

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

Interim Financial Report
31 July 2006

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S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2006

	(UNAUDITED) AS AT CURRENT FINANCIAL YEAR END 31/07/2006 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR END 31/10/2005 RM'000
Property, Plant and Equipment	125,537	123,446
Land Held for Property Development	721,786	692,089
Investment in Associated Companies	198,198	177,721
Long Term Investments	17,178	15,120
Amount owing by Associated Companies	361	329
Deferred tax assets	833	1,141
Current Assets		
Property Development costs	670,389	675,054
Gross amount due from customers	30,005	32,541
Inventories	20,445	19,663
Trade and other receivables	334,298	264,260
Amount owing by associated companies	30,332	17,103
Current tax assets	11,990	12,893
Deposits	240,944	250,312
Cash and bank balances	90,745	153,484
	1,429,148	1,425,310
Current Liabilities		
Trade and other payables	329,189	273,210
Short term borrowings	48,202	92,274
Current tax liabilities	14,288	14,491
	391,679	379,975
Net Current Assets	1,037,469	1,045,335
	2,101,362	2,055,181
Shareholders' Funds		
Share Capital	496,743	490,734
Reserves		
Share Premium	410,973	398,623
Retained Profit	715,433	595,473
Dividend	47,585	89,510
Shareholders' Equity	1,670,734	1,574,340
Minority Interests	1,358	1,359
Long Term Borrowings	426,171	476,655
Other Long Term Liabilities	1,446	1,446
Deferred Tax Liabilities	1,653	1,381
	2,101,362	2,055,181
Net Assets Per Share (RM)	2.52	2.41

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 October 2005)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 JULY 2006
(The figures have not been audited)

	THIRD QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/7/2006 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/7/2005 RM'000	CURRENT YEAR TO DATE 31/7/2006 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/7/2005 RM'000
Revenue	299,918	258,334	877,331	721,110
Cost of sales	(215,949)	(192,758)	(636,567)	(537,446)
Gross profit	83,969	65,576	240,764	183,664
Other operating income	1,566	1,941	4,310	9,496
Administrative and general expenses	(15,934)	(11,771)	(49,832)	(41,922)
Profit from operations	69,601	55,746	195,242	151,238
Net profit from investing activities				
- gross dividend from unquoted preference shares in an associated company	1,772	-	5,259	-
- others	1,977	3,020	8,186	9,029
Share of profits less losses of associated companies	15,595	5,906	27,893	14,917
Finance costs	(443)	(420)	(1,154)	(1,837)
Profit before taxation	88,502	64,252	235,426	173,347
Taxation	(25,549)	(19,481)	(67,033)	(49,385)
Profit after taxation	62,953	44,771	168,393	123,962
Minority interests	-	(26)	1	(69)
Net profit for the year	62,953	44,745	168,394	123,893
Basic earnings per share (sen)	9.51	6.89	25.52	20.04
Diluted earnings per share (sen)	9.49	6.83	25.46	19.51

(The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 October 2005)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 JULY 2006
(The figures have not been audited)

	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Unappropriated Profit RM'000	Dividend RM'000	Total RM'000
Balance at 1.11.2005	490,734	398,623	-	595,473	89,510	1,574,340
Issue of shares						
- pursuant to ESOS	6,009	12,350	-	-	-	18,359
Net profit for the period	-	-	-	168,394	-	168,394
Final dividend paid	-	-	-	(849)	(89,510)	(90,359)
Interim dividend declared	-	-	-	(47,585)	47,585	-
Balance at 31.07.2006	496,743	410,973	-	715,433	47,585	1,670,734
Balance at 1.11.2004	568,048	249,985	1,151	515,762	57,259	1,392,205
Issue of shares						
- pursuant to ESOS	9,071	11,811	-	-	-	20,882
- pursuant to exercise of warrants	75,519	134,424	-	-	-	209,943
Net profit for the period	-	-	-	123,893	-	123,893
Realisation of revaluation reserve upon disposal	-	-	(1,151)	1,151	-	-
Final dividend paid	-	-	-	(7,120)	(57,259)	(64,379)
Interim dividend paid	-	-	-	(28,194)	-	(28,194)
Balance at 31.07.2005	652,638	396,220	-	605,492	-	1,654,350

