

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

Interim Financial Report
30 September 2016

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Interim Financial Report - 30 September 2016

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S P SETIA BERHAD
 (Company No: 19698-X)
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016
(The figures have not been audited)

| | (UNAUDITED) | (AUDITED) |
|--|--------------------------|--------------------------|
| | As At | As At |
| | 30/09/2016 | 31/12/2015 |
| | RM'000 | RM'000 |
| ASSETS | | |
| Non-Current Assets | | |
| Property, Plant and Equipment | 256,715 | 260,051 |
| Investment Properties | 944,537 | 726,378 |
| Land Held for Property Development | 5,446,838 | 5,304,330 |
| Intangible Asset | 9,815 | 7,215 |
| Investments in Jointly Controlled Entities | 1,366,663 | 1,086,835 |
| Investment in an Associated Company | 112,810 | 120,217 |
| Deferred Tax Assets | 144,527 | 126,529 |
| | <u>8,281,905</u> | <u>7,631,555</u> |
| Current Assets | | |
| Property Development Costs | 2,502,466 | 2,111,798 |
| Gross Amount Due from Customers | 19,333 | 14,189 |
| Inventories | 772,789 | 878,926 |
| Trade and Other Receivables | 1,665,294 | 1,450,540 |
| Amounts Owing by Jointly Controlled Entities | 642,171 | 510,293 |
| Amount Owing by an Associated Company | 138 | 107 |
| Current Tax Assets | 123,771 | 73,203 |
| Short-Term Deposits | 1,624,679 | 2,019,912 |
| Cash and Bank Balances | 1,202,847 | 1,732,218 |
| | <u>8,553,488</u> | <u>8,791,186</u> |
| TOTAL ASSETS | <u><u>16,835,393</u></u> | <u><u>16,422,741</u></u> |
| EQUITY AND LIABILITIES | | |
| EQUITY | | |
| Share Capital | 2,113,357 | 1,971,266 |
| Reserves | | |
| Share Premium | 2,860,901 | 2,496,683 |
| Share Based Payment Reserve | 58,476 | 63,037 |
| Exchange Translation Reserve | 126,438 | 341,343 |
| Retained Earnings | 2,406,134 | 2,522,315 |
| Equity Attributable to Owners of the Company | <u>7,565,306</u> | <u>7,394,644</u> |
| Perpetual Bond | 619,920 | 610,787 |
| Non-controlling Interests | 409,135 | 387,008 |
| Total Equity | <u>8,594,361</u> | <u>8,392,439</u> |
| Non-Current Liabilities | | |
| Long Term Borrowings | 3,988,307 | 3,414,000 |
| Redeemable Cumulative Preference Shares | 52,403 | 53,770 |
| Deferred Tax Liabilities | 57,197 | 40,476 |
| | <u>4,097,907</u> | <u>3,508,246</u> |
| Current Liabilities | | |
| Gross Amount Due to Customers | 347 | 125 |
| Trade and Other Payables | 1,785,274 | 2,133,995 |
| Provision for Affordable Housing | 406,233 | 458,540 |
| Short Term Borrowings | 1,789,060 | 1,718,511 |
| Bank Overdrafts | 98,807 | 64,387 |
| Current Tax Liabilities | 63,404 | 146,498 |
| | <u>4,143,125</u> | <u>4,522,056</u> |
| Total Liabilities | <u>8,241,032</u> | <u>8,030,302</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>16,835,393</u></u> | <u><u>16,422,741</u></u> |
| Net Assets Per Share Attributable to Owners of the Company | <u>2.68</u> | <u>2.81</u> |

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the 14 months period ended 31 December 2015 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD
 (Company No.: 19698-X)
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016
(The figures have not been audited)

| | CURRENT QUARTER * | CUMULATIVE QUARTER * |
|--|---|---|
| | 3 MONTHS ENDED 30/09/2016 RM'000 | 9 MONTHS ENDED 30/09/2016 RM'000 |
| Revenue | 1,263,607 | 3,185,366 |
| Cost of sales | (932,187) | (2,298,807) |
| Gross profit | <u>331,420</u> | <u>886,559</u> |
| Other income | 64,617 | 192,563 |
| Selling and marketing expenses | (31,852) | (98,726) |
| Administrative and general expenses | (55,189) | (176,263) |
| Share of results of jointly controlled entities | (15,145) | (58,689) |
| Share of results of an associated company | 593 | 686 |
| Finance costs | (34,004) | (88,695) |
| Profit before tax | <u>260,440</u> | <u>657,435</u> |
| Tax expense | (106,694) | (220,827) |
| Profit for the period | <u>153,746</u> | <u>436,608</u> |
| Other comprehensive income, net of tax: | | |
| Item that may be reclassified to profit or loss in subsequent periods: | | |
| - Exchange differences on translation of foreign operations | 33,850 | (215,252) |
| Total comprehensive income for the period | <u>187,596</u> | <u>221,356</u> |
| Profit attributable to: | | |
| Holders of Perpetual Bond | 9,133 | 27,201 |
| Non-controlling interests | 10,548 | 26,172 |
| | <u>19,681</u> | <u>53,373</u> |
| Owners of the Company | <u>134,065</u> | <u>383,235</u> |
| | <u>153,746</u> | <u>436,608</u> |
| Total comprehensive income attributable to: | | |
| Holders of Perpetual Bond | 9,133 | 27,201 |
| Non-controlling interests | 10,755 | 25,825 |
| | <u>19,888</u> | <u>53,026</u> |
| Owners of the Company | <u>167,708</u> | <u>168,330</u> |
| | <u>187,596</u> | <u>221,356</u> |
| Earnings per share attributable to equity holders of the Company | | |
| - Basic earnings per share (sen) | <u>4.88</u> | <u>14.36</u> |
| - Diluted earnings per share (sen) | <u>4.84</u> | <u>14.26</u> |

