	16,206	-	15,981	72,636	18,126	-	122,949
Charge for the period	-	4,957	35	2,683	16,815	3,582	-	28,072
Disposals	-	-	-	(36)	(1,176)	(2,880)	-	(4,092)
Write-offs	-	-	-	(1,703)	(3,521)	(55)	-	(5,279)
Exchange differences	-	28	-	1	371	-	-	400
At 31.12.2015	-	21,191	35	16,926	85,125	18,773	-	142,050
Accumulated impairment losses								
At 1.11.2014/31.12.2015	-	202	-	-	148	-	-	350
Net carrying amount								
At 31.12.2015	7,887	167,139	13,635	4,555	32,595	11,682	22,558	260,051

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

Company	Plant, machinery, cranes and trucks RM'000	Computer equipment, office equipment, renovations, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
<b>2016</b>				
<b>Cost</b>				
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
<b>Accumulated depreciation</b>				
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
<b>Net carrying amount</b>				
At 31.12.2016	-	1	1	2
<b>2015</b>				
<b>Cost</b>				
At 1.11.2014	1,706	3,830	261	5,797
Additions	-	17	-	17
Disposals	-	-	(15)	(15)
Write-offs	(1,706)	(1,482)	-	(3,188)
At 31.12.2015	-	2,365	246	2,611
<b>Accumulated depreciation</b>				
At 1.11.2014	1,705	3,821	252	5,778
Charge for the period	-	6	-	6
Disposals	-	-	(15)	(15)
Write-offs	(1,705)	(1,482)	-	(3,187)
At 31.12.2015	-	2,345	237	2,582
<b>Net carrying amount</b>				
At 31.12.2015	-	20	9	29

Freehold land and buildings, including capital work-in-progress of the Group included above at a net carrying amount of RM99,574,000 (2015: RM101,267,000) have been charged to banks to partially secure the long term borrowings, revolving credits and bank overdrafts referred to in Note 23 below.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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## 3. INVESTMENT PROPERTIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Cost</b>				
At beginning of the year/period	759,431	631,125	2,349	2,349
Additions	325,136	129,143	-	-
Disposals	(399)	-	-	-
Reclass to property, plant and equipment (see Note 2)	(237)	-	-	-
Reclass to land held for property development (see Note 4)	(20,432)	(837)	-	-
Reclass to property development costs (see Note 12)	(7,799)	-	-	-
At end of the year/period	1,055,700	759,431	2,349	2,349
<b>Accumulated depreciation</b>				
At beginning of the year/period	23,040	16,170	168	157
Charge for the year/period	7,009	6,870	10	11
Disposals	(115)	-	-	-
At end of the year/period	29,934	23,040	178	168
<b>Accumulated impairment losses</b>				
At beginning of the year/period	10,013	10,013	443	443
Disposals	(198)	-	-	-
At end of the year/period	9,815	10,013	443	443
<b>Net carrying amount</b>				
At end of the year/period	1,015,951	726,378	1,728	1,738
<i>Comprising:</i>				
Investment properties under construction	488,494	273,299	-	-
Freehold land	112,225	100,813	928	928
Freehold buildings	343,612	283,234	-	-
Leasehold land	71,620	69,032	800	810
	1,015,951	726,378	1,728	1,738
<b>Fair value at 31 December</b>	1,053,006	1,006,594	3,243	3,196

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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The Group's investment properties at a net carrying amount of RM781,372,000 (2015: RM565,269,000) have been charged to banks to secure the borrowings referred to in Note 23 below.

Included under the Group's investment properties is borrowing costs of RM21,326,000 (2015: RM21,071,000) incurred during the financial year/period.

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 2016 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 surrounding with appropriate adjustments made for differences in the relevant characteristics of the land. Completed buildings are valued by reference to the current estimates on constructional 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.

The fair value of investment properties under construction amounting to RM488,494,000 (2015: RM273,299,000) cannot be reliably and separately determined until the construction is completed or the fair value becomes reliably determinable, whichever is earlier.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

4. LAND HELD FOR PROPERTY DEVELOPMENT

Group 2016	Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Cost				
At 1.1.2016	2,709,054	385,672	2,209,604	5,304,330
Additions	44,946	136,726	639,595	821,267
Reclass from investment property (see Note 3)	8,210	-	12,222	20,432
Transfer to property development costs (see Note 12)	(263,217)	(75,151)	(335,582)	(673,950)
Reclass from property, plant & equipment (see Note 2)	-	-	15,039	15,039
Transfer from other receivables	20,579	40,000	28,780	89,359
Exchange differences	1,583	2,491	(913)	3,161
At 31.12.2016	2,521,155	489,738	2,568,745	5,579,638
2015				
Cost				
At 1.11.2014	2,848,060	382,192	2,029,912	5,260,164
Additions	116,621	-	409,104	525,725
Reclass from investment property (see Note 3)	-	-	837	837
Transfer to property development costs (see Note 12)	(255,627)	(1,849)	(232,607)	(490,083)
Exchange differences	-	5,329	2,358	7,687
At 31.12.2015	2,709,054	385,672	2,209,604	5,304,330

Included in additions are borrowing costs and development rights of RM74,455,000 and RM168,487,000 (2015: RM82,888,000 and RM171,231,000) respectively incurred during the financial year/period.

Land held for property development of the Group included above with a carrying amount of RM2,447,479,000 (2015: RM2,357,135,000) have been charged to banks to partially secure the borrowings referred to in Note 23 below.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

5. INTANGIBLE ASSET - RIGHT TO OPERATE SPICE

	Group	
	2016	2015
	RM'000	RM'000
Cost/Net carrying amount		
At beginning of the year/period	7,215	6,628
Additions	4,418	587
At end of the year/period	11,633	7,215

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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

6. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted ordinary shares, at cost	2,272	2,272	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	8,499	3,622	-	-
Group's share of non-distributable reserves	17,753	20,974	-	-
Impairment losses	(1,372)	(1,372)	-	-
	121,873	120,217	95,621	95,621

The details of the individual Group's associated companies are not disclosed as they are deemed to be immaterial to the Group. The summarised aggregate financial information of the Group's share of individually non-material associated companies as at 31 December is set out below:

	2016 RM'000	2015 RM'000
Profit for the year/period	4,877	4,533
Other comprehensive income for the year/period	-	-
Total comprehensive income for the year/period	4,877	4,533
Carrying amount of the Group's interest in individually non-material associated companies	27,152	25,496
Capital contribution to an associated company, at cost *	94,721	94,721
	121,873	120,217

\* 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.



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The capital contribution is unsecured, interest free and is not expected to be recalled within the next 12 months.

The associated companies are as follows:

	Equity interest				Country of incorporation	Principal activities
	Direct		Indirect			
	2016	2015	2016	2015		
	%	%	%	%		
PTB Property Developer Sdn Bhd	-	-	49	49	Malaysia	Property development
Qinzhou Development (Malaysia) Consortium Sdn Bhd	45	45	-	-	Malaysia	Investment holding
* Qinzhou Development (Hong Kong) Limited	-	-	45	45	Hong Kong	Investment holding
* China-Malaysia Qinzhou Industrial Park (Guangxi) Development Co. Ltd	-	-	22	22	China	Property development

\* *Audited by member firms of Ernst & Young Global in the respective countries*

The financial year end of the associates are co-terminous with those of the Group.

For the purpose of applying the equity method of accounting, the management accounts of these associates for the year ended 31 December 2016 have been used.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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## 7. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted ordinary shares, at cost	1,828,946	1,132,380	33,250	33,250
Premium on acquisition	6,879	6,879	-	-
Group's share of post-acquisition profits less losses	(189,324)	(243,385)	-	-
Group's share of non-distributable reserves	31,147	189,916	-	-
LTIP granted to employees of jointly controlled entities	75	1,045	125	1,742
	<u>1,677,723</u>	<u>1,086,835</u>	<u>33,375</u>	<u>34,992</u>

The jointly controlled entities are as follows:

	Proportion of ownership interest				Country of incorporation	Principal activities
	Direct		Indirect			
	2016 %	2015 %	2016 %	2015 %		
Setia Putrajaya Sdn Bhd	60	60	-	-	Malaysia	Property development, building construction and investment holding
Setia Putrajaya Construction Sdn Bhd	-	-	60	60	Malaysia	Building construction
Setia Putrajaya Development Sdn Bhd	-	-	60	60	Malaysia	Property development
Greenhill Resources Sdn Bhd	-	-	50	50	Malaysia	Property investment
Setia Federal Hill Sdn Bhd	50	50	-	-	Malaysia	Property development and property investment holding
# 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

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DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

	Proportion of ownership interest				Country of incorporation	Principal activities
	Direct		Indirect			
	2016 %	2015 %	2016 %	2015 %		
* 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 ( <i>formerly known as Battersea Project Phase 1 Nominee Company Limited</i> )	-	-	40	40	Jersey	Property investment holding
^ Battersea Project Phase 1 * Retail, Leisure, F&B GP Limited ( <i>formerly known as Battersea Project Phase 1 GP Limited</i> )	-	-	40	40	Jersey	Property development and property investment holding
^ Battersea Project Phase 1 * Retail, Leisure, F&B LP Limited ( <i>formerly known as Battersea Project Phase 1 LP Limited</i> )	-	-	40	40	Jersey	Property development and property investment holding
^ Battersea Project Phase 1 * Retail, Leisure, F&B Limited Partnership ( <i>formerly known as Battersea Project Phase 1 Commercial Limited Partnership</i> )	-	-	40	40	United Kingdom	Property development and property investment holding
^ Battersea Project Phase 1 * Office Nominee Limited	-	-	40	-	Jersey	Property development and property investment holding
^ Battersea Project Phase 1 * Office GP Limited	-	-	40	-	Jersey	Property development and property investment holding