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 October 2006)

S P SETIA BERHAD
(Company No.: 19698-X)
(Incorporated in Malaysia)
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 JULY 2006
(The figures have not been audited)

	9 MONTHS ENDED 31/07/2006 RM'000	9 MONTHS ENDED 31/07/2005 RM'000
Profit before tax	235,426	173,347
Adjustments for:-		
Non-cash items	(32,395)	(15,582)
Non-operating items	(7,223)	(9,261)
Operating profit before changes in working capital	<u>195,808</u>	<u>148,504</u>
Net Change in current assets	(86,363)	159,603
Net Change in current liabilities	55,957	59,628
Cash generated from operations	<u>165,402</u>	<u>367,735</u>
Interest received	2,250	3,240
Interest paid	(21,753)	(44,224)
Tax paid	(55,437)	(75,836)
Net cash generated from operating activities	<u>90,462</u>	<u>250,915</u>
Investing Activities		
Other investments	<u>3,053</u>	<u>68,161</u>
Net cash generated from investing activities	<u>3,053</u>	<u>68,161</u>
Financing Activities		
Transactions with shareholders	(72,000)	138,252
Bank borrowings	(95,404)	(109,340)
Net cash (used in)/ generated from financing activities	<u>(167,404)</u>	<u>28,912</u>
Net changes in cash and cash equivalents	(73,889)	347,988
Cash and cash equivalents at 1 November	398,117	188,360
Cash and cash equivalents at 31 July	<u>324,228</u>	<u>536,348</u>

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

	31/07/2006 RM'000	31/07/2005 RM'000
Deposits	240,944	391,879
Cash and bank balances	90,745	147,645
	<u>331,689</u>	<u>539,524</u>
Less: Deposits pledged to licensed banks	(91)	(2,009)
Sinking Fund and Escrow Accounts	(7,370)	(1,167)
	<u>324,228</u>	<u>536,348</u>

(The Condensed Consolidated cash flow statement should be read in conjunction with the Annual Financial Report for the year ended 31 October 2005)

NOTES TO THE INTERIM FINANCIAL REPORT

1. **Basis of preparation**

The interim financial report has been prepared in compliance with Financial Reporting Standards (“FRS”) 134, 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 2005.

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 2005.

2. **Qualified audit report**

The preceding audited financial statements for the year ended 31 October 2005 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 2006.

5. **Changes in estimates**

There were no material changes in estimates for the financial period ended 31 July 2006.

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 for the following:-

- a) 8,011,759 new ordinary shares of RM0.75 each pursuant to the Company’s Employee’s Share Option Scheme (ESOS) with exercise prices ranging from RM1.74 to RM3.47 per share. The total cash proceeds arising from the exercise of options under the ESOS during the current financial year-to-date amounted to RM18,359,257.

7. **Dividends paid**

A final dividend of 19 sen less 28% income tax amounting to RM90,358,745 was paid in respect of the financial year ended 31 October 2005.

8. Segmental Reporting

	Property Development	Construction	Other Operations	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>					
External Sales	710,118	109,797	57,416	-	877,331
Inter-segment sales	29,746	169,059	16,058	(214,863)	-
Total Revenue	739,864	278,856	73,474	(214,863)	877,331
<u>Results</u>					
Segment results	184,757	4,246	6,239	-	195,242
Net Profit from investing Activities - others					8,186
Share of associated companies' profit and dividend on preference shares	25,314	7,841	(3)	-	33,152
Finance costs					(1,154)
Profit before taxation					235,426
Taxation					(67,033)
Profit after taxation					168,393
Minority interests					1
Net Profit for the period					168,394

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 current quarter ended 31 July 2006 till 14 September 2006 (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.