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the 14 months period ended 31 December 2015 and the accompanying explanatory notes in this report.)

* In 2015, the Company changed its financial year end from 31 October to 31 December and made up its financial statements for the 14 months period ended 31 December 2015.

Consequently, the 2015 quarterly financial reporting periods do not correspond with the 2016 quarterly financial reporting periods, and the 2015 quarterly results do not form a proper basis for comparison with the 2016 quarterly results. The 2015 quarterly results have therefore not been included in this report as comparative figures.

S P SETIA BERHAD
 (Company No.: 19698-X)
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016
(The figures have not been audited)

| | Attributable to owners of the Company | | | | Retained Earnings RM'000 | Total RM'000 | Perpetual Bond RM'000 | Non-controlling interests RM'000 | Total Equity RM'000 |
|--|---------------------------------------|-------------------------|---------------------------------------|--|-----------------------------|------------------|--------------------------|-------------------------------------|------------------------|
| | Share Capital RM'000 | Share Premium RM'000 | Share Based Payment Reserve RM'000 | Exchange Translation Reserve RM'000 | | | | | |
| 9 months ended 30 September 2016 | | | | | | | | | |
| Balance at 01.01.2016 | 1,971,266 | 2,496,683 | 63,037 | 341,343 | 2,522,315 | 7,394,644 | 610,787 | 387,008 | 8,392,439 |
| Total other comprehensive income for the period represented by exchange differences on translation of foreign operations | - | - | - | (214,905) | - | (214,905) | - | (347) | (215,252) |
| Profit for the period | - | - | - | - | 383,235 | 383,235 | - | 26,172 | 409,407 |
| Distribution for the period | - | - | - | - | - | - | 27,201 | - | 27,201 |
| Distribution paid | - | - | - | - | - | - | (18,068) | - | (18,068) |
| Transactions with owners: | | | | | | | | | |
| Dividends paid | - | - | - | - | - | - | - | (3,698) | (3,698) |
| Issuance of ordinary shares | | | | | | | | | |
| - Dividend Reinvestment Plan ("DRP") | 134,974 | 341,933 | - | - | (499,416) | (22,509) | - | - | (22,509) |
| - Exercise of Employee Share Grant Plan ("ESGP") | 6,847 | 21,444 | (28,291) | - | - | - | - | - | - |
| - Exercise of Employee Share Option Scheme ("ESOS") | 270 | 1,007 | (187) | - | - | 1,090 | - | - | 1,090 |
| Share issuance expense | - | (166) | - | - | - | (166) | - | - | (166) |
| Share-based payment under Employees' Long Term Incentive Plan ("LTIP") | - | - | 23,917 | - | - | 23,917 | - | - | 23,917 |
| Balance at 30.09.2016 | 2,113,357 | 2,860,901 | 58,476 | 126,438 | 2,406,134 | 7,565,306 | 619,920 | 409,135 | 8,594,361 |

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the 14 months period ended 31 December 2015 and the accompanying explanatory notes in this report.)

Note:

In 2015, the Company changed its financial year end from 31 October to 31 December and made up its financial statements for the 14 months period ended 31 December 2015.

Consequently, the 2015 quarterly financial reporting periods do not correspond with the 2016 quarterly financial reporting periods, and the 2015 quarterly results do not form a proper basis for comparison with the 2016 quarterly results. The 2015 quarterly results have therefore not been included in this report as comparative figure.

S P SETIA BERHAD
 (Company No.: 19698-X)
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016
(The figures have not been audited)

| | CUMULATIVE QUARTER * |
|---|---|
| | 9 MONTHS ENDED 30/09/2016 RM'000 |
| Operating Activities | |
| Profit before tax | 657,435 |
| Adjustments for:- | |
| Non-cash items | 34,384 |
| Non-operating items | (13,142) |
| Operating profit before changes in working capital | 678,677 |
| Changes in property development costs | 22,502 |
| Changes in accrued billings/progress billings | (538,174) |
| Changes in gross amount due from/to customers | (4,923) |
| Changes in inventories | 150,482 |
| Changes in receivables | (70,159) |
| Changes in payables | (174,898) |
| Cash generated from operations | 63,507 |
| Interest received | 44,115 |
| Interest paid | (194,367) |
| Rental received | 1,098 |
| Tax paid | (354,189) |
| Net cash used in operating activities | (439,836) |
| Investing Activities | |
| Additions to land held for future development | (405,117) |
| Purchase of property, plant and equipment | (27,611) |
| Additions to investment properties | (208,496) |
| Proceeds from disposal of property, plant and equipment | 1,004 |
| Acquisition of additional shares in an existing jointly controlled entity | (538,836) |
| Net repayment of capital contribution from a jointly controlled entity | 993 |
| Advances to jointly controlled entities | (19,615) |
| Advances to an associated company | (31) |
| Other investments | 46,202 |
| Net cash used in investing activities | (1,151,507) |

