

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, please consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Notice of the Extraordinary General Meeting ("EGM") and the Proxy Form are enclosed in this Circular.

As a shareholder who is entitled to attend and vote at the meeting, you are entitled to appoint a proxy or proxies to attend and vote on your behalf. The relevant Proxy Form(s) must be deposited at our registered office not later than forty-eight (48) hours before the time set for the meeting or at any adjournment thereof. You may still attend and vote in person at the meeting if you wish to, even after you have lodged the Proxy Form.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

Builder of Distinction

Setia
SP SETIA BHD GROUP

(Company No. : 19698-X)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED ISSUANCE OF 19,379,845 NEW ORDINARY SHARES OF RM0.75 EACH IN S P SETIA BERHAD ("S P SETIA") ("S P SETIA SHARES") AT THE ISSUE PRICE OF RM3.87 PER S P SETIA SHARE TO SATISFY THE TOTAL CONSIDERATION OF RM75,000,000 PURSUANT TO THE PROPOSED ACQUISITION BY S P SETIA OF 40% EQUITY INTEREST IN KL ECO CITY SDN BHD FROM YAYASAN GERAKBAKTI KEBANGSAAN

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



CIMB Investment Bank Berhad (18417-M)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Last date and time for lodging the Proxy Form	:	Tuesday, 13 December 2011 at 11.00 a.m.
Date and time of the EGM	:	Thursday, 15 December 2011 at 11.00 a.m. or at any adjournment thereof
Venue of the EGM	:	Nusantara Hall, Setia Alam Welcome Centre, No. 2, Jalan Setia Indah AD U13/AD, Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor Darul Ehsan

This Circular is dated 30 November 2011

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act, 1965, and any amendments made thereto from time to time
Board	:	Board of Directors
Bursa Securities	:	Bursa Malaysia Securities Berhad
CIMB	:	CIMB Investment Bank Berhad
Deed Poll	:	Deed Poll dated 19 November 2007, constituting the Warrants
DBKL	:	Datuk Bandar Kuala Lumpur
EGM	:	Extraordinary general meeting
EPS	:	Earnings per share
EPU	:	Economic Planning Unit
ESOS	:	The employees' share option scheme of the Company
ESOS Options	:	The options granted pursuant to the ESOS which entitle the grantees to subscribe for new S P Setia Shares
FYE	:	Financial year ended
Issue Price	:	The issue price of RM3.87 per S P Setia Share
KL Eco City Project	:	The project for the proposed stratified mixed residential and commercial developments at Abdullah Hukum in the Federal Territory of Kuala Lumpur which is subject to, amongst others, the fulfilment of the conditions precedent and obligations of the parties in the Privatisation Agreement, further details of which are set out in Section 1 of Appendix I of this Circular
KLEC	:	KL Eco City Sdn Bhd
KLEC Share(s)	:	Ordinary share(s) of RM1.00 each in KLEC
LPD	:	25 November 2011, being the latest practicable date before the printing of this Circular
NA	:	Net assets
PAC	:	Person acting in concert with PNB, namely AmanahRaya Trustees Berhad (as trustee for Skim Amanah Saham Bumiputera, Amanah Saham Wawasan 2020, Amanah Saham Malaysia, Amanah Saham Didik, Amanah Saham 1Malaysia, Sekim Amanah Saham Nasional and Amanah Saham Gemilang – Amanah Saham Pendidikan, Amanah Saham Gemilang – Amanah Saham Persaraan and Amanah Saham Gemilang – Amanah Saham Kesihatan)
PNB	:	Permodalan Nasional Berhad

DEFINITIONS (*cont'd*)

- Privatisation Agreement : The privatisation agreement between KLEC and DBKL dated 24 October 2011 for the purpose of the proposed KL Eco City Project, the consideration of which KLEC agrees to pay DBKL is as follows:
- (a) the remaining amount of the agreed residual land value in accordance with the schedule of payment as set out in the privatisation agreement;
 - (b) the minimum guaranteed profit amounting to RM191,962,019 which shall be paid proportionately within 30 days from the respective date of issuance of Certificate of Practical Completion of each component for each phase of the KL Eco City Project; and
 - (c) additional profit, which shall be paid to DBKL within one (1) month from the date of the final audited accounts of each phase of the KL Eco City Project. In the event that after the final audited accounts of each phase of the KL Eco City Project have been audited and such audited accounts show that the actual profit before tax is higher than the estimated profit before tax (as set out in the privatisation agreement) then KLEC shall pay DBKL a sum representing 20% of the difference as verified by the joint project management committee for the KL Eco City Project.
- Proposed Acquisition : Proposed acquisition by S P Setia of 40,000 KLEC Shares, representing 40% equity interest in KLEC from YGK for the Purchase Consideration at the Issue Price
- Proposed Share Issuance : Proposed issuance of 19,379,845 new S P Setia Shares at the Issue Price to satisfy the Purchase Consideration pursuant to the Proposed Acquisition
- Purchase Consideration : The total consideration of RM75,000,000
- RM : Ringgit Malaysia
- S P Setia or Company : S P Setia Berhad
- S P Setia Group or Group : S P Setia and its subsidiaries, collectively
- S P Setia Share(s) : Ordinary share(s) of RM0.75 each in S P Setia
- SSA : Conditional share sale agreement between S P Setia and YGK dated 25 July 2011 in relation to the Proposed Acquisition
- Valuation Report : Valuation report prepared by CIMB dated 1 July 2011 to appraise the value of the 40% equity interest in KLEC
- VWAMP : Volume weighted average market price
- Warrants : Warrants in the Company expiring on 21 January 2013 and constituted by the Deed Poll
- YGK : Yayasan Gerakbakti Kebangsaan

All references to "**our Company**" in this Circular are to S P Setia and references to "**our Group**" are to our Company and subsidiaries. All references to "**we**", "**us**" and "**our**" are to S P Setia.

All references to "**you**" in this Circular are to the shareholders of the Company.

