

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

Interim Financial Report
31 October 2013

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S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2013

	(AUDITED) As At 31 October 2013 RM'000	(AUDITED) As At 31 October 2012 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	121,856	77,315
Investment Properties	1,013,046	602,310
Land Held for Property Development	4,918,472	4,514,037
Concession Assets	52,129	11,708
Investment in Associated Companies	1,689	1,891
Other Investments	-	337
Amount Owing by Former Joint Venture Partner	14,380	13,714
Amount Owing by Jointly Controlled Entities	41,569	57,772
Deferred Tax Assets	167,885	93,779
	<u>6,331,026</u>	<u>5,372,863</u>
Current Assets		
Property Development Costs	2,693,117	1,606,654
Gross Amount Due from Customers	641	25,741
Inventories	43,244	23,552
Trade and Other Receivables	1,058,472	743,998
Amount Owing by Jointly Controlled Entities	32,220	18,174
Amount Owing by Associated Companies	9,283	-
Current Tax Assets	30,541	18,759
Deposits	1,024,981	594,206
Cash and Bank Balances	1,218,237	949,357
	<u>6,110,736</u>	<u>3,980,441</u>
TOTAL ASSETS	<u>12,441,762</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	23,529	242
Warrant Reserve	-	28,904
Exchange Translation Reserve	(987)	(2,686)
Retained Earnings	1,530,271	1,399,684
Equity Attributable to Equity Holders of the Company	<u>5,525,543</u>	<u>4,043,874</u>
Non-controlling interests	(846)	(4,754)
Total Equity	<u>5,524,697</u>	<u>4,039,120</u>
Non-current liabilities		
Long Term Borrowings	3,915,084	2,361,745
Deferred Tax Liabilities	4,951	2,195
	<u>3,920,035</u>	<u>2,363,940</u>
Current liabilities		
Gross Amount Due to Customers	2,311	6,022
Trade and Other Payables	2,342,750	1,375,471
Short Term Borrowings	553,554	1,415,988
Bank Overdrafts	60,875	104,847
Current Tax Liabilities	37,540	47,916
	<u>2,997,030</u>	<u>2,950,244</u>
Total liabilities	<u>6,917,065</u>	<u>5,314,184</u>
TOTAL EQUITY AND LIABILITIES	<u>12,441,762</u>	<u>9,353,304</u>
Net Assets Per Share (RM)	<u>2.25</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 YEAR ENDED 31 OCTOBER 2013
(The figures have been audited)