S P SETIA BERHAD
 (Company No.: 19698-X)
 (Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016
(The figures have not been audited)

| | CUMULATIVE QUARTER * |
|---|---|
| | 9 MONTHS ENDED 30/09/2016 RM'000 |
| Financing Activities | |
| Proceeds from issuance of ordinary shares pursuant to the exercise of ESOS | 1,090 |
| Payment of share issuance expenses | (166) |
| Net repayment to a non-controlling shareholder of a subsidiary company | (24,610) |
| Drawdown of bank borrowings | 1,979,263 |
| Repayment of bank borrowings | (1,282,181) |
| Perpetual bond distribution paid | (18,068) |
| Interest paid | (588) |
| Redeemable cumulative preference share dividends paid to a non-controlling shareholder of a subsidiary company | (1,272) |
| Dividends paid to non-controlling interest | (3,698) |
| Dividends paid | (22,509) |
| Net cash generated from financing activities | 627,261 |
| Net changes in cash and cash equivalents | (964,082) |
| Effect of exchange rate changes | (2,202) |
| Cash and cash equivalents at beginning of the period | 3,659,414 |
| Cash and cash equivalents at end of the period | 2,693,130 |
| Cash and cash equivalents comprise the following: | |
| Short-Term Deposits | 1,624,679 |
| Cash and Bank Balances | 1,202,847 |
| Bank Overdrafts | (98,807) |
| | 2,728,719 |
| Less: Sinking Fund, Debt Service Reserve and Escrow and Revenue Accounts | (35,589) |
| | 2,693,130 |

(The Condensed Consolidated Statement Of Cash Flows should be read in conjunction with the audited financial statements for the 14 months period ended 31 December 2015 and the accompanying explanatory notes in this report.)

* In 2015, the Company changed its financial year end from 31 October to 31 December and made up its financial statements for the 14 months period ended 31 December 2015.

Consequently, the 2015 quarterly financial reporting periods do not correspond with the 2016 quarterly financial reporting periods, and the 2015 quarterly results do not form a proper basis for comparison with the 2016 quarterly results. The 2015 quarterly results have therefore not been included in this report as comparative figures.

NOTES TO THE INTERIM FINANCIAL REPORT**1. Basis of preparation**

The interim financial report has been prepared in accordance with Financial Reporting Standard 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the 14 months financial period ended 31 December 2015.

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the 14 months financial period ended 31 December 2015 except for the adoption of the following Amendments to FRSs:-

| | |
|---|--|
| 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 116 and FRS 138 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to FRS 127 | Equity Method in Separate Financial Statements |
| Amendments to FRS 5, FRS 7, FRS 119 and FRS 134 | Annual Improvements to FRSs 2012-2014 Cycle |
| Amendment to FRS 101 | Disclosure Initiative |

The following is the new FRS which is effective but is not applicable to the Group:-

| | |
|--------|------------------------------|
| FRS 14 | Regulatory Deferral Accounts |
|--------|------------------------------|

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

2. Seasonal or cyclical factors

The business operations of the Group during the financial period under review have not been materially affected by any seasonal or cyclical factors.

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

There were no unusual items for the financial period ended 30 September 2016.

4. Material changes in estimates

There were no material changes in estimates for the financial period ended 30 September 2016.

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5. Debts and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial period-to-date except for the following:

- (a) Allotment of 9,129,207 new ordinary shares of RM0.75 each pursuant to the vesting of Employee Share Grant Plan (“ESGP”);
- (b) Issuance of 360,000 new ordinary shares of RM0.75 each pursuant to the exercise of Employees’ Share Options Scheme (“ESOS”) at the following option prices; and

| | | ESOS 1 | ESOS 3 | ESOS 4 |
|----------------------|--------|--------|--------|--------|
| Exercise price | (RM) | 3.07 | 3.02 | 2.72 |
| No. of shares issued | (‘000) | 240 | 90 | 30 |

- (c) Issuance of 179,964,772 new ordinary shares of RM0.75 each pursuant to Dividend Reinvestment Plan duly renewed (“DRP”) at the price of RM2.65 per share.

6. Dividends paid

A single tier final dividend, in respect of the financial period ended 31 December 2015 of 19 sen per ordinary shares of RM0.75 each amounting to RM499,416,016, was approved by the shareholders at the Annual General Meeting on 18 May 2016, and determined that Dividend Reinvestment Plan (“5th DRP”) shall apply to the entire final dividend.

Based on elections made by shareholders, a total of 179,964,772 new ordinary shares were issued and the remaining portion of RM22,509,370 was paid in cash on 3 August 2016.

