

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

Interim Financial Report
31 July 2003

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S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED BALANCE SHEET
FOR THE FINANCIAL QUARTER ENDED 31 JULY 2003

	(UNAUDITED) AS AT END OF CURRENT QUARTER 31/07/2003 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR END 31/10/2002 RM'000
Property, Plant and Equipment	178,106	126,546
Land Held for Development	925,450	355,291
Investment in Associated Companies	96,766	92,876
Long Term Investments	43,675	43,110
Amounts owing by Associated Companies	1,083	2,869
Current Assets		
Land under development	296,114	297,482
Gross amount due from customers	62,245	48,039
Inventories	11,753	13,758
Trade and other receivables	312,118	301,383
Amounts owing by associated companies	9,256	6,544
Current tax assets	6,270	5,315
Deposits	152,302	298,106
Cash and bank balances	115,302	251,757
	965,360	1,222,384
Current Liabilities		
Trade and other payables	196,730	182,377
Unpaid land acquisition costs	149,333	-
Share application monies	-	239,626
Short term borrowings	75,139	45,583
Bank overdraft	-	356
Current tax liabilities	18,708	23,518
	439,910	491,460
Net Current Assets	525,450	730,924
	1,770,530	1,351,616
Shareholders' Funds		
Share Capital	556,108	431,000
Reserves		
Share Premium	235,144	114,282
Merger Reserve	(66,436)	(66,436)
Revaluation Reserve	1,151	1,151
Retained Profit	500,902	428,392
Dividend	-	13,521
Shareholders' Equity	1,226,869	921,910
Minority Interests	1,492	1,472
Long Term Borrowings	539,682	425,994
Other Long Term Liabilities	1,446	1,446
Deferred Tax Liabilities	1,041	794
	1,770,530	1,351,616
Net Tangible Assets Per Share (RM)	2.21	2.14

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 October 2002)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 JULY 2003
(The figures have not been audited)

	THIRD QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/07/2003 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/07/2002 RM'000	CURRENT YEAR TO DATE 31/07/2003 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/07/2002 RM'000
Revenue	228,720	211,900	596,168	512,034
Cost of sales	(174,590)	(164,795)	(450,980)	(383,518)
Gross profit	<u>54,130</u>	<u>47,105</u>	<u>145,188</u>	<u>128,516</u>
Other operating income	2,344	1,067	6,942	8,712
Administrative and general expenses	(10,301)	(9,447)	(32,011)	(29,073)
Profit from operations	<u>46,173</u>	<u>38,725</u>	<u>120,119</u>	<u>108,155</u>
Net profit from investing activities	1,714	2,313	7,148	5,516
Share of profit less losses of associated companies	3,610	2,016	10,165	2,724
Finance costs	(1,245)	(2,137)	(3,812)	(5,710)
Profit before taxation	<u>50,252</u>	<u>40,917</u>	<u>133,620</u>	<u>110,685</u>
Taxation	(13,777)	(11,764)	(38,061)	(31,856)
Profit after taxation	<u>36,475</u>	<u>29,153</u>	<u>95,559</u>	<u>78,829</u>
Minority interests	9	(33)	20	(68)
Net profit for the year	<u><u>36,484</u></u>	<u><u>29,120</u></u>	<u><u>95,579</u></u>	<u><u>78,761</u></u>
Basic earnings per share (sen)	<u>6.58</u>	<u>6.31</u>	<u>17.28</u>	<u>17.45</u>
Diluted earnings per share (sen)	<u>6.51</u>	<u>6.24</u>	<u>17.12</u>	<u>17.33</u>

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 October 2002)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 JULY 2003
(The figures have not been audited)

	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Revaluation Reserve RM'000	Unappropriated Profit RM'000	Dividend RM'000	Total RM'000
Balance at 1.11.2002	431,000	114,282	(66,436)	1,151	428,392	13,521	921,910
Issue of shares							
- 1 for 3 rights issue	123,143	120,680	-	-	-	-	243,823
- pursuant to ESOS	1,965	2,221	-	-	-	-	4,186
Share issue expenses	-	(2,039)	-	-	-	-	(2,039)
Net profit for the period	-	-	-	-	95,579	-	95,579
Final Dividend paid	-	-	-	-	(1)	(13,521)	(13,522)
Interim Dividend paid	-	-	-	-	(23,068)	-	(23,068)
Balance at 31.07.2003	556,108	235,144	(66,436)	1,151	500,902	-	1,226,869
Balance at 1.11.2001	334,798	108,182	(66,436)	1,151	354,882	13,928	746,505
Issue of shares							
- Private placement	33,570	68,819	-	-	-	-	102,389
Share issue expenses	-	(2,418)	-	-	-	-	(2,418)
- pursuant to ESOS	1,000	1,368	-	-	-	-	2,368
Net profit for the period	-	-	-	-	78,761	-	78,761
Final Dividend paid	-	-	-	-	(11)	(13,928)	(13,939)
Interim Dividend paid	-	-	-	-	(15,364)	-	(15,364)
Balance at 31.07.2002	369,368	175,951	(66,436)	1,151	418,268	-	898,302