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 October 2013	31 October 2012	31 October 2013	31 October 2012
	RM'000	RM'000	RM'000	RM'000
Revenue	900,168	763,623	3,060,528	2,526,595
Cost of sales	(614,394)	(465,515)	(2,118,478)	(1,663,696)
Gross profit	<u>285,774</u>	<u>298,108</u>	<u>942,050</u>	<u>862,899</u>
Other operating income	45,302	23,769	108,466	65,026
Selling and marketing expenses	(60,263)	(62,093)	(181,555)	(175,939)
Administrative and general expenses	(71,753)	(56,267)	(241,369)	(169,470)
Share of profits less losses of associated companies	(189)	10	(162)	12
Finance costs	(19,277)	(10,245)	(57,087)	(15,023)
Profit before taxation	<u>179,594</u>	<u>193,282</u>	<u>570,343</u>	<u>567,505</u>
Taxation	(52,225)	(67,902)	(151,056)	(179,877)
Profit for the period	<u>127,369</u>	<u>125,380</u>	<u>419,287</u>	<u>387,628</u>
Other comprehensive income:				
Exchange differences on translation of foreign operations	9,913	(18,573)	1,689	2,070
Total comprehensive income for the period	<u>137,282</u>	<u>106,807</u>	<u>420,976</u>	<u>389,698</u>
Profit attributable to:				
Equity holders of the Company	127,293	127,026	417,858	393,816
Non-controlling interests	76	(1,646)	1,429	(6,188)
	<u>127,369</u>	<u>125,380</u>	<u>419,287</u>	<u>387,628</u>
Total comprehensive income attributable to:				
Equity holders of the Company	137,213	108,202	419,557	395,515
Non-controlling interests	69	(1,395)	1,419	(5,817)
	<u>137,282</u>	<u>106,807</u>	<u>420,976</u>	<u>389,698</u>
Earnings per share attributable to equity holders of the Company				
- Basic earnings per share (sen)	<u>5.18</u>	<u>6.34</u>	<u>17.93</u>	<u>20.51</u>
- Diluted earnings per share (sen)	<u>5.13</u>	<u>6.26</u>	<u>17.82</u>	<u>19.96</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 YEAR ENDED 31 OCTOBER 2013
(The figures have 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
	Non-Distributable		Option Reserve RM'000	Warrant Reserve RM'000	Exchange Translation Reserve RM'000				
	Share Capital RM'000	Share Premium 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	-	-	-	-	1,699	-	1,699	(10)	1,689
Profit for the year	-	-	-	-	-	417,858	417,858	1,429	419,287
Transactions with owners:									
Dividends paid	-	-	-	-	-	(254,477)	(254,477)	-	(254,477)
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 issuance expense	-	(9,867)	-	-	-	-	(9,867)	-	(9,867)
Share-based payment under Employees' Long Term Incentive Plan ("LTIP")	-	-	23,529	-	-	-	23,529	-	23,529
Acquisition of additional equity interest in subsidiary companies	-	-	-	-	-	(35,641)	(35,641)	2,489	(33,152)
ESOS lapsed	-	-	(242)	-	-	242	-	-	-
Warrants lapsed	-	-	-	(2,605)	-	2,605	-	-	-
Balance at 31.10.2013	1,844,034	2,128,696	23,529	-	(987)	1,530,271	5,525,543	(846)	5,524,697
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	-	-	-	-	1,699	-	1,699	371	2,070
Profit for the year	-	-	-	-	-	393,816	393,816	(6,188)	387,628
Transactions with owners:									
Dividends paid	-	-	-	-	-	(204,631)	(204,631)	-	(204,631)
Issuance of ordinary shares:									
- Exercise of ESOS	50,496	146,174	(38,891)	-	-	-	157,779	-	157,779
- Exercise of Warrants	64,665	210,266	-	(17,132)	-	-	257,799	-	257,799
- Acquisition of additional equity interest in subsidiary companies	14,535	60,465	-	-	(66)	(83,964)	(9,030)	7,519	(1,511)
Issue of shares by a subsidiary company to a non-controlling interest	-	-	-	-	-	-	-	500	500
ESOS lapsed/forfeited	-	-	(171)	-	-	171	-	-	-
Balance at 31.10.2012	1,504,250	1,113,480	242	28,904	(2,686)	1,399,684	4,043,874	(4,754)	4,039,120

(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 YEAR ENDED 31 OCTOBER 2013
(The figures have been audited)