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7. Segmental Reporting

The segmental analysis for the financial period ended 30 September 2016 is as follows:-

| | Property Development | Construction | Other Operations | Eliminations | Consolidated |
|---|---------------------------------|---------------------|-----------------------------|---------------------|---------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Revenue</u> | | | | | |
| External sales | 2,856,233 | 199,898 | 129,235 | - | 3,185,366 |
| Inter-segment sales | 286,557 | 211,172 | 16,897 | (514,626) | - |
| Total revenue | <u>3,142,790</u> | <u>411,070</u> | <u>146,132</u> | <u>(514,626)</u> | <u>3,185,366</u> |
| Gross profit | 853,287 | 11,925 | 21,347 | - | 886,559 |
| Other income | 108,659 | 6,896 | 77,008 | - | 192,563 |
| Operating expenses | (254,142) | (7,222) | (13,625) | - | (274,989) |
| Share of results of jointly controlled entities | (59,460) | - | 771 | - | (58,689) |
| Share of results of an associated company | 686 | - | - | - | 686 |
| Finance costs | <u>(70,887)</u> | <u>(513)</u> | <u>(17,295)</u> | - | <u>(88,695)</u> |
| Profit before tax | 578,143 | 11,086 | 68,206 | - | 657,435 |
| Tax expense | | | | | <u>(220,827)</u> |
| Profit for the period | | | | | <u>436,608</u> |

8. Material Events subsequent to the End of Financial Period

There were no material transactions or events subsequent to the current quarter ended 30 September 2016 till 8 November 2016 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

9. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period to-date.

10. Contingent Liabilities

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

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11. Capital Commitments

| | As at 30 Sep 2016 RM'000 |
|--|---|
| Contractual commitments for construction of investment properties | 328,725 |
| Contractual commitments for acquisition of property, plant and equipment | 41,660 |
| Contractual commitments in relation to Development Agreement | <u>40,000</u> |

12. Significant Related Party Transactions

| | 1 Jan 2016 to 30 Sep 2016 RM'000 |
|---|---|
| <i>Transactions with jointly controlled entities:-</i> | |
| (i) Project management and administrative fee received and receivable | 4,565 |
| (ii) Project management and administrative fee paid and payable | 180 |
| (iii) Rental received and receivable | 544 |
| (iv) Event service fee charged | 93 |
| (v) Construction services rendered | 99,675 |
| (vi) Staff secondment fee charged | 260 |
| (vii) Interest received and receivable | 15,135 |
| (viii) Group marketing fee charged | 395 |
| (ix) Advertisement fee paid and payable | 78 |
| <i>Transactions with directors of the Company and subsidiary companies:-</i> | |
| (i) Sale of development properties to director of the Company and his immediate family member | 2,912 |
| (ii) Sale of development properties to directors of subsidiary companies | 2,614 |
| <i>Transaction with director of jointly controlled entity:-</i> | |
| (i) Sale of development property to director of jointly controlled entity and his immediate family member | 1,275 |

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD****1. Review of Group Performance**

Revenue and profit before tax (“PBT”) of the respective operating business segments for the current quarter and financial period to-date are analysed as follows:-

| | 3 months ended 30 Sep 2016 RM’000 | 9 months ended 30 Sep 2016 RM’000 |
|--------------------------|--|--|
| Revenue | | |
| Property Development | 1,153,615 | 2,856,233 |
| Construction | 76,515 | 199,898 |
| Other Operations | 33,477 | 129,235 |
| | <hr/> 1,263,607 | <hr/> 3,185,366 |
| Profit before tax | | |
| Property Development | 242,858 | 578,143 |
| Construction | 3,587 | 11,086 |
| Other Operations | 13,995 | 68,206 |
| | <hr/> 260,440 | <hr/> 657,435 |

Property Development

The Group achieved revenue of RM2.9 billion and PBT of RM578.1 million in the financial period to-date. Ongoing projects which contributed to the revenue and profit achieved include *Setia Alam* and *Setia Eco Park* in Shah Alam, *Setia EcoHill* in Semenyih, *Setia Eco Glades* in Cyberjaya, *Setia Sky Residences* at Jalan Tun Razak, *KL Eco City* at Jalan Bangsar, *Aeropod* in Kota Kinabalu, *Bukit Indah*, *Setia Indah*, *Setia Tropika*, *Setia Eco Cascadia*, *Setia Business Park II*, *Setia Eco Gardens* and *Setia Sky 88* in Johor Bahru, *Setia Pearl Island*, *Setia Vista*, *Setia Pinnacle* and *Setia V Residences* in Penang and *Eco Sanctuary* in Singapore.

Construction

Revenue for the financial period to-date is mainly derived from the construction of the following:

- Subterranean Penang International Convention & Exhibition Centre (“SPICE”) at Penang;
- Kompleks Institut Penyelidikan Kesihatan Bersepadu (“INIH Complex”) at Setia Alam; and
- Commuter station at KL Eco City.

The construction profit for the above projects is not significant to the Group as they are carried out as part of a land and development right exchange arrangement. The Group derives commercial benefits substantially from the development of the land and development right so acquired.

