

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

Interim Financial Report
31 October 2004

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	Page No.
Condensed Consolidated Balance Sheet	1
Condensed Consolidated Income Statement	2
Condensed Consolidated Statement Of Changes In Equity	3
Condensed Consolidated Cash Flow Statement	4
Notes to the Interim Financial Report	5-7
Additional Information Required by the Listing Requirements of Bursa Malaysia Securities Berhad	8-11

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED BALANCE SHEET
FOR THE FINANCIAL QUARTER ENDED 31 OCTOBER 2004

	(AUDITED) AS AT END OF CURRENT QUARTER 31/10/2004 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR END 31/10/2003 RM'000
Property, Plant and Equipment	158,935	158,300
Land Held for Development	598,884	785,941
Investment in Associated Companies	176,932	97,896
Long Term Investments	28,259	40,891
Amount owing by Associated Companies	345	326
Deferred tax assets	2,092	1,656
Current Assets		
Land under development	673,953	527,979
Gross amount due from customers	37,711	56,947
Inventories	15,146	17,950
Trade and other receivables	362,026	335,095
Amount owing by associated companies	79,357	13,439
Current tax assets	5,172	5,404
Deposits	351,043	160,700
Cash and bank balances	105,735	108,148
	1,630,143	1,225,662
Current Liabilities		
Trade and other payables	331,521	235,062
Short term borrowings	333,173	89,387
Bank overdraft	20,739	-
Current tax liabilities	29,339	11,462
	714,772	335,911
Net Current Assets	915,371	889,751
	1,880,818	1,974,761
Shareholders' Funds		
Share Capital	568,048	559,422
Reserves		
Share Premium	249,985	239,011
Revaluation Reserve	1,151	1,151
Retained Profit	515,762	436,538
Dividend	57,259	31,328
Shareholders' Equity	1,392,205	1,267,450
Minority Interests	1,363	1,449
Long Term Borrowings	484,847	703,491
Other Long Term Liabilities	1,446	1,446
Deferred Tax Liabilities	957	925
	1,880,818	1,974,761
Net Tangible Assets Per Share (RM)	2.45	2.27

(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 OCTOBER 2004
(The figures have been audited)

	FOURTH QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/10/2004 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/10/2003 RM'000	CURRENT YEAR TO DATE 31/10/2004 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/10/2003 RM'000
Revenue	301,785	225,573	1,025,091	821,741
Cost of sales	(221,756)	(169,355)	(766,802)	(620,335)
Gross profit	80,029	56,218	258,289	201,406
Other operating income	2,393	291	8,648	7,233
Administrative and general expenses	(8,041)	(10,643)	(48,196)	(42,654)
Profit from operations	74,381	45,866	218,741	165,985
Net profit/(loss) from investing activities	1,878	(2,193)	8,844	4,955
Share of profit less losses of associated companies	2,091	2,918	10,613	13,083
Finance costs	(922)	(1,122)	(3,574)	(4,934)
Profit before taxation	77,428	45,469	234,624	179,089
Taxation	(27,404)	(15,059)	(73,512)	(53,120)
Profit after taxation	50,024	30,410	161,112	125,969
Minority interests	119	42	86	62
Net profit for the year	50,143	30,452	161,198	126,031
Basic earnings per share (sen)	8.84	5.46	28.54	22.73
Diluted earnings per share (sen)	8.43	5.23	26.99	22.29

(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 OCTOBER 2004
(The figures have 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	7,970	9,807	-	-	-	-	17,777
- pursuant to exercise of warrants	656	1,167	-	-	-	-	1,823
Net profit for the year	-	-	-	-	161,198	-	161,198
Final Dividend paid	-	-	-	-	(219)	(31,328)	(31,547)
Interim Dividend paid	-	-	-	-	(24,496)	-	(24,496)
Dividend Proposed	-	-	-	-	(57,259)	57,259	-
Balance at 31.10.2004	568,048	249,985	-	1,151	515,762	57,259	1,392,205
Balance at 1.11.2002	431,000	114,282	(66,436)	1,151	431,340	13,521	924,858
Transfer to merger reserve	-	-	66,436	-	(66,436)	-	-
Issue of shares							
- 1-for-3 rights issue	123,143	120,680	-	-	-	-	243,823
- pursuant to ESOS	5,279	6,087	-	-	-	-	11,366
Share issue expenses	-	(2,038)	-	-	-	-	(2,038)
Net profit for the year	-	-	-	-	126,031	-	126,031
Final Dividend paid	-	-	-	-	(1)	(13,521)	(13,522)
Interim Dividend paid	-	-	-	-	(23,068)	-	(23,068)
Dividend proposed	-	-	-	-	(31,328)	31,328	-
Balance at 31.10.2003	559,422	239,011	-	1,151	436,538	31,328	1,267,450

(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 OCTOBER 2004
(The figures have been audited)

