

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

Interim Financial Report
31 July 2012

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(Incorporated in Malaysia)

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S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2012

	(UNAUDITED)	(AUDITED)
	As At 31 July 2012 RM'000	As At 31 October 2011 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	77,539	74,062
Investment Properties	387,309	262,641
Land Held for Property Development	3,089,412	1,786,029
Investment in Associated Companies	1,881	2,279
Other Investments	337	337
Amount Owing by Former Joint Venture Partner	13,573	12,674
Amount Owing by Jointly Controlled Entities	58,578	48,357
Deferred Tax Assets	86,730	66,920
	3,715,359	2,253,299
Current Assets		
Property Development Costs	1,433,529	894,189
Gross Amount Due From Customers	51,585	49,575
Inventories	23,646	26,288
Trade and Other Receivables	1,198,997	872,859
Amount Owing By Jointly Controlled Entities	17,508	35,101
Current Tax Assets	22,262	17,936
Deposits	465,118	704,509
Cash and Bank Balances	858,725	731,901
	4,071,370	3,332,358
TOTAL ASSETS	7,786,729	5,585,657
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	1,500,574	1,374,554
Reserves		
Share Premium	1,101,524	696,575
Option Reserve	242	39,304
Warrant Reserve	29,878	46,036
Exchange Translation Reserve	16,138	(4,319)
Retained Earnings	1,347,690	1,294,292
Equity Attributable to Equity Holders of the Company	3,996,046	3,446,442
Non-controlling interests	(3,359)	(6,956)
Total Equity	3,992,687	3,439,486
Non-current liabilities		
Long Term Borrowings	1,977,344	1,117,142
Deferred Tax Liabilities	993	975
	1,978,337	1,118,117
Current Liabilities		
Gross Amount Due To Customers	6,975	6,205
Trade and Other Payables	1,084,551	768,312
Short Term Borrowings	583,163	199,736
Bank Overdrafts	82,007	36,435
Current Tax Liabilities	59,009	17,366
	1,815,705	1,028,054
Total Liabilities	3,794,042	2,146,171
TOTAL EQUITY AND LIABILITIES	7,786,729	5,585,657
Net Assets Per Share (RM)	2.00	1.88

(The Condensed Consolidated Statement Of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 October 2011)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 JULY 2012
(The figures have not been audited)

	3 MONTHS ENDED		9 MONTHS ENDED	
	31 July 2012	31 July 2011	31 July 2012	31 July 2011
	RM'000	RM'000	RM'000	RM'000
Revenue	654,192	583,469	1,762,972	1,599,107
Cost of sales	(434,242)	(404,767)	(1,198,181)	(1,162,620)
Gross profit	<u>219,950</u>	<u>178,702</u>	<u>564,791</u>	<u>436,487</u>
Other operating income	13,667	14,369	41,257	67,170
Selling and marketing expenses	(38,419)	(41,093)	(113,846)	(85,990)
Administrative and general expenses	(47,169)	(33,582)	(113,203)	(86,494)
Share of profits less losses of associated companies	(2)	9	2	24
Finance costs	(2,414)	(2,589)	(4,778)	(9,648)
Profit before taxation	<u>145,613</u>	<u>115,816</u>	<u>374,223</u>	<u>321,549</u>
Taxation	(46,130)	(25,285)	(111,975)	(76,759)
Profit for the period	<u>99,483</u>	<u>90,531</u>	<u>262,248</u>	<u>244,790</u>
Other comprehensive income:				
Exchange differences on translation of foreign operations	19,966	1,280	20,643	(1,224)
Total comprehensive income for the period	<u>119,449</u>	<u>91,811</u>	<u>282,891</u>	<u>243,566</u>
Profit attributable to:				
Equity holders of the Company	100,403	91,244	266,790	245,504
Non-controlling interests	(920)	(713)	(4,542)	(714)
	<u>99,483</u>	<u>90,531</u>	<u>262,248</u>	<u>244,790</u>
Total comprehensive income attributable to:				
Equity holders of the Company	120,315	92,524	287,313	244,280
Non-controlling interests	(866)	(713)	(4,422)	(714)
	<u>119,449</u>	<u>91,811</u>	<u>282,891</u>	<u>243,566</u>
Earnings per share attributable to equity holders of the Company				
- Basic earnings per share (sen)	<u>5.21</u>	<u>5.15</u>	<u>14.10</u>	<u>14.62</u>
- Diluted earnings per share (sen)	<u>5.09</u>	<u>4.84</u>	<u>13.66</u>	<u>13.66</u>

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 October 2011)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 JULY 2012
(The figures have not been audited)

