

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

Interim Financial Report
31 July 2004

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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 2004

	(UNAUDITED)	(AUDITED)
	AS AT END OF CURRENT QUARTER 31/07/2004 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31/10/2003 RM'000
Property, Plant and Equipment	159,672	158,300
Land Held for Development	762,060	785,941
Investment in Associated Companies	102,983	97,896
Long Term Investments	28,499	40,891
Amount owing by Associated Companies	85	326
Deferred tax assets	1,467	1,656
Current Assets		
Land under development	714,945	527,979
Gross amount due from customers	45,623	56,947
Inventories	16,484	17,950
Trade and other receivables	450,516	335,095
Amount owing by associated companies	21,677	13,439
Current tax assets	7,601	5,404
Deposits	199,921	160,700
Cash and bank balances	147,897	108,148
	<u>1,604,664</u>	<u>1,225,662</u>
Current Liabilities		
Trade and other payables	323,435	235,062
Short term borrowings	98,587	89,387
Bank overdraft	27,624	-
Current tax liabilities	15,236	11,462
	<u>464,882</u>	<u>335,911</u>
Net Current Assets	<u>1,139,782</u>	<u>889,751</u>
	<u>2,194,548</u>	<u>1,974,761</u>
Shareholders' Funds		
Share Capital	567,072	559,422
Reserves		
Share Premium	248,466	239,011
Revaluation Reserve	1,151	1,151
Retained Profit	522,880	436,538
Dividend	-	31,328
Shareholders' Equity	<u>1,339,569</u>	<u>1,267,450</u>
Minority Interests	1,482	1,449
Long Term Borrowings	851,118	703,491
Other Long Term Liabilities	1,446	1,446
Deferred Tax Liabilities	933	925
	<u>2,194,548</u>	<u>1,974,761</u>
Net Tangible Assets Per Share (RM)	<u>2.36</u>	<u>2.27</u>

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 October 2003)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 JULY 2004
(The figures have not been audited)

	THIRD QUARTER		THIRD QUARTER	
	CURRENT YEAR QUARTER 31/07/2004 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/07/2003 RM'000	CURRENT YEAR TO DATE 31/07/2004 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/07/2003 RM'000
Revenue	210,529	228,720	723,306	596,168
Cost of sales	(154,970)	(174,590)	(545,046)	(450,980)
Gross profit	55,559	54,130	178,260	145,188
Other operating income	2,071	2,344	6,255	6,942
Administrative and general expenses	(9,284)	(10,301)	(40,155)	(32,011)
Profit from operations	48,346	46,173	144,360	120,119
Net profit from investing activities	3,949	1,714	6,966	7,148
Share of profit less losses of associated companies	3,115	3,610	8,522	10,165
Finance costs	(834)	(1,245)	(2,652)	(3,812)
Profit before taxation	54,576	50,252	157,196	133,620
Taxation	(14,763)	(13,777)	(46,108)	(38,061)
Profit after taxation	39,813	36,475	111,088	95,559
Minority interests	(15)	9	(33)	20
Net profit for the year	39,798	36,484	111,055	95,579
Basic earnings per share (sen)	7.02	6.58	19.70	17.28
Diluted earnings per share (sen)	6.64	6.51	18.59	17.12

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 October 2003)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 JULY 2004
(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 1.11.2003	559,422	239,011	-	1,151	436,538	31,328	1,267,450
Issue of shares							
- pursuant to ESOS exercised	7,514	9,212	-	-	-	-	16,726
- pursuant to warrants exercised	136	243	-	-	-	-	379
Net profit for the period	-	-	-	-	111,055	-	111,055
Final Dividend paid	-	-	-	-	(218)	(31,328)	(31,546)
Interim Dividend paid	-	-	-	-	(24,495)	-	(24,495)
Balance at 31.07.2004	567,072	248,466	-	1,151	522,880	-	1,339,569
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 exercised	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

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 October 2003)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 JULY 2004
(The figures have not been audited)

