

## 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.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 October 2007.

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 October 2007 except for the adoption of the following new and revised Financial Reporting Standards ("FRS") that are relevant to the Group and effective for the financial periods beginning on or after 1 July 2007:-

- Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates  
- Net Investment in a Foreign Operation
- FRS 107 - Cash Flow Statements
- FRS 111 - Construction Contracts
- FRS 112 - Income Taxes
- FRS 118 - Revenue
- FRS 137 - Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above FRSs does not have significant financial impact to 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 April 2008.

### 4. Changes in estimates

There were no material changes in estimates for the financial period ended 30 April 2008.

### 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 year-to-date except for the following:-

- a) RM500,000,000 nominal value of 2.00% redeemable serial bonds with 168,151,302 detachable warrants;
- b) 336,302,604 new ordinary shares of RM0.75 each on the basis of one (1) new share for every two (2) existing shares held pursuant to a bonus issue exercise; and
- c) 7,790,655 new ordinary shares of RM0.75 each pursuant to the exercise of warrants at RM4.48 per share. The total cash proceeds arising from the exercise of warrants during the current financial year to-date amounted to RM34,902,134.

## 6. Dividends paid

A final dividend of 15 sen less 26% income tax amounting to RM112,853,530 was paid in respect of the financial year ended 31 October 2007.

## 7. Segmental Reporting

	<b>Property Development</b>	<b>Construction</b>	<b>Other Operations</b>	<b>Eliminations</b>	<b>Consolidated</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>					
External Sales	486,596	83,627	34,943	-	605,166
Inter-segment sales	21,608	844	5,575	(28,027)	-
Total Revenue	508,204	84,471	40,518	(28,027)	605,166
<u>Results</u>					
Segment results	116,524	3,637	1,919	-	122,080
Net Profit from investing activities					8,604
Share of profits less losses of associated companies	3,650	5,006	-	-	8,656
Finance costs					(6,077)
Profit before taxation					133,263
Tax expense					(36,744)
Profit for the period					96,519

## 8. Material Events subsequent to the End of Period

There were no material transactions or events subsequent to the current quarter ended 30 April 2008 till 17 June 2008 (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 year-to-date except for the following:-

- (a) Acquisition of 10 ordinary shares for cash consideration of USD10/- in Setia D-Nine Limited ("Setia D-Nine") (formerly known as Prime Globe Holdings Limited), a company incorporated in the British Virgin Islands, through Setia International Limited on 3 December 2007, resulting in Setia D-Nine becoming a wholly owned subsidiary;
- (b) Acquisition of 10 ordinary shares for cash consideration of USD10/- in Setia Saigon East Limited ("Setia Saigon") (formerly known as Toptec Holdings Limited), a company incorporated in the British Virgin Islands, through Setia International Limited on 3 December 2007, resulting in Setia Saigon becoming a wholly owned subsidiary;
- (c) Subscription of 10 ordinary shares for a cash consideration of USD10/- in Setia Land (Vietnam) Limited ("Setia Land"), a company incorporated in the British Virgin Islands, through Setia International Limited on 15 February 2008, resulting in Setia Land becoming a wholly owned subsidiary;

- (d) Subscription of 10 ordinary shares for a cash consideration of USD10/- in Setia Capital (Vietnam) Limited (“Setia Capital”), a company incorporated in the British Virgin Islands, through Setia International Limited on 15 February 2008, resulting in Setia Capital becoming a wholly owned subsidiary; and
- (e) Acquisition of 100,000 ordinary shares of RM1.00 each for total consideration of RM90,000 from a minority shareholder of Tenaga Raya Sdn Bhd (“Tenaga Raya”) on 15 February 2008 resulting in S P Setia Berhad’s equity interest in Tenaga Raya increasing from 87% to 91.2%.

#### 10. Contingent Liabilities

There were no changes in contingent liabilities in respect of the Group since the last annual balance sheet date except for a guarantee of RM240,000 given to a bank for performance bonds granted to a jointly controlled entity.