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

	Proportion of ownership interest				Country of incorporation	Principal activities
	Direct 2016 %	Direct 2015 %	Indirect 2016 %	Indirect 2015 %		
^ * Battersea Project Phase 1 Office LP Limited	-	-	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
^ * 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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

	Proportion of ownership interest				Country of incorporation	Principal activities
	Direct		Indirect			
	2016 %	2015 %	2016 %	2015 %		
^ * 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
^ * 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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

	Proportion of ownership interest				Country of incorporation	Principal activities
	Direct		Indirect			
	2016 %	2015 %	2016 %	2015 %		
^ * 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
^ * 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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

	Proportion of ownership interest				Country of incorporation	Principal activities
	Direct		Indirect			
	2016 %	2015 %	2016 %	2015 %		
^ * 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
^ * 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	-	United Kingdom	Estate management services
~ * Battersea Power Station Asset Management Limited	-	-	40	-	United Kingdom	Asset management services
~ * Battersea Power Station Management Services Limited	-	-	40	-	United Kingdom	Management services
~ * Battersea Academy for Skills Excellence	-	-	40	-	United Kingdom	Community interest

# Audited by a firm other than Ernst & Young

\* The financial year of these jointly controlled entities ends on 30 June (2015: 31 October) and audited by a firm other than Ernst & Young

^ Subsidiaries consolidated in Battersea Project Holding Company Limited Group

~ Subsidiaries consolidated in Battersea Project Development Company Limited Group

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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Notwithstanding that the Group is having ownership of more than half of the equity shareholding in certain companies, they are treated as jointly controlled entities pursuant to the contractual rights and obligations of the respective joint venture agreements.

The Group's jointly controlled entities are accounted for using the equity method in the financial statements.

The Group's share of capital commitments of the jointly controlled entities at the reporting date are as below:

	2016 RM'000	2015 RM'000
Capital commitments:		
- Commitments in relation to development work	499,673	55,773
- Purchase of development land	116,736	135,093
	<u>          </u>	<u>          </u>

There is no share of contingent liability and operating lease commitment of the jointly controlled entities of the Group as at the reporting date.

Summarised financial information in respect of the Group's material jointly controlled entities is set out below. The summarised financial information below represents amounts shown in the jointly controlled entities' financial statements prepared in accordance with the Group accounting policies.

**Battersea Project Holding Company Limited Group**

	2016 RM'000	2015 RM'000
Non-current assets	3,229,097	2,365,725
Current assets	8,164,602	5,516,042
Non-current liabilities	(4,779,563)	(3,273,445)
Current liabilities	(2,286,057)	(1,804,012)
Net assets	<u>4,328,079</u>	<u>2,804,310</u>
	1.1.2016	1.11.2014
	to	to
	31.12.2016	31.12.2015
	RM'000	RM'000
Revenue	1,335,093	-
Profit/(loss) for the year/period	225,334	(125,807)
Other comprehensive income for the year/period	-	-
Total comprehensive income/(loss) for the year/period	<u>225,334</u>	<u>(125,807)</u>



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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Reconciliation of the above summarised financial information to the carrying amount of the interest in the jointly controlled entities recognised in the consolidated financial statements:

	2016 RM'000	2015 RM'000
Net assets	4,328,079	2,804,310
Proportion of ownership interest held by the Group	40%	40%
Carrying amount of the Group's interest in the jointly controlled entity	1,731,232	1,121,724

There is no dividend paid by Battersea Project Holding Company Limited Group during the financial year (2015: RM Nil).

The summarised aggregate financial information of the Group's share of other individually non-material jointly controlled entities as at 31 December is set out below:

	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Loss for the year/period	(21,418)	(59,207)
Other comprehensive income for the year/period	-	-
Total comprehensive loss for the year/period	(21,418)	(59,207)
Carrying amount of the Group's interest in individually non-material jointly controlled entities	(53,509)	(34,889)

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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## 8. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares in subsidiary companies, at cost	511,908	509,148
Capital contribution to subsidiary companies, at cost	4,376,644	3,212,163
LTIP granted to employees of subsidiary companies	80,729	69,886
Impairment losses	(61,008)	(61,008)
	4,908,273	3,730,189

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.

The subsidiary companies are as follows:

	Equity interest				Country of incorporation	Principal activities
	Direct		Indirect			
	2016 %	2015 %	2016 %	2015 %		
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	Property development
Syarikat Kemajuan Jerai Sdn Bhd	100	100	-	-	Malaysia	Property development and investment holding
S P Setia Project Management Sdn Bhd	-	-	100	100	Malaysia	Property development project management
Lagavest Sdn Bhd	-	-	100	100	Malaysia	Investment holding
Wawasan Indera Sdn Bhd	50	50	50	50	Malaysia	Property development
S P Setia Eco-Projects Management Sdn Bhd	-	-	100	100	Malaysia	Property development project management
Setia Recreation Sdn Bhd	100	-	-	100	Malaysia	Property development
Ambleside Sdn Bhd	-	-	100	100	Malaysia	Property development
Bukit Indah (Johor) Sdn Bhd	100	100	-	-	Malaysia	Property development and property investment holding

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

	Equity interest				Country of incorporation	Principal activities
	Direct		Indirect			
	2016 %	2015 %	2016 %	2015 %		
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	60	-	-	Malaysia	Property management services
Setia Readymix Sdn Bhd	100	100	-	-	Malaysia	Building contractors and manufacturing and sale of building materials
Bukit Indah (Perak) Sdn Bhd	100	100	-	-	Malaysia	Property development
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	Investment holding
Tenaga Raya Sdn Bhd	100	100	-	-	Malaysia	Dormant
Cosmotek Sdn Bhd	100	100	-	-	Malaysia	Investment holding
SJ Classic Land Sdn Bhd	-	-	60	60	Malaysia	Dormant
Indera Perasa Sdn Bhd	100	100	-	-	Malaysia	Investment holding
Dian Mutiara Sdn Bhd	-	-	100	100	Malaysia	Dormant
KL East Sdn Bhd	100	100	-	-	Malaysia	Dormant
Setia Eco Templer Recreation Sdn Bhd	-	100	100	-	Malaysia	Club operator

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

	Equity interest				Country of incorporation	Principal activities
	Direct		Indirect			
	2016	2015	2016	2015		
	%	%	%	%		
Setia IP Holdings Sdn Bhd <i>(formerly known as Setia EM (South) Sdn Bhd)</i>	100	100	-	-	Malaysia	Custodian and management of intellectual property rights
Kenari Kayangan Sdn Bhd	99.99	99.99	-	-	Malaysia	Investment holding
Setia Ecohill 2 Sdn Bhd	100	100	-	-	Malaysia	Property development and property investment holding
S P Setia Property Holdings Sdn Bhd	100	100	-	-	Malaysia	Dormant
Setia Hicon Sdn Bhd	100	100	-	-	Malaysia	Property development
S P Setia Technology Sdn Bhd	100	100	-	-	Malaysia	Dormant
S P Setia PMC Sdn Bhd	100	100	-	-	Malaysia	General management and administration 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
Kay Pride Sdn Bhd	-	-	100	100	Malaysia	Property development and property investment holding
Aeropod Sdn Bhd	100	100	-	-	Malaysia	Property development and property investment holding
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	Representative office in Indonesia
Setia City Development Sdn Bhd	100	100	-	-	Malaysia	Property development and property investment holding

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

	Equity interest				Country of incorporation	Principal activities
	Direct		Indirect			
	2016 %	2015 %	2016 %	2015 %		
Gita Kasturi Sdn Bhd	100	100	-	-	Malaysia	Property development and property investment holding
Intra Hillside Sdn Bhd	100	100	-	-	Malaysia	Property development and property investment holding
Setia Alam Recreation Sdn Bhd	-	-	100	100	Malaysia	Club operator
Setia Eco Green Sdn Bhd	100	100	-	-	Malaysia	Dormant
Setia Eco Heights Sdn Bhd	100	100	-	-	Malaysia	Dormant
Setia Eco Land Sdn Bhd	100	100	-	-	Malaysia	Property development and property investment holding
S P Setia Property Services Sdn Bhd	100	100	-	-	Malaysia	Operation of convention centre
Flexrise Projects Sdn Bhd	100	100	-	-	Malaysia	Investment holding
Pelita Mentari Sdn Bhd	100	100	-	-	Malaysia	Investment holding
Setia Eco Templer Sdn Bhd	100	100	-	-	Malaysia	Property development
Setia EM (Central) Sdn Bhd	100	100	-	-	Malaysia	Property management services
S P Setia DMC Sdn Bhd	100	100	-	-	Malaysia	Investment holding
Exceljade Sdn Bhd	100	100	-	-	Malaysia	Property development
Sendiman Sdn Bhd	100	100	-	-	Malaysia	Property development
Kemboja Mahir Sdn Bhd	70	70	-	-	Malaysia	Property development
Bandar Eco-Setia Sdn Bhd	50	50	-	-	Malaysia	Property development and property investment holding
Setia Eco Park Recreation Sdn Bhd	-	-	50	50	Malaysia	Club operator
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