CONTENTS

LETTER TO OUR SHAREHOLDERS CONTAINING:		PAGE
1.	INTRODUCTION	1
2.	DETAILS OF THE PROPOSED SHARE ISSUANCE	2
3.	RATIONALE AND BENEFITS OF THE PROPOSED SHARE ISSUANCE	5
4.	RISK FACTORS	5
5.	EFFECTS OF THE PROPOSED SHARE ISSUANCE	6
6.	HISTORICAL SHARE PRICES	8
7.	APPROVALS REQUIRED	9
8.	INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED	9
9.	DIRECTORS' RECOMMENDATION	9
10.	OTHER CORPORATE PROPOSALS	10
11.	ESTIMATED TIMEFRAME FOR COMPLETION	11
12.	OTHER MATTERS	12
13.	EGM	12
14.	FURTHER INFORMATION	12
 APPENDICES		
I	INFORMATION ON KLEC	13
II	AUDITED FINANCIAL STATEMENTS OF KLEC FOR THE FYE 31 OCTOBER 2010 TOGETHER WITH THE AUDITORS' REPORT	18
III	ADDITIONAL INFORMATION	40
 NOTICE OF EGM		ENCLOSED
PROXY FORM		ENCLOSED

Builder of Distinction

Setia

SP SETIA BHD GROUP

(Company No. : 19698-X)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Plaza 138, Suite 18.03
18th Floor, 138 Jalan Ampang
50450 Kuala Lumpur

30 November 2011

Board of Directors:

Tan Sri Abdul Rashid bin Abdul Manaf (*Chairman*)
Tan Sri Dato' Sri Liew Kee Sin (*President and Chief Executive Officer*)
Dato' Voon Tin Yow (*Deputy President and Chief Operating Officer*)
Dato' Teow Leong Seng (*Executive Director and Chief Financial Officer*)
Dato' Chang Khim Wah (*Executive Director*)
Tan Sri Lee Lam Thye (*Non-Independent Non-Executive Director*)
Tan Sri Dato' Hari Narayanan a/l Govindasamy (*Independent Non-Executive Director*)
Dato' Leong Kok Wah (*Independent Non-Executive Director*)
Datuk Ismail bin Adam (*Independent Non-Executive Director*)
Ng Soon Lai @ Ng Siek Chuan (*Independent Non-Executive Director*)
Tan Sri Dato' Dr. Wan Mohd Zahid bin Mohd Noordin (*Non-Independent Non-Executive Director*)
Dato' Noor Farida binti Mohd Ariffin (*Non-Independent Non-Executive Director*)

To our shareholders

Dear Sir/Madam,

PROPOSED SHARE ISSUANCE

1. INTRODUCTION

On 25 July 2011, we announced through CIMB that we have entered into the SSA with YGK in relation to the proposed acquisition of 40% equity interest in KLEC which will be satisfied through the Proposed Share Issuance.

On 24 November 2011, we announced through CIMB that Bursa Securities has vide its letter dated 23 November 2011 approved the listing of and quotation for the new S P Setia Shares to be issued pursuant to the Proposed Share Issuance, subject to the conditions as set out in Section 7 below.

The purpose of this Circular is to provide you with the details of the Proposed Share Issuance and to seek your approval for the resolution pertaining to the Proposed Share Issuance to be tabled at our forthcoming EGM. We have enclosed the Notice of EGM together with the Proxy Form in this Circular.

WE ADVISE YOU TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED SHARE ISSUANCE AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED SHARE ISSUANCE

2.1 Introduction

On 25 July 2011, we entered into the SSA to acquire 40,000 KLEC Shares, representing 40% equity interest in KLEC, from YGK for the Purchase Consideration to be satisfied through the Proposed Share Issuance. The 19,379,845 new S P Setia Shares to be issued pursuant to the Proposed Share Issuance represents about 1% of the issued and paid-up share capital of the Company as at 11 November 2011.

Currently, KLEC is our 60%-owned subsidiary. Upon completion of the Proposed Acquisition, KLEC will become our wholly-owned subsidiary.

2.2 Purchase consideration

The Purchase Consideration for the Proposed Acquisition was arrived at on a willing-buyer willing-seller basis and based on the equity valuation of KLEC using the discounted cash flow method of valuation after taking into account, amongst others, the following:

- (i) the approved development order dated 21 February 2011 for the KL Eco City Project;
- (ii) the terms of the Privatisation Agreement; and
- (iii) KLEC's cash flow forecast and projections based on planned launches and sales by KLEC's management.

We and YGK had also appointed CIMB to appraise the equity value of KLEC based on the financial forecast and projections prepared by the management of KLEC. Based on the Valuation Report, the valuation of 40% equity interest in KLEC ranges between RM53 million and RM73 million.

Further details of the discounted cash flow method of valuation are set out in Section 2.7 of this Circular.

The premium of the Purchase Consideration over the valuation range which amounts to RM2 million and RM22 million, represents a premium of about 3% and 42% over the above valuation range respectively.

The above premium reflects our Board's confidence in the prospects of the KL Eco City Project after taking into consideration, amongst others, its development potential and strategic location which is next to an established commercial and retail hub near the affluent Bangsar area and its ease of accessibility.

There are no liabilities, including contingent liabilities and guarantees, to be assumed by S P Setia pursuant to the Proposed Acquisition.

The KLEC Shares will be acquired free from all encumbrances, liens, charges and with all rights accruing to them.

2.3 Basis of arriving at the Issue Price

The Issue Price was arrived at on a willing-buyer willing-seller basis and is based on the 5-day VWAMP of S P Setia Shares up to and including 22 July 2011, being the last trading day immediately before the signing of the SSA.

2.4 Ranking of the new S P Setia Shares

The new S P Setia Shares to be issued pursuant to the Proposed Share Issuance shall, upon allotment and issue, rank pari passu in all respects with the existing S P Setia Shares save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions unless the allotment and issue of the new S P Setia Shares were made on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions.

2.5 Information on YGK

YGK was incorporated in Malaysia under the Act as a company limited by guarantee on 28 April 1984. YGK is a foundation established to receive and administer funds for the eradication of poverty and the enhancement of the welfare of the poor and to conduct studies and research relevant to the poverty eradication programme.

