S P SETIA BERHAD

Company No: 19698-X

(Incorporated in Malaysia)

Interim Financial Report
31 March 2018

S P SETIA BERHAD

Company No: 19698 - X

(Incorporated in Malaysia)

Interim Financial Report - 31 March 2018

S P SETIA BERHAD

(Company No: 19698-X)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

(The figures have not been audited)

	As At 31/03/2018 RM'000	As At 31/12/2017 RM'000 Restated
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	425,551	425,120
Investment Properties	2,068,207	1,962,794
Inventories - Land Held for Property Development	10,756,300	10,795,753
Intangible Asset	15,321	15,497
Investments in Associated Companies	428,289	424,847
Investments in Joint Ventures	2,308,652	2,234,371
Other Investments	96	133
Other Receivables	86,848	90,146
Deferred Tax Assets	197,124	186,155
	16,286,388	16,134,816
Current Assets		
Inventories - Property Development Costs	2,531,482	1,842,201
Inventories - Completed Properties and Others	1,612,261	1,702,008
Contract Assets	790,853	854,817
Trade and Other Receivables	1,018,797	1,738,138
Amounts Owing by Joint Ventures	597,361	585,202
Amounts Owing by Associated Companies	364	364
Amounts Owing by Related Companies	135	-
Current Tax Assets	175,195	148,682
Short-Term Deposits	2,337,295	1,700,059
Cash and Bank Balances	1,762,576	3,879,241
	10,826,319	12,450,712
Assets of Disposal Group Classified as Held for Sale	-	1,058
	10,826,319	12,451,770
TOTAL ASSETS	27,112,707	28,586,586
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	7,689,607	6,693,971
Share Capital - RCPS-i A	1,114,715	1,119,342
Share Capital - RCPS-i B	1,062,228	1,064,608
Reserves		
Share-based Payment Reserve	128,882	94,450
Reserve on Acquisition Arising from Common Control	(1,295,884)	(1,295,884)
Exchange Translation Reserve	35,699	136,731
Retained Earnings	4,976,586	4,915,100
Equity Attributable to Owners of the Company	13,711,833	12,728,318
Perpetual Bond	619,722	610,787
Non-controlling Interests	1,303,951	1,293,999
Total Equity	15,635,506	14,633,104
LIABILITIES		
Non-Current Liabilities		
Redeemable Cumulative Preference Shares	54,981	54,667
Other Payables	40,000	40,000
Long Term Borrowings	6,060,328	4,914,092
Deferred Tax Liabilities	237,024	240,718
	6,392,333	5,249,477
Current Liabilities		
Contract Liabilities	49,339	12,469
Trade and Other Payables	1,680,868	2,311,109
Provision for Affordable Housing	799,155	795,895
Short Term Borrowings	2,495,656	1,963,828
Current Tax Liabilities	59,396	79,749
Amounts Owing to Previous Shareholders of I & P Group	-	3,540,500
Amounts Owing to Related Companies	454	455
	5,084,868	8,704,005
Total Liabilities	11,477,201	13,953,482
TOTAL EQUITY AND LIABILITIES	27,112,707	28,586,586
Net Assets Per Share Attributable to Owners of the Company	3.07	3.08

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 31 MARCH 2018

(The figures have not been audited)

	3 MONTHS ENDED	
	31/03/2018 RM'000	**31/03/2017 RM'000 Restated**
Continuing operations		
Revenue	655,502	1,026,587
Cost of sales	(460,506)	(774,167)
Gross profit	194,996	252,420
Other income	66,720	44,922
Selling and marketing expenses	(13,427)	(10,534)
Administrative and general expenses	(91,970)	(65,578)
Share of results of joint ventures	(13,739)	(7,605)
Share of results of associated companies	4,827	2,252
Finance costs	(53,011)	(31,407)
Profit before tax	94,396	184,470
Tax expense	(13,952)	(59,117)
Profit from continuing operations, net of tax	80,444	125,353
Discontinued operations		
Profit from discontinued operations, net of tax	-	1,897
Profit for the period	80,444	127,250
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	(101,103)	52,381
Total comprehensive income for the period	(20,659)	179,631
Profit attributable to:		
Holders of Perpetual Bond	8,935	8,935
Non-controlling interests	10,023	6,200
	18,958	15,135
Owners of the Company		
- from continuing operations	61,486	110,218
- from discontinued operations	-	1,897
	61,486	112,115
	80,444	127,250
Total comprehensive income attributable to:		
Holders of Perpetual Bond	8,935	8,935
Non-controlling interests	9,952	6,160
	18,887	15,095
Owners of the Company		
- from continuing operations	(39,546)	162,639
- from discontinued operations	-	1,897
	(39,546)	164,536
	(20,659)	179,631
Earnings per share attributable to equity holders of the Company		
- Basic earnings per share (sen)	1.70	3.44
- Diluted earnings per share (sen)	1.44	2.87

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD

(Company No.: 19698-X)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

(The figures have not been audited)