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 October 2002)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 JULY 2003
(The figures have not been audited)

	9 months Ended 31/07/2003 RM'000
Profit before tax	133,620
Adjustments for:-	
Non-cash items	(5,069)
Non-operating items	(5,957)
Operating profit before changes in working capital	122,594
Net Change in current assets	(36,297)
Net Change in current liabilities	16,368
Cash generated from operations	102,665
Interest received	2,037
Interest paid	(14,114)
Tax paid	(40,037)
Net cash generated from operating activities	50,551
Investing Activities	
Other investments	(442,278)
Net cash used in investing activities	(442,278)
Financing Activities	
Transactions with shareholders	(30,246)
Bank borrowings	139,851
Others financing activities	143
Net cash from financing activities	109,748
Net change in cash and cash equivalents	(281,979)
Cash and cash equivalent at 1 November	547,718
Cash and cash equivalent at 31 July	265,739

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

	31/07/2003 RM'000
Deposits	152,302
Cash and bank balances	115,302
	267,604
Less: Deposits pledged to licensed banks	(1,865)
	265,739

Note: There are no comparative figures for the same period of the preceding year, as this is the first time a condensed consolidated cash flow statement is presented.

(The Condensed Consolidated cash flow statement should be read in conjunction with the Annual Financial Report for the year ended 31 October 2002)

NOTES TO THE INTERIM FINANCIAL REPORT

1. **Basis of preparation**

The interim financial report has been prepared in compliance with MASB 26, Interim Financial Reporting.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 October 2002.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 October 2002.

2. **Qualified audit report**

The preceding audited financial statements for the year ended 31 October 2002 were not qualified.

3. **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.

4. **Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items for the financial period ended 31 July 2003.

5. **Changes in estimates**

There were no material changes in estimates for the financial period ended 31 July 2003.

6. **Debts and equity securities**

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

- (a) Renounceable rights issue of 123,142,857 new ordinary shares of RM1.00 each at an issue price of RM1.98 per share, payable in full upon acceptance, on the basis of one (1) new share for every three (3) existing shares held; and
- (b) 1,964,704 new ordinary shares of RM1.00 each pursuant to the Company's Employee's Share Option Scheme (ESOS) with exercise prices ranging from RM1.84 to RM2.20 per share. The total cash proceeds arising from the exercise of options under the ESOS during the current financial year-to-date amounted to RM4,185,653.

7. **Dividends paid**

A final dividend of 3% comprising 1% tax exempt and 2% less 28% tax amounting to RM13,522,064 was paid in respect of the financial year ended 2002.

An interim dividend of 5% comprising 2% tax exempt and 3% less 28% tax amounting to RM23,067,852 was paid in respect of the current financial year ending 2003.

8. Segmental Reporting

	Construction RM'000	Property Development RM'000	Other Operations RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>					
External Sales	148,416	431,353	16,399	-	596,168
Inter-segment sales	147,593	7,808	14,297	(169,698)	-
Total Revenue	296,009	439,161	30,696	(169,698)	596,168
<u>Results</u>					
Segment results	7,128	111,321	1,670		120,119
Profit from investing activities					
- dividend income					899
- interest income					6,048
- rental income					93
- gain on partial disposal of a subsidiary company					108
Finance costs					(3,812)
Share of profits less losses of associated companies	10,325	(33)	(127)		10,165
Taxation					(38,061)
Profit after taxation					95,559

9. Valuation of property, plant and equipment

The Group does not state any assets based on valuation of its property, plant and equipment.