2.6 Other salient terms of the SSA

The other salient terms of the SSA are as follows:

- (i) On the date of completion of the SSA, the Purchase Consideration shall be satisfied by the allotment and issuance of the new S P Setia Shares at the Issue Price based on the 5-day VWAMP of S P Setia Shares immediately preceding the date of the SSA, rounded up to the nearest share;
- (ii) The SSA is conditional upon the fulfilment of all of the following conditions precedent within a period of six (6) months from the date of the SSA or such other period as may be mutually agreed in writing between the parties ("**Approval Period**"):
 - (a) the approval of the EPU, Prime Minister's Department, if required. In respect of this condition, we have been informed by the EPU, Prime Minister's Department through our solicitors that approval of the EPU, Prime Minister's Department is not required for the Proposed Acquisition;
 - (b) the approval of Bursa Securities for the listing of and quotation for the new S P Setia Shares;
 - (c) the approval of our shareholders being obtained for the issuance of the new S P Setia Shares;
 - (d) the Privatisation Agreement having been duly executed by KLEC and DBKL; and
 - (e) the approvals of any other relevant authorities arising from any new laws and/or regulations effective as at the date of the SSA or made retrospective after the date of the SSA as may be required for the implementation of the SSA.

The SSA shall become unconditional on the date which the last of the conditions precedent has been duly fulfilled or waived;

- (iii) In the event that the conditions precedent are not fulfilled within the Approval Period, we and YGK may, where legally possible, mutually waive any of such conditions precedent and proceed with the transfer of the KLEC Shares, failing which the SSA shall, unless extended by mutual agreement of YGK and us, lapse and terminate and be of no further effect whatsoever;
- (iv) In the event either party or its solicitors shall fail to pay any moneys required to be paid to the other party within the time stipulated for payment under the SSA, the paying party shall be additionally liable to pay the receiving party interest at the rate of eight per cent (8%) per annum calculated on a daily basis from the due date of payment until the date of actual receipt of full payment;
- (v) Upon the occurrence of any of the following events, the Company shall be entitled to terminate the SSA or to seek specific performance of the SSA:
 - (a) YGK commits a material breach of any of its warranties, covenants or other obligations under the SSA, and if capable of being remedied, is not remedied after one (1) month (or such extended period as the Company agrees) of being giving written notice to do so; or
 - (b) YGK or KLEC becomes subject of a bankruptcy action;
- (vi) Upon the occurrence of any of the following events, YGK shall be entitled to terminate the SSA or to seek specific performance of the SSA:
 - (a) the Company fails to issue the S P Setia Shares to YGK as satisfaction of the Purchase Consideration within the time stipulated under the SSA;
 - (b) the Company commits a material breach of any of its warranties, covenants or other obligations under the SSA, and if capable of being remedied, is not remedied after one (1) month (or such extended period as YGK agrees) of being giving written notice to do so; or
 - (c) the Company becomes subject of a bankruptcy action; and
- (vii) If performance by either the Company or YGK of any of its obligations under the SSA is affected by force majeure for a continuous period in excess of four (4) months, both parties may enter into bona fide discussions to alleviate its effects, or to agreeing upon such alternative arrangements as may be fair and reasonable, failing which either party is entitled to terminate the SSA immediately by notice in writing to the other party.

2.7 Salient features of the Valuation Report

CIMB had adopted the discounted cash flow (“DCF”) method to perform the valuation of the entire equity interest in KLEC given the nature of business of KLEC which is in the property development sector with a cash flow stream based on the implementation of the KL Eco City Project in phases over a finite period.

In arriving at the valuation range, CIMB has applied two (2) DCF valuation models, namely the Free Cash Flow to Firm (“FCFF”) valuation model and Free Cash Flow to Equity (“FCFE”) valuation model to value the equity of KLEC:

(i) FCFF Valuation Model

The FCFF valuation model discounts the cash flow stream available for distribution to all the providers of capital of a company comprising shareholders, lenders and holders of preference shares and loan stocks at an appropriate discount rate that represents the weighted average cost of capital of the company. The FCFF is equivalent to the net operating cash flows after taxation but before financing activities.

The derived discounted value is a value of the company which is subtracted by a fair value of the outstanding debt plus the availability of cash presently held by the company in order to arrive at its equity value. Based on the FCFF valuation model, the valuation of 40% equity interest in KLEC amounted to RM73 million.

(ii) FCFE Valuation Model

The FCFE valuation model on the other hand discounts the net cash flow stream available for distribution to the shareholders at an appropriate discount rate that represents the cost of equity or the returns required by the shareholders.

The FCFE is equivalent to the net operating cash flows after taxation and financing which is available for distribution to preference and ordinary shareholders of a company. Based on the FCFE valuation model, the valuation of 40% equity interest in KLEC amounted to RM53 million.

3. RATIONALE AND BENEFITS OF THE PROPOSED SHARE ISSUANCE

The KL Eco City Project is an integrated commercial and residential development. The master plan for this development was prepared by Jerde Partnership, an international award-winning architect and master planner well-known for integrated mixed-use commercial and residential developments.

Our management believes that in addition to the integrated master plan by a world-renowned planner and its plan for green accreditation, the development's key advantages are its strategic location near the affluent Bangsar area and its connectivity to key roads, highways, the KTM (Keretapi Tanah Melayu) Commuter and the Kelana Jaya light rail transport lines.

Following completion of the Proposed Acquisition, KLEC will become a wholly-owned subsidiary of S P Setia which will enable us to reap the full benefits of the KL Eco City Project to be developed. In addition, we envisage that the consolidation of KLEC's shareholding structure would provide our Group with greater funding flexibility for the KL Eco City Project.

After evaluating various alternatives to fund the Purchase Consideration, we are of the view that the issue of the new S P Setia Shares for the Proposed Acquisition would be most appropriate as it will allow us to conserve cash for the development of projects and also enable YGK to participate in our Company's equity.