	Attributable to owners of the Company												
				Non-Distributable					Distributable				
	Share Capital RM'000	Share Capital - RCPS-i A RM'000	Share Capital - RCPS-i B RM'000	Share Premium RM'000	Share Premium - RCPS-i A RM'000	Share Based Payment Reserve RM'000	Reserve on Acquisition Arising from Common Control RM'000	Exchange Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Perpetual Bond RM'000	Non-controlling interests RM'000	Total Equity RM'000
Balance at 01.01.2018	6,693,971	1,119,342	1,064,608	-	-	94,450	(1,295,884)	138,030	4,129,185	11,943,702	610,787	1,243,730	13,798,219
Effects of adoption of the MFRS Framework and fair value model for investment properties	-	-	-	-	-	-	-	(1,299)	785,915	784,616	-	50,269	834,885
Balance at 01.01.2018 (restated)	6,693,971	1,119,342	1,064,608	-	-	94,450	(1,295,884)	136,731	4,915,100	12,728,318	610,787	1,293,999	14,633,104
Total other comprehensive income for the period represented by exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(101,032)	-	(101,032)	-	(71)	(101,103)
Profit for the period	-	-	-	-	-	-	-	-	61,486	61,486	-	10,023	71,509
Distribution for the period	-	-	-	-	-	-	-	-	-	-	8,935	-	8,935
Transactions with owners:													
Issuance of ordinary shares													
- Issuance of shares	997,750	-	-	-	-	-	-	-	-	997,750	-	-	997,750
- Exercise of Employee Share Option Scheme ("ESOS")	1,631	-	-	-	-	(278)	-	-	-	1,353	-	-	1,353
Conversion of RCPS-i A into ordinary shares	4,627	(4,627)	-	-	-	-	-	-	-	-	-	-	-
Conversion of RCPS-i B into ordinary shares	2,380	-	(2,380)	-	-	-	-	-	-	-	-	-	-
Share issuance expense	(10,752)	-	-	-	-	-	-	-	-	(10,752)	-	-	(10,752)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	-	-	34,710	-	-	-	34,710	-	-	34,710
Balance at 31.03.2018	7,689,607	1,114,715	1,062,228	-	-	128,882	(1,295,884)	35,699	4,976,586	13,711,833	619,722	1,303,951	15,635,506
Balance at 01.01.2017	2,140,140	11,276	-	2,945,523	1,115,632	65,316	(1,295,884)	204,486	3,845,351	9,031,840	610,787	1,206,081	10,848,708
Effects of adoption of the MFRS Framework and fair value model for investment properties	-	-	-	-	-	-	-	-	718,252	718,252	-	53,636	771,888
Balance at 01.01.2017 (restated)	2,140,140	11,276	-	2,945,523	1,115,632	65,316	(1,295,884)	204,486	4,563,603	9,750,092	610,787	1,259,717	11,620,596
Total other comprehensive income for the period represented by exchange differences on translation of foreign operations	-	-	-	-	-	-	-	52,421	-	52,421	-	(40)	52,381
Profit for the period	-	-	-	-	-	-	-	-	112,115	112,115	-	6,200	118,315
Distribution for the period	-	-	-	-	-	-	-	-	-	-	8,935	-	8,935
Transactions with owners:													
Issuance of ordinary shares													
- Exercise of Employee Share Option Scheme ("ESOS")	819	-	-	38	-	(125)	-	-	-	732	-	-	732
Share issuance expense	-	-	-	-	(51)	-	-	-	-	(51)	-	-	(51)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	-	-	-	7,521	-	-	-	7,521	-	-	7,521
Transition to no par value regime [1]	2,945,561	1,115,581	-	(2,945,561)	(1,115,581)	-	-	-	-	-	-	-	-
Balance at 31.03.2017 (restated)	5,086,520	1,126,857	-	-	-	72,712	(1,295,884)	256,907	4,675,718	9,922,830	619,722	1,265,877	11,808,429

Note

[1] Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes in this report.)

S P SETIA BERHAD

(Company No.: 19698-X)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

(The figures have not been audited)

	3 MONTHS ENDED	
	31/03/2018	**31/03/2017**
	RM'000	**RM'000**
		Restated
Operating Activities		
Profit before tax		
- continuing operations	94,396	184,470
- discontinued operations	-	2,192
Adjustments for:-		
Non-cash items	31,449	19,873
Non-operating items	8,927	(4,610)
Operating profit before changes in working capital	134,772	201,925
Changes in inventories - property development costs	(180,983)	141,688
Changes in contract assets	101,919	227,831
Changes in inventories	113,607	66,920
Changes in receivables	304,975	58
Changes in payables	(182,471)	(397,035)
Cash generated from operations	291,819	241,387
Rental received	3,259	3,627
Interest received	16,960	13,303
Interest paid	(104,560)	(62,090)
Tax paid	(74,154)	(129,934)
Net cash generated from operating activities	133,324	66,293
Investing Activities		
Additions to inventories - land held for future development	(220,560)	(147,476)
Deposits and part consideration paid for acquisition of land	-	(47,121)
Additions to property, plant and equipment	(17,353)	(16,378)
Additions to investment properties	(89,062)	(53,504)
Proceeds from disposal of property, plant and equipment	206	49
Proceeds from disposal of other investments	175	110
Proceeds from disposal of asset held for sale	8,000	-
Acquisition of additional shares in an existing joint venture	(109,084)	(76,300)
(Capital contribution to)/Repayment from joint ventures	(269)	6
(Advances to)/Repayment from joint ventures	(35,525)	1,125
Advances to an associated company	-	(32)
Placement of sinking fund, debt service reserve, escrow and revenue accounts	(8,493)	(1,560)
Interest received	19,852	15,439
Rental received	4,012	3,647
Consideration paid in relation to acquisition of I & P Group	(3,540,500)	-
Net cash used in investing activities	(3,988,601)	(321,995)

S P SETIA BERHAD

(Company No.: 19698-X)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

(The figures have not been audited)