#### 11. Capital Commitments

	<b>30/04/2008</b>
	RM’000
Contractual commitment to purchase development lands	21,882
Contractual commitment for acquisition of property, plant and equipment	<u>30,957</u>

#### 12. Related Party Transactions

	<b>01/11/2007</b>
	<b>to</b>
	<b>30/04/2008</b>
	RM’000
<i>Transactions with associated companies:</i>	
( i ) Construction services rendered	12,317
( ii ) Security services rendered	291
( iii ) Project management and administrative fee received and receivable	3,545
( iv ) Rental received and receivable	32
( v ) Marketing expenses charged	187
( vi ) Sale of development property to a director of subsidiary companies	<u>1,342</u>
<i>Transaction with a jointly controlled entity:</i>	
( i ) Interest charged	<u>36</u>
<i>Transactions with directors of the Company and subsidiary companies, members of their family and companies, firms in which they have interests:</i>	
( i ) Rental paid to a director	13
( ii ) Rental paid to a company in which a director has interest	36
( iii ) Security services rendered to a director of the Company	81
( iv ) Security services rendered to a director of subsidiary Company	22
( v ) Disposal of motor vehicles to directors of the Company	223
( vi ) Sale of development properties to a director of the Company	7,709
( vii ) Sale of development properties to directors of subsidiary companies	8,195
( viii ) Sale of development properties to companies in which directors of the Company has financial interest	<u>18,932</u>

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF  
BURSA MALAYSIA SECURITIES BERHAD**

**1. Review of Performance of the Company and its Principal Subsidiaries**

For the current year to date, the Group achieved a profit after taxation of RM96.5 million on the back of revenue totalling RM605.2 million. The Group's profit and revenue were mainly derived from its property development activities carried out in the Klang Valley, Johor Bahru and Penang. Ongoing projects which contributed to the Group's profit and revenue include *Setia Alam* at Shah Alam, *SetiaHills* at Bukit Indah Ampang, *Bukit Indah*, *Setia Indah*, *Setia Tropika* in Johor and *Setia Pearl Island* in Penang. Apart from property development, the Group's construction and wood-based manufacturing activities also contributed to the earnings achieved.

The Group's profit after tax for the current year to date is RM10 million lower than the cumulative profit after tax for the preceding year corresponding period. This is mainly due to the following:-

- The recent price increases of key construction materials faced by contractors have resulted in slower progress of work on site. The rapidity of the cost escalation also caused a temporary interruption in the supply of such materials to site which further exacerbated the situation;
- Higher selling and marketing expenses, administrative expenses, staff costs and general overheads in FY2008 as the Group implements its expansion plans to transform itself from a Malaysian developer of primarily landed residential homes to a fully integrated regional real estate player. This has resulted in a timing mismatch given that new projects launched in this financial year will mainly start to contribute revenue and profits only from FY2009 onwards;
- Higher funding costs charged out to the profit and loss account prior to deployment of the funds raised from the Company's RM500 million bonds and warrants exercise to specific development projects; and
- The Group's *Duta Tropika* project which was handed over to purchasers towards the end of FY2006 continued to contribute to earnings in FY2007. There was no contribution from *Duta Tropika* in FY2008.

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

There were no material changes in the group's current quarter profit before tax compared to the preceding quarter ended 31 January 2008.

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

Despite the challenging economic and business environment, the Board of Directors are confident that the Group's expansion plans are on track. Sales for FY2008 have remained strong with RM951 million in properties sold as at 31 May 2008. The solid sales performance achieved is both a testament to the strength of the Group's various product brands as well as the resilience of the Malaysian property market. Rising costs, as mention above, remains the key concern which the Group intends to deal with as follows:-

- Review the manner in which contracts are awarded by incorporating cost escalation clauses into fixed price contracts for a few key construction materials to avoid over-pricing of overall contract costs during this period of uncertainty. The Group will also take advantage of its strong financial position to offer to purchase construction materials on behalf of its subcontractors to enable works to progress expeditiously on site;
- Generally restructure the Group's operations to be more cost efficient; and

- Continue to expedite the provision of key infrastructure and amenities in its various townships and improve on the Group's product offerings to enable justifiable price increases to be passed on to purchasers.

The Group will also be proceeding with the launch of its *Ecolakes* project in Vietnam shortly. The Board believes that sales performance will be respectable given the strategic location of this project in the Binh Duong province, surrounded by several sizeable and matured industrial parks. Notwithstanding the present economic difficulties in Vietnam, the Board of Directors continue to believe in the good long-term prospects of the Vietnamese market. Meanwhile, the Group has only invested USD11 million in the form of charter capital for its *Ecolakes* project. The charter capital commitment for its second project in District 9 Ho Chi Minh City, which is still pending execution of a formal Joint Venture Agreement, is only USD13.4 million. In total, therefore the Group's current anticipated financial exposure in Vietnam is less than USD25 million.

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

Not applicable as no profit forecast was published.

#### 5. Income Tax

Income Tax comprises: -

	SECOND QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/04/2008 RM'000	30/04/2007 RM'000	30/04/2008 RM'000	30/04/2007 RM'000
- current taxation	18,407	18,085	41,622	36,572
- deferred taxation	(1,027)	2,187	(4,878)	(410)
- in respect of prior years	-	514	-	514
	<u>17,380</u>	<u>20,786</u>	<u>36,744</u>	<u>36,676</u>

The group's effective tax rate for the current quarter and financial year to-date is higher compared to the statutory taxation rate mainly due to certain non-tax deductible expenses.