Other Operations

Revenue and profit from Other Operations mainly contributed by wood-based manufacturing, trading activities, and the operation of retail mall and Setia City Convention Centre. PBT achieved in current financial period to-date was mainly contributed by unrealised foreign exchange gain.

2. Material changes in the Quarterly Results compared to the results of the Preceding Quarter

The Group's current quarter PBT is RM260.4 million, which is RM57.7 million higher than the preceding quarter ended 30 June 2016, mainly due to higher work progress from its ongoing property development projects.

3. Prospects for the Current Financial Year

For the ten months ended 31st October 2016, the Group achieved sales of RM2.40 billion. The sales achieved reflect an increased demand for the Group's projects in the second half of FY2016. For the nine months ended 30th September 2016, the Group achieved a sales of RM2.05 billion where the local projects contributed 89% and the international projects contributed 11%. The sales secured are largely from Central region with RM1.43 billion, Southern, Northern and Eastern regions combined with RM386 million and international projects with RM232 million. The third quarter alone contributed RM943 million of sales, the Group's strongest quarter for FY2016. The sales are mainly in line with expectation and the Group foresees a continuing trend for the remaining months of 2016.

On the local front, Klang Valley continues to be the major contributor. The launch of 387 units of mid-priced range 2-storey terrace houses in *Setia Alam* in September 2016 has since registered a strong take-up rate of 85%. During the same month, *Setia Alam* also saw an overwhelming crowd of 2,000 potential purchasers queuing for the remaining 200 units of the 730 units De Palma affordable apartments under the Rumah Selangorku housing programme. Subsequently, a further 737 units of the De Kiara affordable apartments were also opened for sale to cater for these strong demand. ViiA Residences launched in early October 2016 with 326 units of apartments at *KL Eco City* has witnessed commendable take-up rate of approximately 45% within the month, indicating that demand is encouraging for lifestyle type of development. *Setia Sky Seputeh* (Tower A), which comprised of 145 units of condominiums for the niche and underserved markets in Taman Seputeh was launched in mid-October and has registered an encouraging take-up rate of approximately 30% after only two weeks of launching. Interest expressed is promising for both ViiA Residences and *Setia Sky Seputeh* where the Group expects the take-up rate for these two high rise projects to improve further over the next few months. As for Southern region, the launch of 183 units of 2-storey terrace houses in *Bukit Indah, Johor* in September 2016 has since chalked up an 80% take-up rate, indicating that the underlying demand is also strong for landed properties in Iskandar Malaysia.

On the international front, the government of United Kingdom ("UK") has initially planned to trigger Article 50, the formal process of UK leaving European Union ("EU") by-end of March 2017. However, the High Court has ruled that the process of triggering Article 50 will require the approval of Parliament, adding more uncertainty to the progress. In addition, the government of UK has also promoted a stronger immigration stance where UK may limit the free movement of EU citizens into UK, raising concern of a 'hard-Brexit' scenario. Though there has been renewed interest in *Battersea Power Station* development due to the weakening of British Pound, the 'wait-and-see' approach still lingers as the market awaits for more clarity post-Brexit. Nevertheless, the transaction secured with Apple to take approximately 500,000 sf of office space in *Battersea Power Station* lends credence that *Battersea Power Station* is a great business location and London is still an international business centre. The strength of Apple's brand name will be a great catalyst to uplift the value of *Battersea Power Station*. Over in Australia, *Maison* apartments at Carnegie, Melbourne were launched in September 2016 and has since achieved an encouraging 65% take-up rate of the apartments launched.

3. Prospects for the Current Financial Year (continued)

In response to the challenging environment ahead, the Group is strategically delaying some of its apartment launches and bringing forward the launches of more mid-priced range landed properties as well as retail shop lots.

The planned launches for the remaining months of 2016 are:

- *Setia Sky Ville* at Jelutong, Penang with 550 units of condominium and GDV of RM465 million;
- *Setia Alam* with 130 units of 3 storey terrace / 3 storey semi-D and GDV of RM137 million;
- *Setia Eco Park* with 52 units of semi-D and GDV of RM115 million;
- *Setia Eco Gardens* with 352 units of 2 storey terrace under the Rumah Mampu Milik housing programme and GDV of RM45 million; and
- *Setia EcoHill* with 80 units of EcoHill Walk retail shop lots and GDV of RM268 million.

The Group remains resilient with its diversified range of new launches, ranging from affordable to up market and landed to condominiums.

On 3rd June 2016, the Group announced a Rights Issue exercise which is expected to raise gross proceeds of approximately RM1.16 billion to fund the Group's current working capital requirements as well as for future property development and expansion plan. The Rights Issue exercise was approved by shareholders at the Extraordinary General Meeting ("EGM") held on 21st October 2016 and is expected to be completed in the fourth quarter of FY2016. With a further strengthened balance sheet, this will allow the Group to look out for more strategic land bank to invest in and seize opportunities in this challenging market.

The Group's prospects going forward remain positive with total unbilled sales of RM8.39 billion, anchored by 31 ongoing projects and effective remaining land bank of 3,595 acres with a GDV of RM70.65 billion as of 30th September 2016.

4. Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was published.