4. RISK FACTORS

4.1 Risk of non-completion of Privatisation Agreement

The Privatisation Agreement may be terminated by non-fulfilment of the conditions precedent set out in Section 1 of Appendix I of this Circular or by reason of any breach of any terms and conditions under the Privatisation Agreement. The Proposed Share Issuance may have been completed even though the conditions precedent have not been satisfied or if the Privatisation Agreement was terminated and the KL Eco City Project was not implemented.

The conditions precedent contained in the Privatisation Agreement are currently pending fulfilment. We will endeavour to take all reasonable steps to ensure the satisfaction and/or fulfilment of the conditions precedent contained therein and/or the performance of relevant parties' obligations for the completion of the Privatisation Agreement. In this respect, the Company has secured a syndicated financing facility of RM460 million to finance the KL Eco City Project.

4.2 Completion risk factor

Completion of the Proposed Share Issuance will occur only upon completion of the SSA which is conditional upon, amongst others, the fulfilment of the conditions precedent and the performance by the relevant parties of their respective obligations under the SSA.

5. EFFECTS OF THE PROPOSED SHARE ISSUANCE

5.1 Issued and paid-up share capital

The proforma effects of the Proposed Share Issuance on our issued and paid-up share capital are as follows:

	No. of S P Setia Shares 000	Issued and paid-up share capital RM 000
As at 11 November 2011	1,840,614	1,380,461
Arising from the Proposed Share Issuance	19,380	14,535
Enlarged issued and paid-up share capital	1,859,994	1,394,996

5.2 NA, NA per share and gearing

The Proposed Share Issuance will not, on a proforma basis, have any material effect on the NA, NA per share and gearing of our Group based on our audited consolidated financial statements as at 31 October 2010, as the changes to NA, NA per share and gearing are less than 2%.

The estimated expenses for the Proposed Share Issuance is about RM260,000, which comprise the estimated professional fees of RM150,000 and other fees such as fees to be paid to relevant authorities, printing and other miscellaneous charges of RM110,000.

5.3 Shareholdings of the substantial shareholders

Based on our Register of Substantial Shareholders as at 11 November 2011, the proforma effects of the Proposed Share Issuance on our substantial shareholders' shareholdings are as follows:

	As at 11 November 2011				After the Proposed Share Issuance			
	Direct		Indirect		Direct		Indirect	
	No. of S P Setia Shares 000	%	No. of S P Setia Shares 000	%	No. of S P Setia Shares 000	%	No. of S P Setia Shares 000	%
Substantial shareholders								
AmanahRaya Trustees Berhad - Skim Amanah Saham Bumiputera ("SASB")	369,379	20.07	-	-	369,379	19.86	-	-
PNB	264,211	14.35	-	-	264,211	14.20	-	-
Employees Provident Fund Board	235,790	12.81	-	-	235,790	12.68	-	-
Tan Sri Dato' Sri Liew Kee Sin	158,196	8.59	⁽¹⁾ 42,302	2.30	158,196	8.51	⁽¹⁾ 42,302	2.27
Yayasan Pelaburan Bumiputra	-	-	⁽²⁾ 264,211	14.35	-	-	⁽²⁾ 264,211	14.20

Notes:

⁽¹⁾ Deemed interested by virtue of his shareholdings in Sakura Gold Sdn Bhd pursuant to Section 6A of the Act and the shareholdings held by his spouse.

⁽²⁾ Deemed interested by virtue of its shareholdings in PNB pursuant to Section 6A of the Act.

For information purposes, the collective shareholdings of PNB and the PAC in S P Setia in relation to the Offer (as defined in Section 12 of this Circular) as at 11 November 2011 is 38.65%.

5.4 Earnings and EPS

Save for the dilution in the EPS of our Group arising from the increase in the number of new S P Setia Shares to be issued pursuant to the Proposed Share Issuance, the Proposed Share Issuance will not have any material effect on the earnings of our Group for the financial year ending 31 October 2012, as the Proposed Acquisition is expected to be completed by mid January 2012. The effects of the Proposed Share Issuance on future earnings and/or EPS of our Group would depend on, amongst others, the future performance of KLEC and the funding costs to be incurred for the KL Eco City Project.

5.5 Convertible securities

Save for the existing ESOS Options and Warrants, we do not have any convertible securities.

The Proposed Share Issuance will not give rise to adjustments to the exercise prices and/or number of outstanding ESOS Options pursuant to the terms of the ESOS by-laws.

The Proposed Share Issuance will also not give rise to adjustments to the exercise price and/or number of outstanding Warrants pursuant to the terms and conditions of the Deed Poll.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of the S P Setia Shares as traded on the Main Market of Bursa Securities for the last twelve (12) months from November 2010 to October 2011 are as follows:

	High	Low
	RM	
2010		
November	3.67	3.32
December	4.11	3.47
2011		
January	4.62	3.97
February	4.35	3.82
March	4.29	3.91
April	4.55	4.15
May	4.32	4.01
June	4.24	4.02
July	4.24	3.72
August	4.02	3.46
September	3.90	2.97
October	3.90	3.81

The last transacted price of S P Setia Shares on 22 July 2011 (being the last day of trading prior to the announcement of the Proposed Share Issuance) RM4.07

The last transacted price of S P Setia Shares on the LPD RM3.82

Note:

The above share prices from November 2010 to April 2011 have been adjusted for the bonus issue of new S P Setia Shares on the basis of one (1) bonus share for every two (2) S P Setia Shares which was completed on 22 April 2011.

(Source: Bloomberg)

7. APPROVALS REQUIRED

The Proposed Share Issuance is subject to the approvals being obtained from the following:

- (i) our shareholders at our forthcoming EGM;
- (ii) Bursa Securities which was obtained via its letter dated 23 November 2011 for the listing of and quotation for the new S P Setia Shares to be issued pursuant to the Proposed Share Issuance, subject to the following conditions:

<u>Conditions</u>	<u>Status of compliance</u>
(a) S P Setia and CIMB must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Share Issuance;	To be met
(b) S P Setia and CIMB to inform Bursa Securities upon the completion of the Proposed Share Issuance;	To be met
(c) To incorporate the comments made by Bursa Securities in the circular to shareholders;	Met
(d) S P Setia to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Share Issuance is completed; and	To be met
(e) S P Setia to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed Share Issuance; and	To be met

- (iii) any other relevant authorities and/or parties, if required.