	12 MONTHS ENDED 31 October 2013 RM'000	12 MONTHS ENDED 31 October 2012 RM'000
Profit before taxation	570,343	567,505
Adjustments for:-		
Non-cash items	29,849	19,797
Non-operating items	(6,638)	(27,467)
Operating profit before changes in working capital	<u>593,554</u>	<u>559,835</u>
Changes in property development costs	63,289	(114,856)
Changes in gross amount due from/to customers	13,366	(2,416)
Changes in inventories	(444)	3,030
Changes in receivables	130,961	80,219
Changes in payables	248,142	358,201
Cash generated from operations	<u>1,048,868</u>	<u>884,013</u>
Interest received	20,504	16,187
Interest paid	(157,101)	(79,592)
Rental received	1,716	880
Tax paid	(244,388)	(175,796)
Net cash generated from operating activities	<u>669,599</u>	<u>645,692</u>
Investing Activities		
Additions to land held for future development	(1,372,681)	(3,076,893)
Purchase of property, plant and equipment	(40,193)	(16,642)
Additions to investment properties	(147,560)	(173,241)
Additions to concession assets	(47,702)	(11,708)
Proceeds from disposal of property, plant and equipment	1,025	172
Proceeds from disposal of investment properties	15,834	13,925
Proceeds from disposal of unquoted investment	216	-
Liquidation of subsidiary companies	25	-
Acquisition of additional shares in subsidiary companies	(41,263)	(1,511)
Acquisition of additional redeemable preference shares in subsidiary companies	(15,450)	-
Advances to associated companies	(9,283)	-
Advances to jointly controlled entities	(28,027)	(5,354)
Development expenditure paid	(21,477)	(4,580)
Deposit and part consideration paid for acquisition of land	(40,000)	(2,366)
Other investments	33,966	19,964
Net cash used in investing activities	<u>(1,712,570)</u>	<u>(3,258,234)</u>

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 OCTOBER 2013
(The figures have been audited)

	12 MONTHS ENDED 31 October 2013 RM'000	12 MONTHS ENDED 31 October 2012 RM'000
Financing Activities		
Proceeds from issuance of ordinary shares		
- by the Company	1,338,568	407,812
- 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	2,586,280	3,090,042
Repayment of bank borrowings	(1,693,909)	(638,402)
Interest paid	(5,516)	(6,604)
Dividends paid	(254,477)	(204,631)
Advances from a minority shareholder of a subsidiary company	67,957	-
Net cash generated from financing activities	<u>1,779,036</u>	<u>2,648,717</u>
Net changes in cash and cash equivalents	736,065	36,175
Effect of exchange rate changes	6,757	(2,893)
Cash and cash equivalents at 1 November 2012/2011	1,420,479	1,387,197
Cash and cash equivalents at 31 October 2013/2012	<u>2,163,301</u>	<u>1,420,479</u>

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

	31.10.2013 RM'000	31.10.2012 RM'000
Deposits	1,024,981	594,206
Cash and bank balances	1,218,237	949,357
Bank overdrafts	(60,875)	(104,847)
	<u>2,182,343</u>	<u>1,438,716</u>
Less: Deposits pledged and maintained in Sinking Fund	(1,400)	(1,290)
Sinking Fund, Debt Service Reserve and Escrow Accounts	(17,642)	(16,947)
	<u>2,163,301</u>	<u>1,420,479</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
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income

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 112	Deferred Tax: Recovery of Underlying Assets

2. Seasonal or cyclical factors

The business operations of the Group during the financial year 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 year ended 31 October 2013.

4. Changes in estimates

There were no material changes in estimates for the financial year ended 31 October 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 year-to-date except for the following:

- 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 year amounted to RM395,709,561;
- Redemption of 2.00% redeemable serial bond 2 of RM250 million upon its maturity on 23 November 2012; and
- 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 year 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.

An interim dividend of 4 sen per share which consist of 1.6 sen less 25% income tax and single tier dividend of 2.4 sen per share amounting to RM88,513,635 was paid on 18 September 2013 and 20 September 2013 respectively in respect of the financial year ended 31 October 2013.

7. Segmental Reporting

The segmental analysis for the financial year ended 31 October 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	2,809,627	121,877	129,024	-	3,060,528
Inter-segment sales	417,895	261,419	97,428	(776,742)	-
Total revenue	<u>3,227,522</u>	<u>383,296</u>	<u>226,452</u>	<u>(776,742)</u>	<u>3,060,528</u>
Gross profit	897,854	9,674	34,522	-	942,050
Other operating income	73,158	7,477	27,831	-	108,466
Operating expenses	(389,242)	(9,471)	(24,211)	-	(422,924)
Share of net profits less losses of associated companies	(161)	-	(1)	-	(162)
Finance costs	(48,152)	(2,670)	(6,265)	-	(57,087)
Profit before taxation	<u>533,457</u>	<u>5,010</u>	<u>31,876</u>	<u>-</u>	<u>570,343</u>
Tax expense					(151,056)
Profit for the year					<u><u>419,287</u></u>