## APPENDIX V

## AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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	Equity interest				Country of incorporation	Principal activities
	Direct		Indirect			
	2016 %	2015 %	2016 %	2015 %		
Setia International Limited	100	100	-	-	British Virgin Islands	Investment holding
Setia MyPhuoc Limited	-	-	100	100	British Virgin Islands	Investment holding
Setia Capital (Vietnam) Limited	-	-	100	100	British Virgin Islands	Investment holding
Setia Land (Vietnam) Limited	-	-	100	100	British Virgin Islands	Investment holding
Setia Australia Limited	-	-	100	100	British Virgin Islands	Investment holding
Setia Lai Thieu Limited	-	-	95	95	British Virgin Islands	Investment holding
Setia Jersey Investment Holding Company Limited	-	-	-	100	Jersey	Dissolved
+ 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 Land (China) Limited	-	-	100	100	Hong Kong	Investment holding
+ S P Setia International (S) Pte Ltd	100	100	-	-	Singapore	Promotion, marketing and other activities related to property development
+ S P Setia Development Pte Ltd	100	100	-	-	Singapore	Dormant
α μ S P Setia Foundation	-	-	-	-	Malaysia	Promotion and advancement of education, research and dissemination of knowledge

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

	Equity interest				Country of incorporation	Principal activities
	Direct		Indirect			
	2016 %	2015 %	2016 %	2015 %		
* Setia Badminton Academy	-	-	-	-	Malaysia	Promotion of badminton

α μ

- \* Audited by a firm other than Ernst & Young  
+ Audited by member firms of Ernst & Young Global in the respective countries  
α A trust established under the Trustees (Incorporation) Act 1952  
μ S P Setia Berhad has effective interest of 100%

Subsidiaries that have material non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests at the end of the reporting period are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interests held by non-controlling interests</u>		<u>Profit allocated to non-controlling interests</u>		<u>Carrying amount of non-controlling interests</u>	
		2016	2015	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	2016 RM'000	2015 RM'000
Bandar Eco-Setia Sdn Bhd	Malaysia	50%	50%	45,855	32,075	337,746	300,529
Setia Eco Glades Sdn Bhd	Malaysia	30%	30%	8,063	15,810	49,648	43,145
Kesas Kenangan Sdn Bhd	Malaysia	30%	30%	1,326	6,997	44,611	43,285
Individually immaterial subsidiaries with non-controlling interests						(275)	49
						431,730	387,008

Summarised financial information of the Group's subsidiaries that have material non-controlling interests (amounts before intra-group elimination) is as follows:

	2016 RM'000	2015 RM'000
<u>Bandar Eco-Setia Sdn Bhd</u>		
Non-current assets	391,800	359,170
Current assets	431,987	359,463
Non-current liabilities	(16,577)	(15,400)
Current liabilities	(131,718)	(102,176)
Net assets	675,492	601,057

## APPENDIX V

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Revenue	196,987	151,371
Profit for the year/period	91,711	64,150
Other comprehensive income for the year/period	-	-
Total comprehensive income for the year/period	91,711	64,150
Dividends paid to owners of non-controlling interests	8,638	7,500
Net cash generated from operating activities	62,848	52,250
Net cash (used in)/generated from investing activities	(42,116)	3,693
Net cash used in financing activities	(19,602)	(37,311)
Net increase in cash and cash equivalents	1,130	18,632
	2016 RM'000	2015 RM'000
<u>Setia Eco Glades Sdn Bhd</u>		
Non-current assets	426,762	373,770
Current assets	189,162	214,463
Non-current liabilities	(264,987)	(305,103)
Current liabilities	(185,444)	(139,314)
Net assets	165,493	143,816
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Revenue	187,998	363,882
Profit for the year/period	26,878	52,700
Other comprehensive income for the year/period	-	-
Total comprehensive income for the year/period	26,878	52,700
Dividends paid to owners of non-controlling interests	1,560	-
Net cash generated from operating activities	82,439	105,322
Net cash used in investing activities	(47,042)	(47,816)
Net cash used in financing activities	(25,663)	(53,551)
Net increase in cash and cash equivalents	9,734	3,955



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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	2016 RM'000	2015 RM'000
<u>Kesas Kenangan Sdn Bhd</u>		
Non-current assets	349,699	349,399
Current assets	211,005	229,749
Non-current liabilities	(162,087)	(111,833)
Current liabilities	(249,912)	(323,030)
Net assets	148,705	144,285
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Revenue	110,460	184,651
Profit for the year/period	4,420	23,323
Other comprehensive income for the year/period	-	-
Total comprehensive income for the year/period	4,420	23,323
Dividends paid to owners of non-controlling interests	-	-
Net cash generated from operating activities	10,550	15,773
Net cash (used in)/generated from investing activities	(120,816)	11,151
Net cash generated from/(used in) financing activities	84,592	(22,304)
Net (decrease)/increase in cash and cash equivalents	(25,674)	4,620

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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9. 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	
	2016 RM'000	2015 RM'000
Bearing interest at 4.70% to 8.00% (2015: 4.34% to 8.00%) per annum	1,657,999	1,130,111
Interest free	68,371	170,471
Unquoted redeemable cumulative preference shares	74,200	101,858
	1,800,570	1,402,440
Allowance for doubtful debts	(9,681)	(9,681)
	1,790,889	1,392,759

Amounts owing by subsidiary companies included under current assets

	Company	
	2016 RM'000	2015 RM'000
Trade accounts:		
- management fee	-	16,143
- staff secondment fee	1,986	5,965
- retention sums receivable	-	807
- allowance for doubtful debts	-	(795)
	1,986	22,120
Unsecured advances:		
- bearing interest at 4.70% to 8.00% (2015: 4.34% to 8.85%) per annum	177,781	256,045
- interest free	529,531	441,854
- unquoted redeemable cumulative preference shares	50,263	21,673
	759,561	741,692

The trade accounts are expected to be settled within the normal credit periods. Unsecured advances are repayable on demand.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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Amounts owing to subsidiary companies included under current liabilities

	Company	
	2016 RM'000	2015 RM'000
Trade accounts - retention sums payable	1,310	1,310
Unsecured advances:		
- bearing interest at 5.00% per annum	-	55,700
- interest free	97,273	106,540
	98,583	163,550

The trade accounts are expected to be settled within the normal credit period. The unsecured interest free advances are payable on demand.

10. AMOUNTS OWING BY JOINTLY CONTROLLED ENTITIES

Amounts owing by jointly controlled entities included under current assets

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade accounts	176,504	94,350	-	-
Unsecured advances:				
- Bearing interest at 6.0% to 10.0% (2015: 6.0% to 10.0%) per annum	215,833	200,401	104,664	93,981
- Interest free	241,332	215,542	237,013	204,969
	633,669	510,293	341,677	298,950

The trade accounts are expected to be settled within the normal credit period. Unsecured advances are repayable on demand.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

## 11. DEFERRED TAX

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	165,485	126,529	569	619
Deferred tax liabilities	(13,114)	(40,476)	-	-
	152,371	86,053	569	619

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of the year/period	86,053	99,966	619	(3)
Credited/(charged) to profit or loss	65,984	(11,403)	(50)	622
Exchange rate differences	334	(2,510)	-	-
At end of the year/period	152,371	86,053	569	619

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Tax effects of:				
- unabsorbed capital allowances	3,612	1,086	-	-
- unutilised tax losses	22,520	25,250	-	-
- property development and construction profits	113,206	68,776	-	-
- excess of capital allowances claimed over accumulated depreciation on property, plant and equipment	(13,058)	(9,725)	-	(5)
- others	26,091	666	569	624
	152,371	86,053	569	619

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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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	
	2016 RM'000	2015 RM'000
Unutilised tax losses	80,189	66,400
Unabsorbed capital allowances	1,290	1,858
Others	17,240	10,661
	98,719	78,919
	98,719	78,919

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

**12. PROPERTY DEVELOPMENT COSTS**

	Group	
	2016 RM'000	2015 RM'000
Freehold land at cost	2,016,981	1,866,497
Leasehold land at cost	317,656	300,604
Development costs	9,284,051	6,964,313
Costs recognised as an expense in previous years	(9,506,890)	(6,469,491)
	2,111,798	2,661,923
<b>At 1 January/1 November</b>	2,111,798	2,661,923
Costs transferred to property, plant and equipment ( <i>see Note 2</i> )		
- development costs	-	(3,393)
Costs transferred from land held for property development ( <i>see Note 4</i> )		
- freehold land	263,217	255,627
- leasehold land	75,151	1,849
- development costs	335,582	232,607
Costs reclassified from investment properties ( <i>see Note 3</i> )		
- freehold land	4,307	-
- development costs	3,492	-
Costs incurred during the year/period		
- freehold land	4,751	21,002
- leasehold land	10,808	-
- development costs	2,408,486	3,295,101
Exchange differences	6,864	105,746
	3,112,658	3,908,539
	3,112,658	3,908,539

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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	Group	
	2016	2015
	RM'000	RM'000
Less: Completed development projects		
- freehold land	(598,640)	(206,228)
- leasehold land	(69,326)	-
- development costs	(3,125,296)	(681,937)
- accumulated costs recognised as expense	3,793,262	888,165
	-	-
Costs recognised as an expense in current year/period	(2,885,687)	(3,925,564)
Unsold completed properties transferred to inventories	(233,094)	(533,100)
	.....	.....
<b>At 31 December</b>		
Freehold land at cost	1,651,598	2,016,981
Leasehold land at cost	295,459	317,656
Development costs	8,901,615	9,284,051
Costs recognised as an expense	(8,742,997)	(9,506,890)
	.....	.....
	2,105,675	2,111,798
	.....	.....

Property development costs at a carrying amount of RM545,976,000 (2015: RM735,346,000) included above, have been charged to various banks to partially secure borrowings referred to in Note 23 below.

Included under development and construction costs are borrowing costs and development rights of RM55,582,000 and RM132,025,000 (2015: RM91,838,000 and RM20,014,000) respectively incurred and financial assistance of RM40,897,000 deducted against property development costs (2015: RM Nil) during the financial year/period.