The Proposed Share Issuance is not conditional or inter-conditional upon any corporate exercises or schemes.

8. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of our Directors and/or major shareholders and persons connected to them has any interests, direct or indirect, in the Proposed Share Issuance.

9. DIRECTORS' RECOMMENDATION

After having considered all aspects of the Proposed Share Issuance including the rationale and benefits of the Proposed Share Issuance as set out in Section 3 above, our Board is of the opinion that the Proposed Share Issuance is in the best interest of our Group. Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed Share Issuance to be tabled at our forthcoming EGM.

10. OTHER CORPORATE PROPOSALS

Save for the Proposed Share Issuance and as disclosed below, we have not announced any other corporate proposals which have yet to be completed as at the LPD:

- (i) A co-operation agreement entered into by Setia Saigon East Limited and Setia D-Nine Limited, both our wholly-owned subsidiaries and Saigon Hi-Tech Park Development Company to jointly develop a mixed real property development on a parcel of land measuring approximately 32 hectares or 79 acres located in District 9, Ho Chi Minh City, Vietnam as announced on 3 January 2008. As announced on 27 July 2011, the parties have mutually agreed to extend the period for fulfillment of the conditions precedent to expire on 3 July 2012;
- (ii) A development agreement entered into by Aeropod Sdn Bhd, our 70%-owned subsidiary and the State Government of Sabah for the proposed development of a piece of land measuring approximately 59.21 acres in Tanjung Am, Kota Kinabalu, Sabah as announced on 29 January 2008. As announced on 26 April 2011, the parties have mutually agreed to extend the period for fulfillment of the conditions precedent to expire on 29 October 2011. As announced on 2 November 2011, the parties have mutually agreed to extend the period for fulfillment of the conditions precedent for a further period of six (6) months to expire on 28 April 2012;
- (iii) A proposed disposal by Bandar Setia Alam Sdn Bhd ("**BSA**"), our wholly-owned subsidiary, of approximately 30.5 acres of freehold land ("**Original Land**") located within Precinct I of the Setia Alam township ("**Said Land**") to Greenhill Resources Sdn Bhd ("**Greenhill**") for a total consideration of RM119,572,200.00 and proposed joint venture between BSA and Lend Lease Asian Retail Investment Fund 2 Limited, 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, as announced on 2 July 2008.

Subsequently on 15 July 2009, BSA had entered into several agreements to reflect certain changes to the earlier proposals announced on 2 July 2008. The agreements include the sale and purchase agreement between BSA and Greenhill and GR Investments Ltd for the disposal by BSA to Greenhill of approximately 16.19 acres of the Original Land for a total consideration of approximately RM63.5 million;

- (iv) On 26 October 2009, Setia Lai Thieu Limited ("**Setia LT**"), our subsidiary, 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/26.79 acres located in Lai Thieu Town, Thuan An District, Binh Duong Province, Vietnam from Becamex to a company to be established by Setia LT in Vietnam for a total consideration of USD16,260,000 only.

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 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;

- (v) We had proposed a development of an integrated health and research complex to be known as the INIH Complex on approximately 55.33 acres of land at Bandar Setia Alam by way of land swap for approximately 40.22 acres of government land located along Jalan Bangsar, Wilayah Persekutuan Kuala Lumpur.

As announced on 17 January 2011, the terms and conditions of the proposal are currently being negotiated between Sentosa Jitra Sdn Bhd, Unit Kerjasama Awam Swasta and the Ministry of Health, Malaysia;

- (vi) On 28 January 2011, our wholly-owned subsidiary, Setia Indah Sdn Bhd, had entered into a conditional sale and purchase agreement with Kenyalang Property Development Sdn Bhd to purchase a piece of land held under H.S. (D) 368479 for PTD 117035 in the Mukim of Tebrau, District of Johor Bahru, state of Johor Darul Takzim measuring approximately 265.719 acres for a total cash consideration of RM125,788,604.

The agreement had been rendered unconditional on 22 August 2011;

- (vii) On 2 March 2011, Setia Eco Glades Sdn Bhd (previously known as Setia Eco Villa Sdn Bhd), presently our 70%-owned subsidiary, had entered into a conditional share and purchase agreement with Cyberview Sdn Bhd and Setia Haruman Sdn Bhd to purchase a piece of freehold land within the Cyberjaya Flagship Zone measuring approximately 268.11 acres for a total cash consideration of RM420,439,378 or RM36 per square foot. The agreement is expected to be completed during the financial year ending 31 October 2012;

- (viii) On 12 August 2011, our wholly-owned subsidiary, Bukit Indah (Selangor) Sdn Bhd, had entered into a conditional share and purchase agreement with Ban Guan Hin Realty Sdn Bhd to purchase a piece of freehold land under Geran 45874 for Lot 39, Mukim Beranang, Daerah Ulu Langat, Negeri Selangor measuring approximately 1,010.5 acres for a total cash consideration of RM330,130,350 or RM7.50 per square foot. The agreement is expected to be completed during the financial year ending 31 October 2012;

- (ix) On 23 September 2011, our wholly-owned subsidiary, Setia International Limited entered into a conditional contract of sale with Portbridge Pty Ltd to purchase approximately 9,030 square metres of land located on St. Kilda Road and Moubray Street, Melbourne, Australia for a total purchase consideration of Australian Dollar 25,250,000.

The conditional contract of sale has been rendered unconditional on 8 November 2011; and

- (x) On 3 October 2011, our wholly-owned subsidiary, Setia Hicon Sdn Bhd entered into a sale and purchase agreement with Spektrum Megah (M) Sdn Bhd for the proposed acquisition of approximately 673.27 acres of freehold land out of the 737.87 acres held under Geran 30905 for Lot 1812 and Geran 50544 for Lot 650, Mukim Semenyih, Daerah Ulu Langat, Negeri Selangor from Spektrum Megah (M) Sdn Bhd for a total purchase consideration of RM381,259,333 or RM13 per square foot.