	AS AT CURRENT FINANCIAL YEAR END 31/10/2004 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31/10/2003 RM'000
Profit before tax	234,624	179,089
Adjustments for:-		
Non-cash items	(6,160)	(2,547)
Non-operating items	(6,792)	(6,585)
Operating profit before changes in working capital	<u>221,672</u>	<u>169,957</u>
Net Change in current assets	102,460	(269,419)
Net Change in current liabilities	101,044	53,034
Cash generated from/(used in) operations	<u>425,176</u>	<u>(46,428)</u>
Interest received	3,145	2,226
Interest paid	(43,575)	(24,842)
Tax paid	(52,459)	(59,359)
Net cash generated from/(used in) operating activities	<u>332,287</u>	<u>(128,403)</u>
Investing Activities		
Equity investments	(106,250)	-
Other investments	(286,482)	(448,200)
Net cash used in investing activities	<u>(392,732)</u>	<u>(448,200)</u>
Financing Activities		
Transactions with shareholders	(36,443)	(23,065)
Bank borrowings	19,796	317,260
Others financing activities	-	142
Net cash (used In)/generated from financing activities	<u>(16,647)</u>	<u>294,337</u>
Net changes in cash and cash equivalents	(77,092)	(282,266)
Cash and cash equivalents at 1 November	<u>265,452</u>	<u>547,718</u>
Cash and cash equivalents at 31 October	<u>188,360</u>	<u>265,452</u>

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

	2004 RM'000	2003 RM'000
Deposits	351,043	160,700
Cash and bank balances	105,735	108,148
Bank overdraft	(20,739)	-
	<u>436,039</u>	<u>268,848</u>
Less: Deposits pledged to licensed banks	(1,969)	(1,900)
Escrow Accounts & Sinking Fund	(245,710)	(1,496)
	<u>188,360</u>	<u>265,452</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 October 2004.

5. **Changes in estimates**

There were no material changes in estimates for the financial period 31 October 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) 7,970,387 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 RM3.56 per share. The total cash proceeds arising from the exercise of options under the ESOS during the current financial year-to-date amounted to RM17,777,345; and
- (b) 655,965 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 RM1,823,583.

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	178,813	786,034	60,244	-	1,025,091
Inter-segment sales	341,922	171,469	35,369	(548,760)	-
Total Revenue	520,735	957,503	95,613	(548,760)	1,025,091
<u>Results</u>					
Segment results	24,790	185,066	8,885		218,741
Net Profit from investing Activities					8,844
Finance costs					(3,574)
Share of profits less losses of associated companies	10,438	244	(69)		10,613
Taxation					(73,512)
Profit after taxation					161,112

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 fourth quarter ended 31 October 2004 till 8 December 2004 (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 subscription of shares in Bandar Eco-Setia Sdn Bhd ("BE-SSB") by S P Setia Berhad, Employees Provident Fund ("EPF") and Great Eastern Life Assurance (Malaysia) Berhad ("GELA") resulting in Bandar Eco-Setia Sdn Bhd ceasing to be a subsidiary of S P Setia Berhad.

12. Contingent Liabilities

There were no contingent liabilities in respect of the Group since the last annual balance sheet date except for a guarantee given to secure the payment of cumulative preferential dividends on the Redeemable Preference Shares ("RPS") issued by BE-SSB to EPF and GELA on 13 October 2004. This dividend guarantee is only invocable on the third, sixth and seventh anniversary of the date of issue of the RPS should BE-SSB default in making payment of the cumulative preferential dividends. Please refer to the circular to shareholders dated 6 April 2004 for further details on the dividend guarantee.

13. Commitments

	31/10/2004
	RM'000
Contractual commitment to purchase development land	204,570
Other conditional contractual commitment	9,120
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14. Related Party Transactions

	31/10/2004
	RM'000
<i>Transaction with associated companies:</i>	
(i) Construction service rendered to Setia Putrajaya Sdn. Bhd. ("SPJ")	46,101
(ii) Security service rendered to Setia Putrajaya Sdn. Bhd. ("SPJ")	34
(iii) Sale of development property to BE-SSB	275,668
(iv) Project management and administrative fee receivable from BE-SSB	412
(v) Rental receivable from BE-SSB	16
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<i>Transactions with directors of the Company and companies, firms in which they have interest:</i>	
(i) Rental paid to Dato' Voon Tin Yow	30
(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 *	72
(iii) Legal fees charged by 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	504
(iv) Insurance premium paid to BIB Insurance Brokers Sdn. Bhd., a company in which Tan Sri Dato' Zaki Bin Tun Azmi has interest	5
(v) Sale of development properties to:-	
- Dato Voon Tin Yow	1,437
- Yap Kok Weng	1,580
- Khor Chap Jen	1,572
- Tan Sri Dato' Zaki bin Tun Azmi	5,206
	<hr/>

* Dato' Sri Liew Kee Sin ceased as a shareholder of Alsirat Sdn Bhd with effect from 7 September 2004.

