

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

Interim Financial Report
31 July 2013

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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 2013

	(UNAUDITED) As At 31 July 2013 RM'000	(AUDITED) As At 31 October 2012 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	90,712	77,315
Investment Properties	737,376	602,310
Land Held for Property Development	4,930,174	4,514,037
Concession Assets	42,652	11,708
Investment in Associated Companies	1,917	1,891
Other Investments	-	337
Amount Owing by Former Joint Venture Partner	13,727	13,714
Amount Owing by Jointly Controlled Entities	44,794	57,772
Deferred Tax Assets	169,217	93,779
	<u>6,030,569</u>	<u>5,372,863</u>
Current Assets		
Property Development Costs	2,710,362	1,606,654
Gross Amount Due from Customers	9,014	25,741
Inventories	23,788	23,552
Trade and Other Receivables	976,775	743,998
Amount Owing by Jointly Controlled Entities	24,928	18,174
Current Tax Assets	47,860	18,759
Deposits	1,206,352	594,206
Cash and Bank Balances	1,243,092	949,357
	<u>6,242,171</u>	<u>3,980,441</u>
TOTAL ASSETS	<u>12,272,740</u>	<u>9,353,304</u>
EQUITY AND LIABILITIES		
EQUITY		
Share Capital	1,844,034	1,504,250
Reserves		
Share Premium	2,128,696	1,113,480
Option Reserve	11,462	242
Warrant Reserve	-	28,904
Exchange Translation Reserve	(10,907)	(2,686)
Retained Earnings	1,491,492	1,399,684
Equity Attributable to Equity Holders of the Company	<u>5,464,777</u>	<u>4,043,874</u>
Non-controlling interests	(915)	(4,754)
Total Equity	<u>5,463,862</u>	<u>4,039,120</u>
Non-current liabilities		
Long Term Borrowings	3,875,929	2,361,745
Deferred Tax Liabilities	2,612	2,195
	<u>3,878,541</u>	<u>2,363,940</u>
Current liabilities		
Gross Amount Due to Customers	5,295	6,022
Trade and Other Payables	2,176,653	1,375,471
Short Term Borrowings	602,412	1,415,988
Bank Overdrafts	63,651	104,847
Current Tax Liabilities	82,326	47,916
	<u>2,930,337</u>	<u>2,950,244</u>
Total liabilities	<u>6,808,878</u>	<u>5,314,184</u>
TOTAL EQUITY AND LIABILITIES	<u>12,272,740</u>	<u>9,353,304</u>
Net Assets Per Share (RM)	<u>2.22</u>	<u>2.01</u>

(The Condensed Consolidated Statement Of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 October 2012)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 JULY 2013
(The figures have not been audited)

	3 MONTHS ENDED		9 MONTHS ENDED	
	31 July 2013	31 July 2012	31 July 2013	31 July 2012
	RM'000	RM'000	RM'000	RM'000
Revenue	761,506	654,192	2,160,360	1,762,972
Cost of sales	(518,163)	(434,242)	(1,504,084)	(1,198,181)
Gross profit	<u>243,343</u>	<u>219,950</u>	<u>656,276</u>	<u>564,791</u>
Other operating income	22,112	13,667	63,164	41,257
Selling and marketing expenses	(42,434)	(38,419)	(121,292)	(113,846)
Administrative and general expenses	(66,562)	(47,169)	(169,616)	(113,203)
Share of profits less losses of associated companies	10	(2)	27	2
Finance costs	(12,019)	(2,414)	(37,810)	(4,778)
Profit before taxation	<u>144,450</u>	<u>145,613</u>	<u>390,749</u>	<u>374,223</u>
Taxation	(40,252)	(46,130)	(98,831)	(111,975)
Profit for the period	<u>104,198</u>	<u>99,483</u>	<u>291,918</u>	<u>262,248</u>
Other comprehensive income:				
Exchange differences on translation of foreign operations	18,362	19,966	(8,224)	20,643
Total comprehensive income for the period	<u>122,560</u>	<u>119,449</u>	<u>283,694</u>	<u>282,891</u>
Profit attributable to:				
Equity holders of the Company	101,882	100,403	290,565	266,790
Non-controlling interests	2,316	(920)	1,353	(4,542)
	<u>104,198</u>	<u>99,483</u>	<u>291,918</u>	<u>262,248</u>
Total comprehensive income attributable to:				
Equity holders of the Company	120,258	120,315	282,344	287,313
Non-controlling interests	2,302	(866)	1,350	(4,422)
	<u>122,560</u>	<u>119,449</u>	<u>283,694</u>	<u>282,891</u>
Earnings per share attributable to equity holders of the Company				
- Basic earnings per share (sen)	<u>4.14</u>	<u>5.21</u>	<u>12.70</u>	<u>14.10</u>
- Diluted earnings per share (sen)	<u>4.10</u>	<u>5.09</u>	<u>12.64</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 2012)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 JULY 2013
(The figures have not been audited)