	3 MONTHS ENDED	
	31/03/2018 **RM'000**	**31/03/2017** **RM'000** **Restated**
Financing Activities		
Proceeds from placement of ordinary shares	997,750	-
Proceeds from issuance of ordinary shares pursuant to the exercise of ESOS	1,353	732
Refund of excess application proceeds from rights issue of shares and RCPS-i B	(310,412)	-
Payment of share issuance expenses	(10,752)	(51)
Drawdown of bank borrowings	2,028,273	432,883
Repayment of bank borrowings	(350,046)	(498,244)
Interest paid	-	(172)
Net cash generated from/(used in) financing activities	2,356,166	(64,852)
Net changes in cash and cash equivalents	(1,499,111)	(320,554)
Effect of exchange rate changes	(16,167)	36,646
Cash and cash equivalents at beginning of the period	5,530,062	4,586,503
Cash and cash equivalents at end of the period	4,014,784	4,302,595
Cash and cash equivalents comprise the following:		
Short-Term Deposits	2,337,295	2,763,077
Cash and Bank Balances	1,762,576	1,653,241
Bank Overdrafts	(48,701)	(67,504)
	4,051,170	4,348,814
Less: Sinking Fund, Debt Service Reserve, Escrow and Revenue Accounts	(36,386)	(46,219)
	4,014,784	4,302,595

(The Condensed Consolidated Statement Of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes in this report.)

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad before taking into consideration the effects of Addendum to Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 17 – Clarification on the use of FRSIC Consensus 17 *Development of Affordable Housing* issued on 7 March 2018 ("Addendum"). This Addendum has rendered the FRSIC Consensus 17 no longer applicable upon the adoption of MFRS 15 *Revenue from Contracts with Customers* in conjunction with the adoption of the MFRS Framework as explained below, hence the upfront recognition of provision for foreseeable losses on the development of affordable housing on an involuntary basis may no longer be required. As it is understood that post issuance of this Addendum, there would be further official clarification on the accounting for the development of affordable housing in the near future, the Group expects and intends to fully comply with the requirements of this Addendum when the clarification has been made.

The interim financial report is unaudited and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

The financial statements of the Group for the three months period ended 31 March 2018 are the first set of interim financial statements prepared in accordance with the MFRS Framework, hence MFRS 1 *First-time Adoption of Malaysian Financial Standards* has been applied. The MFRS Framework is effective for the Group from 1 January 2018 and the date of transition to the MFRS Framework for the purpose of preparation of the MFRS compliant interim financial report is 1 January 2017.

As provided in MFRS 1, first-time adopter of MFRS Framework can elect optional exemptions from full retrospective application of MFRSs. The Group has elected not to apply MFRS 3 *Business Combinations* and MFRS 10 *Consolidated Financial Statements* retrospectively, that is not to restate any of its business combinations that occurred before the date of transition to MFRSs.

In conjunction with the adoption of the MFRS Framework above, the Group has also reassessed the current accounting policies and elected to change its accounting policy on measurement of the Group's investment properties from the cost model to fair value model. The change in this accounting policy was applied retrospectively. Except for this change in accounting policy and the adoption of the MFRS Framework, the accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2017.

The comparative information in these interim financial statements have also been restated in applying the pooling of interests method in accounting for the acquisition of I & P Group Sdn. Berhad ("I & P Group"), which was completed on 1 December 2017. S P Setia Berhad and I & P Group were under common control before the acquisition. The results of the combined group are presented in such a manner as to depict that it had been in its resultant form for both the current and previous financial periods.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these interim financial statements have been restated to give effect to above changes. The two newly effective standards which were adopted pursuant to the adoption of the MFRS Framework, namely MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* has resulted in the following key changes to the financial statements:

1. **Basis of Preparation (continued)**

<u>MFRS 15: *Revenue from Contracts with Customers*</u>

The key effects as a results of adopting this standard on the property development activities of the Group are as follows:

i) in respect of sales of properties that do not come under the purview of FRSIC Consensus 23 *Application of MFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties* issued by the Malaysian Institute of Accountants, the Group has to assess if the property has an alternative use to the Group and whether the sales and purchase arrangement provides the Group with an enforceable right to payment for work completed to date, in determining whether or not the sale of property units should be recognised at a point in time (completion method) or over time (percentage of completion method);

ii) it requires the identification of separate performance obligations arising from the sale of property units from the various property development projects of the Group, such as the sale of property with complimentary giveaways, and may result in the acceleration or deferment of revenue recognition relating to these separate performance obligations depending on whether the related goods and/or services are delivered or satisfied. This would affect the timing of revenue recognition for the property development activities;

iii) it requires the recognition of the financing component relating to the sale of property units under the deferred payment schemes (10:90 schemes). This would result in the recognition of interest income using the effective interest method over the term of the deferment;

iv) it requires that expenses attributable to securing contracts with customers such as commission expense be capitalised and expensed by reference to the progress towards complete satisfaction of the performance obligation; and

v) it views liquidated ascertained damages payable when the developer fails to deliver vacant possession within the stipulated period as consideration payable to customers and is presented as a reduction of the transaction price which would then be accounted for in the profit or loss over the tenure of the respective property development project instead of being accounted for as a direct charge to the profit or loss when the obligation arises.

<u>MFRS 9: *Financial Instruments*</u>

The key effect of the adoption of this standard on the Group would principally be in respect of the assessment of impairment losses of outstanding external and internal debts based on an "expected credit loss" model instead of the "incurred loss" model. This may have the effect of accelerating the recognition of impairment losses in respect of these debts if any.

As a result, the following comparatives in the interim financial report have been restated.

