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 2008.

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 2008.

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 January 2009.

4. **Changes in estimates**

There were no material changes in estimates for the financial period ended 31 January 2009.

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) 107,350 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 RM480,928.

6. **Dividends paid**

There were no payment of dividend during the current financial quarter and year-to-date ended 31 January 2009.

7. **Segmental Reporting**

	Property Development RM'000	Construction RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	228,627	10,110	21,179	-	259,916
Inter-segment sales	7,903	660	12,125	(20,688)	-
Total revenue	236,530	10,770	33,304	(20,688)	259,916
Results					
Segment results	35,868	(821)	984	-	36,031
Net profit from investing activities					5,796
Share of net profits less losses of associated companies	2,840	481	-	-	3,321
Finance costs					(609)
Profit before taxation					44,539
Tax expense					(13,364)
Profit for the period					31,175

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

There were no material transactions or events subsequent to the current quarter ended 31 January 2009 till 12 March 2009 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report)), except as disclosed in page 10, Note 8(ii) and page 11, Note 8(vii) of the Status of Corporate Proposals.

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.

10. **Contingent Liabilities**

There were no changes in contingent liabilities in respect of the Group since the last annual balance sheet date.

11. **Capital Commitments**

	31/01/2009 RM'000
Contractual commitment to purchase development lands	70,533
Contractual commitment for acquisition of investment properties	6,508
Contractual commitment for acquisition of property, plant and equipment	3,915

12. **Significant Related Party Transactions**

	01/11/2008 To 31/01/2009 RM'000
Transactions with associated companies:	
(i) Construction services rendered	2,859
(ii) Security services rendered	136
(iii) Project management and administrative fee received and receivable	1,845
(iv) Marketing expenses charged	38
(v) Sale of goods	3,448
(vi) Rental paid and payable	143
Transaction with jointly controlled entities:	
(i) Interest charged	119
(ii) Project management fee charged	244
(iii) Security services rendered	17
(iv) Sales of goods	940
Transactions with directors of the Company and subsidiary companies, members of their family and companies, firms and trust body in which they have interests:	
(i) Rental paid to a company in which a director has interest	18
(ii) Security services rendered to a director of the Company	41
(iii) Security services rendered to a director of subsidiary Company	11
(iv) Security services rendered to a trust body in which a director of the Company and a director of subsidiary companies are the trustee	21
(v) Disposal of motor vehicles to directors of the Company	1,625
(vi) Disposal of motor vehicles to directors of subsidiary companies	734
(vii) Disposal of motor vehicles to company in which a director of the Company has financial interest	630

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

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

For the current year to date, the Group achieved a profit after taxation of RM31.2 million on the back of revenue totalling RM260 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* and *Setia Eco-Park* at Shah Alam, *SetiaHills* at Bukit Indah Ampang, *Bukit Indah, Setia Indah, Setia Tropika* and *Setia Eco Gardens* in Johor Bahru and *Setia Pearl Island* in Penang. Apart from property development, the Group's wood-based manufacturing activities also contributed to the earnings achieved.

The Group's profit after tax for the current financial period is RM17 million lower than the profit after tax for the preceding financial year corresponding period. This was mainly due to the inclusion of profit from the disposal of land in AU2, Mukim of Ulu Kelang, Kuala Lumpur to AEON CO.(M) Bhd amounting to RM26 million in the corresponding quarter of the preceding financial year.

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

The Group's current quarter profit before tax is RM44.5 million, which is RM58 million lower than the preceding quarter ended 31 October 2008. This is mainly due to the following:-

- Profit recognition of RM26.9 million on the disposal of the 25.07% interest held in Loh & Loh Corporation Berhad in the preceding quarter; and

- Lower profit contribution from property development due to the global financial crisis which negatively impacted sentiments beginning from September 2008 last year – this has resulted in slow property sales during the 1st quarter of this financial year.