	Attributable to Equity Holders of the Company					Retained Earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Option Reserve RM'000	Warrant Reserve RM'000	Exchange Translation Reserve RM'000				
Balance at 1.11.2012	1,504,250	1,113,480	242	28,904	(2,686)	1,399,684	4,043,874	(4,754)	4,039,120
Total other comprehensive income for the period represented by exchange differences on translation of foreign operations	-	-	-	-	(8,221)	-	(8,221)	(3)	(8,224)
Profit for the period	-	-	-	-	-	290,565	290,565	1,353	291,918
Transactions with owners:									
Dividend paid	-	-	-	-	-	(165,963)	(165,963)	-	(165,963)
Acquisition of additional shares in subsidiary companies	-	-	-	-	-	(35,641)	(35,641)	2,489	(33,152)
Issuance of ordinary shares:									
- Exercise of Warrants	99,259	322,750	-	(26,299)	-	-	395,710	-	395,710
- Placement	240,525	702,333	-	-	-	-	942,858	-	942,858
Share issue expenses	-	(9,867)	-	-	-	-	(9,867)	-	(9,867)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	11,462	-	-	-	11,462	-	11,462
ESOS lapsed	-	-	(242)	-	-	242	-	-	-
Warrants lapsed	-	-	-	(2,605)	-	2,605	-	-	-
Balance at 31.07.2013	1,844,034	2,128,696	11,462	-	(10,907)	1,491,492	5,464,777	(915)	5,463,862
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 other comprehensive income for the period represented by exchange differences on translation of foreign operations	-	-	-	-	20,523	-	20,523	120	20,643
Profit for the period	-	-	-	-	-	266,790	266,790	(4,542)	262,248
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/forfeited	-	-	(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

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 October 2012)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JULY 2013
(The figures have not been audited)

	9 MONTHS ENDED 31 July 2013 RM'000	9 MONTHS ENDED 31 July 2012 RM'000
Profit before taxation	390,749	374,223
Adjustments for:-		
Non-cash items	14,926	7,384
Non-operating items	(1,425)	(27,478)
Operating profit before changes in working capital	<u>404,250</u>	<u>354,129</u>
Changes in property development costs	6,568	(5,779)
Changes in gross amount due from/to customers	17,002	(968)
Changes in inventories	(236)	2,775
Changes in receivables	287,776	(15,970)
Changes in payables	38,935	85,196
Cash generated from operations	<u>754,295</u>	<u>419,383</u>
Interest received	16,668	11,929
Interest paid	(114,576)	(52,614)
Rental received	1,087	1,797
Tax paid	(168,019)	(94,400)
Net cash generated from operating activities	<u>489,455</u>	<u>286,095</u>
Investing Activities		
Additions to land held for future development	(1,122,597)	(1,594,202)
Purchase of property, plant and equipment	(20,546)	(11,560)
Additions to investment properties	(109,938)	(101,210)
Additions to concession assets	(30,944)	-
Proceeds from disposal of property, plant and equipment	431	111
Proceeds from disposal of investment properties	15,834	11,500
Proceeds from disposal of unquoted investment	216	-
Acquisition of additional investment in subsidiary companies	(41,263)	(1,511)
Acquisition of additional redeemable preference shares in subsidiary companies	(15,450)	-
Advances to jointly controlled entities	(21,485)	(4,849)
Development expenditure paid	(11,024)	(116,671)
Deposit and part consideration paid for acquisition of land	(40,000)	(127,215)
Other investments	19,750	17,747
Net cash used in investing activities	<u>(1,377,016)</u>	<u>(1,927,860)</u>