5. Income Tax

Income Tax comprises:-

| | 3 months ended 30 Sep 2016 RM'000 | 9 months ended 30 Sep 2016 RM'000 |
|----------------------------|--|--|
| - current taxation | 70,452 | 197,135 |
| - in respect of prior year | 26,761 | 26,761 |
| - deferred taxation | 6,913 | (5,637) |
| - in respect of prior year | 2,568 | 2,568 |
| | 106,694 | 220,827 |

The Group's effective tax rate (excluding share of results of associate and jointly controlled entities) for the current period and financial period to-date is slightly higher than the statutory tax rate mainly due to certain non-tax deductible expenses.

6. Status of Corporate Proposals

The following status of corporate proposals that has been announced by the Company which has not completed as at 8 November 2016, the latest practicable date which shall not be earlier than 7 days from the date of this announcement:-

(a) On 3 June 2016, S P Setia Berhad proposed to undertake the following:

- (i) renounceable rights issue of up to 1,069,686,243 Islamic Redeemable Convertible Preference Shares (“RCPS-i”) of RM0.01 each on the basis of two (2) RCPS-i for every five (5) existing ordinary shares of RM0.75 each (“S P Setia Shares”) held on an entitlement date to be determined and announced later by the Board of Directors at an issue price of RM1.00 for each RCPS-i;
- (ii) increase in authorised share capital from RM2,250,000,000 comprising 3,000,000,000 S P Setia Shares to RM2,636,000,000 comprising 3,500,000,000 S P Setia Shares and 1,100,000,000 RCPS-i by the creation of 500,000,000 new S P Setia Shares and 1,100,000,000 RCPS-i; and
- (iii) amendments to the memorandum and articles of the Company arising from (i) and (ii) above.

(collectively “the Proposals”)

On 10 June 2016, the Company announced a dividend reinvestment plan which provides shareholders who are entitled to the single-tier final dividend of 19 sen per S P Setia Share for the financial period ended 31 December 2015, that was declared by our Board on 25 February 2016 and approved by the shareholders at the 41st Annual General Meeting held on 18 May 2016 (“Final Dividend”), the option to reinvest their Final Dividend in new S P Setia Shares (“5th DRP”). Accordingly, the Company issued and allotted 179,964,772 new S P Setia Shares on 3 August 2016 pursuant to the 5th DRP.

On 23 August 2016, the Board of Directors has declared a single-tier interim dividend of 4 sen per S P Setia Share for the financial year ending 31 December 2016 and has also determined that the DRP will apply to the Interim Dividend.

In view of the above, on 29 August 2016, Maybank Investment Bank had on behalf of the Board announced, among others, the following:

- (i) the proposed rights issue will entail the issuance of up to 1,158,074,160 RCPS-i under the Maximum Subscription Scenario; and
- (ii) the proposed increase in authorised share capital will be revised to RM2,637,000,000 comprising 3,500,000,000 S P Setia Shares and 1,200,000,000 RCPS-i by the creation of 500,000,000 new S P Setia Shares and 1,200,000,000 RCPS-i.

The circular to shareholders was despatched to the shareholders on 29 September 2016 and following thereto, the Extraordinary General Meeting (“EGM”) was held on 21 October 2016. The shareholders have approved the Proposals in the said EGM.

S P SETIA BERHAD

(Company No: 19698-X)
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7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 30 September 2016 were as follows:-

| | Secured | Unsecured | Total |
|---|------------------|------------------|------------------|
| | RM'000 | RM'000 | RM'000 |
| Bank Overdrafts | 39,978 | 58,829 | 98,807 |
| Short Term Bank Borrowings | 1,156,773 | 632,287 | 1,789,060 |
| Long Term Bank Borrowings | 2,853,670 | 1,134,637 | 3,988,307 |
| Redeemable Cumulative Preference Shares | - | 52,403 | 52,403 |
| | <u>4,050,421</u> | <u>1,878,156</u> | <u>5,928,577</u> |

Currency exposure profile of borrowings is as follows:-

| | Secured | Unsecured | Total |
|----------------------|------------------|------------------|------------------|
| | RM'000 | RM'000 | RM'000 |
| Ringgit Malaysia | 3,195,311 | 1,878,156 | 5,073,467 |
| Great British Pound | 580,954 | - | 580,954 |
| Australian Dollar | 262,371 | - | 262,371 |
| United States Dollar | 10,688 | - | 10,688 |
| Vietnamese Dong | 1,097 | - | 1,097 |
| | <u>4,050,421</u> | <u>1,878,156</u> | <u>5,928,577</u> |

8. Material Litigation

The Group was not engaged in any material litigation as at 8 November 2016, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

S P SETIA BERHAD

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9. Dividends Declared

(a) The Board of Directors has recommended an interim dividend in respect of the financial year ending 31 December 2016.

- (i) Amount per share : Single tier dividend of 4 sen per share
(ii) Previous corresponding period : Not applicable *
(iii) Date payable : 22 November 2016
(iv) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at a date to be determined later.

(b) Total dividend for the current financial period to-date : single tier dividend of 4 sen per share

The Board has determined that the DRP will apply to the interim dividend and shareholders of the Company be given an option to elect to reinvest the entire interim dividend in new ordinary share(s) of RM0.75 each in the Company.