1. **Basis of Preparation (continued)**

Consolidated Statement of Financial Position
As at 31 December 2017

	As previously stated * **RM'000**	**Adjustments RM'000**	**As restated RM'000**
Assets			
Non-current assets			
Property, plant and equipment	425,120	-	425,120
Investment properties	1,319,701	643,093	1,962,794
Inventories - land held for property development	10,795,753	-	10,795,753
Intangible asset	15,497	-	15,497
Investments in associated companies	412,278	12,569	424,847
Investments in joint ventures	2,050,674	183,697	2,234,371
Other investments	133	-	133
Other receivables	90,146	-	90,146
Deferred tax assets	200,590	(14,435)	186,155
	15,309,892	824,924	16,134,816
Current assets			
Inventories - property development costs	1,820,822	21,379	1,842,201
Inventories - completed properties and others	1,702,008	-	1,702,008
Contract assets	-	854,817	854,817
Trade and other receivables	2,573,361	(835,223)	1,738,138
Gross amount due from customers	2,936	(2,936)	-
Amounts owing by joint ventures	585,202	-	585,202
Amounts owing by associated companies	364	-	364
Current tax assets	148,682	-	148,682
Short-term deposits	1,700,059	-	1,700,059
Cash and bank balances	3,879,241	-	3,879,241
	12,412,675	38,037	12,450,712
Assets of disposal group classified as held for sale	1,058	-	1,058
	12,413,733	38,037	12,451,770
Total assets	27,723,625	862,961	28,586,586
Equity and liabilities			
Equity			
Share capital	6,693,971	-	6,693,971
Share capital - RCPS-i A	1,119,342	-	1,119,342
Share capital - RCPS-i B	1,064,608	-	1,064,608
Share-based payment reserve	94,450	-	94,450
Reserve on acquisition arising from common control	(1,295,884)	-	(1,295,884)
Exchange translation reserve	138,030	(1,299)	136,731
Retained earnings	4,129,185	785,915	4,915,100
Equity attributable to owners of the Company	11,943,702	784,616	12,728,318
Perpetual bond	610,787	-	610,787
Non-controlling interests	1,243,730	50,269	1,293,999
Total equity	13,798,219	834,885	14,633,104

1. **Basis of Preparation (continued)**

Consolidated Statement of Financial Position (continued)
As at 31 December 2017

	As previously stated * **RM'000**	**Adjustments RM'000**	**As restated RM'000**
Liabilities			
Non-current liabilities			
Redeemable cumulative preference shares	54,667	-	54,667
Other payables	40,000	-	40,000
Long term borrowings	4,914,092	-	4,914,092
Deferred tax liabilities	215,517	25,201	240,718
	5,224,276	25,201	5,249,477
Current liabilities			
Gross amount due to customers	2,608	(2,608)	-
Contract liabilities	-	12,469	12,469
Trade and other payables	2,318,095	(6,986)	2,311,109
Provision for affordable housing	795,895	-	795,895
Short term borrowings	1,963,828	-	1,963,828
Current tax liabilities	79,749	-	79,749
Amounts owing to previous shareholders of I & P Group	3,540,500	-	3,540,500
Amounts owing to related companies	455	-	455
	8,701,130	2,875	8,704,005
Total liabilities	13,925,406	28,076	13,953,482
Total equity and liabilities	27,723,625	862,961	28,586,586

* *The "as previously stated" figures of the consolidated statement of financial position as at 31 December 2017 had accounted for the effects of acquisition of I & P Group based on the pooling of interests method of accounting (adjusted for retrospectively) upon completion on 1 December 2017.*

1. **Basis of Preparation (continued)**

Consolidated Statement of Comprehensive Income
For the financial period ended 31 March 2017

	As previously ^ stated RM'000	**Adjustments RM'000**	**As restated RM'000**
Continuing operations			
Revenue	940,194	86,393	1,026,587
Cost of sales	(680,089)	(94,078)	(774,167)
Gross profit	260,105	(7,685)	252,420
Other income	37,680	7,242	44,922
Selling and marketing expenses	(43,295)	32,761	(10,534)
Administrative and general expenses	(42,575)	(23,003)	(65,578)
Share of results of joint ventures	(8,341)	736	(7,605)
Share of results of associated companies	845	1,407	2,252
Finance costs	(30,005)	(1,402)	(31,407)
Profit before tax	174,414	10,056	184,470
Tax expense	(54,671)	(4,446)	(59,117)
Profit from continuing operations, net of tax	119,743	5,610	125,353
Discontinued operations			
Profit from discontinued operations, net of tax	-	1,897	1,897
Profit for the period	119,743	7,507	127,250
Other comprehensive income, net of tax:			
Exchange differences on translation of foreign operations	52,381	-	52,381
Total comprehensive income for the period	172,124	7,507	179,631
Profit attributable to:			
Holders of Perpetual Bond	8,935	-	8,935
Non-controlling interests	5,625	575	6,200
	14,560	575	15,135
Owners of the Company			
- from continuing operations	105,183	5,035	110,218
- from discontinued operations	-	1,897	1,897
	119,743	7,507	127,250
Total comprehensive income attributable to:			
Holders of Perpetual Bond	8,935	-	8,935
Non-controlling interests	5,585	575	6,160
	14,520	575	15,095
Owners of the Company			
- from continuing operations	157,604	5,035	162,639
- from discontinued operations	-	1,897	1,897
	172,124	7,507	179,631

1. **Basis of Preparation (continued)**

Consolidated Statement of Cash Flows
For the financial period ended 31 March 2017