**13. INVENTORIES**

	Group	
	2016	2015
	RM'000	RM'000
At cost:		
Stock of completed properties	871,796	871,831
Raw materials	5,887	6,922
Consumable goods	222	173
	.....	.....
	877,905	878,926
	.....	.....

During the financial year/period, the amount of inventories recognised as an expense in cost of sales of the Group was RM233,757,000 (2015: RM163,009,000).

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Refundable deposits and part purchase considerations paid for the acquisition of development land in				
- Seberang Perai Utara, Pulau Pinang	62,012	-	-	-
- 308-326 Exhibition Street, Melbourne, Australia	32,714	-	-	-
- Kota Kinabalu, Sabah	4,300	-	-	-
- Pekan Templer, District of Gombak -247-251 Neerim Road Carnegie, Australia	-	40,000	-	-
Prepaid development expenditure	-	28,779	-	-
Dividend receivable	-	-	927	927
Deposits	40,803	63,019	142	2,700
Value Added Tax/Goods and Services Tax receivables	12,097	10,295	-	-
Other sundry receivables and prepayments	78,294	70,510	411	2,318
	230,220	233,560	1,480	5,945
Allowance for doubtful debts	(3,100)	(3,504)	-	-
	227,120	230,056	1,480	5,945

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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The refundable deposits and part purchase considerations were paid for the acquisition of development lands that have not been completed as at end of financial year/period. The balance of these purchase considerations is disclosed as other commitments in Note 38(b) below.

The movements in the allowance for impairment losses of other receivables during the financial year/period are as follows:

	Group	
	2016 RM'000	2015 RM'000
At beginning of the year/period	3,504	2,797
Allowance for impairment loss during the year/period	-	719
Reversal of allowance for impairment loss during the year/period	-	(12)
Write off during the year/period	(404)	-
At end of the year/period	3,100	3,504

The currency exposure profile of other receivables, deposits and prepayments after allowance for impairment losses is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysian Ringgit	185,123	180,225	1,480	5,945
Australian Dollar	39,240	48,557	-	-
Vietnamese Dong	2,091	800	-	-
Singapore Dollar	654	460	-	-
United States Dollar	8	14	-	-
Hong Kong Dollar	4	-	-	-
	227,120	230,056	1,480	5,945



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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## 15. TRADE RECEIVABLES

	2016 RM'000	Group 2015 RM'000
Gross progress billings receivable	501,204	398,016
Gross retention sums receivable	170,869	185,781
Other gross receivables	19,297	21,859
	.....	.....
Total gross receivables	691,370	605,656
Allowance for doubtful debts	(1,092)	(689)
	.....	.....
	690,278	604,967
	.....	.....

The progress billings are due within 14 to 90 days (2015: 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 (2015: 6 to 24 months).

Other gross receivables are collectible within 14 to 90 days (2015: 14 to 90 days).

Ageing analysis of the Group's trade receivables are as follows:

	2016 RM'000	Group 2015 RM'000
Neither past due nor impaired	530,747	412,559
1 to 30 days past due not impaired	94,321	57,815
31 to 60 days past due not impaired	23,655	85,539
61 to 90 days past due not impaired	7,942	22,245
91 to 120 days past due not impaired	5,504	12,252
More than 121 days past due not impaired	28,109	14,557
	.....	.....
	690,278	604,967
Individually impaired	1,092	689
	.....	.....
	691,370	605,656
	.....	.....

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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The movements in the allowance for impairment losses of trade receivables during the financial year/period are as follows:

	2016 RM'000	Group 2015 RM'000
At beginning of the year/period	689	694
Allowance for impairment loss during the year/period	403	-
Reversal of allowance for impairment losses during the year/period	-	(5)
At end of the year/period	1,092	689

The currency exposure profile of trade receivables after allowance for impairment losses is as follows:

	2016 RM'000	Group 2015 RM'000
Malaysian Ringgit	686,649	584,706
Singapore Dollar	3,629	20,261
	690,278	604,967

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## 16. GROSS AMOUNT DUE FROM/TO CUSTOMERS

	Group	
	2016	2015
	RM'000	RM'000
Aggregate contract expenditure incurred to-date	318,917	325,287
Attributable profit recognised to-date	19,991	53,282
	-----	-----
	338,908	378,569
Progress billings	(340,790)	(364,505)
	-----	-----
	(1,882)	14,064
	-----	-----
Gross amount due from customers	3,825	14,189
Gross amount due to customers	(5,707)	(125)
	-----	-----
	(1,882)	14,064
	-----	-----
Progress billings comprise:		
Progress billings		
- received	220,698	323,939
- receivable	115,435	37,462
Retention sums	4,657	3,104
	-----	-----
	340,790	364,505
	-----	-----

Contract expenditure includes the following expenses incurred during the financial year/period:

	Group	
	1.1.2016	1.11.2014
	to	to
	31.12.2016	31.12.2015
	RM'000	RM'000
Depreciation	3,112	1,936
Hire of machinery	13,086	13,523
Rental expense	15	25
	-----	-----

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## 17. SHORT-TERM DEPOSITS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term deposits:				
- with licensed banks	764,961	736,257	250,000	59,325
- with other licensed financial institutions	1,939,879	1,283,655	1,332,554	553,991
	2,704,840	2,019,912	1,582,554	613,316

Included in short-term deposits of the Group and the Company are amounts of RM5,000,000 and RM Nil respectively (2015: RM44,325,000 and RM39,325,000) which have been charged to banks as security for banking facilities.

Included in short-term deposits of the Group in financial period 2015 is an amount of RM61,374,000 which is held under Housing Development (Project Account Rules) Control and Licensing Act in Singapore. Funds maintained in the Project Account Rules earn interest rate at 0.45% per annum.

The effective interest rates for the Group's and the Company's short-term deposits range from 0.60% to 3.84% and 3.20% to 3.84% per annum (2015: 0.40% to 4.80% and 3.10% to 4.62% 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysian Ringgit	2,271,618	1,414,359	1,582,554	613,316
Australian Dollar	431,803	540,716	-	-
Singapore Dollar	-	61,374	-	-
Vietnamese Dong	-	2,337	-	-
United States Dollar	1,419	1,126	-	-
	2,704,840	2,019,912	1,582,554	613,316

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18. CASH AND BANK BALANCES

	Group	
	2016 RM'000	2015 RM'000
Cash and bank balances include monies in:		
- Housing Development Accounts	608,678	1,005,388
- Sinking Fund Accounts	22,572	5,798
- Debt Service Reserve Accounts	20,747	21,642
- Escrow Accounts	66,122	274,707
- Revenue Accounts	5,764	779
	.....	.....

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 0.25% to 2.50% (2015: 1.90% to 2.25%) 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 23 below.

The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysian Ringgit	946,820	1,578,700	9,229	32,760
Singapore Dollar	352,236	85,044	-	-
Australian Dollar	153,033	63,927	-	-
Vietnamese Dong	4,109	2,480	-	-
United States Dollar	2,804	2,067	-	-
Great British Pound	6,283	-	6,283	-
Indonesian Rupiah	2	-	-	-
	.....	.....	.....	.....
	1,465,287	1,732,218	15,512	32,760
	.....	.....	.....	.....

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

## 19. SHARE CAPITAL

	Group/Company			
	2016			2015
	Number of	Amount	Number of	Amount
	shares	RM'000	shares	RM'000
	'000		'000	
Authorised:				
Ordinary shares of RM0.75 each				
At beginning of the year/period	3,000,000	2,250,000	3,000,000	2,250,000
Created during the year/period	500,000	375,000	-	-
At end of the year/period	3,500,000	2,625,000	3,000,000	2,250,000
Issued and fully paid:				
Ordinary shares of RM0.75 each				
At beginning of the year/period	2,628,356	1,971,266	2,538,332	1,903,748
Issuance of shares:				
- DRP	214,332	160,749	75,812	56,859
- exercise of ESGP	9,129	6,848	6,832	5,124
- exercise of ESOS	1,703	1,277	7,380	5,535
At end of the year/period	2,853,520	2,140,140	2,628,356	1,971,266

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM1,971,266,510 to RM2,140,139,936 by way of:

- (a) Issuance of 214,332,180 new ordinary shares of RM0.75 each pursuant to the DRP that provides shareholders with an option to reinvest their cash dividend in new ordinary shares at the following issue prices:

		5th DRP	6th DRP
Issue price	(RM)	2.65	3.11
No. of shares issued	('000)	179,965	34,367

- (b) Allotment of 9,129,207 new ordinary shares of RM0.75 each pursuant to the vesting of ESGP; and

- (c) Issuance of 1,703,180 new ordinary shares of RM0.75 each pursuant to the exercise of ESOS at the following option prices:

		ESOS 1	ESOS 2	ESOS 3	ESOS 4
Exercise price	(RM)	3.07	3.03	3.02	2.72
No. of shares issued	('000)	586	133	413	571

All new ordinary shares rank pari passu in all respect with the then existing ordinary shares of the Company.

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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. The LTIP shall be in force for a period of 5 years up to 9 April 2018 and pursuant to By-Laws 18.2 of the By-Laws of LTIP, the Board of Directors shall have the discretion to extend the duration of the LTIP for another 5 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.
- (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 NRC 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 at the par value of the ordinary shares, whichever is higher.
- (d) The shares granted under the ESGP will vest over four (4) years from the date of the LTIP award and the share options granted under ESOS will vest over three (3) years from the date of the LTIP award.