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JULY 2013
(The figures have not been audited)

	9 MONTHS ENDED 31 July 2013 RM'000	9 MONTHS ENDED 31 July 2012 RM'000
Financing Activities		
Proceeds from issue of shares		
- by the Company	1,338,568	393,153
- by a subsidiary company to a non-controlling interest	-	500
Redemption of bonds	(250,000)	-
Payment of share issue expenses	(9,867)	-
Drawdown of bank borrowings	1,941,146	1,790,359
Repayment of bank borrowings	(1,026,235)	(567,671)
Interest paid	(5,501)	(4,751)
Dividends paid	(165,963)	(129,599)
Advances from a minority shareholder of a subsidiary company	5,273	-
Net cash generated from financing activities	<u>1,827,421</u>	<u>1,481,991</u>
Net changes in cash and cash equivalents	939,860	(159,774)
Effect of exchange rate changes	5,486	852
Cash and cash equivalents at 1 November 2012/2011	1,420,479	1,387,197
Cash and cash equivalents at 31 July 2013/2012	<u><u>2,365,825</u></u>	<u><u>1,228,275</u></u>

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

	31.07.2013 RM'000	31.07.2012 RM'000
Deposits	1,206,352	465,118
Cash and bank balances	1,243,092	858,725
Bank overdrafts	(63,651)	(82,007)
	<u>2,385,793</u>	<u>1,241,836</u>
Less: Sinking Fund, Debt Service Reserve and Escrow Accounts	(19,968)	(13,561)
	<u><u>2,365,825</u></u>	<u><u>1,228,275</u></u>

(The Condensed Consolidated Statements Of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 October 2012)

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 2012.

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 2012 except for the adoption of the following new/revised FRS and Amendments to FRS:-

FRS 124	Related Party Disclosures (revised)
Amendments to FRS 7	Disclosures – Transfer of Financial Assets

The following are the Amendments to FRSs which are effective but are not applicable to the Group:-

Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets

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 2013.

4. Changes in estimates

There were no material changes in estimates for the financial period ended 31 July 2013.

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 132,344,335 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 amounted to RM395,709,561;
- (b) Redemption of 2.00% redeemable serial bond 2 of RM250 million upon its maturity on 23 November 2012; and
- (c) Issuance of 320,700,000 new ordinary shares of RM0.75 each pursuant to the Placement at an issue price of RM2.94 per ordinary share. The total cash proceeds arising from the Placement during the current financial period amounted to RM942,858,000.

6. Dividends paid

A final dividend of 9 sen per share less 25% income tax amounting to RM165,963,073 was paid on 15 May 2013 in respect of the financial year ended 31 October 2012.