	As previously stated ^ RM'000	Adjustments RM'000	As restated RM'000
Net cash generated from operating activities	35,643	30,650	66,293
Net cash used in investing activities	(254,737)	(67,258)	(321,995)
Net cash used in financing activities	(64,852)	-	(64,852)
Net decrease in cash and cash equivalents	(283,946)	(36,608)	(320,554)
Effect of exchange rate changes	36,646	-	36,646
Cash and cash equivalents at 1 January 2017	4,076,110	510,393	4,586,503
Cash and cash equivalents at 31 March 2017	3,828,810	473,785	4,302,595

^ *The "as previously stated" figures of the consolidated statement of comprehensive income and consolidated statement of cash flows for the three months period ended 31 March 2017 had not accounted for the effects of acquisition of I & P Group as these were presented in the quarterly announcements preceding the completion of the acquisition of I & P Group on 1 December 2017.*

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 31 March 2018.

4. **Material Changes in Estimates**

There were no material changes in estimates for the financial period ended 31 March 2018.

5. **Debts and Equity Securities**

Save for the following, 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:

(a) Issuance of 471,604 new ordinary shares pursuant to the exercise of options under the Employees' Share Options Scheme ("ESOS") at the following option prices:

		ESOS 1	ESOS 4	ESOS 5
Exercise price	(RM)	2.96	2.62	2.76
No. of shares issued	('000)	308	72	92

(b) Issuance of 325,000,000 new ordinary shares ("Placement Shares") at an issue price of RM3.07 per share;

(c) Conversion from 4,626,995 RCPS-i A to 1,368,930 ordinary shares with the conversion ratio of fifty (50) new S P Setia Berhad shares for one hundred sixty nine (169) RCPS-i A held; and

(d) Conversion from 2,704,547 RCPS-i B to 643,934 ordinary shares with the conversion ratio of five (5) new S P Setia Berhad shares for twenty one (21) RCPS-i B held.

6. **Dividends Paid**

There were no payment of dividend during the current financial quarter and period-to-date ended 31 March 2018.

7. **Segmental Reporting**

The segmental analysis for the financial period ended 31 March 2018 is as follows:-

	Property Development RM'000	**Construction RM'000**	**Other Operations RM'000**	**Eliminations RM'000**	**Consolidated RM'000**
Revenue					
External sales	594,484	24,537	36,481	-	655,502
Inter-segment sales	163,354	153,914	11,086	(328,354)	-
Total revenue	757,838	178,451	47,567	(328,354)	655,502
Gross profit	187,358	2,677	4,961	-	194,996
Other income	55,824	1,423	9,473	-	66,720
Operating expenses	(95,612)	(4,307)	(5,478)	-	(105,397)
Share of results of joint ventures	(15,661)	-	1,922	-	(13,739)
Share of results of associated companies	4,827	-	-	-	4,827
Finance costs	(51,636)	(1)	(1,374)	-	(53,011)
Profit/(Loss) before tax	85,100	(208)	9,504	-	94,396
Tax expense					(13,952)
Profit for the period					80,444

8. Material Events Subsequent to the End of Financial Period

Other than those events disclosed under Status of Corporate Proposals, there were no material transactions or events subsequent to the current quarter ended 31 March 2018 till 7 May 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report).

9. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial period ended 31 March 2018 except for the following:

a) Incorporation of a wholly-owned subsidiary of S P Setia Berhad by the name of Setia International Japan Co. Ltd. on 27 March 2018 with a capital contribution of JPY100,000; and

b) Incorporation of a wholly-owned subsidiary of S P Setia Berhad by the name of Setia Eco Glades 2 Sdn Bhd on 29 March 2018 with an issued and paid-up share capital of RM1.00 comprising 1 ordinary share.

10. Contingent Liabilities

The following are the status updates on the contingent liabilities of the Group as at the current quarter ended 31 March 2018 till 7 May 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report):

(a) On 16 November 2017, the Inland Revenue Board of Malaysia ("MIRB") had served Bandar Setia Alam Sdn Bhd ("BSA"), a wholly-owned subsidiary of S P Setia Berhad, with additional tax assessments for the years of assessment ("YAs") 2008, 2009, 2010, 2011 and 2013 for additional income taxes of RM51,985,822 and a penalty of RM23,393,620.

The abovementioned additional income tax and penalty were imposed by the MIRB as the MIRB has taken the view that the gains from the disposal of land and properties held under Investment Properties under BSA in the abovementioned YAs are chargeable to income tax under the Income Tax Act 1967 ("ITA") instead of the Real Property Gains Tax Act 1976 ("RPGTA").

Upon consulting its tax solicitors, BSA is of the view that there are reasonable grounds to challenge the basis and validity of the disputed Notices of Additional Assessment ("Disputed Notices") raised by the MIRB and the penalty imposed as BSA takes the view that the sales of the Investment Properties are capital transactions which fall under the purview of RPGTA.

BSA has filed Notices of Appeal to the Special Commissioners of Income Tax by way of Forms Q to appeal against the Disputed Notices for the aforesaid YAs pursuant to the provisions of the ITA to preserve its right of appeal.

BSA also filed an application for leave to apply for judicial review against the Disputed Notices which included a prayer for a stay of proceedings to be given at the ex parte stage against the Disputed Notices. An ex parte interim order for stay of proceedings ("Interim Stay") was granted by the Shah Alam High Court ("High Court") on 14 December 2017, which is in effect until 10 May 2018. After several postponements of the hearing, the High Court has granted leave to BSA to proceed with the judicial review application.