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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 1.1.2016 '000	Granted '000	Vested '000	Lapsed '000	At 31.12.2016 '000
Offer 1	2,762	-	(2,738)	(24)	-
Offer 2	194	-	(192)	(2)	-
Offer 3	6,981	-	(3,384)	(209)	3,388
Offer 4	8,726	-	(2,815)	(346)	5,565
Offer 5	-	5,429	-	(82)	5,347
	<u>18,663</u>	<u>5,429</u>	<u>(9,129)</u>	<u>(663)</u>	<u>14,300</u>

ESOS

	At 1.1.2016 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2016 '000
Offer 1	26,340	-	(586)	-	25,754
Offer 2	133	-	(133)	-	-
Offer 3	2,380	-	(413)	(450)	1,517
Offer 4	15,500	-	(571)	-	14,929
Offer 5	-	9,586	-	-	9,586
	<u>44,353</u>	<u>9,586</u>	<u>(1,703)</u>	<u>(450)</u>	<u>51,786</u>



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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:

	<u>ESGP</u>					<u>ESOS</u>				
	Offer 1	Offer 2	Offer 3	Offer 4	Offer 5	Offer 1	Offer 2	Offer 3	Offer 4	Offer 5
Exercise price	*	*	*	*	*	RM3.07#	RM3.03#	RM3.02	RM2.72	RM2.86
Date of grant	6 May 2013	19 August 2013	31 October 2014	20 August 2015	17 August 2016	6 May 2013	19 August 2013	31 October 2014	20 August 2015	17 August 2016
Fair value at grant date	RM3.15	RM3.14	RM3.13	RM3.01	RM3.27	RM0.51	RM0.52	RM0.53	RM0.57	RM0.55
Vesting period / Option life	2 years	2 years	2 years	2 years	1 year 5 months	3 years 6 months	3 years 6 months	2 years 6 months	1 year 6 months	1 year 3 months
Weighted average share price at grant date	RM3.42	RM3.37	RM3.35	RM3.02	RM3.17	RM3.42	RM3.37	RM3.35	RM3.02	RM3.17
Expected dividend yield	4.1%	4.2%	3.3%	3.0%	5.3%	4.1%	4.2%	3.3%	3.0%	5.3%
Risk free interest rates	3.21%	3.67%	3.71%	4.01%	3.4%	3.21%	3.67%	3.71%	4.01%	3.4%
Expected volatility	18.62%	18.82%	18.51%	21.34%	22.88%	18.62%	18.82%	18.51%	21.34%	22.88%

\* *The shares under the ESGP will vest with the grantee at no consideration on the vesting date*

# *Adjusted for effect of DRP*

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.

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20. ISLAMIC REDEEMABLE CUMULATIVE PREFERENCE SHARES ("RCPS-i")

	Group/Company			
	2016		2015	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Authorised:				
RCPS-i of RM0.01 each				
At beginning of the year/period	-	-	-	-
Created during the year/period	1,200,000	12,000	-	-
At end of the year/period	1,200,000	12,000	-	-
Issued and fully paid:				
RCPS-i of RM0.01 each				
At beginning of the year/period	-	-	-	-
Issuance of shares	1,127,625	11,276	-	-
At end of the year/period	1,127,625	11,276	-	-

The RCPS-i issued by the Company to the shareholders are convertible at any time at the discretion of the holder commencing 2 December 2016 ("Issue Date") 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 held.

The Company may at any time on or after the 15<sup>th</sup> anniversary of the Issue Date, at its discretion, redeem all (and not some only of) the outstanding RCPS-i 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 (as defined below) as at the redemption date.

The RCPS-i 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 ("Profits") when declared and approved by the Board of the Company, at an expected preferential dividend rate of 6.49%.

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From the period commencing on and including the 15<sup>th</sup> anniversary of the Issue Date 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 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") 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") shall be capped at such Expected Preferential Dividend Rate unless otherwise decided by the Board of the Company.

On any preferential dividend entitlement date:

- i. In the event that the Profits are lower than the Expected Preferential Dividend Amount and the Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount (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 as at such preferential dividend entitlement date. The amount of Profits declared as preferential dividends by the Company on a particular preferential dividend entitlement date, if any shall be referred to as ("Declared Sum"); and
  - (b) The amount equivalent to the difference between the Profits as at such preferential dividend entitlement date and Declared Sum, shall be cumulative ("Deferred Dividends 1"), so long as the RCPS-i remains unredeemed.
- ii. In the event that the Profits are more than the Expected Preferential Dividend Amount and the Company does not declare the preferential dividends up to the Expected Preferential Dividend Amount (in whole or in part), the amount equivalent to the difference between the Expected Preferential Dividend Amount and the Declared Sum, shall be cumulative ("Deferred Dividends 2"), so long as the RCPS-i remains unredeemed.

Deferred Dividends 1 & 2 (as the case may be) ("Deferred Dividends") may be declared and/or paid, at the discretion of the Company, on any subsequent preferential dividend entitlement date, provided that the Cumulative Condition (as defined below) is fulfilled on such preferential dividend entitlement date.

"Cumulative Condition" of the RCPS-i means on any preferential dividend entitlement date, the Company:

- i. has sufficient Profits that is at least equivalent to the aggregate of the Declared Sum and any Deferred Dividends accumulated as at and on such preferential dividend entitlement date;

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- ii. has maintained books and records that evidence the Company having Profits that is at least equivalent to the aggregate of the Declared Sum and any Deferred Dividends 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 on such preferential dividend entitlement date shall be cumulative.

Where there is no Profit 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. Such preferential dividends shall not be cumulative.

Each Holder will cease to receive any preferential dividends from and including the date the RCPS-i 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 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, including the amendments to the Memorandum & Articles of Association of the Company.

In any of the aforesaid circumstances, each RCPS-i 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 held.

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## 21. 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 fifth 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)****22. 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 the nominal value of RM0.01 plus share premium of RM0.99 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 the nominal value plus share premium of RM0.99 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.

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## 23. BORROWINGS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Non-current</b>				
<i>Secured:</i>				
Term loans	1,978,381	1,979,552	-	-
Bridging loans	278,290	385,820	-	-
Revolving credits	66,000	248,923	-	-
Medium term note and Commercial paper	228,100	330,000	-	-
<i>Unsecured:</i>				
Term loans	1,097,767	469,705	1,097,767	469,705
Revolving credits	150,000	-	150,000	-
	3,798,538	3,414,000	1,247,767	469,705
<b>Current</b>				
<i>Secured:</i>				
Term loans	284,385	543,823	-	-
Bridging loans	93,825	112,488	-	-
Revolving credits	630,602	402,200	-	-
Medium term note and Commercial paper	63,500	30,000	-	-
Bank overdrafts	31,285	8,116	-	-
<i>Unsecured:</i>				
Term loans	358,000	300,000	358,000	300,000
Bridging loans	134,102	-	-	-
Revolving credits	360,000	330,000	360,000	290,000
Bank overdrafts	18,072	56,271	18,072	56,271
	1,973,771	1,782,898	736,072	646,271
Total borrowings	5,772,309	5,196,898	1,983,839	1,115,976
The borrowings are repayable as follows:				
Not later than one year	1,973,771	1,782,898	736,072	646,271
Later than one year but not later than five years	2,691,544	2,929,855	533,704	469,705
Later than five years	1,106,994	484,145	714,063	-
	5,772,309	5,196,898	1,983,839	1,115,976

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The range of interest rates at the reporting date for borrowings are as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Term loans	2.45 - 7.80	1.59 - 8.00	2.45 - 4.91	2.98 - 4.76
Bridging loans	4.22 - 4.52	4.40 - 5.21	-	-
Revolving credits	4.27 - 5.16	4.10 - 5.15	4.27 - 5.16	4.38 - 4.76
Medium term note and Commercial paper	4.13 - 4.55	4.33 - 4.39	-	-
Bank overdrafts	4.14 - 7.47	4.23 - 7.60	4.36 - 4.70	4.23 - 4.70

The borrowings are secured by:

- various fixed charges and deeds of assignment over various lands belonging to the Group as indicated in Notes 2, 3, 4 and 12 above; and
- short-term deposit, sinking fund, debt service reserve, escrow and revenue accounts as indicated in Notes 17 and 18 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 MTN and CP with a total nominal value of RM505 million (the “Programmes”). The Programmes comprise the issuance of two tranches, collectively known CP/MTN Programme:

- 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; and
- 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:

- Tranche 3 : CP Issuance - Up to RM75 million to finance the infrastructure costs, earth works and development costs with tenure up to 7 years from the date of first issuance.

The interest payment is due every month with the interest rate between 4.13% to 4.55% per annum, commencing from the issue date of the relevant tranches.

The MTN/CP are secured by a first party fixed charge over the freehold land belonging to Setia Ecohill and a corporate guarantee from the Company.

As at 31 December 2016, Setia Ecohill has utilised the entire issuance of the Tranche 1 MTN of RM305 million, Tranche 2 CP of RM200 million and Tranche 3 CP of RM75 million.



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As at 31 December 2016, Tranche 1 MTN nominal value of RM234.9 million, Tranche 2 CP nominal value of RM37.5 million and Tranche 3 CP nominal value of RM16 million were redeemed.

The currency exposure profile of borrowings is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysian Ringgit	5,048,785	4,837,159	1,269,776	1,077,690
Great British Pound	714,063	38,286	714,063	38,286
United States Dollar	8,587	19,181	-	-
Vietnamese Dong	874	1,986	-	-
Singapore Dollar	-	196,670	-	-
Australian Dollar	-	103,616	-	-
	5,772,309	5,196,898	1,983,839	1,115,976

**24. TRADE PAYABLES**

	Group	
	2016 RM'000	2015 RM'000
Sub-contractors' claims	272,179	216,538
Retention sums	364,803	322,504
Accrued construction costs	709,784	664,685
Others	16,904	37,714
	1,363,670	1,241,441

The normal credit terms extended by sub-contractors and suppliers range from 15 to 90 days (2015: 15 to 90 days). The retention sums are repayable upon the expiry of the defect liability period of 6 to 36 months (2015: 6 to 36 months).