7. Segmental Reporting

The segmental analysis for the financial period ended 31 July 2013 are as follows:-

	Property Development	Construction	Other Operations	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>					
External sales	1,996,364	73,175	90,821	-	2,160,360
Inter-segment sales	225,317	171,806	70,112	(467,235)	-
Total revenue	2,221,681	244,981	160,933	(467,235)	2,160,360
Gross profit	628,047	5,760	22,469	-	656,276
Other operating income	41,173	5,268	16,723	-	63,164
Operating expenses	(269,633)	(6,720)	(14,555)	-	(290,908)
Share of net profits less losses of associated companies	28	-	(1)	-	27
Finance costs	(30,455)	(2,620)	(4,735)	-	(37,810)
Profit before taxation	369,160	1,688	19,901	-	390,749
Tax expense					(98,831)
Profit for the period					291,918

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 2013 till 18 September 2013 (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 period to-date except for the following:-

- (i) Acquisition of 2 ordinary shares of RM1.00 each in Rockbay Streams Sdn Bhd ("Rockbay Streams") on 30 November 2012, resulting in Rockbay Streams becoming a wholly owned subsidiary of S P Setia Berhad;
- (ii) Acquisition of 2 ordinary shares of RM1.00 each in Ivory Streams Sdn Bhd ("Ivory Streams") by Bandar Setia Alam Sdn Bhd ("Bandar Setia Alam"), a wholly owned subsidiary of S P Setia Berhad on 18 December 2012, resulting in Ivory Streams becoming a wholly owned subsidiary of Bandar Setia Alam;
- (iii) Incorporation of Malaysia-China Kuantan Industrial Park Sdn Bhd ("MCKIP") on 23 January 2013, with an issued and paid up share capital of RM2.00 comprising of 2 ordinary shares of RM1.00 each ("the shares"). MCKIP has ceased to be a wholly-owned subsidiary following the transfer of the shares to Kuantan Pahang Holding (refer item (v) below), presently a 40% jointly controlled entity of S P Setia Berhad;

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

- (iv) Acquisition of 2 ordinary shares of RM1.00 each in S P Setia DMC Sdn Bhd (“S P Setia DMC”) (formerly known as Pavilion Ahead Sdn Bhd) on 30 January 2013, resulting in S P Setia DMC becoming a wholly owned subsidiary of S P Setia Berhad; and
- (v) Cessation of Kuantan Pahang Holding Sdn Bhd (formerly known as Ivory Paragon Sdn Bhd) (“Kuantan Pahang Holding”) from being a wholly owned subsidiary of S P Setia Berhad (“S P Setia”) on 4 February 2013, due to the issuance of additional 98 ordinary shares of RM1.00 each. S P Setia only subscribed for an additional 38 ordinary shares of RM1.00 each, resulting in S P Setia’s equity interest in Kuantan Pahang Holding being reduced from 100% to 40%.

10. Contingent Liabilities

Changes in contingent liabilities in respect of the Group since the last annual reporting date are as follow:-

	31/07/2013 RM’000	31/10/2012 RM’000
Guarantees given to banks for performance bonds granted to jointly controlled entities	478	561
Guarantees given to banks to secure banking facilities granted to jointly controlled entities	1,500	31,875
	1,978	32,436

11. Capital Commitments

	As at 31/07/2013 RM’000
Commitments to purchase development land	
- Contracted	14,666
- Approved but not Contracted	119,618
Contractual commitments for construction of investment properties	35,863
Contractual commitments for acquisition of property, plant and equipment	8,088
Contractual commitments in relation to Development Agreement	100,000

12. Significant Related Party Transactions

	01/11/2012 To 31/07/2013 RM’000
<i>Transactions with jointly controlled entities:-</i>	
(i) Construction services rendered	368
(ii) Interest charged	3,175
(iii) Redemption fee charged	326
(iv) Project management and administrative fee received and receivable	7,122
(v) Rental paid and payable	265
(vi) Rental received and receivable	106
(vii) Security services rendered	189
(viii) Sale of building material	2,367
(ix) Staff secondment	311
(x) Acquisition of motor vehicle	35