Transactions with the directors of the Subsidiary Companies:

(i) Sale of development properties to:-	
- Wong Tuck Wai	2,079
- Gan Ber Koon	2,204
- Lennard Spencer Oliveiro	194
- Thum Kok Mun	761
- Sundarajoo A/L Somu	201
- Koe Peng Kang	950
- Wong Sheue Yann	687
- Chang Khim Wah	761
- Kow Choong Ming	1,220
- Loh Yoon Hun	269
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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 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 RM161.2 million on the back of revenues totalling RM1,025 million. The Group's profit and turnover were mainly derived from its property development activities carried out at Duta Nusantara, Sri Hartamas, Setia Alam, Shah Alam, 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

The group's current quarter profit before tax increased by RM22.8 million compared to the preceding quarter ended 31 July 2004. This increase was mainly attributable to profit recognised on properties sold in Duta Nusantara, Sri Hartamas and Setia Alam, Shah Alam.

3. Prospects for the Next Financial Year

The prospects for landed residential properties are expected to remain strong in view of the positive economic outlook, high levels of employment and historic low mortgage rates. Against this favourable market outlook, the Group will continue to launch new housing products which cater to both the affordable mass residential and upgrading markets at its various property development projects within the Klang Valley and Johor Bahru. The Group will also be launching Duta Tropika, a new high-end project adjacent to Duta Nusantara to capture a further share of the market for luxury homes. This is in line with the Group's strategy to broaden its market reach and continually strengthen its position as a premier developer in all its target markets.

Given the favourable outlook for the landed residential property market and the economy as a whole and taking into account the Group's successful sales launches this financial year, the Board of Directors is confident that the Group's performance for the next financial year will be better.

4. Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was published.

5. Income Tax

Income Tax comprises: -

	FOURTH QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/10/2004	31/10/2003	31/10/2004	31/10/2003
	RM'000	RM'000	RM'000	RM'000
- current income tax	26,165	13,188	69,499	47,764
- deferred taxation	(651)	1,159	(454)	1,407
- associated companies	584	931	3,161	4,206
- in respect of prior years	1,306	(219)	1,306	(257)
	27,404	15,059	73,512	53,120

The Group's effective taxation rate for the current quarter and 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>2,551</u>

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

	RM'000
At cost	<u>36,685</u>
At book value	<u>27,922</u>
Market value	<u>22,920</u>

8. Status of Corporate Proposals

The following are the corporate proposals that have been announced by the Company but not completed as at 8 December 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., 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;

- (c) 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; and
- (d) 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. The proposed acquisition became unconditional on 30 November 2004.

9. Group Borrowings and Debt Securities

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

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Hire Purchase & Leasing Borrowings	-	10,024	10,024
Short Term Bank Borrowings	201,021	3,668	204,689
Bank Overdraft	20,739	-	20,739
4.5% Redeemable Unsecured Bonds	-	125,000	125,000
Long Term Bank Borrowings	477,886	421	478,307
	<u>699,646</u>	<u>139,113</u>	<u>838,759</u>

10. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 8 December 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 8 December 2004, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

12. Dividends

- (a) (i) The board of Directors has recommended a final dividend in respect of the financial year ending 31 October 2004.
- (ii) Amount per share : 14 sen less income tax of 28%
- (iii) Previous corresponding period : 5 sen less income tax of 28%
- 2 sen tax exempted
- (iv) Date payable : To be determined later
- (v) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at a date to be determined later.
- (b) Total dividend for the current financial year : 20 sen less income tax of 28%

13. Earnings Per share

The basic earnings per share has been calculated by dividing the Group's net profit for the period of RM161,198,000 (2003: RM126,031,000) by the weighted average number of shares in issue of 564,741,000 (2003: 554,405,000). The weighted average number of shares in issue is calculated as follows:-

	FOURTH QUARTER PRECEDING		CUMULATIVE QUARTER PRECEDING	
	CURRENT YEAR QUARTER 31/10/2004 RM'000	YEAR CORRESPONDING QUARTER 31/10/2003 RM'000	CURRENT YEAR TO DATE 31/10/2004 RM'000	YEAR CORRESPONDING PERIOD 31/10/2003 RM'000
Net profit attributable to shareholders	50,143	30,452	161,198	126,031
Number of ordinary shares at beginning of the period	567,072	556,108	559,422	431,000
Effect of shares issued pursuant to				
- Rights issue	-	-	-	122,299
- Company's ESOS	186	1,959	5,212	1,106
- Exercised of Warrants	143	-	107	-
Weighted average number of ordinary shares	567,401	558,067	564,741	554,405
Basic Earning Per share (sen)	8.84	5.46	28.54	22.73

The diluted earnings per share has been calculated by dividing the Group's net profit for the period of RM161,198,000 (2003: RM126,031,000) 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:

	FOURTH QUARTER PRECEDING		CUMULATIVE QUARTER PRECEDING	
	CURRENT YEAR QUARTER 31/10/2004 RM'000	YEAR CORRESPONDING QUARTER 31/10/2003 RM'000	CURRENT YEAR TO DATE 31/10/2004 RM'000	YEAR CORRESPONDING PERIOD 31/10/2003 RM'000
Net profit attributable to shareholders	50,143	30,452	161,198	126,031
Weighted average number of ordinary shares as per basic EPS	567,401	558,067	564,741	554,405
Effect of shares option/warrants	27,637	24,177	32,441	11,076
Weighted average number of ordinary shares (diluted)	595,038	582,244	597,182	565,481
Diluted Earning Per share (sen)	8.43	5.23	26.99	22.29