	Attributable to Equity Holders of the Company					Unappropriated Profit RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
	Non-Distributable		Option Reserve	Warrant Reserve	Exchange Translation Reserve				
	Share Capital RM'000	Share Premium RM'000	Option Reserve RM'000	Warrant Reserve RM'000	Exchange Translation Reserve RM'000	Unappropriated Profit RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
Balance at 1.11.2011	1,374,554	696,575	39,304	46,036	(4,319)	1,294,292	3,446,442	(6,956)	3,439,486
Total comprehensive income for the period	-	-	-	-	-	266,790	266,790	(4,542)	262,248
Exchange differences on translation of foreign operations	-	-	-	-	20,523	-	20,523	120	20,643
Transactions with owners:									
Dividend paid						(129,599)	(129,599)	-	(129,599)
Acquisition of additional shares in subsidiary companies	14,535	60,465	-	-	(66)	(83,964)	(9,030)	7,519	(1,511)
Issuance of ordinary shares:									
- Exercise of ESOS	50,496	146,174	(38,891)	-	-	-	157,779	-	157,779
- Exercise of Warrants	60,989	198,310	-	(16,158)	-	-	243,141	-	243,141
- To a non-controlling interest	-	-	-	-	-	-	-	500	500
ESOS lapsed	-	-	(171)	-	-	171	-	-	-
Balance at 31.07.2012	1,500,574	1,101,524	242	29,878	16,138	1,347,690	3,996,046	(3,359)	3,992,687
Balance at 1.11.2010	762,606	218,027	24,482	47,765	(3,808)	1,140,201	2,189,273	79	2,189,352
Effect arising from adoption of FRS 139	-	-	-	-	-	(1,713)	(1,713)	-	(1,713)
Balance at 1.11.2010, as restated	762,606	218,027	24,482	47,765	(3,808)	1,138,488	2,187,560	79	2,187,639
Total comprehensive income for the period	-	-	-	-	-	245,504	245,504	(714)	244,790
Exchange differences on translation of foreign operations	-	-	-	-	(1,224)	-	(1,224)	-	(1,224)
Transactions with owners in their capacity as owners:									
Dividends paid	-	-	-	-	-	(173,783)	(173,783)	-	(173,783)
Partial disposal of a subsidiary	-	-	-	-	-	1,084	1,084	(1,044)	40
Share issue expenses	-	(9,394)	-	-	-	-	(9,394)	-	(9,394)
Issuance of ordinary shares:									
- Bonus Issue	440,162	(440,162)	-	-	-	-	-	-	-
- Private Placement	114,794	769,887	-	-	-	-	884,681	-	884,681
- Exercise of ESOS	12,188	29,402	(7,913)	-	-	-	33,677	-	33,677
- Exercise of Warrants	4,932	22,231	-	(1,693)	-	-	25,470	-	25,470
Options granted under ESOS	-	-	21,632	-	-	-	21,632	-	21,632
ESOS lapsed	-	-	(39)	-	-	39	-	-	-
Balance at 31.07.2011	1,334,682	589,991	38,162	46,072	(5,032)	1,211,332	3,215,207	(1,679)	3,213,528

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 October 2011)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JULY 2012
(The figures have not been audited)

	9 MONTHS ENDED 31 July 2012 RM'000	9 MONTHS ENDED 31 July 2011 RM'000
Profit before taxation	374,223	321,549
Adjustments for:-		
Non-cash items	7,384	(4,012)
Non-operating items	(27,478)	(18,750)
Operating profit before changes in working capital	354,129	298,787
Changes in property development costs	(5,779)	92,828
Changes in gross amount due from/to customers	(968)	27,763
Changes in inventories	2,775	4,951
Changes in receivables	(15,970)	46,757
Changes in payables	85,196	32,524
Cash generated from operations	419,383	503,610
Interest received	11,929	8,035
Interest paid	(52,614)	(50,419)
Rental received	1,797	1,149
Tax paid	(94,400)	(60,490)
Net cash generated from operating activities	286,095	401,885
Investing Activities		
Additions to land held for future development	(1,594,202)	(467,751)
Purchase of property, plant and equipment	(11,560)	(8,366)
Additions to investment properties	(101,210)	(64,686)
Proceeds from disposal of property, plant and equipment	111	132
Acquisition of additional shares in a subsidiary company	(1,511)	-
Proceeds from disposal of investment properties	11,500	107,190
Proceeds from disposal of share in a subsidiary	-	40
Advances to jointly controlled entities	(4,849)	(20,909)
Development expenditure paid	(116,671)	(92,303)
Deposit and part consideration paid for acquisition of land	(127,215)	(67,067)
Other investments	17,747	15,657
Net cash used in investing activities	(1,927,860)	(598,063)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JULY 2012
(The figures have not been audited)

	9 MONTHS ENDED 31 July 2012 RM'000	9 MONTHS ENDED 31 July 2011 RM'000
Financing Activities		
Proceeds from issue of shares		
- by the Company	393,153	943,828
- by a subsidiary company to a non-controlling interest	500	-
Payment of share issue expenses	-	(9,394)
Redemption of bond	-	(250,000)
Drawdown of bank borrowings	1,790,359	368,617
Repayment of bank borrowings	(567,671)	(314,924)
Interest paid	(4,751)	-
Dividends paid	(129,599)	(173,783)
Net cash generated from financing activities	1,481,991	564,344
Net changes in cash and cash equivalents	(159,774)	368,166
Effect of exchange rate changes	852	(373)
Cash and cash equivalents at 1 November 2011/2010	1,387,197	939,230
Cash and cash equivalents at 31 July 2012/2011	1,228,275	1,307,023

Cash and cash equivalents included in the cash flows comprise the following amounts:-

	31.7.2012 RM'000	31.7.2011 RM'000
Deposits	465,118	734,276
Cash and bank balances	858,725	617,616
Bank overdrafts	(82,007)	(30,895)
	1,241,836	1,320,997
Less: Deposits pledged and maintained in Sinking Fund	-	(8,197)
Sinking Fund, Debt Service Reserve and Escrow Accounts	(13,561)	(5,777)
	1,228,275	1,307,023

(The Condensed Consolidated Statements Of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 October 2011)

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

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

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 October 2011.