#### 6. Profit on Sale of Unquoted Investments and/or Properties

There were no profits on sale of unquoted investments and/or properties outside the ordinary course of the Group's business for the current quarter and financial year-to-date.

#### 7. Quoted Securities

Total purchases and disposals of quoted securities for the financial year-to-date were as follows:-

	RM'000
Total purchase consideration	<u>-</u>
Total sale proceeds	<u>-</u>
Total profit on disposal	<u>-</u>

Total investments in quoted securities as at 30 April 2008 were as follows:-

	RM'000
At cost	<u>878</u>
At book value	<u>125</u>
Market value	<u>125</u>

## 8. Status of Corporate Proposals

(a) The following are the status of corporate proposals that have been announced by the Company but not completed as at 17 June 2008, the latest practicable date which shall not be earlier than 7 days from the date of this announcement: -

- (i) Conditional Shareholders' Agreement entered into on 20 December 2000 between S P Setia Berhad and YGP Holdings Sdn. Bhd. ("YGP") to govern the relationship between S P Setia Berhad and YGP ("the Parties") as proposed shareholders in Pelita Dunia Sdn. Bhd. ("Pelita Dunia") and to set out the respective rights, duties and obligations of the Parties in relation to the acquisition by Pelita Dunia of several pieces of lands from Dewan Bandaraya Kuala Lumpur ("State Lands") and various private owners ("Private Lands") for development into a mixed residential and commercial development project.

On 21 August 2007, a Memorandum of Understanding was entered into between Datuk Bandar Kuala Lumpur and Pelita Dunia Sdn Bhd, currently a wholly owned subsidiary of S P Setia Berhad, pertaining to the proposed development of the State Lands and Private Lands;

- (ii) Proposed disposal by S P Setia Berhad, as announced on 24 April 2004, of its entire 50% equity interest in Setia Putrajaya Sdn. Bhd. ("SPJ") comprising 25,000,000 ordinary shares of RM1.00 each to Prudent Location Sdn. Bhd. ("Prudent"), a company incorporated with the objective of assuming the listing status of Kramat Tin Dredging Berhad ("Kramat"), for a total consideration of RM74 million to be satisfied by the issuance of RM37 million ordinary shares of RM1.00 each in Prudent and RM37 million irredeemable convertible preference shares ("ICPS") of RM1.00 each in Prudent.

Subsequently, as announced on 15 April 2005, the total consideration for the disposal of S P Setia Berhad's 50% equity interest in SPJ was revised to approximately RM69 million to be satisfied by the issuance of approximately RM34.5 million ordinary shares of RM1.00 each in Prudent and approximately RM34.5 million ICPS of RM1.00 each in Prudent. The Securities Commission ("SC") has approved the proposal submitted by Kramat, vide their letter dated 9 June 2005 subject to certain terms and conditions.

On 6 May 2008, SC has approved Kramat's application for extension of time up to 31 August 2008 to implement the proposal;

- (iii) Agreement to lease between Bandar Setia Alam Sdn Bhd, a wholly owned subsidiary of S P Setia Berhad and Tesco Stores (Malaysia) Sdn Bhd of approximately 8 acres of freehold land together with building in the Mukim of Bukit Raja, District of Petaling, State of Selangor, as announced on 30 May 2006 which became unconditional on 7 November 2007;
- (iv) Proposed joint venture between Setia Promenade Sdn Bhd, a wholly owned subsidiary of S P Setia Berhad with PPH Resorts (Penang) Sdn Bhd for the development of approximately 45 acres of freehold land in the State of Pulau Pinang as announced on 12 December 2006. The joint venture agreement became unconditional on 18 December 2007;
- (v) Conditional development agreement and lease agreement between Bandar Setia Alam Sdn Bhd, a wholly owned subsidiary of S P Setia Berhad and Tenby Educare Sdn Bhd ("Lessee") for the construction of an integrated school complex together with necessary infrastructure on a piece of freehold land measuring approximately 14 acres situated at Mukim of Bukit Raja, District of Petaling, State of Selangor Darul Ehsan and for the lease of the land and school complex to the Lessee, as announced on 8 March 2007;