12. Significant Related Party Transactions (continued)

	01/11/2012 To 31/07/2013 RM'000
(xi) Event service fee charged	17
(xii) Group marketing fee charged	644
 <i>Transactions with directors of the Company and subsidiary companies, companies and trust bodies in which they have interests:-</i>	
(i) Security services rendered to a trust body in which directors of subsidiary companies are the trustees	80
(ii) Rental charged to a trust body in which directors of subsidiary companies are the trustees	90
(iii) Rental charged to a trust body in which a director of the Company is the trustee	22
(iv) Event fees charged to a trust body in which a director of the Company is the trustee	185
(v) Sale of development properties to directors of the Company	59,529
(vi) Sale of development properties to companies in which the directors of the Company have interests	217,142
(vii) Sale of development properties to former directors of the Company	16,737
(viii) Sale of development properties to directors of the subsidiary companies	53,327
(ix) Sale of development property to an immediate family member of the director of the subsidiary companies	509
(x) Supply and installation of timber roof to directors of the subsidiary companies	90
(xi) Sale of development property to a former director of the subsidiary companies	3,553
(xii) Event service fee charged to an immediate family member of the directors of the Subsidiary companies	102
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13. Comparative figures

The following comparative amounts for the financial year ended 31 October 2012 have been reclassified to conform with current year's presentation:

Statement of Cash Flows

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Investing activities			
Other investments	(49,854)	69,818	19,964
Cash and cash equivalent at 31 October 2012	1,350,661	69,818	1,420,479

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

1. Review of Group Performance

Revenue and PBT of the respective operating business segments are analysed as follows:-

	3Q2013	3Q2012	PTD2013	PTD2012
	RM'000	RM'000	RM'000	RM'000
Revenue				
Property Development	707,480	592,588	1,996,364	1,587,903
Construction	21,541	27,518	73,175	88,121
Other Operations	32,485	34,086	90,821	86,948
	<u>761,506</u>	<u>654,192</u>	<u>2,160,360</u>	<u>1,762,972</u>
Profit before taxation				
Property Development	134,966	139,111	369,160	348,866
Construction	275	2,854	1,688	11,752
Other Operations	9,209	3,648	19,901	13,605
	<u>144,450</u>	<u>145,613</u>	<u>390,749</u>	<u>374,223</u>

(a) Performance of the current quarter against the same quarter in the preceding year (Q3 FY 2013 vs. Q3 FY 2012)

The Group's PBT of RM144.5 million for Q3 2013 is slightly lower than RM145.6 million reported for Q3 2012. The current quarter PBT was arrived at after expensing approximately RM11.5 million share-based payment pursuant to the Company's employees' LTIP which was launched in May 2013.

Revenue and PBT of the respective operating business segments for the current quarter are as analysed as follows:-

Property Development

Revenue from property development activities increased by 19%. The increase in revenue is mainly contributed from higher revenue recognition from residential and commercial properties in the Klang Valley and Johor Bahru as a result of higher overall Group sales achieved since FY2012. The increased also resulted from the commencement of revenue recognition from the Group 1st maiden project in Singapore, *18 Woodsville*.

PBT in Q3 2013 decreased slightly as a result of LTIP expense as mentioned above. The PBT before expensing LTIP is marginally increased as a result of higher profit recognition in Johor Bahru.

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

1. Review of Group Performance (continued)

(a) Performance of the current quarter against the same quarter in the preceding year (Q3 FY 2013 vs. Q3 FY 2012) (continued)

Construction

Revenue and PBT decreased by 22% and 90% respectively. Revenue for the current quarter is mainly derived from the construction of a concession asset in Penang and also the Jabatan Keretapi Negeri Sabah building in Sabah. These projects are undertaken pursuant to a Build-Operate-Transfer Agreement with the Majlis Perbandaran Pulau Pinang and a Development Agreement with the Sabah State Government respectively in exchange for development rights in Penang and land in Sabah for the Aeropod project. As such, the construction profit to be recognised on these projects will not be significant as the Group expects to derive most of the benefits from subsequent development activities to be undertaken in both states.

Other Operations

PBT increased by 152% despite a drop in revenue by 5% mainly contributed from shopping mall and Setia City Convention Centre operations and interest income from placement of funds.