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 October 2011 except for the adoption of the following Amendments to FRSs and IC Interpretations:-

Amendments to FRSs	Improvements to FRSs (2010)
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
IC Interpretation 12	Service Concession Arrangements
TR - 3	Guidance on Disclosures of Transition to IFRSs

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

The following are the new/revised FRS and IC Interpretations which are effective but are not applicable to the Group:-

Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement
TR <i>i</i> - 4	Shariah Compliant Sale Contracts

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 2012.

4. Changes in estimates

There were no material changes in estimates for the financial period ended 31 July 2012.

5. Debts and equity securities

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

- (a) Issuance of 67,329,414 new ordinary shares of RM0.75 each pursuant to the exercise of Employees Share Option Scheme (“ESOS”) at the following option prices:

Exercise price	(RM)	1.97	2.46	2.70	3.77	2.89
No. of shares issued	(‘000)	45,535	3,400	3,432	8,185	6,778

The total cash proceeds arising from the exercise of ESOS during the current financial period to-date amounted to RM157,778,304.

- (b) Issuance of 81,318,003 new ordinary shares of RM0.75 each pursuant to the exercise of warrants at RM2.99 per share. The total cash proceeds arising from the exercise of warrants during the current financial period to-date amounted to RM243,140,829; and
- (c) Issuance of 19,379,845 new ordinary shares of RM0.75 each at an issue price of RM3.87 pursuant to the acquisition of the remaining 40% equity interest in KL Eco City Sdn Bhd at a total purchase consideration of RM75,000,000.

6. Dividends paid

A final dividend of 9 sen per share less 25% income tax amounting to RM129,598,809 was paid on 9 May 2012 in respect of the financial year ended 31 October 2011.

7. Segmental Reporting

The segmental analysis for the financial period ended 31 July 2012 are as follow:-

	Property Development	Construction	Other Operations	Eliminations	Consolidated
	RM’000	RM’000	RM’000	RM’000	RM’000
<u>Revenue</u>					
External sales	1,587,903	88,121	86,948	-	1,762,972
Inter-segment sales	96,154	26,248	48,739	(171,141)	-
Total revenue	1,684,057	114,369	135,687	(171,141)	1,762,972
Gross profit	534,933	15,696	14,162	-	564,791
Other operating income	24,129	4,895	12,233	-	41,257
Operating expenses	(208,054)	(7,278)	(11,717)	-	(227,049)
Share of net profits less losses of associated companies	1	-	1	-	2
Finance costs	(2,143)	(1,561)	(1,074)	-	(4,778)
Profit before taxation	348,866	11,752	13,605	-	374,223
Tax expense					(111,975)
Profit for the period					262,248

8. Material Events subsequent to the End of Financial Period

There were no material transactions or events subsequent to the current quarter ended 31 July 2012 till 6 September 2012 (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 16, Note 6 (xii) and (xiii) and page 17, Note 6 (xiv) 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 period to-date except for the following:-

- (i) Acquisition of 2 ordinary shares of RM1.00 each in Intra Hillside Sdn Bhd (“Intra Hillside”) on 10 November 2011, resulting in Intra Hillside becoming a wholly owned subsidiary of S P Setia Berhad;
- (ii) Acquisition of additional 1 ordinary share of RM1.00 in Setia Alam Recreation Sdn Bhd (“Setia Alam Recreation”) by Bandar Setia Alam Sdn Bhd (“Bandar Setia Alam”), a wholly owned subsidiary of S P Setia Berhad on 17 February 2012, resulting in Setia Alam Recreation becoming a wholly owned subsidiary of Bandar Setia Alam;
- (iii) Acquisition of additional 1 ordinary share of RM1.00 each in Setia Eco Green Sdn Bhd (“Setia Eco Green”), Setia Eco Land Sdn Bhd (“Setia Eco Land”) and Setia Eco Heights Sdn Bhd (“Setia Eco Heights”) respectively on 17 February 2012, resulting in these three companies becoming wholly owned subsidiaries of S P Setia Berhad;
- (iv) Acquisition of 45 ordinary shares of RM1.00 each in Qinzhou Development (Malaysia) Consortium Sdn Bhd (“Qinzhou Development”) on 28 March 2012, resulting in Qinzhou Development becoming a 45% jointly controlled entity of S P Setia Berhad;
- (v) Incorporation of a subsidiary, S P Setia Development Pte. Ltd. (“S P Setia Development”), with an issued and paid up capital of SGD2.00 comprising of 2 ordinary shares of SGD1.00 each, on 18 April 2012, resulting in S P Setia Development becoming a wholly owned subsidiary of S P Setia Berhad;
- (vi) Incorporation of a subsidiary, Setia St Kilda (Melbourne) Pty Ltd (“Setia St Kilda”) with an issued and paid up capital of AUD1.00 comprising of 1 ordinary share of AUD1.00 each, through Setia Australia Limited on 16 May 2012 resulting in Setia St Kilda becoming a wholly owned subsidiary of S P Setia Berhad;
- (vii) Incorporation of a subsidiary, S P Setia Property Services Sdn Bhd (“S P Setia Property Services”) on 27 June 2012, with an issued and paid up capital of RM2.00 comprising of 2 ordinary shares of RM1.00 each, resulting in S P Setia Property Services becoming a wholly owned subsidiary of S P Setia Berhad;
- (viii) Acquisition of 4 ordinary shares of £0.01 each in Battersea Project Holding Company Limited (“Battersea Project Holding”), a company incorporated in Jersey, through Setia International Limited on 4 July 2012, resulting in Battersea Project Holding becoming a 40% jointly controlled entity of S P Setia Berhad;
- (ix) Acquisition of a jointly controlled entity, Battersea Project Land Company Limited (“Battersea Project Land”), a company incorporated in Jersey through Battersea Project Holding on 4 July 2012, resulting in Battersea Project Land becoming a 40% jointly controlled entity of S P Setia Berhad;