Other trade payables are required to be settled within 14 to 60 days (2015: 14 to 60 days).

The currency exposure profile of trade payables is as follows:

	Group	
	2016 RM'000	2015 RM'000
Malaysian Ringgit	1,275,298	1,201,435
Singapore Dollar	86,906	38,959
Vietnamese Dong	1,466	1,047
	1,363,670	1,241,441

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**25. OTHER PAYABLES AND ACCRUALS**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Non-current</b>				
Unpaid consideration for acquisition of development land	40,000	-	-	-
<b>Current</b>				
Unsecured advances	18,094	43,884	-	-
Interest accrued	8,576	4,548	5,583	1,646
Deposits received	14,828	8,521	-	-
Deferred revenue	9,319	5,858	-	-
Unpaid consideration for acquisition of development land	6,600	6,600	-	-
Accrued selling and marketing costs	92,271	115,402	-	-
Other sundry payables and accruals	366,821	365,862	5,845	9,089
	516,509	550,675	11,428	10,735
<b>Total</b>	<b>556,509</b>	<b>550,675</b>	<b>11,428</b>	<b>10,735</b>

The unsecured advances are from minority shareholders of a subsidiary company. These advances are interest free and payable on demand.

The currency exposure profile of other payables and accruals is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysian Ringgit	469,799	519,566	11,428	10,735
Singapore Dollar	5,546	13,569	-	-
Australian Dollar	69,425	10,324	-	-
Vietnamese Dong	11,730	7,197	-	-
United States Dollar	2	11	-	-
Hong Kong Dollar	4	8	-	-
Indonesian Rupiah	3	-	-	-
	556,509	550,675	11,428	10,735

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**26. PROVISION FOR AFFORDABLE HOUSING**

	Group	
	2016 RM'000	2015 RM'000
<b>Current</b>		
At beginning of the year/period	458,540	615,358
Addition	146,382	41,532
Reversal	(77,236)	(168,296)
Utilised	(23,428)	(30,054)
At end of the year/period	504,258	458,540

The provision for affordable housing represents the present obligation for construction of low cost houses.

**27. REVENUE**

	Group	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Sale of development properties	4,484,432	6,222,802
Contract revenue	305,997	280,856
Sale of other goods and services	166,736	242,685
	4,957,165	6,746,343

**28. COST OF SALES**

	Group	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Cost of properties sold	3,077,240	4,226,872
Contract cost recognised as expense	293,557	265,072
Cost of other goods and services sold	144,953	191,111
	3,515,750	4,683,055

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

29. OTHER INCOME

	Group		Company	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Gross dividends from:				
- subsidiary companies	-	-	622,767	420,468
Interest income from:				
- subsidiary companies	-	-	80,346	112,404
- jointly controlled entities	17,579	15,567	7,601	7,426
- deposits	58,486	68,735	19,907	29,656
- financial assets measured at amortised cost	266	-	5,583	5,471
- others	42,920	49,007	774	90
Rental income from:				
- investment properties	56,095	17,110	-	-
- other operating leases	1,565	2,253	-	-
Allowance for doubtful debts no longer required	-	17	-	-
Gain on disposal of investment properties	229	-	-	-
Gain on disposal of property, plant and equipment	265	197	25	1
Gain arising from fair value adjustment on financial liabilities carried at amortised cost	-	-	2,793	-
Gain on disposal of subsidiary company	-	636	-	-
Gain on liquidation of subsidiary company	1,123	-	-	-
Liquidated and ascertained damages income on late completion	13,856	19,492	-	-
Forfeiture income	3,190	2,207	-	-
Gain on foreign exchange				
- realised	13,926	1,701	-	-
- unrealised	32,625	3,718	31,789	1,558
Recoveries and other miscellaneous income	15,234	42,807	9,091	10,551
	257,359	223,447	780,676	587,625

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

## 30. FINANCE COSTS

	Group		Company	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Bank overdraft interest	3,326	3,231	2,168	2,421
Revolving credit interest	31,446	27,990	13,783	14,243
Term loan interest	71,615	67,074	46,192	39,786
Preference share dividend	2,325	1,485	-	-
Interest expense to:				
- subsidiary companies	-	-	6,705	1,458
Interest expense on financial liabilities measured at amortised cost	3,349	3,196	-	-
Others	8,227	7,316	3,912	1,429
	120,288	110,292	72,760	59,337

## 31. PROFIT BEFORE TAX

	Group		Company	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Profit before tax is stated after charging/(crediting):				
Auditors' remuneration				
- current year	1,632	1,334	130	123
- underprovision in prior period/year	300	50	50	-
- other services	502	975	293	975
Bad debts	3,672	6,501	3,672	-
Doubtful debts	403	719	-	794
Depreciation				
- property, plant and equipment	19,019	26,136	2	6
- investment properties	7,009	6,870	10	11
Direct operating expenses on				
- income generating investment properties	4,907	6,600	-	-
- non-income generating investment properties	8	8	8	8

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

	Group		Company	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Directors' remuneration				
- Company's Directors				
- fees and other emoluments	6,827	12,953	2,071	2,333
- share-based payment under LTIP	945	1,793	-	-
- Other key management personnel				
- fees	9	12	-	-
- other emoluments	19,392	22,009	-	-
- share-based payment under LTIP	7,758	7,219	-	-
Property, plant and equipment written off	52	482	17	1
Loss from fair value adjustment of financial assets/liabilities	4,006	-	1,089	1,825
Loss on disposal of property, plant and equipment	55	148	-	-
Rental expense on:				
- equipment	9,223	11,571	111	100
- premises	1,563	3,823	-	-
Loss on foreign exchange - realised	-	-	706	-

Directors' remuneration does not include the estimated monetary value of benefits-in-kind as follows:

	Group		Company	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Company's Directors	18	15	18	15
Subsidiaries' Directors	1,277	474	-	-

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**32. TAX EXPENSE**

	Group		Company	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Tax based on results for the year/period				
- Malaysian income tax	261,244	298,267	3,711	13,234
- foreign income tax	81,175	105,031	-	-
- deferred tax	(71,422)	44,941	50	(622)
	270,997	448,239	3,761	12,612
Under/(over) provision in prior period/years				
- Malaysian income tax	12,488	732	(1,484)	1,320
- foreign income tax	(3,533)	-	-	-
- deferred tax	5,438	(33,538)	-	-
	285,390	415,433	2,277	13,932

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year/period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Accounting profit (excluding share of results in jointly controlled entities and associated companies)	1,111,077	1,531,438	682,869	505,889

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

	Group		Company	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Taxation at applicable 24% (2015: 25%) tax rate	266,658	382,859	163,889	126,472
Tax effects arising from:				
Non-deductible expenses	16,757	65,665	3,867	10,362
Perpetual bond distribution	(8,697)	(10,573)	(8,697)	(10,573)
Non-taxable income				
- interest income	(10,467)	(13,500)	(5,834)	(8,558)
- single tier dividend	-	-	(149,464)	(105,117)
Deferred tax assets not recognised	12,079	12,601	-	-
Utilisation of tax losses brought forward from previous period/years	(7,327)	(3,687)	-	-
Effect on different tax rate used	1,994	14,874	-	26
Under/(over) provision in prior period/years	14,393	(32,806)	(1,484)	1,320
	<u>285,390</u>	<u>415,433</u>	<u>2,277</u>	<u>13,932</u>
Tax savings during the financial year/period arising from:				
Utilisation of current year/period tax losses	1,133	906	-	-
Utilisation of tax losses brought forward from previous period/years	7,327	3,687	-	-

The Company is on the single tier income tax system; accordingly the entire retained earnings of the Company are available for distribution by way of dividend without incurring additional tax liability.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

33. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share has been calculated by dividing the Group's profit for the year/period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year/period. The weighted average number of ordinary shares in issue is calculated as follows:

	Group	
	1.1.2016 to 31.12.2016 '000	1.11.2014 to 31.12.2015 '000
Profit for the financial year/period attributable to owners of the Company (RM)	808,030	918,258
Number of ordinary shares at beginning of the year/period	2,628,356	2,538,332
Effect of shares issued pursuant to:		
- DRP	76,833	29,272
- vesting of ESGP	4,315	2,904
- exercise of ESOS	399	4,785
Weighted average number of ordinary shares	<u>2,709,903</u>	<u>2,575,293</u>
Basic Earnings Per Share (sen)	<u>29.82</u>	<u>35.66</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

Diluted earnings per share

The diluted earnings per share has been calculated by dividing the Group's profit for the year/period attributable to owners of the Company 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, as well as full conversion of RCPS-i at the conversion ratio of 2 ordinary shares for 7 RCPS-i, calculated as follows:

	Group	
	1.1.2016 to 31.12.2016 '000	1.11.2014 to 31.12.2015 '000
Profit for the financial year/period attributable to owners of the Company (RM)	808,030	918,258
Weighted average number of ordinary shares calculated above	2,709,903	2,575,293
Weighted average number of unissued shares under the LTIP	20,197	25,761
Weighted average number of unissued shares under RCPS-i	322,178	-
	-----	-----
Adjusted weighted average number of ordinary shares that would have been in issue	3,052,278	2,601,054
	=====	=====
Diluted Earnings Per Share (sen)	26.47	35.30
	=====	=====

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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## 34. DIVIDENDS

	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
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*In respect of the financial year ended 31 October 2014*

Single-tier final dividend of 5.7 sen per share:

- Reinvested into 42,786,880 new ordinary shares at an issue price of RM3.10 per ordinary share pursuant to the DRP	-	132,639
- Payment in cash	-	12,271

*In respect of the financial period ended 31 December 2015*

Single-tier interim dividend of 4 sen per share :

- Reinvested into 33,025,020 new ordinary shares at an issue price of RM2.83 per ordinary share pursuant to the DRP	-	93,461
- Payment in cash	-	10,348

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	-
	<u>612,154</u>	<u>248,719</u>

Subsequent to 31 December 2016, the Directors recommended a single tier final dividend of 16 sen per ordinary shares amounting to RM456,563,186 in respect of the financial year ended 31 December 2016, subject to approval in the next Annual General Meeting.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

35. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
Employee benefits expense	275,042	342,398	11,301	17,376

Included in employee benefits expense are the following:

	Group		Company	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
EPF	18,599	29,306	725	1,275
Share-based payment under the LTIP	31,483	44,887	643	961

36. CHANGES IN THE COMPOSITION OF THE GROUP

Dissolution of subsidiary

During the financial year, the Group has dissolved its wholly owned subsidiary, Setia Jersey Investment Holding Company Limited ("Setia Jersey").