(b) Performance of the current period to-date against the same period in the preceding year (Q3 PTD 2013 vs. Q3 PTD 2012)

For the current period to-date, the Group achieved a profit before taxation ("PBT") of RM390.7 million on the back of revenue totalling RM2,160.4 million, representing a 4% increase in PBT (7% increase in PBT before expensing LTIP) and a 23% increase in revenue as compared to the preceding period.

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

Property Development

Revenue increased by 26%, however, the PBT increased by a smaller percentage of 6% (9% increase in PBT before expensing LTIP) for the reasons mentioned above under the analysis of the current quarter's performance and the change in product mix noted in the explanation of the previous quarter's results, with a larger percentage of profits now contributed by sales of high rise developments as compared to landed properties in the previous year.

Construction

Revenue and PBT remain a small percentage of overall Group operations. Revenue and PBT decreased due to the completion of the Hospital Kuala Lumpur contract in the previous financial year.

Other Operations

Revenue and PBT increased by 4% and 46% respectively for the reasons mentioned above under the analysis of the current quarter's performance.

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

The Group's current quarter profit before taxation is RM144.5 million, which is RM14.3 million higher than the preceding quarter ended 30 April 2013. The profit in the current quarter was higher due to generally higher profit recognition arising from better site progress from residential developments in Johor Bahru.

3. Prospects for the Current Financial Year

The Board is pleased to report that as at 31 July 2013 the Group has already exceeded its RM5.5 billion sales target for FY2013. Sales achieved during the third quarter alone amounted to RM2.91 billion. As at 31 August 2013, total Group Sales has reached RM6.27 billion.

The Group's extremely strong sales this year reflects its success in both the Malaysian and International markets which is summarised below:

International projects

- Total international sales up to 31 August 2013 amounted to RM2.533 billion. Of this amount RM1.247 billion was contributed by the Group's 40% share of the sales achieved by its **Battersea Power Station** joint-venture project in Central London.
- The Group's ongoing **Fulton Lane**, Melbourne project also continued to record steady sales with RM409 million achieved during the year.
- In Singapore, the Group secured RM877 million in sales, mainly contributed by its **Eco Sanctuary** project which was launched at the start of the year with a majority of the units sold to Singaporeans purchasers thus demonstrating the increasingly strong acceptance of the **Setia** brand there.

Malaysian projects

- Sales from the Group's Malaysian projects totalled RM3.737 billion as at 31 August 2013 which is already higher than the total Malaysian sales achieved of RM3.55 billion for the full FY2012.
- The Group's Klang Valley projects contributed to RM2.054 billion where the Group's launches of affordable apartments in its matured **Setia Alam** and **Precinct 15, Putrajaya** townships were snapped up by first-time homeowners. In Kuala Lumpur, the first handover of the Group's **Setia Sky Residences** tower blocks resulted in renewed interest in the project despite the generally softer market for luxury apartments prevailing throughout the year. The Group also succeeded in penetrating two new development corridors with the launch of its **Setia Eco Glades** project in Cyberjaya and **Setia Ecohill** project in Semenyih, both of which were very warmly received by purchasers looking for landed up-grader products.
- Down south in Johor Bahru, total sales amounted to RM1.285 billion, testament to the Group's market leadership position and the strong interest in Iskandar properties. The Group's Penang and East Malaysia projects contributed the remaining RM397 million in sales.

For the upcoming quarter, sales will be boosted by the launch of the Group's second Australian project, **Parque Melbourne**. Despite the increasingly uncertain macroeconomic environment, response thus far has been highly encouraging for this project. Back home in Malaysia the Group is also preparing for the launch of terrace and cluster homes at its **Setia Ecohill** project to capture the strong demand for affordable landed homes. Based on the high level of registrations received to-date, the upcoming launch which is scheduled to take place in November / December 2013, is expected to do very well. Together with the sales already secured this year, these new launches will set up a strong pipeline for the Group to carry forward into FY2014 when market conditions are expected to be more challenging overall.