9. Changes in the Composition of the Group (continued)

- (x) Acquisition of 2 ordinary shares of RM1.00 each in Flexrise Projects Sdn Bhd (“Flexrise Projects”) and Pelita Mentari Sdn Bhd (“Pelita Mentari”) respectively on 9 July 2012, resulting in these two companies becoming wholly owned subsidiaries of S P Setia Berhad; and
- (xi) Incorporation of a jointly controlled entity, Qinzhou Development (Hong Kong) Limited (“Qinzhou Hong Kong”), a company incorporated in Hong Kong, with an issued and paid up capital of HKD1.00 comprising of 1 ordinary share of HKD1.00 each on 30 July 2012, through Qinzhou Development, resulting in Qinzhou Hong Kong becoming a 45% jointly controlled entity of S P Setia Berhad.

10. Contingent Liabilities

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

11. Capital Commitments

	As at 31/07/2012 RM'000
Commitments to purchase development land	
- Contracted	1,521,932
- Approved but not Contracted	109,302
Contractual commitments for acquisition of investment properties	78,094
Contractual commitments for acquisition of property, plant and equipment	<u>2,712</u>

12. Significant Related Party Transactions

	01/11/2011 To 31/07/2012 RM'000
<i>Transactions with jointly controlled entities:-</i>	
(i) Construction services rendered	6,861
(ii) Interest charged	3,466
(iii) Marketing expenses charged	358
(iv) Project management and administrative fee received and receivable	7,864
(v) Rental paid and payable	236
(vi) Rental received and receivable	15
(vii) Security services rendered	141
(viii) Sale of building material	4,888
(ix) Staff secondment	201

12. Significant Related Party Transactions (continued)

01/11/2011
To
31/07/2012
RM'000

Transactions with directors of the Company and subsidiary companies, companies and trust bodies in which they have interests:-

(i) Rental paid to a company in which a director has interest	41
(ii) Security services rendered to a director of the Company	61
(iii) Security services rendered to a trust body in which directors of subsidiary companies are the trustees	64
(iv) Rental charged to a trust body in which directors of subsidiary companies are the trustees	90
(v) Rental charged to a trust body in which a director of the Company is the trustee	22
(vi) Timber flooring work rendered to a director of the Company	27
(vii) Timber flooring work rendered to a director of the subsidiary companies	30
(viii) Sale of development properties to directors of the Company	28,371
(ix) Sale of development property to companies in which the directors of the Company have financial interest	4,689
(x) Sale of development property to directors of the subsidiary companies	8,669
(xi) Sale of development property to companies in which the directors of subsidiary companies have financial interest	2,351

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

1. Review of Group Performance

The performance of the respective operating business segments are analysed as follows:-

	3Q2012	3Q2011	PTD2012	PTD2011
	RM'000	RM'000	RM'000	RM'000
Revenue				
Property Development	592,588	498,052	1,587,903	1,382,100
Construction	27,518	58,971	88,121	139,096
Other Operations	34,086	26,446	86,948	77,911
	<u>654,192</u>	<u>583,469</u>	<u>1,762,972</u>	<u>1,599,107</u>
Profit before taxation				
Property Development	139,111	95,385	348,866	288,500
Construction	2,854	13,175	11,752	15,304
Other Operations	3,648	7,256	13,605	17,745
	<u>145,613</u>	<u>115,816</u>	<u>374,223</u>	<u>321,549</u>

(a) Performance of the current quarter against the same quarter in the preceding year (Q3 FY 2012 vs. Q3 FY 2011)

The Group reported a profit before taxation (“PBT”) of RM145.6 million for Q3 2012, which is 26% higher than RM115.8 million reported for Q3 2011. Revenue and PBT of the respective operating business segments for the current quarter are analysed as follows:-

Property Development

Revenue increased by 19%, while the PBT increased by 46%. The increase in revenue is mainly contributed from higher revenue recognition from residential and commercial properties in the Klang Valley, Johor Bahru and Penang as a result of increased level of overall Group sales achieved since FY2010. PBT increased by a higher percentage mainly due to the increase in PBT margin from 19% to 23% arising from Group’s success in steadily increasing the selling prices for its products through continuous value-creation.

Ongoing projects which contributed to the profit and revenue achieved include *Setia Alam* and *Setia Eco-Park* at Shah Alam, *Setia Walk* at Pusat Bandar Puchong, *Setia Sky Residences* at Jalan Tun Razak, *Bukit Indah*, *Setia Indah*, *Setia Tropika*, *Setia Eco Cascadia* and *Setia Eco Gardens* in Johor Bahru and *Setia Pearl Island*, *Setia Vista* and *Setia Greens* in Penang.

Construction

Revenue and PBT decreased by 53% and 78% respectively. Completion of the Kementerian Dalam Negeri (“KDN”) contract in *Setia Tropika*, Johor Bahru in the previous financial year has contributed to the current quarter decrease.