8. Material Events subsequent to the End of Financial Year

There were no material transactions or events subsequent to the current quarter ended 31 October 2013 till 5 December 2013 (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 (v) 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 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 ("The Shares") 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. The Shares were subsequently transferred to S P Setia Berhad on 23 October 2013;

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

- (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% associated company of S P Setia Berhad;
- (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:-

	31/10/2013	31/10/2012
	RM’000	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
	<u>1,978</u>	<u>32,436</u>

11. Capital Commitments

	As at
	31/10/2013
	RM’000
Commitments to purchase development land (contracted)	15,896
Contractual commitments for construction of investment properties	18,982
Contractual commitments for acquisition of property, plant and equipment	3,947
Contractual commitments in relation to Development Agreement	<u>100,000</u>

12. Significant Related Party Transactions

01/11/2012
To
31/10/2013
RM'000

Transactions with jointly controlled entities:-

(i) Construction services rendered	1,432
(ii) Interest charged	4,113
(iii) Redemption fee charged	752
(iv) Project management and administrative fee received and receivable	10,250
(v) Rental paid and payable	355
(vi) Rental received and receivable	359
(vii) Security services rendered	262
(viii) Sale of building material	2,666
(ix) Acquisition of motor vehicle	40
(x) Event service fee charged	24
(xi) Group marketing fee charged	642
(xii) Marketing support fee charged	547
(xiii) Staff secondment	432

Transactions with associated company:-

(i) Interest charged	476
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Transactions with directors of the Company and subsidiary companies, companies and trust bodies in which they have interests:-

(i) Security services rendered to a trust body in which directors of subsidiary companies are the trustees	115
(ii) Rental charged to a trust body in which directors of subsidiary companies are the trustees	120
(iii) Rental charged to a trust body in which a director of the Company is the trustee	30
(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	287,744
(vii) Sale of development properties to a company in which the immediate family member of a director of the Company has interests	48,006
(viii) Sale of development properties to former directors of the Company	16,737
(ix) Sale of development properties to directors of the subsidiary companies	53,327
(x) Sale of development property to immediate family members of the director of the Company	16,174
(xi) Sale of development property to an immediate family member of the director of the subsidiary companies	509
(xii) Supply and installation of timber roof and flooring to directors of the subsidiary companies	96
(xiii) Sale of development property to a former director of the subsidiary companies	3,553
(xiv) Event service fee charged to an immediate family member of a director of the subsidiary companies	102

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:-

	4Q2013	4Q2012	YTD2013	YTD2012
	RM'000	RM'000	RM'000	RM'000
Revenue				
Property Development	813,263	686,943	2,809,627	2,274,846
Construction	48,702	39,841	121,877	127,962
Other Operations	38,203	36,839	129,024	123,787
	<u>900,168</u>	<u>763,623</u>	<u>3,060,528</u>	<u>2,526,595</u>
Profit before taxation				
Property Development	164,297	178,676	533,457	527,542
Construction	3,322	4,642	5,010	16,394
Other Operations	11,975	9,964	31,876	23,569
	<u>179,594</u>	<u>193,282</u>	<u>570,343</u>	<u>567,505</u>

(a) Performance of the current quarter against the same quarter in the preceding year (Q4 FY 2013 vs. Q4 FY 2012)

The Group's PBT of RM179.6 million for Q4 2013 is lower than RM193.3 million reported for Q4 2012. The current quarter PBT was arrived at after expensing approximately RM12 million to account for share-based payments pursuant to the Company's LTIP for its employees which was granted since May 2013.