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	
	31/07/2013	31/07/2012	31/07/2013	31/07/2012
	RM'000	RM'000	RM'000	RM'000
- current taxation	73,735	43,479	170,199	133,889
- in respect of prior years	4,204	(1,782)	5,126	(2,175)
- deferred taxation	(31,750)	(106)	(74,288)	(24,307)
- in respect of prior years	(5,937)	4,539	(2,206)	4,568
	40,252	46,130	98,831	111,975

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

6. Status of Corporate Proposals

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 at 18 September 2013, the latest practicable date which shall not be earlier than 7 days from the date of this announcement:-

- (i) Disposal by Bandar Setia Alam Sdn Bhd ("Bandar Setia Alam"), 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 Bandar Setia Alam 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, Bandar Setia Alam had entered into several agreements to reflect certain changes to the earlier Proposals announced on 2 July 2008. The agreements include the entry into two separate Sale and Purchase Agreements between Bandar Setia Alam, Greenhill and GR Investments Ltd ("GRI") for the disposal by Bandar Setia Alam to Greenhill of approximately 14.31 acres ("Stage 1 Land") of the Original Land on which the Retail Mall was to be constructed, and the remaining 16.19 acres ("Stage 2 Land"), for approximately RM56.1 million and RM63.5 million respectively;

- (ii) 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 or 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 USD16,260,000.

6. Status of Corporate Proposals (continued)

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 ("NewCo") 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.

On approval of the masterplan in the scale of 1/500 for EcoXuan Lai Thieu, the area of the Land was increased from 108,400 square metres to 109,685 square metres (27.10 acres) and by the increase in land area, the total consideration payable to Becamex was adjusted to USD16,452,750 based on the rate of USD150 per square metre.

The balance of the consideration is payable upon the issuance of the land use right certificate in the name of Setia LT;

- (iii) On 29 November 2012, Sentosa Jitra Sdn Bhd ("Sentosa Jitra"), a 50% jointly controlled entity of S P Setia Berhad, entered into a Privatisation Agreement with the Government of Malaysia ("Government") and Syarikat Tanah dan Harta Sdn Bhd to undertake the development and construction of a new integrated health and research complex to be known as the INIH Complex for the Government on a piece of land in Setia Alam, Selangor measuring approximately 41.115 acres ("Project Land") by way of land swap for another piece of land measuring approximately 51.568 acres along Jalan Bangsar, Kuala Lumpur.

As announced, the Privatisation Agreement is conditional upon, inter-alia, the transfer of the Project Land to the Government and the submission of a letter of offer that Sentosa Jitra has secured the project financing in respect of the INIH Project within 9 months from the date of the Privatisation Agreement. Pursuant to the terms of the Privatisation Agreement, the period for fulfillment of the conditions precedent has been extended for another month to expire on 28 September 2013;

- (iv) 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 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").

Pursuant to the Joint Venture Framework Agreement, on 15 July 2013, Qinzhou Malaysia entered into a Sino-foreign Joint Venture Contract with Qinzhou Jingu to establish the JV Company and to regulate their participation in the JV Company for the Proposed Development; and

- (v) On 6 February 2013, Rockbay Streams Sdn Bhd, a wholly owned subsidiary of S P Setia Berhad has entered into an agreement ("Development Agreement") with Cash Band (M) Berhad, for the proposed development of a mixed residential and commercial project on various parcels of leasehold land measuring approximately 194.65 acres in the District of Gombak.

The Development Agreement is pending the fulfillment of the conditions precedent therein within a period of twelve (12) months from the date of the Development Agreement.