Other Operations

Revenue and profit from Other Operations mainly consist of wood-based manufacturing and trading activities and it also includes interest income from placement of funds.

(b) Performance of the current period to-date against the same period in the preceding year (Q3 PTD 2012 vs. Q3 PTD 2011)

For the current period to-date, the Group achieved a profit before taxation (“PBT”) of RM374.2 million on the back of revenue totalling RM1,763 million, representing a 16% increase in PBT and a 10% increase in revenue as compared to the preceding period. During the current period to-date, the Group also recorded an increase in gross profit margins from 27% to 32%.

The performance of the respective operating business segments for the current period to-date are analysed as follows:-

Property Development

Revenue increased by 15%, while the PBT increased by 21% for the reasons mentioned above under the analysis of the current quarter’s performance.

Construction

Revenue and PBT remain a small percentage of overall Group operations. As mentioned above, revenue decreased due to the completion of the KDN contract in Setia Tropika, Johor Bahru in the previous financial year. PBT decreased by 23% despite a reduction of 37% in revenue as a result of certain additional billings secured for contracts completed in prior years and higher other operating income.

Other Operations

There were no material changes for the revenue and profit from Other Operations in the current period to-date compared to the same period in the preceding year.

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

The Group’s current quarter profit before taxation is RM145.6 million, which is RM17.7 million higher than the preceding quarter ended 30 April 2012. This is mainly due to higher profit recognition from residential and commercial properties in Klang Valley, Penang and Johor Bahru.

3. Prospects for the Current Financial Year

The Board is pleased to report that the Group achieved third quarter sales of RM1.045 billion, bringing cumulative 9-months sales to RM2.855 billion. This represents an increase of 34% over the RM2.137 billion achieved in the same period of the previous financial year.

As at 31 August 2012, the Group’s sales for the first ten months of the financial year totalled RM3.312 billion. This has exceeded the Group’s full year sales for the financial year 2011. Apart from the Group’s existing projects, newly launched projects such as *Aeropod* in Sabah; *KL Eco City*’s first residential tower; *18 Woodsville*, the Group’s maiden project in Singapore; and *11 Brook Residences* in Penang also contributed to the strong sales performance achieved.

On the international front, the Group through its 40% owned jointly controlled entity, Battersea Project Holding Company Limited (“BPHCL”), successfully completed its acquisition of the iconic Battersea Power Station site in central London (“BPS Site”) on 4 September 2012. The redevelopment of the BPS Site, which was acquired with planning permission, is targeted to be launched by the 2nd quarter of 2013. This significant international project is set to truly establish the Group as a global property player thus further strengthening the Group’s branding, market leadership and growth prospects both locally and beyond Malaysian shores.

Barring unforeseen external shocks, the Board is optimistic that the prospects of the Group will continue to remain positive in FY2012.

4. Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was published.

5. Income Tax

Income Tax comprises:-

	3 MONTHS ENDED		9 MONTHS ENDED	
	31/07/2012	31/07/2011	31/07/2012	31/07/2011
	RM'000	RM'000	RM'000	RM'000
- current taxation	43,479	42,246	133,889	99,396
- in respect of prior years	(1,782)	(689)	(2,175)	(356)
- deferred taxation	(106)	(15,077)	(24,307)	(21,596)
- in respect of prior years	4,539	(1,195)	4,568	(685)
	<u>46,130</u>	<u>25,285</u>	<u>111,975</u>	<u>76,759</u>

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

6. Status of Corporate Proposals

- (a) The following are the status of corporate proposals that have been announced by the Company which had been completed since the preceding quarter report and those which are not completed as 6 September 2012, 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") ("Shareholders' Agreement") to govern the relationship between S P Setia Berhad and YGP ("the Parties") as shareholders in KL Eco City Sdn Bhd ("KLEC") and to set out the respective rights, duties and obligations of the Parties in relation to the mixed residential and commercial development project. Subsequent to the Shareholders' Agreement, YGP had, as earlier mentioned, novated all of its rights, title, interest, obligations and liabilities pursuant to the Shareholders' Agreement to Yayasan Gerakbakti Kebangsaan ("YGK").

As announced on 24 October 2011, KLEC and DBKL had entered into the Privatisation Agreement. The Privatisation Agreement is currently pending the fulfilment of the conditions precedent therein.

As announced on 23 July 2012, KLEC and DBKL have mutually agreed to extend the period for fulfillment of the conditions precedent set out in Privatisation Agreement, in particular, the execution of an agreement with Railway Asset Corporation and the delivery of a land bond for the purpose of constructing of a new KTMB Commuter Station, for a period of three (3) months to expire on 23 October 2012.

6. Status of Corporate Proposals (continued)

- (ii) Co-operation agreement entered into 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 3 January 2008.

The conditions precedent (CP) set out in the Cooperation Agreement have not been met as at 3 July 2012, being the expiry date of the extended CP fulfilment period. In view of this, Setia Saigon East Limited, Setia D-Nine Limited and Saigon Hi-Tech Park Development Company have decided to mutually terminate the Cooperation Agreement.

The Group still firmly believes that the long term property development prospects in Vietnam are positive. The termination of the Cooperation Agreement is not expected to materially affect the future earnings of the Company as it constitutes only a small part of S P Setia's overall business.