	9 months Ended 31/07/2004 RM'000	9 months Ended 31/07/2003 RM'000
Profit before tax	157,196	133,620
Adjustments for:-		
Non-cash items	(2,654)	(5,069)
Non-operating items	(9,057)	(5,957)
Operating profit before changes in working capital	<u>145,485</u>	<u>122,594</u>
Net Change in current assets	(239,146)	(36,297)
Net Change in current liabilities	89,938	16,368
Cash (used in)/generated from operations	<u>(3,723)</u>	<u>102,665</u>
Interest received	2,789	2,037
Interest paid	(30,918)	(14,114)
Tax paid	(41,418)	(40,037)
Net cash (used in)/generated from operating activities	<u>(73,270)</u>	<u>50,551</u>
Investing Activities		
Other investments	(39,745)	(442,278)
Net cash used in investing activities	<u>(39,745)</u>	<u>(442,278)</u>
Financing Activities		
Transactions with shareholders	(38,936)	(30,246)
Bank borrowings	146,765	139,851
Others financing activities	-	143
Net cash generated from financing activities	<u>107,829</u>	<u>109,748</u>
Net changes in cash and cash equivalents	(5,186)	(281,979)
Cash and cash equivalents at 1 November	<u>266,948</u>	<u>547,718</u>
Cash and cash equivalents at 31 July	<u>261,762</u>	<u>265,739</u>

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

	31/07/2004 RM'000	31/07/2003 RM'000
Deposits	199,921	152,302
Cash and bank balances	147,897	115,302
Bank overdraft	(27,624)	-
	<u>320,194</u>	<u>267,604</u>
Less: Deposits pledged to licensed banks	(1,915)	(1,865)
Escrow Accounts	(56,517)	-
	<u>261,762</u>	<u>265,739</u>

(The Condensed Consolidated cash flow statement should be read in conjunction with the Annual Financial Report for the year ended 31 October 2003)

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 2003.

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 2003.

2. Qualified audit report

The preceding audited financial statements for the year ended 31 October 2003 were not qualified.

3. 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.

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

There were no unusual items for the financial period ended 31 July 2004.

5. Changes in estimates

There were no material changes in estimates for the financial period 31 July 2004.

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) 7,513,611 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 RM3.43 per share. The total cash proceeds arising from the exercise of options under the ESOS during the current financial year-to-date amounted to RM16,726,146; and
- (b) 136,365 new ordinary shares of RM1.00 each pursuant to the exercise of warrants at RM2.78 per share. The total cash proceeds arising from the exercise of warrants during the current financial year-to-date amounted to RM379,095.

7. Dividends paid

A final dividend of 7 sen comprising 2 sen tax exempt and 5 sen less 28% income tax amounting to RM31,546,575 was paid in respect of the financial year ended 2003.

An interim dividend of 6 sen less 28% income tax amounting to RM24,495,334 was paid in respect of the current financial year ending 2004.

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	159,343	516,594	47,369	-	723,306
Inter-segment sales	275,881	24,952	6,361	(307,194)	-
Total Revenue	435,224	541,546	53,730	(307,194)	723,306
<u>Results</u>					
Segment results	15,538	122,921	5,901		144,360
Net Profit from investing Activities					6,966
Finance costs					(2,652)
Share of profits less losses of associated companies	8,388	204	(70)		8,522
Taxation					(46,108)
Profit after taxation					111,088

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 third quarter ended 31 July 2004 till 14 September 2004 (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 9, Note 8(b), (c) and (g) of the status of corporate proposal.

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.