10. Material Events subsequent to the End of Period

There were no material transactions or events subsequent to the quarter ended 31 July 2003 till 16 September 2003 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

11. 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:-

- The disposal of 4,900 ordinary shares at par in S. P. Setia Security Services Sdn. Bhd. (*formerly known as Darul Tahap (M) Sdn. Bhd.*), resulting in S P Setia Berhad holding 51% of the total paid up share capital of S. P. Setia Security Services Sdn. Bhd. (*formerly known as Darul Tahap (M) Sdn. Bhd.*); and
- Setia Duta One Sdn. Bhd. and S P Setia Project Management Sdn. Bhd., wholly owned subsidiaries of S P Setia Berhad are the first subscribers of a company limited by guarantee called DN Homeowners Berhad (incorporated for the purposes of managing and maintaining the common area, club house and recreational park of Duta Nusantara, Sri Hartamas, Kuala Lumpur).

The above changes in the composition of the Group did not have any material effects on the Net Tangible Assets and the Earnings of the S P Setia Berhad Group for the current quarter and financial year-to-date.

12. **Contingent Liabilities**

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

13. **Commitments**

	31/07/2003
	RM'000
Other conditional contractual commitment	<u>9,120</u>

14. **Related Party Transactions**

31/07/2003
RM'000

Recurrent Transactions

Cumulative from 1 November 2002 to 31 July 2003:-

Transaction with associated companies:

(i) Construction service rendered to Setia Putrajaya Sdn. Bhd. ("SPJ")	<u>6,724</u>
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Transactions with directors of the Company and companies, firms in which they have interest:

(i) Rental paid to Dato' Voon Tin Yow	23
(ii) Rental paid to Alsirat Sdn. Bhd., a company in which Datuk Abdul Rashid bin Abdul Manaf and Dato' Liew Kee Sin have interest	54
(iii) Legal fees paid to Shahrizat Rashid & Lee, a firm in which Datuk Abdul Rashid bin Abdul Manaf, Tan Sri Dato' Zaki Bin Tun Azmi and George Anthony Dass David are partners	<u>732</u>

Non-Recurrent Transactions

Current Quarter from 1 May 2003 to 31 July 2003:-

Transaction with associated companies:

(i) Acquisition of property, plant and equipment from SPJ	<u>58</u>
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The above transactions were entered into in the normal course of business and were established under negotiated terms.

ADDITIONAL INFORMATION REQUIRED BY THE KLSE'S LISTING REQUIREMENTS

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

The Group achieved an earning of RM95.58 million on the back of a revenue of RM596.17 million for the current year-to-date under review. This performance was mainly attributable to progressive profit recognised on properties sold in our Duta Nusantara project at Sri Hartamas, Kuala Lumpur and also profit recognised on properties sold, completed and handed over in Setia Indah, Johor, Bukit Indah Bandar Nusajaya, Johor and Pusat Bandar Puchong. Apart from the profit contributed from property development, it was also attributed to the progressive profit recognised on the upgrading of Batu Pahat-Ayer Hitam-Kluang Highway.

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

The Group's current quarter profit before tax increased by RM10.58 million compared to the preceding quarter ended 30 April 2003. This was mainly attributable to profit recognised on properties completed and handed over in Bukit Indah Bandar Nusajaya, Johor and properties sold in Pusat Bandar Puchong.

3. Prospects for the Current Financial Year

Based on the Group's existing projects and the introduction of the Economic Stimulus Package by the Government in May 2003 which encompassed a comprehensive set of incentives for the property sector (these include stamp duty exemption and income tax relief on interest payments for houses below RM180,000, reductions in interest rate and lowering the floor price for house purchase by foreigners to RM150,000), the Board of Directors is optimistic that the Group's performance for the current financial year will be better than the previous financial year.

4. Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was published.

5. Income Tax

Income Tax comprises: -

	THIRD QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/07/2003 RM'000	31/07/2002 RM'000	31/07/2003 RM'000	31/07/2002 RM'000
- current income tax	12,701	11,147	34,576	30,988
- deferred taxation	15	-	248	-
- associated companies	1,099	578	3,275	827
- in respect of prior years	(38)	39	(38)	41
	<u>13,777</u>	<u>11,764</u>	<u>38,061</u>	<u>31,856</u>

6. Profit on Sale of Unquoted Investments and/or Properties

There were no profits on sale of unquoted investments and/or properties outside the ordinary course of the Group's business for the current quarter and financial year-to-date.