Based on the legal advice obtained from the tax solicitors, there are meritorious grounds and case law to support BSA's appeal against the Disputed Notices. On this note, the Directors of the Group are of the opinion that no provision in respect of the tax liability in dispute is required to be made in the financial statements up to the reporting date.

10. **Contingent Liabilities (continued)**

(b) On 27 March 2018, the MIRB had served S P Setia Berhad ("SPSB") with additional tax assessments for the YAs 2009 to 2015 for additional income taxes of RM22,444,559.50 and a penalty of RM10,100,051.79 totalling RM32,544,611.29.

The abovementioned additional income tax and penalty were imposed by the MIRB pursuant to the disallowance of the interest expenses and common expenses deducted by SPSB as deductible expense in the YAs 2011 to 2015 and 2009 to 2015 respectively.

Upon consulting its tax solicitors, SPSB is of the view that there are reasonable grounds to challenge the basis and validity of the disputed Notices of Additional Assessment ("Disputed Notices") raised by the MIRB and the penalty imposed.

On 13 April 2018, the High Court granted leave to SPSB to commence the judicial review proceedings and an interim stay against the Disputed Notices pending the disposal of the inter-partes stay hearing.

Additionally, SPSB has also filed Notices of Appeal (Form Q) to the Special Commissioners of Income Tax pursuant to Section 99(1) of the ITA 1967 to appeal against the Disputed Notices for the aforesaid YAs to preserve its right of appeal.

Based on the legal advice obtained from the tax solicitors, there are reasonable grounds and case law to support SPSB's appeal against the Disputed Notices. On this note, the Directors of the Group are of the opinion that no provision in respect of the tax liability in dispute is required to be made in the financial statements up to the reporting date.

11. **Capital Commitments**

	As at 31 Mar 2018 RM'000
Commitments of subsidiary companies:-	
Contractual commitments for acquisition of development land	402,821
Contractual commitments for construction of investment properties	240,327
Contractual commitments for construction of property, plant and equipment	208,456
Contractual commitments for acquisition of remaining stake in an existing joint venture	431,891
Share of commitments of joint ventures:-	
Contractual commitments for acquisition of development land	114,708
Contractual commitments for construction of investment properties	35,565

12. **Significant Related Party Transactions**

		1 Jan 2018 To 31 Mar 2018 RM'000
Transactions with joint ventures:-		
(i)	Management fee received and receivable	1,501
(ii)	Event service fee received and receivable	31
(iii)	Rental received and receivable	152
(iv)	Construction services rendered	48,954
(v)	Staff secondment fee received and receivable	137
(vi)	Interest received and receivable	3,278
Transaction with director of the subsidiary companies:-		
(i)	Sale of development property to director of subsidiary companies	577
Transaction with related company:-		
(i)	Rental paid and payable	276

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 are analysed as follows:-

	3 Months Ended	
	31 Mar 2018	**31 Mar 2017**
	RM'000	**RM'000**
		Restated
Revenue		
Property Development	594,484	899,833
Construction	24,537	83,791
Other Operations	36,481	42,963
	655,502	1,026,587
Profit/(Loss) before tax		
Property Development	85,100	175,808
Construction	(208)	6,191
Other Operations	9,504	2,471
	94,396	184,470

Property Development

The Group achieved revenue of RM655.5 million and PBT of RM94.4 million in the current quarter. There is a notable drop of revenue from the property development segment as there is only marginal recognition from the ***Parque Melbourne*** project for the current quarter compare to the previous corresponding quarter, where the revenue was substantially recognised upon settlement based on the completion method previously. As majority of the units in ***Parque Melbourne*** has been settled in previous quarters, revenue contribution for the current quarter has hence dropped. Other than this disparity of lumpy revenue contribution from the Australia project, the local projects are progressing according to schedule.

Ongoing projects which contributed to the revenue and profit achieved include ***Setia Alam, Setia Eco Park*** and ***Temasya Glenmarie*** in Shah Alam, ***Setia EcoHill*** and ***Setia EcoHill 2*** in Semenyih, ***Setia Eco Glades*** in Cyberjaya, ***Setia Eco Templer*** in Rawang, ***Alam Sutera*** in Bukit Jalil, ***Alam Damai*** in Cheras, ***Setia Alamsari*** in Bangi, ***Bandar Kinrara*** in Puchong, ***Kota Bayuemas*** and ***Trio by Setia*** in Klang, ***Setia Sky Seputeh*** in Seputeh, ***Bandar Baru Sri Petaling*** in Kuala Lumpur, ***KL Eco City*** at Jalan Bangsar, ***Bukit Indah, Setia Indah, Setia Tropika, Setia Eco Cascadia, Setia Business Park II, Setia Eco Gardens, Setia Sky 88, Taman Rinting, Pelangi Indah*** and ***Taman Industri Jaya*** in Johor Bahru, ***Setia Pearl Island, Setia Vista, Setia Pinnacle, Setia Sky Ville*** and ***Setia V Residences*** in Penang.

1. **Review of Group Performance (continued)**

Construction

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

- Kompleks Institut Penyelidikan Kesihatan Bersepadu ("1NIH 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 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 from Other Operations mainly contributed by wood-based manufacturing, trading activities, and the operation of club house, retail mall and convention centre.

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

The Group's current quarter PBT is RM94.4 million, which is RM345.5 million lower than the preceding quarter ended 31 December 2017. Higher PBT in preceding quarter was mainly due to completion and handover of various projects during the end of the year, as well as handover of the remaining two blocks of Battersea Power Station Phase 1.