6. Status of Corporate Proposals (continued)

- (b) As at 31 July 2013, the status of the utilisation of proceeds raised under the Placement exercise which was completed on 25 February 2013, amounting to RM942.86 million is as set out below:-

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Intended timeframe for utilisation from completion date
Existing projects and general working capital requirements	550,000	-	550,000	Within 24 months
Future expansion plans	181,900	(79,893)	102,007	Within 24 months
Repayment of bank borrowings	200,000	(200,000)	-	Within 3 months
Estimated expenses for the Corporate Exercise	10,958	(9,541)	1,417	Within 3 months
Total	942,858	(289,434)	653,424	

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 31 July 2013 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Bank Overdrafts	3,236	60,415	63,651
Short Term Bank Borrowings	358,412	244,000	602,412
Long Term Bank Borrowings	3,175,929	700,000	3,875,929
	3,537,577	1,004,415	4,541,992

Currency exposure profile of borrowings is as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Ringgit Malaysia	2,502,272	991,579	3,493,851
Pound Sterling	477,517	-	477,517
Singapore Dollar	433,683	12,836	446,519
Australian Dollar	97,600	-	97,600
Vietnamese Dong	26,505	-	26,505
	3,537,577	1,004,415	4,541,992

8. Material Litigation

The Group is not engaged in any material litigation as at 18 September 2013, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

9. Dividends Declared

The Board of Directors declared interim dividends of 4 sen consist of 1.6 sen less 25% income tax and single tier dividend of 2.4 sen (2012: 5 sen less 25% income tax) per share in respect of the financial year ending 31 October 2013. The interim dividends were paid on 18 September 2013 and 20 September 2013 respectively.

No dividend has been declared for the third quarter ended 31 July 2013.

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 year 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	
	31/07/2013	31/07/2012	31/07/2013	31/07/2012
	'000	'000	'000	'000
Profit for the period attributable to equity holders of the Company (RM)	101,882	100,403	290,565	266,790
Number of ordinary shares at beginning of the period	2,458,712	1,920,200	2,005,668	1,832,738
Effect of shares issued pursuant to:				
- Acquisition of additional shares in a subsidiary company	-	-	-	12,378
- Placement	-	-	187,956	-
- Exercise of ESOS	-	-	-	43,915
- Exercise of Warrants	-	8,215	93,481	3,068
Weighted average number of ordinary shares	2,458,712	1,928,415	2,287,105	1,892,099
Basic Earnings Per Share (sen)	4.14	5.21	12.70	14.10

The diluted earnings per share has been calculated by dividing the Group's profit for the year 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 LTIP/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	
	31/07/2013	31/07/2012	31/07/2013	31/07/2012
	'000	'000	'000	'000
Profit for the period attributable to equity holders of the Company (RM)	101,882	100,403	290,565	266,790
Weighted average number of ordinary shares as per basic Earnings Per Share	2,458,712	1,928,415	2,287,105	1,892,099
Effect of potential exercise of LTIP/ESOS/ Warrants	24,728	43,912	11,862	61,241
Weighted average number of ordinary shares	2,483,440	1,972,327	2,298,967	1,953,340
Diluted Earnings Per Share (sen)	4.10	5.09	12.64	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:-

	31/07/2013	31/10/2012
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,296,827	1,240,674
- Unrealised	132,301	61,485
	<u>1,429,128</u>	<u>1,302,159</u>
Total retained profits from jointly controlled entities:		
- Realised	252,075	229,191
- Unrealised	23,538	21,501
	<u>275,613</u>	<u>250,692</u>
Total share of retained profits from associated companies:		
- Realised	(704)	(731)
- Unrealised	-	-
	<u>(704)</u>	<u>(731)</u>
Less: Consolidation adjustments	(212,545)	(152,436)
Total Group retained profits as per consolidated accounts	<u>1,491,492</u>	<u>1,399,684</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	9 MONTHS
	ENDED	ENDED
	31/07/2013	31/07/2013
	RM'000	RM'000
Interest income	14,619	33,109
Other income including investment income	5,769	19,139
Interest expense	(12,019)	(37,810)
Depreciation and amortisation	(6,382)	(16,251)
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	(38)	9,154
Impairment of assets	N/A	N/A
Foreign exchange gain or loss	2,320	1,722
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 2012 was unqualified.