The Proposed Share Issuance is not conditional or inter-conditional upon any corporate proposals above.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all the required approvals being obtained, our Board expects the Proposed Share Issuance to be completed by mid January 2012.

12. OTHER MATTERS

On 28 September 2011, we announced our receipt of a notice of take-over offer from Maybank Investment Bank Berhad ("**Maybank IB**") on behalf of PNB ("**Notice**"), to acquire the following:

- (i) all the remaining S P Setia Shares not already owned by PNB and the PAC;
- (ii) all the outstanding Warrants issued by S P Setia not already owned by PNB and the PAC ("**Offer Warrants**");
- (iii) all the new S P Setia Shares that may be issued prior to the closing of the Offer (as defined below) arising from the exercise of the outstanding ESOS Options; and
- (iv) all the new S P Setia Shares that may be issued prior to the closing of the Offer (as defined below) arising from the exercise of outstanding Warrants,

for a cash offer price of RM3.90 per S P Setia Share ("**Shares Offer**") and RM0.91 per Offer Warrant ("**Warrants Offer**") respectively.

The Shares Offer and the Warrants Offer are collectively referred to as "**Offer**".

On 3 October 2011, we announced the appointment of AmlInvestment Bank Berhad as our independent adviser to advise our non-interested directors and shareholders on the Offer and subsequently on 5 October 2011, we despatched the Notice to our shareholders and Warrant holders.

13. EGM

We will hold an EGM, the notice of which is enclosed in this Circular at Nusantara Hall, Setia Alam Welcome Centre, No. 2, Jalan Setia Indah AD U13/AD, Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor Darul Ehsan on Thursday, 15 December 2011 at 11.00 a.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing with or without modifications, the resolution set out in the Notice of EGM.

If you are unable to attend and vote in person at the EGM, please complete and return the enclosed Proxy Form for the EGM so as to arrive at our registered office at Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur not later than forty-eight (48) hours before the time set for the EGM or at any adjournment thereof. The Proxy Form should be completed strictly in accordance with the instructions contained therein. The completion and the return of the Proxy Form will not preclude you from attending and voting in person should you subsequently decide to do so.

14. FURTHER INFORMATION

We request that you refer to the attached appendices for further information.

Yours faithfully
for and on behalf of the Board of
S P Setia Berhad

Tan Sri Abdul Rashid bin Abdul Manaf
Chairman

INFORMATION ON KLEC

1. HISTORY AND BUSINESS

KLEC was incorporated in Malaysia under the Act as a private limited company on 7 August 1989. The principal activities of KLEC are property development and property investment holding.

On 20 December 2000, we entered into a conditional shareholders' agreement with YGP Holdings Sdn Bhd ("**YGP**"), a subsidiary of YGK ("**Conditional Shareholders' Agreement**") to govern our relationship with YGP as the proposed shareholders of KLEC. The Conditional Shareholders' Agreement sets out the respective rights, duties and obligations of the parties in relation to, amongst others, the acquisition by KLEC of several pieces of land from DBKL and various private owners for the KL Eco City Project. On 3 March 2011, YGP had via a novation agreement, novated all of its rights, title, interest, obligations and liabilities pursuant to the Conditional Shareholders' Agreement, to YGK, resulting in YGK holding 40% equity interest in KLEC.

On 24 October 2011, KLEC entered into a privatisation agreement with DBKL for the KL Eco City Project (i.e. the Privatisation Agreement) which is subject to the following conditions precedent being fulfilled within three (3) months from the date of the Privatisation Agreement:

- (a) the presentation of the memorandum of transfer for approximately 4.38 acres of land belonging to the S P Setia Group in favour of DBKL;
- (b) the payment by KLEC to DBKL of the following sums:
 - (i) RM11,400,000, being the difference between the actual construction costs of the low medium cost Apartment Abdullah Hukum 1 and the purchase price offered to the squatter families on approximately 20.5 acres of land belonging to DBKL ("**DBKL Lands**");
 - (ii) RM10,591,710, being 10% of RM105,917,095 (the market value of Plot A, Plot C, Plot D and Plot E of the DBKL Lands less the premium already paid by KLEC for the alienation to DBKL, which shall be paid on a progressive and deferred basis over a maximum period of thirty-six (36) months from the date of the Privatisation Agreement); and
 - (iii) RM1,615,396, being the land value for Plot F of the DBKL Lands;
- (c) the deposit of a performance bond for the due performance of the first component of the KL Eco City Project for the value of RM10,544,996 with DBKL;
- (d) the submission by KLEC to DBKL of relevant documents evidencing that KLEC has secured the project financing in respect of the KL Eco City Project; and
- (e) the deposit with Railway Asset Corporation ("**RAC**") of a land bond for RM42,090,000, to secure the performance of KLEC's obligation to construct a new KTM Commuter Station in exchange for Plot B originally belonging to the RAC, which was previously reserved for railway purposes pursuant to the Railways Act 1991.

As at the LPD, the above conditions precedent have yet to be fulfilled.

Further information on the DBKL Lands to be developed pursuant to the KL Eco City Project are as follows:

Plot	PT No.	No. H.S. (D)	Seksyen	Mukim/ Bandar & Daerah	Negeri	Acreage	Expiry dates
A	22	117435	95A	Kuala Lumpur	Wilayah Persekutuan	15.85	5 December 2109
B	72, 23	117933, 117935	98, 95A	Kuala Lumpur	Wilayah Persekutuan	3.90	23 March 2110
C	24	117934	95A	Kuala Lumpur	Wilayah Persekutuan	0.15	23 March 2110
D	73	117939	98	Kuala Lumpur	Wilayah Persekutuan	0.24	5 April 2110
E	74	117938	98	Kuala Lumpur	Wilayah Persekutuan	0.22	5 April 2110
F	Approved for alienation to the proprietor		95A	Kuala Lumpur	Wilayah Persekutuan	0.14	-
Total						20.50*	

Note:

* The above total acreage of the DBKL Lands excludes 4.38 acres of private land.