3. **Prospects for the Current Financial Year**

For the first quarter of FY2018, the Group secured sales of RM1.11 billion. Local projects contributed RM635.6 million, which represented approximately 58% of the total sales and international projects contributed RM469.1 million, which represented the remaining 42% of the total sales. The sales secured were from Central region with RM278.5 million whereas the Southern and Northern regions contributed RM357.1 million. As for the international projects, the Australian market contributed strongly with RM447.9 million, largely from UNO Melbourne. The first quarter is typically a soft period for the local property market as it coincides with the holiday break during the Chinese New Year period and also the shorter month of February but nevertheless, the Group is pleased with the RM1.11 billion sales. Launches such as the Starter Home series in Setia Alam have received overwhelming response with 100% take-up of Careya on launch date, comprising 93 units of 20ft x 65ft 2 storey terrace house whereas Adina, comprising 117 units of 18ft x 65ft 2 storey terrace house achieved more than 90% take-up rate on launch date. Over at the Southern region, Setia Tropika and Bukit Indah also outperformed with high demand for the 20ft x 70ft 2 storey terrace house where take-up rate have reached 80%. This indicates that the underlying demand is strong for owner occupiers looking to settle down in established township.

3. **Prospects for the Current Financial Year (continued)**

In the second quarter onwards, the Group is planning approximately RM5.57 billion worth of launches with emphasis on mid-range landed properties in Klang Valley as well as in Johor Bahru. In Klang Valley, the planned major launches are in Setia Alam, Setia EcoHill 2, Setia Eco Park, Setia Eco Glades, Setia Alamsari and Alam Impian while in the Southern region, the planned major launches are in Taman Pelangi Indah, Setia Eco Gardens and Setia Tropika. Over at the Northern region, the Group will also be launching the much anticipated Setia Fontaines, the new lifestyle development in the northern part of mainland Penang. Post General Election, the Group believes that the cautious attitude of the market will improve with renewed interest. As for the international front, Daintree Residence will be making its debut at Toh Tuck Road, Singapore where 327 units of condominium with GDV of SGD480 million is slated to be launched in third quarter of FY2018. This will maintain the Group's presence in the Lion City, after the success of 18 Woodsville and Eco Sanctuary. Taking into consideration the improved sentiment in Singapore's property market, Daintree Residence is poised to capture the upside in demand.

On 13 April 2018, the Group completed the acquisition of the remaining 50% equity interest in Setia Federal Hill Sdn Bhd for a total cash consideration of RM431.9 million. The acquisition will enable the Group to own 100% of the 51.57 acres land in Federal Hill. The Federal Hill land is planned for an integrated mixed development, which in addition to residential and commercial components, will also comprise of a retail mall development. With its strategic transit oriented location at the Bangsar business district, served by the LRT service as well as walking distance to ready amenities and transportation hub at KL Sentral, the masterplan has been enhanced to a potential GDV of approximately RM20.19 billion. Targeted to be launched in FY2019 and to be developed over 15 to 20 years, Federal Hill land is one of the key projects for the Group moving forward.

The Group is anchored by 46 ongoing projects with 9,586 acres of effective land banks remaining and potential GDV of RM139.72 billion. Prospects going forward remain positive with total unbilled sales of RM7.95 billion as at 31 March 2018. With a sustained momentum and strong sales achieved to-date, we are optimistic to meet the sales target of RM5.00 billion for the current financial year.

4. **Variance of Actual Profit from Forecast Profit**

Not applicable as no profit forecast was published.

5. **Income Tax**

	3 Months Ended	
	31 Mar 2018	**31 Mar 2017**
	RM'000	**RM'000**
		Restated
Taxation		
- current taxation	28,179	58,067
- deferred taxation	(14,227)	1,050
	13,952	59,117

The Group's effective tax rate (excluding share of results of associated companies and joint ventures) for the financial period is lower than the statutory tax rate mainly due to recognition of previously unrecognised deductible timing differences as deferred tax assets.

6. **Status of Corporate Proposals**

(a) The following is the status of a corporate proposal that has been announced by the Company which has not completed as at 7 May 2018, the latest practicable date which shall not be earlier than 7 days from the date of issue of this interim financial report:

(i) On 14 April 2017, S P Setia Berhad, vide its wholly-owned subsidiary, KL East Sdn Bhd ("KL East"), entered into the following agreements with Seriemas Development Sdn Bhd ("Seriemas"):

a) a conditional sale and purchase agreement ("Bangi SPA") to acquire a piece of freehold land measuring approximately 342.5 acres (or 14,919,300 square feet) located in Bangi, Selangor ("Bangi Land") for a cash consideration of RM447.5 million ("Bangi Purchase Consideration") or RM30.00 per square foot ("psf") of the Bangi Land ("Proposed Bangi Acquisition"); and

b) a conditional profit sharing agreement ("PSA") in relation to the profit sharing of 20% of the audited PBT from the development on the Bangi Land consisting of sale of units and/or land parcels, subject to a maximum RM44.8 million calculated at the rate of RM3.00 psf of the Bangi Land with Seriemas ("Proposed Profit Share").

(both the Proposed Bangi Acquisition and the Proposed Profit Share are collectively referred to as the "Bangi Proposal").