- (iii) 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 27 April 2012, the parties have mutually agreed to extend the period for fulfilment of the conditions precedent to expire on 29 October 2012;

- (iv) Disposal by Bandar Setia Alam Sdn Bhd ("BSA"), a wholly owned subsidiary of S P Setia, of approximately 30.5 acres of freehold land ("Original Land") located within Precinct 1 of the Setia Alam township ("Said Land") to Greenhill Resources Sdn Bhd ("Greenhill") for a total consideration of RM119,572,200.00 and joint venture between BSA and Lend Lease Asian Retail Investment Fund 2 Limited ("ARIF"), 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 ("Retail Mall"), as announced on 2 July 2008.

Subsequently on 15 July 2009, BSA had entered into several agreements to reflect certain changes to the earlier Proposals announced on 2 July 2008. The agreements include the Sale and Purchase Agreement between BSA and Greenhill and GR Investments Ltd ("GRI") for the disposal by BSA to Greenhill of approximately 16.19 acres of the Original Land ("Stage 2 Land") for a total consideration of approximately RM63.5 million.

The disposal of the Stage 2 Land is expected to be completed approximately 2 years after completion of construction of the Retail Mall;

- (v) On 26 October 2009, a subsidiary of S P Setia Berhad, Setia Lai Thieu Limited ("Setia LT"), had entered into an In-Principle Agreement with Investment and Industrial Development Corporation (Becamex IDC Corp) ("Becamex") for the assignment of the implementation and development of an independent mixed-use real estate project on a piece of land measuring approximately 108,400 square metres / 26.79 acres located in Lai Thieu Town, Thuan An District, Binh Duong Province, Vietnam ("Land") from Becamex to a company to be established by Setia LT in Vietnam for a total consideration of United States Dollars Sixteen Million Two Hundred and Sixty Thousand (USD16,260,000) only.

As announced on 11 March 2010, the People's Committee of Binh Duong Province has on 10 March 2010 issued the Investment Certificate for the establishment of Setia Lai Thieu One Member Company Limited to undertake the development of Eco-Xuan Lai Thieu on the Land for a term of 50 years from the date of issuance of the Investment Certificate.

The balance of the consideration is payable upon the issuance of the land use right certificate in the name of Setia LT, which is still pending as at the date hereof;

6. Status of Corporate Proposals (continued)

- (vi) S P Setia Berhad had proposed development of an integrated health and research complex to be known as the 1NIH Complex on approximately 55.33 acres of land at Setia Alam by way of land swap for approximately 40.22 acres of government land located along Jalan Bangsar, Wilayah Persekutuan Kuala Lumpur.

As announced on 17 January 2011, terms and conditions of the proposal are currently being negotiated between Sentosa Jitra Sdn Bhd (“Sentosa Jitra”), Unit Kerjasama Awam Swasta (“UKAS”) and Ministry of Health, Malaysia (“MOH”), collectively known as the “Parties”. Further details will be disclosed after definitive and conclusive terms have been agreed upon, and a development agreement entered into by the Parties;

- (vii) On 12 August 2011, a wholly owned subsidiary of the S P Setia Berhad, Bukit Indah (Selangor) Sdn Bhd (“Purchaser”), had entered into a conditional Sale and Purchase Agreement (“SPA”) with Ban Guan Hin Realty Sdn Bhd (“Vendor”) to purchase a piece of freehold land under Geran 45874 for Lot 39, Mukim Beranang, Daerah Ulu Langat, Negeri Selangor measuring approximately 1,010.5 acres (“Said Land”) for a total cash consideration of RM330,130,350 or RM7.50 per square foot.

As announced on 13 December 2011, the Vendor has not agreed to an extension of the period for the fulfillment of the conditions precedent which includes the requirement for the approval of the Estate Land Board to be obtained for the sale and transfer of the Said Land to the Purchaser.

On 31 January 2012, the Purchaser has filed and served a writ of summons and statement of claim against the Vendor for, amongst other remedies, specific performance of the SPA. In the interim, an injunction is in place to, inter-alia, restrain the Vendor from disposing, transferring, selling, letting, charging or howsoever dealing with and/or encumbering the Said Land until the disposal of the action or until further order is made by the court.

The present action is not expected to have an adverse material impact on the earnings and the Net Assets of the Group;

- (viii) On 23 September 2011, a wholly owned subsidiary of the S P Setia Berhad, Setia International Limited, had entered into a conditional contract of sale (“Contract of Sale”) with Portbridge Pty Ltd ACN 141 880 177 to purchase a piece of freehold land under certificate of title volume 11261 folio 962, being Lot 1 on Plan of Subdivision 623249L, in the City of Melbourne, Parish of Melbourne South at South Yarra, Australia and is located at the intersection of 557-563 St. Kilda Road and 1-23 Moubay Street, Melbourne, Victoria measuring approximately 2.23 acres for a total cash consideration of AUD25,250,000 or AUD260 per square foot.

The Contract of Sale had been rendered unconditional on 8 November 2011. As announced on 29 June 2012, the Contract of Sale has been completed;

- (ix) As announced by the Company, the mandatory general offer (“MGO”) by Permodalan Nasional Berhad and Tan Sri Dato’ Sri Liew Kee Sin (“Joint Offerors”) on S P Setia Berhad had concluded on 19 March 2012. Pursuant to the closing of the MGO, the Joint Offerors and the persons acting in concert with them held 1,515,298,373 S P Setia Shares which represented 78.95% of S P Setia’s issued and paid-up share capital. Accordingly, S P Setia does not comply with the public shareholding spread requirement of at least 25% of its total listed shares to be in the hands of public shareholders. The Company had on 23 March 2012 wrote to Bursa Malaysia Securities Berhad (“Bursa Malaysia”) to seek an extension of time to comply with the minimum required public shareholding spread. Bursa Malaysia has granted the Company an extension of time of 6 months until 18 September 2012 to comply with the public shareholding spread requirement.