KL Eco City Project

The KL Eco City Project, which had obtained the development order from Dewan Bandaraya Kuala Lumpur on 21 February 2011, involves the proposed development of vacant leasehold lands measuring about 24.88 acres located at Abdullah Hukum in the Federal Territory of Kuala Lumpur into an integrated mixed-use commercial and residential development comprising residential towers, corporate office towers, serviced apartments, boutique offices, retail podium and strata office towers. The location is strategic as it is near the affluent Bangsar area and its connectivity to key roads, highways, the KTM (Keretapi Tanah Melayu) Commuter and Kelana Jaya light rail transport lines.

The proposed development of the KL Eco City Project consists of:

- (a) three (3) blocks of residential towers ranging from 44 to 56 storeys;
- (b) three (3) blocks of corporate office towers ranging from 32 to 42 storeys;
- (c) three (3) blocks of boutique office towers ranging from 15 to 17 storeys;
- (d) one (1) block of strata office tower of 31 storeys;
- (e) one (1) block of service apartment of 46 storeys; and
- (f) one (1) four-storey retail podium.

The initial gross development value for Phase 1 of the KL Eco City Project comprising three (3) blocks of boutique office towers and one (1) block of strata office tower is estimated at RM1.1 billion.

The KL Eco City Project is expected to be funded via internally generated funds and bank borrowings. Subject to all the conditions precedent being met, the development of the KL Eco City Project is expected to commence in the first half of 2012 and the construction period is expected to spread over 12 years.

As at 11 November 2011, KLEC has secured bank borrowings amounting to RM460 million to part finance the development of KL Eco City Project. The estimated breakdown between internally generated funds and bank borrowings will be about 30% and 70% respectively.

As the development of the KL Eco City Project is still at a preliminary stage, the detailed development costs and the expected profits of the KL Eco City Project cannot be ascertained as at the LPD.

2. SHARE CAPITAL

The authorised and issued and paid-up share capital of KLEC as at 11 November 2011 are as follows:

Type	No. of shares	Par value	Total
			RM
Authorised			
Ordinary shares	100,000	1.00	100,000
Issued and paid-up			
Ordinary shares	100,000	1.00	100,000

3. DIRECTORS

The Directors of KLEC and their respective shareholdings in KLEC as at 11 November 2011 are as follows:

Name	Designation	Nationality	Direct		Indirect	
			No. of KLEC Shares held	%	No. of KLEC Shares held	%
Khor Chap Jen	Director	Malaysian	-	-	-	-
Dato' Abd Rahman bin Dahlan	Director	Malaysian	-	-	-	-
Datuk Mohd Hafarizam bin Harun	Director	Malaysian	-	-	-	-
Ong Kek Seng	Director	Malaysian	-	-	-	-

4. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of KLEC and their respective shareholdings in KLEC as at 11 November 2011 are as follows:

Name	Country of incorporation	Direct		Indirect	
		No. of KLEC Shares held	%	No. of KLEC Shares held	%
S P Setia	Malaysia	60,000	60.00	-	-
YGK (a company limited by guarantee)	Malaysia	40,000	40.00	-	-
SASB	Malaysia	-	-	⁽¹⁾ 60,000	60.00

Note:

⁽¹⁾ Deemed interested by virtue of its shareholdings in S P Setia pursuant to Section 6A of the Act.

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at 11 November 2011, KLEC does not have any subsidiaries or associated companies.

6. SUMMARY OF FINANCIAL DATA

A summary of KLEC's results based on its audited financial statements for the three (3) FYE 31 October 2008, 2009 and 2010 are as follows:

	FYE 31 October 2008	FYE 31 October 2009	FYE 31 October 2010
	RM		
Revenue	6,600	-	-
Loss before taxation	(167,287)	(483,558)	(1,223,073)
Taxation	(700)	700	-
Loss after taxation	(167,987)	(482,858)	(1,223,073)
Minority interests ("MI")	-	-	-
Loss after taxation and MI	(167,987)	(482,858)	(1,223,073)
Issued and paid-up share capital (RM)	100,000	100,000	100,000
Number of KLEC Shares in issue	100,000	100,000	100,000
Gross loss per KLEC Share ("LPS")	(1.67)	(4.84)	(12.23)
Net LPS	(1.68)	(4.83)	(12.23)
Net liabilities	(245,993)	(728,851)	(1,951,924)
Net liabilities per KLEC Share	(2.46)	(7.29)	(19.52)
Current ratio (times)	23.86	502.59	71.00
Total borrowings (all interest-bearing debts) (RM)	-	-	-
Gearing ratio (times)	-	-	-

Notes:

⁽¹⁾ There were no exceptional items or extraordinary items for the financial years under review.

⁽²⁾ The audited financial statements of KLEC for the financial years under review were not subject to any audit qualification.

⁽³⁾ There were no unusual accounting policies adopted by KLEC for the financial years under review.

Commentaries

FYE 31 October 2008

The revenue of RM6,600 was due to rental income recognised during the year. The loss after taxation and MI of RM167,987 was principally due to selling and marketing expenses, and administrative and general expenses incurred during the year.

FYE 31 October 2009

There was no revenue recognised during the year as the property investment was not let out during the financial year. The increase in loss after taxation and MI by 187% to RM482,858 compared to the previous financial year was principally due to the increase in selling and marketing expenses, and administrative and general expenses incurred during the year.

FYE 31 October 2010

There was no revenue recognised during the year as the property investment was not let out during the financial year. The increase in loss after taxation and MI by 153% to RM1,223,073 compared to previous financial year was principally due to the increase in selling and marketing expenses, and administrative and general expenses incurred during the year.

7. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

7.1 Material commitments

As at the nine (9)-month financial period ended 31 July 2011, the Directors of KLEC are not aware of any material commitments contracted or known to be contracted by KLEC which may have a material impact on the financial position of KLEC.