- (vi) Joint venture agreement as announced on 26 June 2007 entered into by Setia MyPhuoc Limited, a wholly owned subsidiary of S P Setia Berhad, Becamex IDC Corporation and Treasure Link Far East Limited for the joint development of various parcels of land measuring approximately 226.0 hectares or approximately 558.4 acres located in MyPhuoc, Province of Binh Duong, Vietnam. On 19 November 2007, the Company received notification that the People's Committee of Binh Duong Province, Vietnam, had approved the application for the Investment Certificate and the incorporation of the joint venture company, SetiaBecamex;
- (vii) Conditional agreement to lease between Bukit Indah (Johor) Sdn Bhd, a wholly owned subsidiary of S P Setia Berhad and Tesco Stores (Malaysia) Sdn Bhd of approximately 9.69 acres of freehold land together with building in the Mukim of Pulai, District of Johor Bahru, State of Johor as announced on 29 October 2007;
- (viii) Cooperation agreement as announced on 3 January 2008 by Setia Saigon East Limited, a wholly owned subsidiary of S P Setia Berhad and Saigon Hi-Tech Park Development Company to jointly develop a mixed real property development on a parcel of land measuring approximately 32 hectares or 79 acres located in District 9, Ho Chi Minh City, Vietnam; and
- (ix) Development agreement entered into by Aeropod Sdn Bhd, a 70% owned subsidiary of S P Setia Berhad and the State Government of Sabah for the proposed development of a piece of land measuring approximately 59.21 acres in Tanjung Aru, Kota Kinabalu, Sabah as announced on 29 January 2008.
- (b) The status of utilisation of proceeds raised from the redeemable serial bonds as at 30 April 2008 is as follow:

<b>Purpose</b>	<b>Proposed Utilisation</b>	<b>Utilisation to-date</b>
	RM'000	RM'000
Repayment of bank borrowings	195,000	195,000
Capital expenditure and working capital requirements	304,490	304,750
Estimated expenses of the Corporate Exercises*	1,500	1,240
<b>Total</b>	<b>500,990</b>	<b>500,990</b>

\* *The balance of the estimated expenses has been utilised for working capital purposes.*

The amount of RM304.75 million meant for capital expenditure and working capital requirements was channelled to certain subsidiaries within the Group for working capital purposes.

## 9. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 30 April 2008 were as follows:

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	RM'000	RM'000	RM'000
Hire Purchase & Leasing Borrowings	-	3,483	3,483
Bank Overdrafts	-	311	311
Short Term Bank Borrowings	45,971	-	45,971
Long Term Bank Borrowings	377,028	-	377,028
2% Redeemable Unsecured Serial Bonds	-	454,726	454,726
	<b>422,999</b>	<b>458,520</b>	<b>881,519</b>

#### 10. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 17 June 2008, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

#### 11. Material Litigation

The Group is not engaged in any material litigation as at 17 June 2008, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

#### 12. Dividends

(a) The board of Directors has recommended an interim dividend in respect of the financial year ending 31 October 2008.

- (i) Amount per share : 7 sen less income tax of 26%
- (ii) Previous corresponding period : 10 sen less income tax of 27%
- (iii) Date payable : 8 August 2008
- (iv) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 25 July 2008.

(b) Total dividend for the current financial period : 7 sen less income tax of 26%

#### 13. Earnings Per Share Attributable To Equity Holders of The Company

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

	SECOND QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/04/2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/04/2007 RM'000	CURRENT YEAR TO DATE 30/04/2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/04/2007 RM'000
Profit for the period attributable to equity holders of the Company	47,993	59,759	96,519	106,505
Number of ordinary shares at beginning of the period	1,008,908	672,605	672,605	664,685
Effect of bonus issue	-	336,303	336,303	335,584
Effect of shares issued pursuant to				
- Company's ESOS	-	-	-	6,483
- Exercise of Warrants	6,855	-	3,390	-
Weighted average number of ordinary shares	1,015,763	1,008,908	1,012,298	1,006,752
Basic Earnings Per Share (sen)	4.72	5.92	9.53	10.58



The diluted earnings per share has been calculated by dividing the Group's profit for the period attributable to equity holders 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 ESOS and the Warrants, adjusted for the number of such shares that would have been issued at fair value, calculated as follows:

	SECOND QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/04/2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/04/2007 RM'000	CURRENT YEAR TO DATE 30/04/2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/04/2007 RM'000
Profit for the period attributable to equity holders of the Company	47,993	59,759	96,519	106,505
Weighted average number of ordinary shares as per basic EPS	1,015,763	1,008,908	1,012,298	1,006,752
Effect of potential exercise of Warrants/ ESOS	- *	-	- *	473
Weighted average number of ordinary shares	1,015,763	1,008,908	1,012,298	1,007,225
Diluted Earnings Per Share (sen)	4.72	5.92	9.53	10.57

\* *Anti-dilutive.*

#### 14. **Qualified audit report**

The preceding audited financial statements for the year ended 31 October 2007 were not qualified.