On 30 August 2012, in view of the recent announcement by the Company on the proposed placement exercise, the Company had written to Bursa Malaysia for a further extension of 3 months up to 18 December 2012 to comply with the public shareholding spread requirement;

6. Status of Corporate Proposals (continued)

- (x) On 5 March 2012, Setia EcoHill Sdn Bhd (“Setia EcoHill”), a wholly owned subsidiary company of S P Setia Berhad, proposes to issue commercial papers (“CP”) and/or medium term notes (“MTN”) (collectively referred to as the “Notes”) of up to RM505.0 million in nominal value pursuant to a CP/MTN Programme.

On 9 April 2012, the Securities Commission had approved the CP/MTN Programme to be undertaken by Setia EcoHill. The MTN of RM305.0 million was issued on 29 June 2012;

- (xi) On 1 April 2012, S P Setia Berhad and Rimbunan Hijau Group had via Qinzhou Development (Malaysia) Consortium Sdn Bhd (“Qinzhou Malaysia”) entered into a Joint Venture Framework Agreement with Qinzhou Jingu Investment Co., Ltd (“Qinzhou Jingu”) to establish a Sino-foreign joint venture limited liability company to develop, construct and operate the China-Malaysia Qinzhou Industrial Park (“QIP”) on a parcel of land measuring approximately 55 square kilometres (or 13,590.5 acres) in total located next to the Guangxi Qinzhou Bonded Area and the national level Qinzhou Port Economic and Technological Development Zone in the Guangxi Zhuang Autonomous Region, The People's Republic of China (“Proposed Development”).

Subject to Qinzhou Malaysia and Qinzhou Jingu (“the Parties”) being satisfied with the feasibility study in undertaking the Proposed Development and the execution of an Investment Agreement between Qinzhou Municipal Government and the Parties, the Parties will thereafter enter into a joint venture agreement for the purpose of the implementation and development of the QIP;

- (xii) On 15 May 2012, a wholly owned subsidiary of the S P Setia Berhad, Intra Hillside Sdn Bhd, had entered into a Sale and Purchase Agreement (“SPA”) with Penang Realty Sdn Bhd to purchase approximately 21.3092 acres of freehold land out of 23.69 acres held under GRN 16798 for Lot 1343, Mukim 18, Daerah Timor Laut, Negeri Pulau Pinang for a total cash consideration of RM185,645,750.40 or RM200 per square foot.

As announced on 10 August 2012, the SPA has been completed;

- (xiii) On 7 June 2012, S P Setia Berhad and Sime Darby Property Berhad (“SDPB”) had been selected as the preferred bidder to acquire the Battersea Power Station site in London, United Kingdom (“Property”).

Pursuant thereto, a wholly owned subsidiary of the S P Setia Berhad, Setia International Limited (“SIL”) and SDPB entered into an Exclusivity Agreement on 7 June 2012 with the various owners of the Property (“Vendors”) and Alan Bloom and Alan Hudson of Ernst & Young LLP (“EY”), being the Joint Administrators and Receivers of the Vendors (“Officeholders”) to acquire the Property for £400 million or approximately RM1.97 billion (“Purchase Price”).

On 4 July 2012, S P Setia Berhad, Sime Darby Berhad and KWASA Global (Jersey) Limited, a wholly-owned company of the Employees Provident Fund Board, entered into a Subscription and Shareholders’ Agreement together with several other parties to regulate their participation in Battersea Project Holding Company Limited (“BPHCL”).

BPHCL is the holding company and the sole shareholder of the Battersea Project Land Company Limited (“BPLCL”) which was incorporated to acquire the Property to be developed as a mixed residential and commercial development project.

BPLCL had on the same date, entered into a contract with the Officeholders and the Vendors for the sale and purchase of the Property (“Contract”) for the said Purchase Price. The Contract was completed on 4 September 2012; and

6. Status of Corporate Proposals (continued)

(xiv) On 13 August 2012, S P Setia Berhad (“the Company”) announced that the Proposed Placement will involve the placement of such number of new S P Setia Berhad shares, representing up to 15% of the issued and paid-up share capital of the Company to be identified via book-building. Based on the issued and paid-up share capital of the Company as at 27 July 2012 of RM1,500,554,864 comprising 2,000,739,819 S P Setia Berhad shares, the Proposed Placement will involve the issuance of up to 322,690,587 new S P Setia Shares (“Placement Shares”). The precise terms and conditions such as the identity of the placees, number of Placement Shares allocated and the issue price for the Placement Shares can only be determined upon completion of the book-building exercise for the Placement Shares.

As the Company’s existing ESOS will expire on 5 May 2014, the Company is proposing to terminate the Existing ESOS in order to facilitate the Proposed New ESOS.

The Proposed New ESOS will involve the granting of options (“New ESOS Options”) to the eligible employees and Directors (“Eligible Person”) of the Company and its subsidiaries which are not dormant, who meet the eligibility criteria to participate in the Proposed New ESOS, to subscribe for new S P Setia Shares at a pre-determined price, in accordance with the by-laws governing the Proposed New ESOS (“By-Laws”). The maximum number of the new S P Setia Shares which may be issued and allotted under the Proposed New ESOS shall not, at any point of time during the duration, exceed fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company.