Property development segmental margins are also lower at 15.7% this quarter compared to 17.9% in the preceding quarter. This mainly due to lower margins achieved by the initial phases of *Setia Eco Gardens* and several phases in other ongoing projects which were launched during the 1st and 2nd quarters of FY2008. For these phases, building contracts had to be awarded at the height of the construction price increase in order to enable the 24 month delivery period to purchasers to be met.

Whilst cost pressures have to a large extent abated, the Group's profit margins in the months ahead will also be impacted by the structural shift in its product mix. This is because integrated commercial and high rise development projects such as the *Setia Walk* project typically carry lower margins as compared to landed residential properties. However, due to the much higher density of such projects, the overall yield per acre of land should nevertheless be better.

3. Prospects for the Current Financial Year

Given the ongoing global financial turmoil and its adverse effects on the domestic economy it is evident that 2009 will be an extremely challenging year. Whilst the Group is still relatively well placed due to its strong financial position with RM572 million cash and a net gearing of only 0.19 as at 31 January 2009 this is not something we can take for granted.

The Board has already disclosed its overall strategy to ride out the present financial storm which is premised on a flexible three-pronged business model with key focus on cash-conservation and cash-generation. This business model was discussed in detail in the announcement of the Company's results for the 4th quarter of FY2008.

As mentioned above, sales during the 1st quarter was very weak due to the extreme caution exercised by potential purchasers in the light of the unending flow of bad economic and financial news. However, the Group's experience during the Asian Financial Crisis has taught us that there will still be buyers of property provided they believe that they are getting good value for their money. This was the key motivation behind the introduction of the S P Setia 5/95 Home Loan Package which was launched on 19 January 2009. Under this innovative package, which is scheduled to run for 3 months, buyers pay only 5% upon signing the SPA and nothing more until completion. This significantly lessens the upfront capital commitment faced by house-buyers and more importantly absolves buyers of any further cash outflow to service interest payment, stamp duties and legal fees until vacant possession.

To complement the 5/95 programme the Group is also coming up with new products with smaller built-ups thus lowering entry prices which the Group feels will be well-received by house-buyers in the current economic environment. Judging from the Group's leading sales indicators of approximately RM300 million in slightly less than 2 months since the launch of the 5/95 programme, the Board is confident that the proactive measures taken by management will be successful in spurring sales significantly over the 3-month promotional period.

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

Not applicable as no profit forecast was published.

5. **Income Tax**

Income Tax comprises: -

	FIRST QUARTER		**CUMULATIVE**	
	CURRENT YEAR QUARTER	**PRECEDING YEAR CORRESPONDING QUARTER**	**CURRENT YEAR TO DATE**	**PRECEDING YEAR CORRESPONDING PERIOD**
	31/01/2009	**31/01/2008**	**31/01/2009**	**31/01/2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
- current taxation	13,533	23,215	13,533	23,215
- deferred taxation	(590)	(3,851)	(590)	(3,851)
- in respect of prior years	421	-	421	-
	13,364	19,364	13,364	19,364

The group's effective tax rate for the current quarter 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.

Total investments in quoted securities as at 31 January 2009 were as follows:-

	RM'000
At cost	878
At book value	214
Market value	214

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 12 March 2009, 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 proposed 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 mixed residential and commercial 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 SPJ Corporation Bhd ("SPJ Corp") (*formerly known as Prudent Location Sdn. Bhd.*), 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 SPJ Corp and RM37 million irredeemable convertible preference shares ("ICPS") of RM1.00 each in SPJ Corp.

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 SPJ Corp and approximately RM34.5 million ICPS of RM1.00 each in SPJ Corp. The Securities Commission ("SC") has approved the proposal submitted by Kramat, vide their letter dated 9 June 2005 subject to certain terms and conditions.

As announced on 27 February 2009, the proposal will not be implemented as the parties to the proposal were not able to vary the relevant agreement to extend the completion date which expired on 28 February 2009 as one of the parties to the proposal has stated its intention of not proceeding with any variations after assessing the implications of the changes which include, amongst others, the downward revision to the valuation of SPJ. The downward revision is following the development of certain material changes in relation to the development projects of SPJ and its subsidiaries which was announced on 23 January 2009;

(iii) 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;

(iv) Cooperation agreement as announced on 3 January 2008 by Setia Saigon East Limited and Setia D-Nine Limited, both wholly owned subsidiaries 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.