12. Contingent Liabilities

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

13. Commitments

	31/07/2004
	RM'000
Other conditional contractual commitment	<u>9,120</u>

14. Related Party Transactions

	31/07/2004
	RM'000
<i>Transaction with associated company:</i>	
(i) Construction service rendered to Setia Putrajaya Sdn. Bhd. ("SPJ")	36,128
(ii) Security service rendered to Setia Putrajaya Sdn. Bhd. ("SPJ")	<u>17</u>
<i>Transactions with directors of the Company and companies, firms in which they have interest:</i>	
(i) Rental paid to Dato' Voon Tin Yow	23
(ii) Rental paid to Alsirat Sdn. Bhd., a company in which Tan Sri Abdul Rashid bin Abdul Manaf and Dato' Sri Liew Kee Sin have interest	54
(iii) Legal fees paid to Shahrizat Rashid & Lee, a firm in which Tan Sri Abdul Rashid bin Abdul Manaf, Tan Sri Dato' Zaki Bin Tun Azmi and George Anthony Dass David are partners	362
(iv) Sale of development properties to:-	
- Dato Voon Tin Yow	1,437
- Yap Kok Weng and spouse	1,580
- Khor Chap Jen and spouse	1,572
- Tan Sri Dato' Zaki bin Tun Azmi	<u>5,206</u>
<i>Transactions with the directors of the Subsidiary Companies:</i>	
(i) Sale of development properties to:-	
- Wong Tuck Wai and spouse	1,507
- Gan Ber Koon and spouse	2,204
- Lennard Spencer Oliveiro	194
- Thum Kok Mun and spouse	761
- Sundarajoo A/L Somu	201
- Koe Peng Kang and spouse	732
- Wong Sheue Yann	687
- Chang Khim Wah	761
- Spouse of Kow Choong Ming	<u>648</u>

The above transactions were entered into in the normal course of business and were established under negotiated terms.

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

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

For the current year to date, the Group achieved a profit after taxation of RM111.1 million on the back of revenues totalling RM723.3 million. The Group's profit and turnover were mainly derived from its property development activities carried out at Duta Nusantara at Sri Hartamas, Bukit Indah Bandar Nusajaya, Johor and Setia Indah, Johor. Apart from property development, the Group's construction and wood-based manufacturing activities also contributed to the earnings achieved.

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

There were no material changes in the group's current quarter profit before tax compared to the preceding quarter ended 30 April 2004.

3. Prospects for the Current Financial Year

In view of the favourable residential market outlook, current low mortgage rates regime and the successful sales launches of the Group's various property development projects in the Klang Valley and Johor, the Board of Directors is confident that the Group's performance for this 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 31/07/2004 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/07/2003 RM'000	CURRENT YEAR TO DATE 31/07/2004 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/07/2003 RM'000
- current income tax	13,894	12,701	43,334	34,576
- deferred taxation	(42)	15	197	248
- associated companies	911	1,099	2,577	3,275
- in respect of prior years	-	(38)	-	(38)
	14,763	13,777	46,108	38,061

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

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

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

7. Quoted Securities

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

	RM'000
Total purchases	-
Total disposals	<u>11,611</u>
Total profit on disposal	<u>2,550</u>

Total investments in quoted securities as at 31 July 2004 were as follows:-

	RM'000
At cost	<u>36,685</u>
At book value	<u>28,162</u>
Market value	<u>24,147</u>

8. Status of Corporate Proposals

The following are the corporate proposals that have been announced by the Company but not completed as at 14 September 2004, 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;
- (b) Proposed disposal by Bandar Setia Alam Sdn. Bhd., a wholly owned subsidiary of S P Setia Berhad, as announced on 13 November 2003, of a piece of freehold land measuring approximately 791 acres held under Geran 31493, Lots 2895 and 2896, Mukim of Bukit Raja, District of Petaling, State of Selangor to Bandar Eco-Setia Sdn. Bhd., a wholly owned subsidiary of S P Setia Berhad, for a total cash consideration of RM341,166,184 comprising the land cost of RM275,689,846 and the shared infrastructure cost payable of RM65,476,338. The proposed disposal became unconditional on 14 September 2004;
- (c) Proposed issuance by Bandar Eco-Setia Sdn. Bhd., a wholly owned subsidiary of S P Setia Berhad, as announced on 13 November 2003, of 24,999,998 new ordinary shares of RM1.00 each ("shares") at par and 225,000,000 cumulative redeemable preference shares of RM0.01 each ("RPS") at an issue price of RM1.00 per RPS, to S P Setia Berhad, the Employees Provident Fund Board and Great Eastern Life Assurance (Malaysia) Berhad in relation to the Proposed Joint Venture between the parties. The proposed joint venture became unconditional on 14 September 2004;