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

Property Development

Revenue from property development activities increased by 18%. 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 increase in revenue also resulted from the commencement of revenue recognition from projects such as *Setia Ecohill* in Semenyih, *Setia Eco Glades* in Cyberjaya, *KL Eco City* in Bangsar and *18 Woodsville and Eco Sanctuary* in Singapore.

PBT in Q4 2013 is slightly lower than the previous year's corresponding quarter due to the inclusion of a gain from the sale of commercial land to SEGi Land (M) Sdn Bhd in Q4 2012 and also because of the LTIP expense charged out in the current quarter as mentioned above. Excluding the one-off land sale gain and LTIP expense, PBT in the current quarter increased by 21% as a result of increased profit recognition and improved margins in Johor Bahru and also the commencement of revenue recognition from projects as mentioned above.

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* in Bangsar, *Setia Walk* in Puchong, *Aeropod* in Kota Kinabalu, *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 (Q4 FY 2013 vs. Q4 FY 2012) (continued)

Construction

Revenue increased by 22%, however PBT decreased by 28%. 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 20% against a smaller increase in revenue by 4%. This improved performance was mainly contributed from the Setia City Mall and Setia City Convention Centre operations and interest income from placement of funds.

(b) Performance of the current year to-date against the same year in the preceding year (Q4 YTD 2013 vs. Q4 YTD 2012)

For the current year to-date, the Group achieved a profit before taxation (“PBT”) of RM570.3 million on the back of revenue totalling RM3,060.5 million, representing a 0.5% increase in PBT (5% increase in PBT before expensing LTIP) and a 21% increase in revenue as compared to the preceding year.

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

Property Development

Revenue increased by 24%, however, PBT only increased by 1% (3% increase in PBT before expensing LTIP) due to the following:

- the change in product mix noted in the explanation of the previous quarters’ results, with a larger percentage of profits now contributed by sales of high rise developments as compared to landed properties in the previous year;
- higher interest expenses charged to profit and loss account to partially fund the Group’s increased portfolio of overseas investments; and
- mismatch between initial expenses incurred and income recognition due to the launch of several sizeable new projects both in Malaysia and overseas. These include *Eco Sanctuary* in Singapore, *Battersea Power Station* in the United Kingdom, *Parque Melbourne* in Australia and *Setia Eco Glades* and *Setia Ecohill* in the Klang Valley. The outstanding sales achieved by all these new projects will however contribute strongly to earnings in the years ahead.

1. Review of Group Performance (continued)

(b) Performance of the current year to-date against the same year in the preceding year (Q4 YTD 2013 vs. Q4 YTD 2012) (continued)

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 35% 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 RM179.6 million, which is RM35.1 million higher than the preceding quarter ended 31 October 2013. The profit in the current quarter was higher due to the commencement of revenue recognition from projects such as *Setia Ecohill* in Semenyih, *Setia Eco Glades* in Cyberjaya and *18 Woodsville and Eco Sanctuary* in Singapore.

3. Prospects for the Next Financial Year

The Board is pleased to report that for FY2013, the Group achieved total sales of RM8.241 billion, which is almost double the sales achieved last year of RM4.234 billion and 50% above its sales target of RM5.5 billion.

International Projects

Sales from international projects amounted to RM3.245 billion, largely contributed by four projects only - *Eco Sanctuary* in Singapore, *Battersea Power Station* in the United Kingdom, *Fulton Lane* and *Parque Melbourne* in Australia. This phenomenal result validates management's well thought out strategy to venture into global cities with strong debut projects. Coupled with solid execution and tremendous support from our own customer base, this has enabled S P Setia to garner high brand acceptance speedily in the host countries which augurs well for its future international ventures.

Malaysian Projects

Malaysian projects contributed RM4.996 billion to FY2013 sales which is 41% higher than last year.

