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 31 July 2008.

4. **Changes in estimates**

There were no material changes in estimates for the financial period ended 31 July 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**

	Property Development RM'000	**Construction** RM'000	**Other Operations** RM'000	**Eliminations** RM'000	**Consolidated** RM'000
Revenue					
External Sales	738,893	107,907	60,769	-	907,569
Inter-segment sales	33,918	1,271	8,400	(43,589)	-
Total Revenue	772,811	109,178	69,169	(43,589)	907,569
Results					
Segment results	159,835	4,422	3,825	-	168,082
Net Profit from investing activities					12,645
Share of profits less losses of associated companies	6,820	7,145	-	-	13,965
Finance costs					(6,528)
Profit before taxation					188,164
Tax expense					(50,786)
Profit for the period					137,378

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

There were no material transactions or events subsequent to the current quarter ended 31 July 2008 till 18 September 2008 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), except for the following:-

(a) On 20 August 2008, S P Setia Management Services Sdn Bhd, a wholly owned subsidiary of S P Setia Berhad, has disposed off all the 17,045,194 ordinary shares or 25.07% interest held in Loh & Loh Corporation Berhad for a total consideration of RM82,669,190.60.

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 of S P Setia Berhad;

(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 of S P Setia Berhad;

(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 of S P Setia Berhad;

(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 of S P Setia Berhad; 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%.

(f) Subscription of USD11 million in the form of charter capital in SetiaBecamex Joint Stock Company ("SetiaBecamex"), through Setia MyPhuoc Limited, resulting in SetiaBecamex becoming a 55% owned jointly controlled entity of S P Setia Berhad;

(g) Acquisition of 2 ordinary shares of RM1.00 each in Sentosa Jitra Sdn Bhd ("Sentosa") on 11 June 2008, resulting in Sentosa becoming a wholly owned subsidiary of S P Setia Berhad;

(h) Acquisition of 2 ordinary shares of RM1.00 each in Kayan Setegas Sdn Bhd ("Kayan") on 23 June 2008, resulting in Kayan becoming a wholly owned subsidiary of S P Setia Berhad; and

(i) Acquisition of 1 ordinary share of RM1.00 in Greenhill Resources Sdn Bhd ("Greenhill"), through Bandar Setia Alam Sdn Bhd on 2 July 2008, resulting in Greenhill becoming a 50% owned associate of S P Setia Berhad.

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**

	31/07/2008
	RM'000
Contractual commitment to purchase development lands	27,013
Contractual commitment for acquisition of property, plant and equipment	5,912

12. **Related Party Transactions**

	01/11/2007 to 31/07/2008 RM'000
Transactions with associated companies:	
(i) Construction services rendered	24,138
(ii) Security services rendered	436
(iii) Project management and administrative fee received and receivable	5,287
(iv) Rental received and receivable	32
(v) Marketing expenses charged	324
(vi) Sale of development property to a director of subsidiary companies	1,342
(vii) Sale of goods	3,683
Transaction with jointly controlled entities:	
(i) Interest charged	70
(ii) Project management fee charged	677
(iii) Security services rendered	70
Transactions with directors of the Company and subsidiary companies, members of their family and companies, firms in which they have interests:	
(i) Rental paid to a director	13
(ii) Rental paid to a company in which a director has interest	54
(iii) Security services rendered to a director of the Company	122
(iv) Security services rendered to a director of subsidiary Company	34
(v) Disposal of motor vehicles to directors of the Company	223
(vi) Sale of development properties to a director of the Company	9,902
(vii) Sale of development properties to directors of subsidiary companies	8,194
(viii) Sale of development properties to companies in which directors of the Company has financial interest	22,999

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 RM137.4 million on the back of revenue totalling RM907.6 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 Bahru 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 RM22.8 million lower than the cumulative profit after tax for the preceding year corresponding period. This is mainly due to the following:-

i) The slow progress of work on site as contractors struggled to overcome financial and supply constraints caused by the sudden steep increase in the price of key construction materials during the 3rd quarter of this financial year;

ii) Lower number of properties handed over to purchasers this year as compared to last year;

iii) A timing mismatch in staff costs, general overheads, administrative and marketing expenses until the new projects launched / to be launched in this financial year such as Setia Walk, Setia Eco Gardens and Setia Sky Residences start to contribute revenue and profits from FY2009 onwards; and

iv) Lower gross profit margins achieved mainly as a result of the following:

- Difference in geographical and product mix between properties handed over in 2007 and 2008. Properties contributing to profits in 2007 were predominantly Klang Valley products including the first batch of shophouses in Bandar Setia Alam. In 2008, profits were mainly derived from residential properties in Johor Bahru which historically carries a lower profit margin as compared to the Klang Valley; and

- Provision for some increase in construction costs on projects launched and sold at old prices following the measures implemented by the Group to assist in alleviating the cost pressures faced by contractors as announced in the results for the 2nd quarter.

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

The Group's current quarter profit before tax is RM54.9 million, which is lower than the preceding quarter ended 30 April 2008 mainly due to the reasons mentioned above.

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

The Board of Directors is pleased to report that notwithstanding the many external challenges encountered this year, sales of the Group's properties in FY2008 have been very encouraging, with RM1.278 billion sold as at 31 August 2008. This is already higher than the total sales achieved in FY2007 of RM1.234 billion, despite price increases of between 10% – 30% for most new launches, as compared to similar properties sold at the start of this year.