12. Contingent Liabilities

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

13. Commitments

	31/07/2006
	RM'000
Contractual commitment to purchase development land	158,642
Conditional contractual commitment to acquire development land	9,120
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14. Related Party Transactions

	01/11/2005
	To
	31/07/2006
	RM'000
<i>Transactions with associated companies:</i>	
(i) Construction service rendered to Setia Putrajaya Sdn. Bhd.	54,098
(ii) Security service rendered to Setia Putrajaya Sdn. Bhd.	51
(iii) Project management and administrative fee received and receivable from Bandar Eco-Setia Sdn. Bhd.	4,816
(iv) Security Services rendered to Bandar Eco-Setia Sdn. Bhd.	115
(v) Rental received and receivable from Bandar Eco-Setia Sdn. Bhd.	315
(vi) Marketing expenses charged to Bandar Eco-Setia Sdn. Bhd.	23
(vii) Sale of development properties to:-	
- Gateway Attempt Sdn. Bhd., a company in which Dato' Leong Kok Wah has financial interest	1,638
- Khor Chap Jen	1,406
	<hr/>
<i>Transactions with directors of the Company, close family members of the directors and companies, firms in which they have interests:</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 has interest	54
(iii) Legal fees charged by Shahrizat Rashid & Lee, a firm in which Tan Sri Abdul Rashid bin Abdul Manaf and Tan Sri Dato' Zaki Bin Tun Azmi are partners	1,267
(iv) Sale of development property to Khor Chap Jen	629
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The above transactions were entered into in the ordinary course of business based on normal commercial 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 RM168.4 million on the back of revenues totalling RM877.3 million. The Group's profit and revenue were mainly derived from its property development activities carried out in *Setia Alam* at Shah Alam, *Duta Tropika* at Sri Hartamas, *Bukit Indah* at Bandar Nusajaya, *Setia Indah* and *Setia Tropika* in 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 is RM88.5 mil, which is RM6.4 million higher compared to the preceding quarter ended 30 April 2006. This was mainly attributable to higher profit recognised on properties sold in *Duta Tropika*, Sri Hartamas, *Setia Eco Park*, Shah Alam and *Setia Tropika*, Johor.

3. Prospects for the Current Financial Year

The Board of Directors remain confident that the Group's performance for the current financial year will be better than previous financial year. This is due to the encouraging sales performance recorded by all the Group's major development projects in both the Klang Valley and Johor Bahru.

The Group has recently won the following three prestigious awards:-

- (i) Overall No.1 placing in *The Edge, Malaysia's Top Property Developers Awards 2006*;
- (ii) *FIABCI Malaysia Property Award 2006* for Best Master Plan Development award by *Setia Eco Park* project in Shah Alam; and
- (iii) *FIABCI Malaysia Property Award 2006* for Best Residential Development (Low-Rise) category award by *Duta Nusantara*, a recently completed project by the Group in Sri Hartamas.

This will also enhance the Group's branding and competitive standing in gaining more market share.

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
	31/07/2006 RM'000	31/07/2005 RM'000	31/07/2006 RM'000	31/07/2005 RM'000
- current income tax	20,971	16,638	58,291	43,717
- deferred taxation	152	231	579	610
- associated companies	4,424	1,687	8,161	4,133
- in respect of prior years	2	925	2	925
	25,549	19,481	67,033	49,385

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	-
Total profit on disposal	-

Total investments in quoted securities as at 31 July 2006 were as follows:-

	RM'000
At cost	23,857
At book value	16,841
Market value	21,157

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 2006, 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 as announced on 17 February 2004 by Bandar Setia Alam Sdn. Bhd., 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 price of RM214,057,325 and the shared infrastructure 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. ("SPJ") 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 ("Kramat"), 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.

Subsequently, as announced on 15 April 2005, the total consideration for the disposal of S P Setia Berhad's 50% equity interest in SPJ was revised to approximately RM69 million to be satisfied by the issuance of approximately RM34.5 million ordinary shares of RM1.00 each in Prudent and approximately RM34.5 million ICPS of RM1.00 each in Prudent.

The Securities Commission has approved the proposal submitted by Kramat, vide their letter dated 9 June 2005 subject to certain terms and conditions. Kramat's shareholders have approved the proposal in its Extraordinary General Meeting and Court Convened Meeting held on 25 July 2006.