The Group recognises a net gain of RM1,123,000 from the dissolution of Setia Jersey. Setia Jersey has been dormant since its incorporation and accordingly, no disclosures were made on the effects of dissolution as the financial impact is immaterial to the financial position of the Group.



## APPENDIX V

## AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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	Group		Company		Group		Company	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	2016	2015	2016	2015
			Transaction value		Balance outstanding			
<b>Transactions with jointly controlled entities</b>								
Management fee received and receivable	6,066	22,153	-	-	1,040	20,840	-	-
Management fee paid and payable	240	280	-	-	20	280	-	-
Construction services rendered	231,255	132,317	-	-	175,452	73,754	-	-
Interest received and receivable	22,174	10,146	7,601	7,426	20,547	9,445	17,038	9,437
Rental received and receivable	735	1,352	-	-	70	352	-	-
Staff secondment fee paid and payable	350	1,090	-	-	32	36	-	-
Event service fee paid and payable	122	160	-	-	-	16	-	-
Advertisement fee paid and payable	138	-	-	-	2	-	-	-
Group marketing fee paid and payable	10	225	-	-	363	-	-	-
<b>Transactions with Directors of the Company and close family members of the Directors</b>								
Sale of development properties to								
- Dato' Khor Chap Jen	1,550	-	-	-	-	-	-	-
- Dato' Ahmad Pargas Bin Senin and close family members	4,824	-	-	-	(10)	-	-	-
- Dato' Halipah Binti Esa and close family members	4,066	-	-	-	(30)	-	-	-
- Dato' Azmi bin Mohd Ali	1,410	-	-	-	(10)	-	-	-
- Philip Tan Puay Koon	1,536	-	-	-	-	-	-	-

## APPENDIX V

## AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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	Group		Company		Group		Company	
	1.1.2016	1.11.2014	1.1.2016	1.11.2014	2016	2015	2016	2015
	to	to	to	to				
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000				
<i>Transactions with Directors of subsidiary companies and close family members of the Directors</i>								
Sale of development properties to								
- Datuk Wong Tuck Wai	1,735	1,787	-	-	67	199	-	-
- Datuk Koe Peng Kang	2,942	1,820	-	-	221	36	-	-
- Yeo Cheng Jway	-	-	-	-	-	10	-	-
- Jamalullail Bin Abu Bakar	924	-	-	-	-	11	-	-
- Choong Kai Wai	809	1,376	-	-	1	79	-	-
- Datuk Koe Peng Kang and close family member	-	1,877	-	-	-	36	-	-
- Tan Hon Lim and close family member	-	1,787	-	-	-	225	-	-
- Neo Keng Hoe and close family member	-	-	-	-	-	17	-	-
- Saw Kim Suan and close family member	-	-	-	-	-	13	-	-
- Choy Kah Yew	-	784	-	-	-	(55)	-	-
- Soh Hee Pin and close family member	-	1,787	-	-	-	12	-	-
- Sha'ari Bin Hanapi	-	233	-	-	24	-	-	-
- Close family member of Kow Choong Ming	-	1,787	-	-	-	10	-	-
- Tan Mui Hiang	2,000	-	-	-	108	-	-	-
Estate management fee charged to								
- Datuk Wong Tuck Wai	-	13	-	-	-	-	-	-
Personal training fee charged to								
- Close family members of Datuk Koe Peng Kang	12	-	-	-	-	-	-	-

## APPENDIX V

## AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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	Transaction value		Balance outstanding	
	Group	Company	Group	Company
	1.1.2016	1.1.2016	2016	2016
	to	to	2015	2015
	31.12.2016	31.12.2016	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
<b>Transactions with former Director of the Company</b>				
Sale of development properties to				
- Tun Dato' Seri Zaki Bin Tun Azmi	-	-	48	-
<b>Transactions with former Director of subsidiary companies</b>				
Estate management fee charged to				
- Norhayati Binti Subali	-	17	-	-
<b>Transactions with Director of jointly controlled entities and close family member of the Director</b>				
Sale of development property to				
- Ling Thou Lung and close family member	1,275	-	-	-



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

***Transactions with shareholders and Government***

Permodalan Nasional Berhad (“PNB”), a government-linked entity, is a shareholder of the Company, with direct shareholding of 27.98% (2015: 51.05%). PNB and entities directly controlled by PNB are collectively referred to as government-related entities to the Group and the Company.

On 2 December 2016, PNB subscribed RM575,157,532 of the RCPS-i issued by the Company (see Note 20).

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

	Group		Company	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
<i>Directors</i>				
Fees, salary, bonuses and other emoluments	6,317	11,815	2,071	2,333
Estimated monetary value of benefits-in-kind	18	15	18	15
Share-based payment under the LTIP	945	1,793	-	-
Total short-term employee benefits	7,280	13,623	2,089	2,348
Post-employment benefits - EPF and SOCSO	510	1,138	-	-
	7,790	14,761	2,089	2,348

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

## (b) Key management personnel compensation (continued)

	Group		Company	
	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000	1.1.2016 to 31.12.2016 RM'000	1.11.2014 to 31.12.2015 RM'000
<i>Other key management personnel</i>				
Fees	9	12	-	-
Salary, allowances and bonuses	17,244	22,244	-	-
Estimated monetary value of benefits-in-kind	1,277	474	-	-
Share-based payment under the LTIP	7,758	7,219	-	-
<b>Total short-term employee benefits</b>	<b>26,288</b>	<b>29,949</b>	<b>-</b>	<b>-</b>
Post-employment benefits - EPF and SOCSO	2,148	2,342	-	-
	<b>28,436</b>	<b>32,291</b>	<b>-</b>	<b>-</b>
<b>Total compensation</b>	<b>36,226</b>	<b>47,052</b>	<b>2,089</b>	<b>2,348</b>

Shares and share options granted to Directors and other key management personnel

1,291,179 ESGP and 8,145,000 ESOS were granted to the Company's Executive Directors and other key management personnel during the financial year (2015: 1,088,880 ESGP and 13,515,480 ESOS).

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**38. COMMITMENTS**

**(a) Operating lease commitments**

*The Group as lessee*

The Group leases premises from various parties under operating leases. These leases are cancellable and typically run for a period ranging from 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	
	2016	2015
	RM'000	RM'000
Not later than one year	1,258	1,400
Later than one year but not later than five years	1,611	824
	2,869	2,224
	2,869	2,224

*The Group as lessor*

The Group leases out its investment properties to third parties under non-cancellable operating leases. These leases typically run for a period of 2 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	
	2016	2015
	RM'000	RM'000
Not later than one year	22,851	16,373
Later than one year but not later than five years	62,354	54,280
Later than five years	324,261	358,268
	409,466	428,921
	409,466	428,921

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## (b) Other commitments

	Group	
	2016	2015
	RM'000	RM'000
Commitments to purchase development land		
- Contracted		
- Seberang Perai Utara, Pulau Pinang	558,110	-
- 308-326 Exhibition Street, Melbourne, Australia	294,425	-
Contractual commitment for construction of investment properties	306,692	496,898
Commitment to acquire property, plant and equipment - approved and contracted	2,238	192
Contractual commitments in relation to Development Agreement	-	100,000
	<u>1,161,465</u>	<u>597,090</u>

## 39. CONTINGENT LIABILITIES (UNSECURED)

	Company	
	2016	2015
	RM'000	RM'000
Guarantees given to banks to secure banking facilities granted to subsidiary companies	3,343,809	3,526,639
Guarantees given to banks for performance bonds granted to subsidiary companies	97,411	19,002
Guarantees given to the suppliers of goods for credit terms granted to subsidiary companies	3,341	641
	<u>3,444,561</u>	<u>3,546,282</u>

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**40. 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 but to retain a proportion of fixed rate borrowings. The objective of a mix of fixed and floating rate borrowings is to reduce the impact of a rise in interest rates and to enable savings to be enjoyed if interest rates fall. 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.

**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	
	2016	2015	2016	2015
	%	%	%	%
Weighted average interest rate	4.40	4.21	3.89	4.49

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A sensitivity analysis has been performed based on the outstanding floating rate bank borrowings of the Group and the Company as at 31 December 2016. 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 RM14,189,000 and RM9,829,000 (2015: RM8,114,000 and RM3,580,000) 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 RM14,426,000 (2015: RM15,870,000).

(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 15 to the financial statements. 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.