Klang Valley sales saw the highest growth with RM2.84 billion recorded vs RM1.85 billion secured in FY2012. This was largely due to the overwhelming demand for affordable homes launched in the Group's matured *Setia Alam* and *Precinct 15, Putrajaya* projects as well as continued strong take-ups achieved by the eco-themed *Setia Eco Glades* in Cyberjaya following its first launch at the start of the year. *KL Eco City*'s first residential tower also performed very well and interest in *Setia Sky Residences* picked up following completion of the first two tower blocks, thereby providing an experiential showcase of the unique amenities and lifestyle concepts offered by this luxury development.

3. Prospects for the Next Financial Year (continued)

The Group's projects in Johor Bahru achieved sales of RM1.6 billion which is 18% higher than last year. This solid growth from an already high base is largely due to the market leadership of the *Setia* brand down south as well as the positive interest in Iskandar projects prevailing during the year. In Penang and East Malaysia, sales of RM463 million and RM90 million were recorded respectively.

The outstanding performance achieved in FY2013 has grown the total unbilled sales to be carried forward to FY2014 to RM9.643 billion, which will contribute strongly to the Group's earnings over the next few financial years.

This places the Group in a sound position to ride out the many uncertainties, both global and domestic, which are expected to dampen demand during the first half of FY2014. Among the issues faced are increasing cost pressures as a result of skilled labour shortages, reduction of petrol subsidies in 2013 and electricity tariff hikes which will take effect in 2014, as well as the various policy changes recently announced by the Federal and various State Governments. Whilst the Board is confident that fundamental demand for properties in Malaysia remains highly positive, given the slew of back-to-back measures proposed, it is undeniable that all market participants will require time to adjust to new realities.

The Group's record level of locked-in sales secured up to 31 October 2013 will therefore give management some space to better plan upcoming launches to suit the needs of the market when conditions stabilise and greater clarity is obtained on both demand and costs.

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		12 MONTHS ENDED	
	31/10/2013	31/10/2012	31/10/2013	31/10/2012
	RM'000	RM'000	RM'000	RM'000
- current taxation	48,874	73,791	219,073	207,680
- in respect of prior years	15	17	5,141	(2,158)
- deferred taxation	3,772	(3,538)	(70,516)	(27,845)
- in respect of prior years	(436)	(2,368)	(2,642)	2,200
	<u>52,225</u>	<u>67,902</u>	<u>151,056</u>	<u>179,877</u>

The Group's effective tax rate for the current year is marginally 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 5 December 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.

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 on 2 October 2013, the period for fulfillment of the conditions precedent in the Privatisation Agreement has been extended to expire on 28 June 2014;

6. Status of Corporate Proposals (continued)

- (iv) 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; and

- (v) On 5 December 2013, S P Setia Berhad obtained authorisation from the Securities Commission Malaysia vide its letter dated 4 December 2013 for the proposed issuance of unrated subordinated Islamic perpetual notes (“Sukuk Musharakah”) pursuant to a proposed Sukuk Musharakah programme of up to RM700 million in nominal value under the Shariah principle of Musharakah (“Sukuk Musharakah Programme”). The Sukuk Musharakah Programme is established to raise funds as and when required to be utilised for Shariah-compliant purposes which include the Company’s investments and working capital.
- (b) As at 31 October 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 October 2013 were as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Bank Overdrafts	1,806	59,069	60,875
Short Term Bank Borrowings	308,554	245,000	553,554
Long Term Bank Borrowings	3,215,084	700,000	3,915,084
	<u>3,525,444</u>	<u>1,004,069</u>	<u>4,529,513</u>

Currency exposure profile of borrowings is as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Ringgit Malaysia	2,401,527	992,325	3,393,852
Pound Sterling	555,318	-	555,318
Singapore Dollar	432,934	11,744	444,678
Australian Dollar	115,884	-	115,884
Vietnamese Dong	19,781	-	19,781
	<u>3,525,444</u>	<u>1,004,069</u>	<u>4,529,513</u>