- (d) Proposed acquisition by Setia Promenade Sdn Bhd, a wholly owned subsidiary of S P Setia Berhad, as announced on 27 September 2005, of approximately 112.59 acres of freehold land held under various titles situated in Mukim 12, District of Barat Daya, State of Pulau Pinang from PPH Resorts (Penang) Sdn Bhd for a total cash consideration of RM144,280,000 ("Purchase Consideration").

Subsequently, as announced on 23 June 2006, both parties have mutually agreed to modify the mode and manner of payment which led to a reduction of Purchase Consideration by RM4,000,000 to RM140,280,000. The proposed acquisition became unconditional on 18 August 2006; and

- (e) Proposed acquisitions as announced on 4 July 2006 by Setia Promenade Sdn Bhd, a wholly owned subsidiary of S P Setia Berhad, of two pieces of freehold land, one measuring approximately 4.84 acres held under Lot No. 400 and 402, Mukim 5, District of Barat Daya, State of Pulau Pinang from Lim Kheng Kim Realty Sdn Bhd and another 16.61 acres under Lot No. 102 and 104, Mukim 5, District of Barat Daya, State of Pulau Pinang from Lastery Sdn Bhd for a combined cash consideration of RM36,433,020. The proposed acquisitions became unconditional on 26 July 2006.

9. Group Borrowings and Debt Securities

Total group borrowings as at 31 July 2006 were as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Hire Purchase & Leasing Borrowings	-	3,819	3,819
Short Term Bank Borrowings	46,680	-	46,680
Long Term Bank Borrowings	423,874	-	423,874
	<u>470,554</u>	<u>3,819</u>	<u>474,373</u>

10. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 14 September 2006, 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 2006, 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 10 sen less income tax 28% (2005: 6 sen less 28% income tax) in respect of the financial year ending 31 October 2006. The interim dividend was paid on 3 August 2006.

The total dividend declared for the current financial period is 10 sen less income tax of 28%.

No dividend has been declared for the third quarter ended 31 July 2006.

13. Earnings Per share

The basic earnings per share has been calculated by dividing the Group's net profit by the weighted average number of shares in issue. The weighted average number of shares in issue is calculated as follows:-

	THIRD QUARTER PRECEDING		CUMULATIVE QUARTER PRECEDING	
	CURRENT YEAR QUARTER 31/07/2006 RM'000	YEAR CORRESPONDING QUARTER 31/07/2005 RM'000	CURRENT YEAR TO DATE 31/07/2006 RM'000	YEAR CORRESPONDING PERIOD 31/07/2005 RM'000
Net profit attributable to shareholders	62,953	44,745	168,394	123,893
Number of ordinary shares at beginning of the period	660,909	643,376	654,312	568,048
Effect of shares issued pursuant to				
- Company's ESOS	836	276	5,640	5,547
- Exercise of Warrants	-	5,565	-	44,714
Weighted average number of ordinary shares	661,745	649,217	659,952	618,309
Basic Earning Per share (sen)	9.51	6.89	25.52	20.04

The diluted earnings per share has been calculated by dividing the Group's net profit by the weighted average number of shares that would have been in issue upon full exercise of the remaining options 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 PRECEDING		CUMULATIVE QUARTER PRECEDING	
	CURRENT YEAR QUARTER 31/07/2006 RM'000	YEAR CORRESPONDING QUARTER 31/07/2005 RM'000	CURRENT YEAR TO DATE 31/07/2006 RM'000	YEAR CORRESPONDING PERIOD 31/07/2005 RM'000
Net profit attributable to shareholders	62,953	44,745	168,394	123,893
Weighted average number of ordinary shares as per basic EPS	661,745	649,217	659,952	618,309
Effect of shares option/warrants	1,349	5,921	1,569	16,814
Weighted average number of ordinary shares (diluted)	663,094	655,138	661,521	635,123
Diluted Earning Per share (sen)	9.49	6.83	25.46	19.51