The measures announced by the Group earlier to assist its contractors in coping with the huge spike in construction costs are also beginning to take effect and site progress has begun to recover. These include:

i) the incorporation of cost escalation clauses into fixed price contracts for a few key construction materials;

ii) freewill negotiations with contractors to share the burden of the cost increase for certain on-going contracts; and

iii) purchase of construction materials on behalf of contractors to enable works to progress expeditiously on site.

In the short term, as mentioned above, some of these measures have resulted in the lower gross profit margin recorded this quarter, to the extent that they have impacted products which were already launched and sold at old prices. However, once the current year launches begin contributing to earnings margins are expected to improve, particularly as cost pressures appear to have peaked and should moderate / reduce in line with international fuel prices.

Of greater concern at the moment is the worldwide financial turmoil and its potential impact on the health and growth of the Malaysian and world economy. In this regard the Group is in a strong financial position with approximately RM664 million cash and a net gearing of only 0.17 as a result of prudent financial management. This will enable the Group to continue to fund its operations and take advantage of any good opportunities which may come by during these uncertain times.

4. **Variance of Actual Profit from Forecast Profit**
Not applicable as no profit forecast was published.

5. **Income Tax**
Income Tax comprises: -

	THIRD QUARTER		**CUMULATIVE**	
	CURRENT YEAR QUARTER	**PRECEDING YEAR CORRESPONDING QUARTER**	**CURRENT YEAR TO DATE**	**PRECEDING YEAR CORRESPONDING PERIOD**
	31/07/2008	**31/07/2007**	**31/07/2008**	**31/07/2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
- current taxation	14,619	18,491	56,241	55,063
- deferred taxation	(355)	720	(5,233)	310
- in respect of prior years	(222)	3,710	(222)	4,224
	14,042	22,921	50,786	59,597

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**
There were no purchases and disposals of quoted securities for the financial year-to-date.

Total investments in quoted securities as at 31 July 2008 were as follows:-

	RM'000
At cost	878
At book value	215
Market value	215

8. **Status of Corporate Proposals**

The following are the status of corporate proposals that have been announced by the Company but not completed as at 18 September 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 15 August 2008, all the parties have agreed to extend the completion date of the proposal to 28 February 2009. As announced on 5 September 2008, the SC had approved the extension of time up to 28 February 2009 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 ("Tesco") 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. The building was delivered to Tesco on 30 July 2008;

(iv) 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. The international school commenced its operations on 8 September 2008;

(v) 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;

(vi) 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;

(vii) 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; and

(viii) Proposed disposal by Bandar Setia Alam Sdn Bhd ("BSA"), a wholly owned subsidiary of S P Setia, of approximately thirty and a half (30.5) acres of freehold land located within Precinct 1 of the Setia Alam township ("Said Land") to Greenhill Resources Sdn Bhd ("JVCo") for a total consideration of RM119,572,200.00 and proposed joint venture between BSA and Lend Lease Asian Retail Investment Fund 2 Limited, a wholesale real estate development fund managed by Lend Lease Investment Management Pte Ltd, for the development of a retail mall on the Said Land, as announced on 2 July 2008.

9. **Group Borrowings and Debt Securities**

Total group borrowings and debt securities as at 31 July 2008 were as follows:

	Secured	**Unsecured**	**Total**
	RM'000	RM'000	RM'000
Hire Purchase & Leasing Borrowings	-	3,363	3,363
Bank Overdrafts	23,169	61,241	84,410
Short Term Bank Borrowings	80,479	-	80,479
Long Term Bank Borrowings	360,249	-	360,249
2% Redeemable Unsecured Serial Bonds	-	457,641	457,641
	463,897	522,245	986,142

10. **Off Balance Sheet Financial Instruments**

The Group does not have any financial instruments with off balance sheet risk as at 18 September 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 18 September 2008, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

12. **Dividends**

The board of Directors declared an interim dividend of 7 sen less income tax 26% (2007: 10 sen less 27% income tax) in respect of the financial year ending 31 October 2008. The interim dividend was paid on 8 August 2008.

No dividend has been declared for the third quarter ended 31 July 2008.

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:-

	THIRD QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/07/2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/07/2007 RM'000	CURRENT YEAR TO DATE 31/07/2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/07/2007 RM'000
Profit for the period attributable to equity holders of the Company	40,859	53,768	137,378	160,273
Number of ordinary shares at beginning of the period	1,016,698	672,605	672,605	664,685
Effect of bonus issue	-	336,303	336,303	335,827
Effect of shares issued pursuant to				
- Company's ESOS	-	-	-	6,968
- Exercise of Warrants	-	-	4,868	-
Weighted average number of ordinary shares	1,016,698	1,008,908	1,013,776	1,007,480
Basic Earnings Per Share (sen)	4.02	5.33	13.55	15.91

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:

	THIRD QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/07/2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/07/2007 RM'000	CURRENT YEAR TO DATE 31/07/2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/07/2007 RM'000
Profit for the period attributable to equity holders of the Company	40,859	53,768	137,378	160,273
Weighted average number of ordinary shares as per basic EPS	1,016,698	1,008,908	1,013,776	1,007,480
Effect of potential exercise of Warrants/ ESOS	- *	-	- *	313
Weighted average number of ordinary shares	1,016,698	1,008,908	1,013,776	1,007,793
Diluted Earnings Per Share (sen)	4.02	5.33	13.55	15.90

* *Anti-dilutive.*

14. **Qualified audit report**

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