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(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:

	2016	2015
Great British Pound	5.514	6.381
Australian Dollar	3.239	3.137
Singapore Dollar	3.099	3.044
Chinese Yuan	0.645	0.663

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	
		2016	2015
		RM'000	RM'000
Great British Pound/RM	- strengthened by 10%	161,518	99,632
	- weakened by 10%	(161,518)	(99,632)
Australian Dollar/RM	- strengthened by 10%	84,049	73,137
	- weakened by 10%	(84,049)	(73,137)
Singapore Dollar/RM	- strengthened by 10%	48,021	48,024
	- weakened by 10%	(48,021)	(48,024)
Chinese Yuan/RM	- strengthened by 10%	12,187	12,022
	- weakened by 10%	(12,187)	(12,022)

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(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.

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.

	2016 RM'000			Total
	On demand or within one year	One to five years	Over five years	
<b><u>Group</u></b>				
<b>Financial liabilities:</b>				
Trade payables	1,363,670	-	-	1,363,670
Other payables and accruals	516,509	40,000	-	556,509
Long term borrowings	101,749	3,036,162	1,234,042	4,371,953
Short term borrowings	2,100,647	-	-	2,100,647
Redeemable cumulative preference shares	2,141	54,809	-	56,950
<b>Total undiscounted financial liabilities</b>	<b>4,084,716</b>	<b>3,130,971</b>	<b>1,234,042</b>	<b>8,449,729</b>



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	2016 RM'000			Total
	On demand or within one year	One to five years	Over five years	
<b><u>Company</u></b>				
<b>Financial liabilities:</b>				
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
<b>Total undiscounted financial liabilities</b>	<b>916,835</b>	<b>551,745</b>	<b>794,063</b>	<b>2,262,643</b>
<b><u>Group</u></b>				
<b>Financial liabilities:</b>				
Trade payables	1,241,441	-	-	1,241,441
Other payables and accruals	550,675	-	-	550,675
Long term borrowings	52,717	3,348,863	489,243	3,890,823
Short term borrowings	1,944,423	-	-	1,944,423
Redeemable cumulative preference shares	2,151	56,363	-	58,514
<b>Total undiscounted financial liabilities</b>	<b>3,791,407</b>	<b>3,405,226</b>	<b>489,243</b>	<b>7,685,876</b>
<b><u>Company</u></b>				
<b>Financial liabilities:</b>				
Amounts owing to subsidiary companies	166,335	-	-	166,335
Other payables and accruals	10,735	-	-	10,735
Long term borrowings	10,797	496,561	-	507,358
Short term borrowings	681,920	-	-	681,920
<b>Total undiscounted financial liabilities</b>	<b>869,787</b>	<b>496,561</b>	<b>-</b>	<b>1,366,348</b>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**41. FAIR VALUE OF FINANCIAL INSTRUMENTS**

**(a) Classification of financial instruments**

The Group's and the Company's financial assets are categorised as loans and receivables except for property development costs, gross amount due from customers, inventories, accrued billings and prepayments which are categorised as other current assets.

The Group's and the Company's financial liabilities are categorised as financial liabilities measured at amortised cost except for gross amount due to customers and progress billings which are categorised as other current liabilities.

**(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, by revaluation method. 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:

2016	Group		Company	
	Carrying amount RM'000	Fair value RM'000 Level 2	Carrying amount RM'000	Fair value RM'000 Level 2

**Financial assets:**

Amounts owing by subsidiary companies

-	-	1,790,889	#
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	Group		Company	
	Carrying amount RM'000	Fair value RM'000 Level 2	Carrying amount RM'000	Fair value RM'000 Level 2
<b>Financial liabilities:</b>				
Redeemable cumulative	53,513	46,537	-	-
Floating rate long term borrowings	3,798,538	*	1,247,767	*
2015				
	Carrying amount RM'000	Fair value RM'000 Level 2	Carrying amount RM'000	Fair value RM'000 Level 2
<b>Financial assets:</b>				
Amounts owing by subsidiary companies	-	-	1,392,759	#
<b>Financial liabilities:</b>				
Redeemable cumulative	53,770	48,677	-	-
Fixed rate long term borrowings	200,000	184,006	200,000	184,006
Floating rate long term borrowings	3,214,000	*	269,705	*

\* *The carrying amounts are reasonable approximation of fair values because they are floating rate instruments which are repriced to market interest rates.*

# *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.

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**42. 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, reserve 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 2016 and period ended 31 December 2015.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Debt:</b>				
Long term borrowings	3,798,538	3,414,000	1,247,767	469,705
Redeemable cumulative preference shares	53,513	53,770	-	-
Short term borrowings	1,973,771	1,782,898	736,072	646,271
<b>Total debt</b>	<b>5,825,822</b>	<b>5,250,668</b>	<b>1,983,839</b>	<b>1,115,976</b>
<b>Short-term deposits, cash and bank balances:</b>				
Short-term deposits	2,704,840	2,019,912	1,582,554	613,316
Cash and bank balances	1,465,287	1,732,218	15,512	32,760
	<b>4,170,127</b>	<b>3,752,130</b>	<b>1,598,066</b>	<b>646,076</b>
<b>Net debt</b>	<b>(1,655,695)</b>	<b>(1,498,538)</b>	<b>(385,773)</b>	<b>(469,900)</b>
<b>Total Equity</b>	<b>10,243,081</b>	<b>8,392,439</b>	<b>7,446,559</b>	<b>5,667,456</b>
<b>Gross gearing ratio</b>	<b>0.57</b>	<b>0.63</b>	<b>0.27</b>	<b>0.20</b>
<b>Net gearing ratio</b>	<b>0.16</b>	<b>0.18</b>	<b>0.05</b>	<b>0.08</b>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**43. 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.

**(a) Segment results**

<b>1.1.2016 to 31.12.2016</b>	<b>Property Development RM'000</b>	<b>Construction RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>REVENUE</b>					
External sales	4,484,432	305,997	166,736	-	4,957,165
Inter-segment sales	345,843	356,026	25,342	(727,211)	-
<b>Total revenue</b>	<b>4,830,275</b>	<b>662,023</b>	<b>192,078</b>	<b>(727,211)</b>	<b>4,957,165</b>
<b>RESULTS</b>					
Gross profit	1,407,192	12,440	21,783	-	1,441,415
Other income	231,685	8,960	16,714	-	257,359
Operating expenses	(430,486)	(14,829)	(22,094)	-	(467,409)
Share of results of jointly controlled entities	68,625	-	90	-	68,715
Share of results of associated companies	4,877	-	-	-	4,877
Finance costs	(108,983)	(627)	(10,678)	-	(120,288)
<b>Profit before tax</b>	<b>1,172,910</b>	<b>5,944</b>	<b>5,815</b>	<b>-</b>	<b>1,184,669</b>
Tax expense					(285,390)
<b>Profit for the year</b>					<b>899,279</b>

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## (a) Segment results (continued)

1.11.2014 to 31.12.2015	Property Development RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>REVENUE</b>					
External sales	6,222,802	280,856	242,685	-	6,746,343
Inter-segment sales	193,714	398,724	61,922	(654,360)	-
<b>Total revenue</b>	<b>6,416,516</b>	<b>679,580</b>	<b>304,607</b>	<b>(654,360)</b>	<b>6,746,343</b>
<b>RESULTS</b>					
Gross profit	1,995,930	15,784	51,574	-	2,063,288
Other income	199,102	4,452	19,893	-	223,447
Operating expenses	(609,457)	(11,674)	(23,874)	-	(645,005)
Share of results of jointly controlled entities	(108,644)	-	(886)	-	(109,530)
Share of results of associated companies	4,533	-	-	-	4,533
Finance costs	(101,133)	(42)	(9,117)	-	(110,292)
<b>Profit before tax</b>	<b>1,380,331</b>	<b>8,520</b>	<b>37,590</b>	<b>-</b>	<b>1,426,441</b>
Tax expense					(415,433)
<b>Profit for the period</b>					<b>1,011,008</b>

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## (b) Segment assets, liabilities and other information

	Property Development RM'000	Construction RM'000	Others RM'000	Consolidated RM'000
<b>2016</b>				
Segment assets	13,558,287	225,102	2,812,006	16,595,395
Investments in jointly controlled entities	1,736,092	-	(58,369)	1,677,723
Investments in associated companies	121,873	-	-	121,873
Current and deferred tax assets	276,005	2,560	16,384	294,949
Consolidated total assets				18,689,940
Segment liabilities	7,450,753	178,791	692,016	8,321,560
Current and deferred tax liabilities	122,029	3,207	63	125,299
Consolidated total liabilities				8,446,859
Additions to non-current assets* (other than financial instruments and deferred tax assets)	913,735	6,036	280,030	
Interest income	98,184	8,290	12,777	
Depreciation	(22,310)	(58)	(3,660)	
Other non-cash items	72,949	(3,453)	(4,682)	
<b>2015</b>				
Segment assets	12,403,987	118,580	2,493,390	15,015,957
Investments in jointly controlled entities	1,145,293	-	(58,458)	1,086,835
Investments in associated companies	120,217	-	-	120,217
Current and deferred tax assets	185,788	2,366	11,578	199,732
Consolidated total assets				16,422,741
Segment liabilities	7,362,925	125,837	354,566	7,843,328
Current and deferred tax liabilities	172,917	658	13,399	186,974
Consolidated total liabilities				8,030,302
Additions to non-current assets* (other than financial instruments and deferred tax assets)	603,500	1,624	106,009	
Interest income	119,424	3,939	9,946	
Depreciation	(27,510)	(1,319)	(4,177)	
Other non-cash items	(152,925)	(4,051)	614	

\* Non-current assets comprise property, plant and equipment, investment properties, intangible and land held for property development.