7. Quoted Securities

Total purchases and disposals of quoted securities for the current quarter and financial year-to-date are as follows :-

	RM'000
Total purchases	565
Total disposals	-
Total profit/(loss) on disposal	-

Total investments in quoted securities as at 31 July 2003 are as follows:-

	RM'000
At cost	48,296
At book value	43,338
Market value	32,221

8. Status of Corporate Proposals

The following are the corporate proposals that have been announced by the Company but not completed as at 16 September 2003, the latest practicable date which shall not be earlier than 7 days from the date of this announcement: -

- (a) Conditional Shareholders' Agreement entered into on 20 December 2000 between S P Setia Berhad and YGP Holdings Sdn Bhd ("YGP") to govern the relationship between S P Setia Berhad and YGP ("the Parties") as proposed shareholders in Pelita Dunia Sdn. Bhd. ("Pelita Dunia") and to set out the respective rights, duties and obligations of the Parties in relation to the acquisition by Pelita Dunia of several pieces of lands from Dewan Bandaraya Kuala Lumpur and various private owners for development into a mixed residential and commercial development project; and
- (b) Utilisation of Proceeds raised from Corporate Proposal
 - (i) Utilisation of Proceeds raised from Private Placements
The proceeds of approximately RM102.4 million was raised from the Private Placement of 33,570,000 shares. As at the date of this announcement, the total proceeds raise have been fully utilised.
 - (ii) Utilisation of Proceeds raised from Rights Issue
The proceeds of approximately RM243.8 million was raised from the Rights Issue of 123,142,857 shares. As at the date of this announcement, an amount of RM8.4 million out of the Rights Issue proceeds remains unutilised and is currently placed in interest bearing accounts.

9. Group Borrowings and Debt Securities

Total group borrowings as at 31 July 2003 were as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Hire Purchase & Leasing Borrowings	-	8,986	8,986
Short Term Bank Borrowings	72,380	-	72,380
Long Term Bank Borrowings	408,455	-	408,455
4.5% Redeemable Unsecured Bonds	-	125,000	125,000
	480,835	133,986	614,821

10. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 16 September 2003, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

11. Material Litigation

The Group is not engaged in any material litigation as at 16 September 2003, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

12. Dividends

The board of Directors has declared an interim dividend of 5% (2002: 5%) comprising 2% (2002: 2%) tax exempt and 3% (2002: 3%) less 28% tax in respect of the financial year ending 31 October 2003. The interim dividend was paid on 29 July 2003.

The total dividend declared for the current financial period is 5 sen comprising 3 sen less income tax of 28% and 2 sen tax exempt.

No dividend has been declared for the third quarter ended 31 July 2003.

13. Earnings Per share

The basic earnings per share has been calculated by dividing the Group's net profit for the period of RM 95,579,000 (2002: RM78,761,000) by the weighted average number of shares in issue of 553,170,000 (2002: 451,397,000). The weighted average number of shares in issue is calculated as follows:-

	THIRD QUARTER PRECEDING		CUMULATIVE QUARTER PRECEDING	
	CURRENT YEAR QUARTER 31/07/2003 RM'000	YEAR CORRESPONDING QUARTER 31/07/2002 RM'000	CURRENT YEAR TO DATE 31/07/2003 RM'000	YEAR CORRESPONDING PERIOD 31/07/2002 RM'000
Net profit attributable to shareholders	36,484	29,120	95,579	78,761
Number of ordinary shares at beginning of the period	554,183	335,582	431,000	334,798
Effect of bonus issue	-	61,572	-	61,572
Effect of shares issued pursuant to - private placement	-	13,136	-	4,427
Effect of shares issued pursuant to - Rights issue	-	51,222	122,014	50,085
- Company's ESOS	382	133	156	515
Weighted average number of ordinary shares	554,565	461,645	553,170	451,397
Basic Earning Per share (sen)	6.58	6.31	17.28	17.45

13. Earnings Per share (continued)

The diluted earnings per share has been calculated by dividing the Group's net profit for the period of RM95,579,000 (2002: RM78,761,000) by the weighted average number of shares that would have been in issue upon full exercise of the remaining option under the ESOS and the Warrants, adjusted for the number of such shares that would have been issued at fair value, calculated as follows:

	THIRD QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/07/2003 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/07/2002 RM'000	CURRENT YEAR TO DATE 31/07/2003 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/07/2002 RM'000
Net profit attributable to shareholders	36,484	29,120	95,579	78,761
Weighted average number of ordinary shares as per basic EPS	554,565	461,645	553,170	451,397
Effect of shares option/warrants	6,237	4,670	5,108	2,982
Weighted average number of ordinary shares (diluted)	560,802	466,315	558,278	454,379
Diluted Earning Per share (sen)	6.51	6.24	17.12	17.33