8. Material Litigation

The Group is not engaged in any material litigation as at 5 December 2013, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

9. Dividends Declared

- (a) (i) The board of Directors has recommended a final dividend in respect of the financial year ended 31 October 2013.
- (ii) Amount per share : 7 sen single tier dividend
- (iii) Previous corresponding period : 9 sen less income tax of 25%
- (iv) Date payable : To be determined later
- (v) In respect of deposited securities, entitlement to dividends will be determined on the basis of record of depositors as at a date to be determined later.
- (b) Total dividends for the current financial year : 1.6 sen less income tax of 25%
9.4 sen single tier dividend

Subject to the approvals from the relevant authorities and/or the relevant parties as well as the shareholders' approval being obtained at an Extraordinary General Meeting to be convened, the Company proposes to undertake a dividend reinvestment plan ("Proposed DRP"). The Board has determined that the Proposed DRP, if approved, will apply to the Final Dividend and shareholders of the Company be given an option to elect to reinvest the entire Final Dividend in new ordinary share(s) of RM0.75 each in the Company ("S P Setia Shares) in accordance with the Proposed DRP.

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		12 MONTHS ENDED	
	31/10/2013	31/10/2012	31/10/2013	31/10/2012
	'000	'000	'000	'000
Profit for the year attributable to equity holders of the Company (RM)	127,293	127,026	417,858	393,816
Number of ordinary shares at beginning of the year	2,458,712	2,000,765	2,005,668	1,832,738
Effect of shares issued pursuant to:				
- Acquisition of additional shares in a subsidiary company	-	-	-	14,138
- Placement	-	-	221,415	-
- Exercise of ESOS	-	-	-	49,800
- Exercise of Warrants	-	2,231	103,277	23,298
Weighted average number of ordinary shares	2,458,712	2,002,996	2,330,360	1,919,974
Basic Earnings Per Share (sen)	5.18	6.34	17.93	20.51

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		12 MONTHS ENDED	
	31/10/2013	31/10/2012	31/10/2013	31/10/2012
	'000	'000	'000	'000
Profit for the year attributable to equity holders of the Company (RM)	127,293	127,026	417,858	393,816
Weighted average number of ordinary shares as per basic Earnings Per Share	2,458,712	2,002,996	2,330,360	1,919,974
Effect of potential exercise of LTIP/ESOS/ Warrants	20,660	24,894	14,668	53,380
Weighted average number of ordinary shares	2,479,372	2,027,890	2,345,028	1,973,354
Diluted Earnings Per Share (sen)	5.13	6.26	17.82	19.96

11. Realised and Unrealised Profits

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

	31/10/2013 RM'000	31/10/2012 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,394,840	1,240,674
- Unrealised	120,270	61,485
	<u>1,515,110</u>	<u>1,302,159</u>
Total retained profits from jointly controlled entities:		
- Realised	256,158	229,191
- Unrealised	21,577	21,501
	<u>277,735</u>	<u>250,692</u>
Total share of retained profits from associated companies:		
- Realised	(893)	(731)
- Unrealised	-	-
	<u>(893)</u>	<u>(731)</u>
Less: Consolidation adjustments	(261,681)	(152,436)
Total Group retained profits as per consolidated accounts	<u>1,530,271</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 ENDED 31/10/2013 RM'000	12 MONTHS ENDED 31/10/2013 RM'000
Interest income	15,956	49,065
Other income including investment income	31,068	50,207
Interest expense	(19,277)	(57,087)
Depreciation and amortisation	(7,831)	(24,082)
Provision for write off of receivables	(997)	(997)
Provision for and write off of inventories	N/A	N/A
Gain or loss on disposal of quoted or unquoted investments or properties	(26)	9,128
Impairment of assets	N/A	N/A
Foreign exchange gain or loss	(105)	1,617
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.