* *In 2015, the Company changed its financial year end from 31 October to 31 December and made up its financial statements for the 14 months period ended 31 December 2015. As such, no comparative figures presented as there are no comparable interim periods of the previous corresponding period.*

10. Earnings Per Share Attributable To Owners of The Company

The basic earnings per share has been calculated by dividing the Group's profit for the period attributable to owners of the Company by the weighted average number of shares in issue. The weighted average number of shares in issue is calculated as follows:-

| | 3 months ended 30 Sep 2016 '000 | 9 months ended 30 Sep 2016 '000 |
|--|--|--|
| Profit for the period attributable to owners of the Company (RM) | 134,065 | 383,235 |
| Number of ordinary shares at beginning of the period | 2,628,505 | 2,628,356 |
| Effect of shares issued pursuant to: | | |
| - Exercise of ESOS | 33 | 108 |
| - Vesting of ESGP | 8,038 | 2,698 |
| - Dividend Reinvestment Plan ("DRP") | 111,500 | 37,438 |
| Weighted average number of ordinary shares | 2,748,076 | 2,668,600 |
| Basic Earnings Per Share (sen) | 4.88 | 14.36 |

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

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10. Earnings Per Share Attributable To Owners of The Company (continued)

The diluted earnings per share has been calculated by dividing the Group's profit for the period attributable to owners of the Company by the weighted average number of shares that would have been in issue upon full exercise of the remaining options under the LTIP granted, adjusted for the number of such shares that would have been issued at fair value, calculated as follows:

| | 3 months ended 30 Sep 2016 '000 | 9 months ended 30 Sep 2016 '000 |
|--|--|--|
| Profit for the period attributable to owners of the Company (RM) | 134,065 | 383,235 |
| Weighted average number of ordinary shares as per basic Earnings Per Share | 2,748,076 | 2,668,600 |
| Effect of potential exercise of LTIP | 20,054 | 19,586 |
| Weighted average number of ordinary shares | 2,768,130 | 2,688,186 |
| Diluted Earnings Per Share (sen) | 4.84 | 14.26 |

11. Realised and Unrealised Profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:-

| | 30 Sep 2016 RM'000 | 31 Dec 2015 RM'000 |
|--|-------------------------------|-------------------------------|
| Total retained profits of the Company and its subsidiaries: | | |
| - Realised | 2,930,859 | 3,059,525 |
| - Unrealised | 130,692 | 72,656 |
| | <u>3,061,551</u> | <u>3,132,181</u> |
| Total share of (accumulated losses)/retained profits from jointly controlled entities: | | |
| - Realised | (301,808) | (245,888) |
| - Unrealised | 4,172 | 2,503 |
| | <u>(297,636)</u> | <u>(243,385)</u> |
| Total share of retained profits from associated companies: | | |
| - Realised | 4,308 | 3,620 |
| - Unrealised | - | 2 |
| | <u>4,308</u> | <u>3,622</u> |
| Less: Consolidation adjustments | <u>(362,089)</u> | <u>(370,103)</u> |
| Total Group retained profits as per consolidated accounts | <u>2,406,134</u> | <u>2,522,315</u> |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

12. Notes to the Statement of Comprehensive Income

Notes to the Statement of Comprehensive Income comprises:-

| | 3 months ended 30 Sep 2016 RM'000 | 9 months ended 30 Sep 2016 RM'000 |
|--|--|--|
| Interest income | 25,665 | 85,053 |
| Other income including investment income | 19,658 | 41,301 |
| Interest expense | (34,004) | (88,695) |
| Depreciation and amortisation | (5,562) | (19,576) |
| Provision for and write off of receivables | - | - |
| Provision for and write off of inventories | - | - |
| Gain or loss on disposal of quoted or unquoted investments or properties | - | - |
| Impairment of assets | - | - |
| Net foreign exchange gain | 19,294 | 66,209 |
| Gain or loss on derivatives | - | - |
| Exceptional items | - | - |

13. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the 14 months period ended 31 December 2015 was unqualified.



Press Release
15 November 2016

For Immediate Release

S P Setia Records Strong Sales of RM943 million in Q3FY2016

SHAH ALAM: S P Setia Berhad today announced that for the ten months ended 31st October 2016, the Group achieved a total sales of RM2.40 billion. The sales achieved reflect an increased demand for the Group's projects in the second half of FY2016.

For the nine months ended 30th September 2016, the Group achieved sales of RM2.05 billion where the local projects contributed 89% and the international projects contributed 11%. The sales secured are largely from Central region with RM1.43 billion while the Southern, Northern and Eastern regions combined delivered RM386 million in sales and international projects contributed RM232 million respectively. The strong third quarter sales amounting to RM943 million, is mainly in line with the expectation and the Group foresees a continuing trend for the remaining months in 2016.