The Bangi SPA and PSA are conditional upon:

a. KL East having carried out the due diligence studies on Bangi Land (which has been completed);

b. Seriemas having submitted and obtained the development order & layout approval (which the application for the development order and layout approval has been submitted and pending approval);

c. approval being obtained vide its letter dated 8 August 2017 from the Estate Land Board of Selangor;

d. approval being obtained vide its letter dated 25 September 2017 from the Economic Planning Unit of the Prime Minister's Department of Malaysia; and

e. approval being obtained vide an EGM held on 16 November 2017 from the shareholders of S P Setia Berhad.

A payment of RM44.8 million, being 10% of the Bangi Purchase Consideration has been paid thus far. On 12 January 2018, KL East and Seriemas have mutually agreed to extend the period to fulfil the conditions precedent for a further period of 6 months to 13 July 2018.

6. **Status of Corporate Proposals (continued)**

(b) The following are the status of utilisation of proceeds from fund raising exercises by the Company:

(i) Rights issue of RCPS-i A

As at 31 March 2018, the status of the utilisation of proceeds raised via the rights issue of RCPS-i A is as follows:

Purpose	**Proposed utilisation**	**Actual utilisation**	**Reallocation**	**Balance unutilised**	**Intended timeframe for utilisation from completion date**
	RM'000	**RM'000**	**RM'000**	**RM'000**	
Existing projects and general working capital requirements	300,000	(198,358)	377*	102,019	Within 18 months
Future development projects and expansion plans	826,025	(461,737)	-	364,288	Within 36 months
Estimated expenses for the rights issue of RCPS-i A	1,600	(1,223)	(377)*	-	Within 1 month
Total	1,127,625	(661,318)	-	466,307	

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

6. **Status of Corporate Proposals (continued)**

(ii) Rights issue of new ordinary shares and RCPS-i B

As at 31 March 2018, the status of the utilisation of proceeds raised via the rights issue of new ordinary shares and RCPS-i B is as follows:

Purpose	**Proposed utilisation**	**Actual utilisation**	**Balance unutilised**	**Intended timeframe for utilisation from completion date**
	RM'000	**RM'000**	**RM'000**	
Part finance the acquisition of I & P Group	2,000,000	(2,000,000)	-	Within 6 months
New and ongoing property development projects	117,000	(117,000)	-	Within 36 months
General working capital requirements	6,248	(6,248)	-	Within 36 months
Estimated expenses for the acquisition of I & P Group and rights issue of shares and RCPS-i B	10,000	(9,449)	551	Within 6 months
Total	2,133,248	(2,132,697)	551	

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 31 March 2018 are as follows:-

	Secured RM'000	**Unsecured RM'000**	**Total RM'000**
Short Term Bank Borrowings	943,304	1,552,352	2,495,656
Long Term Bank Borrowings	3,852,671	2,207,657	6,060,328
Redeemable Cumulative Preference Shares	-	54,981	54,981
	4,795,975	3,814,990	8,610,965

Currency exposure profile of borrowings is as follows:-

	Secured RM'000	**Unsecured RM'000**	**Total RM'000**
Malaysian Ringgit	4,025,327	3,113,333	7,138,660
Great British Pound	-	701,657	701,657
Singapore Dollar	569,080	-	569,080
Australian Dollar	194,906	-	194,906
United States Dollar	6,662	-	6,662
	4,795,975	3,814,990	8,610,965

8. Material Litigation

Except for the contingent liabilities disclosed above, the Group was not engaged in any material litigation as at 7 May 2018, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

9. Dividends Declared

No interim dividend has been declared in respect of the financial period ended 31 March 2018.

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	
	31 Mar 2018	**31 Mar 2017**
	'000	**'000**
		Restated
Profit for the period attributable to owners of the Company (RM)	61,486	112,115
Number of ordinary shares at beginning of the period	3,427,783	2,853,520
Effect of shares issued pursuant to:		
- Exercise of ESOS	294	57
- Conversion of RCPS-i A into ordinary shares	137	-
- Conversion of RCPS-i B into ordinary shares	65	-
- Placement of new ordinary shares	180,556	-
- Rights issue	-	403,260
Weighted average number of ordinary shares	3,608,835	3,256,837
Basic Earnings Per Share (sen)	1.70	3.44

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, full conversion of RCPS-i A at the conversion ratio of fifty (50) ordinary shares for one hundred sixty nine (169) RCPS-i A, as well as full conversion of RCPS-i B at the conversion ratio of five (5) ordinary shares for twenty one (21) RCPS-i B, calculated as follows:

	3 Months Ended	
	31 Mar 2018	**31 Mar 2017**
	'000	**'000**
		Restated
Profit for the period attributable to owners of the Company (RM)	61,486	112,115
Weighted average number of ordinary shares as per basic Earnings Per Share	3,608,835	3,256,837
Effect of potential exercise of LTIP	37,962	21,369
Effect of potential conversion of RCPS-i A	330,180	333,617
Effect of potential conversion of RCPS-i B	287,399	288,043
Weighted average number of ordinary shares	4,264,376	3,899,866
Diluted Earnings Per Share (sen)	1.44	2.87

11. Notes to the Statement of Comprehensive Income

	3 Months Ended	
	31 Mar 2018 RM'000	**31 Mar 2017 RM'000 Restated**
Interest income	36,811	29,435
Other income including investment income	12,210	15,480
Interest expense	(53,011)	(31,407)
Depreciation and amortisation	(5,536)	(5,315)
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Net gain on disposal of quoted or unquoted investments or properties	6,901	7
Impairment of assets	-	-
Fair value gain on investment properties	4,843	-
Net foreign exchange gain/(loss)	5,955	(1,532)
Gain or loss on derivatives	-	-
Exceptional items	-	-

12. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the financial year ended 31 December 2017 was unqualified.