- (d) Proposed disposal by Bandar Setia Alam Sdn. Bhd., as announced on 17 February 2004, a wholly owned subsidiary of S P Setia Berhad, of a piece of freehold land measuring approximately 614.26 acres forming part of the land held under a Master Title Geran 31493, Lots 2895 and 2896, Mukim of Bukit Raja, District of Petaling, State of Selangor to Perbadanan Kemajuan Negeri Selangor, for a total cash consideration of RM291,653,105 comprising the land cost of RM214,057,325 and the shared infrastructure cost payable of RM77,595,780. The proposed disposal became unconditional on 26 July 2004;
- (e) Proposed disposal by S P Setia Berhad, as announced on 24 April 2004, of its entire 50% equity interest in Setia Putrajaya Sdn. Bhd. comprising 25,000,000 ordinary shares of RM1.00 each to Prudent Location Sdn. Bhd. (“Prudent”), a company incorporated with the objective of assuming the listing status of Kramat Tin Dredging Berhad, for a total consideration of RM74 million to be satisfied by the issuance of RM37 million ordinary shares of RM1.00 each in Prudent and RM37 million irredeemable convertible preference shares (“ICPS”) of RM1.00 each in Prudent;
- (f) Proposed disposal by Futurecrest (M) Sdn Bhd, a wholly owned subsidiary of S P Setia Berhad, as announced on 16 July 2004, of a piece of leasehold land measuring approximately 85,396 square feet in Petaling Jaya, Selangor together with buildings and structures erected thereon for a total cash consideration of RM8,027,224.00; and
- (g) Proposed acquisition by Setia Indah Sdn Bhd, a wholly owned subsidiary of S P Setia Berhad, as announced on 4 August 2004, of a piece of freehold land measuring approximately 299.624 hectares (740.37 acres) held under H.S.(D)237888, P.T.D. No.63733, in the Mukim of Tebrau, District of Johor Bahru, State of Johor from the Employees Provident Fund Board for a total cash consideration of RM227,301,645.

9. Group Borrowings and Debt Securities

Total group borrowings as at 31 July 2004 were as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Hire Purchase & Leasing Borrowings	-	9,407	9,407
Short Term Bank Borrowings	92,577	2,717	95,294
Bank Overdraft	27,624	-	27,624
Long Term Bank Borrowings	719,079	925	720,004
4.5% Redeemable Unsecured Bonds	-	125,000	125,000
	839,280	138,049	977,329

In August 2004, the long term bank borrowings was reduced by RM116.6 million by way of part payment from the Government of Malaysia in respect of a highway construction project carried out under deferred payment terms.

10. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 14 September 2004, 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 14 September 2004, 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 declared an interim dividend of 6 sen less income tax 28% (2003: 5 sen comprising 2 sen tax exempt and 3 sen less 28% income tax) in respect of the financial year ending 31 October 2004. The interim dividend was paid on 29 July 2004.

The total dividend declared for the current financial period is 6 sen less income tax of 28%.

No dividend has been declared for the third quarter ended 31 July 2004.

13. Earnings Per share

The basic earnings per share has been calculated by dividing the Group's net profit for the period of RM111,055,000 (2003: RM95,579,000) by the weighted average number of shares in issue of 563,834,000 (2003: 553,170,000). The weighted average number of shares in issue is calculated as follows:-

	THIRD QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/07/2004 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/07/2003 RM'000	CURRENT YEAR TO DATE 31/07/2004 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/07/2003 RM'000
Net profit attributable to shareholders	39,798	36,484	111,055	95,579
Number of ordinary shares at beginning of the period	566,624	554,183	559,422	431,000
Effect of shares issued pursuant to				
- Rights issue	-	-	-	122,014
- Company's ESOS	296	382	4,377	156
- Exercised of Warrants	9	-	35	-
Weighted average number of ordinary shares	566,929	554,565	563,834	553,170
Basic Earning Per share (sen)	7.02	6.58	19.70	17.28

The diluted earnings per share has been calculated by dividing the Group's net profit for the period of RM111,055,000 (2003: RM95,579,000) 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 30/07/2004 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/07/2003 RM'000	CURRENT YEAR TO DATE 31/07/2004 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/07/2003 RM'000
Net profit attributable to shareholders	39,798	36,484	111,055	95,579
Weighted average number of ordinary shares as per basic EPS	566,929	554,565	563,834	553,170
Effect of shares option/warrants	32,157	6,237	33,444	5,108
Weighted average number of ordinary shares (diluted)	599,086	560,802	597,278	558,278
Diluted Earning Per share (sen)	6.64	6.51	18.59	17.12