As announced on 5 January 2009, the parties have mutually agreed to extend the period for fulfilment of the conditions precedent to expire on 3 July 2009;

(v) 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.

As announced on 2 February 2009, the parties have mutually agreed to extend the period for fulfilment of the conditions precedent to expire on 29 October 2009;

(vi) Proposed disposal by Bandar Setia Alam Sdn Bhd ("BSA"), a wholly owned subsidiary of S P Setia, of approximately 30.5 acres of freehold land located within Precinct 1 of the Setia Alam township ("Said Land") to Greenhill Resources Sdn Bhd 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.

On 30 September 2008, the parties have mutually agreed to extend the period for the fulfilment of the conditions precedent to expire on 31 March 2009; and

(vii) Proposed establishment of an employees share option scheme ("ESOS") for the grant of options to eligible employees and Executive Directors of S P Setia and its subsidiaries (except for subsidiaries which are dormant) to subscribe for new shares in the Company as announced on 9 January 2009.

The ESOS was approved by the shareholders at the extraordinary general meeting on 25 February 2009 and Bursa Malaysia Securities Berhad has vide its letter dated 4 March 2009, approved in-principle the listing of the additional new ordinary shares of RM0.75 each, to be issued pursuant to the exercise of options to be granted under the ESOS.

9. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 31 January 2009 were as follows:

	Secured	**Unsecured**	**Total**
	RM'000	RM'000	RM'000
Hire Purchase & Leasing Borrowings	-	308	308
Bank Overdrafts	3,390	8,470	11,860
Short Term Bank Borrowings	69,522	-	69,522
Long Term Bank Borrowings	407,108	-	407,108
2% Redeemable Serial Bonds	-	463,629	463,629
	480,020	472,407	952,427

10. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 12 March 2009, 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 12 March 2009, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

12. **Dividends**

No interim dividend has been recommended in respect of the financial period ended 31 January 2009.

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:-

	FIRST QUARTER		**CUMULATIVE QUARTER**	
	CURRENT YEAR QUARTER 31/01/2009 RM'000	**PRECEDING YEAR CORRESPONDING QUARTER 31/01/2008** RM'000	**CURRENT YEAR TO DATE 31/01/2009** RM'000	**PRECEDING CORRESPONDING YEAR 31/01/2008** RM'000
Profit for the period attributable to equity holders of the Company	31,175	48,526	31,175	48,526
Number of ordinary shares at beginning of the period	1,016,698	672,605	1,016,698	672,605
Effect of bonus issue	-	336,303	-	336,303
Effect of shares issued pursuant to Exercise of Warrants	32	-	32	-
Weighted average number of ordinary shares	1,016,730	1,008,908	1,016,730	1,008,908
Basic Earnings Per Share (sen)	3.07	4.81	3.07	4.81

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 Warrants, adjusted for the number of such shares that would have been issued at fair value, calculated as follows:

	FIRST QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	**PRECEDING YEAR CORRESPONDING QUARTER**	**CURRENT YEAR TO DATE**	**PRECEDING CORRESPONDING YEAR**
	31/01/2009	**31/01/2008**	**31/01/2009**	**31/01/2008**
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to equity holders of the Company	-*	48,526	-*	48,526
Weighted average number of ordinary shares as per basic EPS	-*	1,008,908	-*	1,008,908
Effect of potential exercise of Warrants/ ESOS	-*	2,095	-*	2,095
Weighted average number of ordinary shares	-*	1,011,003	-*	1,011,003
Diluted Earnings Per Share (sen)	-*	4.80	-*	4.80

* *Anti-dilutive.*

14. **Qualified audit report**

The preceding audited financial statements for the year ended 31 October 2008 were not qualified.