(b) As at 31 July 2012, the status of the utilisation of proceeds raised under the Placement exercise which was completed on 22 March 2011, amounting to RM884.6 million is as set out below:-

Purpose	Proposed utilisation RM’000	Actual utilisation RM’000	Reallocation RM’000	Balance unutilised RM’000	Intended timeframe for utilisation from 22 March 2011
Existing projects and general working capital requirements	762,000	(226,503)	(535,497)	-	Within 24 months
Future expansion plans	113,100	(584,426)	535,684	64,358	
Estimated expenses for the Corporate Exercise	9,581	(9,394)	(187)	-	
Total	884,681	(820,323)	-	64,358	

Management had decided to reallocate the balance of the unutilised proceeds for Existing projects/ general working capital requirements and Estimated expenses for Corporate Exercise amounting to RM535,497,000 and RM187,000 respectively to Future expansion plans. The purpose is to finance the acquisition and development of several parcels of development lands acquired after the completion of the Placement exercise and other future expansion plans.

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 31 July 2012 were as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Bank Overdrafts	2,793	79,214	82,007
Short Term Bank Borrowings	235,337	100,000	335,337
Long Term Bank Borrowings	1,977,344	-	1,977,344
2% Redeemable Serial Bond	-	247,826	247,826
	<u>2,215,474</u>	<u>427,040</u>	<u>2,642,514</u>

Currency exposure profile of borrowings is as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Ringgit Malaysia	1,743,450	416,983	2,160,433
Singapore Dollar	414,700	10,057	424,757
Australian Dollar	50,533	-	50,533
Vietnamese Dong	6,791	-	6,791
	<u>2,215,474</u>	<u>427,040</u>	<u>2,642,514</u>

8. Material Litigation

The Group is not engaged in any material litigation as at 6 September 2012, 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 15, Note 6 (vii) of the Status of Corporate Proposals.

9. Dividends Declared

The Board of Directors declared an interim dividend of 5 sen less income tax 25% (2011: 5 sen less 25% income tax) in respect of the financial year ending 31 October 2012. The interim dividend was paid on 12 September 2012.

No dividend has been declared for the third quarter ended 31 July 2012.

10. 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:-

	3 MONTHS ENDED		9 MONTHS ENDED	
	31/07/2012 '000	31/07/2011 '000	31/07/2012 '000	31/07/2011 '000
Profit for the period attributable to equity holders of the Company (RM)	100,403	91,244	266,790	245,504
Number of ordinary shares at beginning of the period	1,920,200	1,760,648	1,832,738	1,016,808
Effect of shares issued pursuant to:				
- Acquisition of additional shares in a subsidiary company	-	-	12,378	-
- Bonus Issue	-	-	-	586,883
- Private Placement	-	-	-	69,521
- Exercise of ESOS	-	9,949	43,915	3,353
- Exercise of Warrants	8,215	637	3,068	2,542
Weighted average number of ordinary shares	1,928,415	1,771,234	1,892,099	1,679,107
Basic Earnings Per Share (sen)	5.21	5.15	14.10	14.62

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

	3 MONTHS ENDED		9 MONTHS ENDED	
	31/07/2012 '000	31/07/2011 '000	31/07/2012 '000	31/07/2011 '000
Profit for the period attributable to equity holders of the Company (RM)	100,403	91,244	266,790	245,504
Weighted average number of ordinary shares as per basic Earnings Per Share	1,928,415	1,771,234	1,892,099	1,679,107
Effect of potential exercise of ESOS/ Warrants	43,912	115,537	61,241	118,622
Weighted average number of ordinary shares	1,972,327	1,886,771	1,953,340	1,797,729
Diluted Earnings Per Share (sen)	5.09	4.84	13.66	13.66

11. Realised and Unrealised Profits

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

	31/07/2012 RM'000	30/04/2012 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,220,670	1,269,005
- Unrealised	55,234	59,982
	<u>1,275,904</u>	<u>1,328,987</u>
Total retained profits from jointly controlled entities:		
- Realised	213,570	194,871
- Unrealised	21,158	18,760
	<u>234,728</u>	<u>213,631</u>
Total share of retained profits from associated companies:		
- Realised	(741)	(739)
- Unrealised	-	-
	<u>(741)</u>	<u>(739)</u>
Less: Consolidation adjustments	(162,201)	(165,025)
Total Group retained profits as per consolidated accounts	<u><u>1,347,690</u></u>	<u><u>1,376,854</u></u>

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

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

12. Notes to the Statement of Comprehensive Income

Notes to the Statement of Comprehensive Income comprises:-

	3 MONTHS ENDED 31/07/2012 RM'000	9 MONTHS ENDED 31/07/2012 RM'000
Interest income	8,880	27,480
Other income including investment income	4,787	13,777
Interest expense	(2,414)	(4,778)
Depreciation and amortisation	(4,149)	(10,291)
Provision for write off of receivables	N/A	N/A
Provision for and write off of inventories	N/A	N/A
Gain or loss on disposal of quoted or unquoted investments or properties	N/A	N/A
Impairment of assets	-	(400)
Foreign exchange loss	2,528	(126)
Gain or loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

13. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the year ended 31 October 2011 was unqualified.