“We are satisfied with the performance recorded for this quarter as it shows that the strategies we have adopted are effective. Despite the soft market condition, we observed resilient demand for affordable apartments and mid-priced range properties while demand for condominiums that satisfy the lifestyle needs of the affluent market located in areas that are underserved such as Taman Seputeh, is promising. With the right strategy and our team's experiences and expertise spanning the breadth of projects ranging from township developments to integrated developments, affordable housing, niche developments and our signature eco-developments, we are able to customise our launches accordingly to suit market needs,” said Dato' Khor Chap Jen, President and CEO of S P Setia.

On the local front, projects in the Klang Valley continue to be the major contributor. The launch of 387 units of mid-priced range 2-storey terrace houses in Setia Alam in September 2016 has since registered a solid take-up rate of 85%. During the same month, Setia Alam also saw an overwhelming crowd of 2,000 potential purchasers queuing for the remaining 200 units of the 730 units De Palma affordable apartments launched under the Rumah Selangorku housing programme. Subsequently, due to the overwhelming response, a further 737 units of the De Kiara affordable apartments were also opened for sale to cater for these strong demands.

“This bears testament to the product quality and facilities we have put in place for the affordable apartments that had resulted in the preference by the home buyers to choose Setia over others,” he continued.

S P Setia Berhad (19698-X)

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ViiA Residences was launched in early October 2016 with 326 units of apartments at KL Eco City and two weeks later Setia Sky Seputeh (Tower A), which comprised 145 units of condominiums for the niche and underserved markets in Taman Seputeh was launched. Both ViiA Residences and Setia Sky Seputeh witnessed commendable take-up rate of approximately 45% and 30% respectively within the month.

“Interest expressed for both ViiA Residences and Setia Sky Seputeh is encouraging as from our observation, the Group expects the take-up rate for these two luxury high rise projects to improve further over the next few months,” Dato’ Khor added.

As for Southern region, the launch of 183 units of 2-storey terrace houses in Bukit Indah, Johor in September 2016 has since chalked up an 80% take-up rate, indicating that the underlying demand is still strong for landed properties in Iskandar Malaysia.

“On the international front, though there has been renewed interest in Battersea Power Station development due to the weakening of British Pound, the ‘wait-and-see’ approach still lingers as the market awaits for more clarity post-Brexit. Nevertheless, the transaction secured with Apple to take approximately 500,000 sf of office space in Battersea Power Station lends credence that Battersea Power Station is a great business location and London is still an international business centre. The strength of Apple’s brand name will be a great catalyst to uplift the value of Battersea Power Station,” Dato’ Khor commented.

Over in Australia, Maison apartments at Carnegie, Melbourne were launched in September 2016 and have since achieved a heartening 65% take-up rate of the apartments launched, a commendable feat in view of the tightening measures introduced by the Australian government especially for foreign investors.

In response to the challenging environment ahead, the Group is strategically delaying some of its apartment launches and bringing forward the launches of more mid-priced range landed properties as well as retail shop lots.

The planned launches for the fourth quarter are:

- Setia Sky Ville at Jelutong, Penang with 550 units of condominium and GDV of RM465 million;
- Setia Alam with 130 units of 3-storey terrace / 3-storey semi-D and GDV of RM137 million;
- Setia Eco Park with 52 units of semi-D and GDV of RM115 million;
- Setia Eco Gardens with 352 units of 2-storey terrace under the Rumah Mampu Milik housing programme and GDV of RM45 million; and
- Setia EcoHill with 80 units of EcoHill Walk retail shop lots and GDV of RM268 million.

The Group remains resilient with its diversified range of new launches, ranging from affordable to up market and landed to condominiums.

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On 3rd June 2016, the Group announced a Rights Issue exercise which is expected to raise gross proceeds of approximately RM1.16 billion to fund development activities and expansion plan. The Rights Issue exercise was approved by shareholders at the Extraordinary General Meeting held on 21st October 2016 and is expected to be completed in the fourth quarter of FY2016. With a further strengthened balance sheet, this will allow the Group to look out for more strategic land bank to invest in and seize opportunities in this market.

The Group's prospects going forward remain positive with total unbilled sales of RM8.39 billion, anchored by 31 ongoing projects and effective remaining land bank of 3,595 acres with a GDV of RM70.65 billion as of 30th September 2016.

-END-

About S P Setia Berhad

Since its incorporation in 1974, S P Setia has been a household name in the property development industry. The Group is recognised as one of Malaysia's leading listed real estate players with a portfolio that encompasses townships, eco-sanctuaries, luxury enclaves, high-rise residences, commercial and retail developments.

S P Setia is the only Malaysian developer to have received seven FIABCI Prix d'Excellence Awards by the International Real Estate Federation (FIABCI) and nine FIABCI Malaysia Property Awards. In 2016, S P Setia was ranked No.1 in The Edge Malaysia Top Property Developers Awards for the 9th time, the only developer to have achieved this feat since the inception of the awards.

The Group is well-established in the three key economic centres of Malaysia, namely Klang Valley, Johor Bahru and Penang and also has a project in Sabah. Its international reach now includes five countries which are Vietnam, Australia, Singapore, China and the United Kingdom.

As of 30 September 2016, the Group has 31 ongoing projects, with an effective stake of 3,595 acres in undeveloped land bank remaining and RM70.65 billion in Gross Development Value.

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