7.2 Contingent liabilities

As at the nine (9)-month financial period ended 31 July 2011, the Directors of KLEC are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of KLEC.

8. MATERIAL CONTRACTS

Save for the Privatisation Agreement, KLEC has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the two (2) years preceding the LPD.

AUDITED FINANCIAL STATEMENTS OF KLEC FOR THE FYE 31 OCTOBER 2010 TOGETHER WITH THE AUDITORS' REPORT



AF: 1954

Company No.: 185140-X

Page 7

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
KL ECO CITY SDN BHD
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of KL Eco City Sdn Bhd, which comprise the balance sheet as at 31 October 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 28.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 October 2010 and of its financial performance and cash flows for the year then ended.

Emphasis of matter

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation of the financial statements. At the balance sheet date, the Company had a deficiency in shareholder's equity. The holding company has confirmed its intention to provide continuing financial support to the Company. Consequently, the financial statements have been prepared on a going concern basis and do not include any adjustments that would result from a failure to obtain such financial support. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

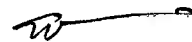
Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



MAZARS
No. AF: 1954
Chartered Accountants

^



TANG KIN KHEONG
No. 1501/9/11 (J/PH)
Partner

Kuala Lumpur

Date: 9 December 2010

KL ECO CITY SDN BHD
(Incorporated in Malaysia)

BALANCE SHEET - 31 OCTOBER 2010

	<i>Note</i>	2010 RM	2009 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	930,320	111,984
Investment property	5	129,613	131,361
		-----	-----
		1,059,933	243,345
		-----	-----
Current assets			
Development expenditure	6	-	22,613,545
Sundry receivables	7	113,446,083	500,000
Current tax assets		3,076	3,076
Cash and bank balances		269,610	93,685
		-----	-----
		113,718,769	23,210,306
		-----	-----
TOTAL ASSETS		114,778,702	23,453,651
		=====	=====
EQUITY AND LIABILITIES			
Equity			
Share capital	8	100,000	100,000
Accumulated loss		(2,051,924)	(828,851)
		-----	-----
Total equity		(1,951,924)	(728,851)
		-----	-----
Non-current liability			
Amount owing to holding company	9	115,128,934	24,136,321
		-----	-----
Current liabilities			
Trade payables	10	957,128	17,137
Sundry payables and accruals		506,878	8,750
Amounts owing to related companies	11	137,686	20,294
		-----	-----
Total current liabilities		1,601,692	46,181
		-----	-----
Total liabilities		116,730,626	24,182,502
		-----	-----
TOTAL EQUITY AND LIABILITIES		114,778,702	23,453,651
		=====	=====

Notes to and forming part of the financial statements are set out on pages 13 to 28

Auditors' Report - Pages 7 and 8

KL ECO CITY SDN BHD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2010

	<i>Note</i>	2010 RM	2009 RM
Revenue	<i>12</i>	-	-
Direct cost		(5,225)	(5,973)
Gross profit		----- (5,225)	----- (5,973)
Other income		182	6,500
Selling and marketing expenses		(116,824)	(10,000)
Administrative and general expenses		(1,101,206)	(474,085)
Loss before tax	<i>13</i>	----- (1,223,073)	----- (483,558)
Tax expense	<i>14</i>	-	700
Loss for the year		----- (1,223,073) =====	----- (482,858) =====

Notes to and forming part of the financial statements are set out on pages 13 to 28

Auditors' Report - Pages 7 and 8

KL ECO CITY SDN BHD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2010

	Share capital RM	Accumulated loss RM	Total equity RM
At 1 November 2008	100,000	(345,993)	(245,993)
Loss for the year	-	(482,858)	(482,858)
At 31 October 2009	100,000	(828,851)	(728,851)
Loss for the year	-	(1,223,073)	(1,223,073)
At 31 October 2010	100,000	(2,051,924)	(1,951,924)

Notes to and forming part of the financial statements are set out on pages 13 to 28

Auditors' Report - Pages 7 and 8

KL ECO CITY SDN BHD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2010

	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,223,073)	(483,558)
Adjustment for		
- depreciation on property, plant and equipment	180,187	31,120
- depreciation on investment property	1,748	1,748
- gain on disposal of property, plant & equipments	(600)	-
- property, plant & equipments written off	418	-
Operating loss before working capital changes	(1,041,320)	(450,690)
Changes in receivables	(143,368)	(472,000)
Changes in payables	1,438,118	(165,441)
Development expenditure paid	-	(18,136,889)
Cash generated from/(used in) operations	253,430	(19,225,020)
Tax refund	-	591
Net cash generated from/(used in) operating activities	253,430	(19,224,429)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of property, plant and equipment	9,000	-
Purchases of property, plant and equipment	(1,007,340)	(32,531)
Advance payments made pending the signing of the Privatisation Agreement	(90,189,170)	-
Net cash used in investing activities	(91,187,510)	(32,531)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from holding company	90,992,613	19,246,820
Advances from related companies	117,392	19,120
Net cash generated from financing activities	91,110,005	19,265,940
NET INCREASE IN CASH AND BANK BALANCES	175,925	8,980
CASH AND BANK BALANCES BROUGHT FORWARD	93,685	84,705
CASH AND BANK BALANCES CARRIED FORWARD	269,610	93,685

Notes to and forming part of the financial statements are set out on pages 13 to 28

Auditors' Report - Pages 7 and 8

KL ECO CITY SDN BHD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2010

1. FUNDAMENTAL ACCOUNTING CONCEPT

The Company had a deficiency in shareholder's equity as at 31 October 2010. The financial statements have been prepared in conformity with the principles applicable to a going concern. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the deficiency in shareholder's equity. The holding company has confirmed its intention to make available to the Company adequate funds as and when required to maintain the Company as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements comply with applicable approved Financial Reporting Standards ("FRSs"), issued by the Malaysian Accounting Standards Board and with the provisions of the Companies Act, 1965.

The measurement bases applied in the preparation of the financial statements include cost, recoverable value, realisable value and fair value. Estimates are used in measuring these values.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

The accounting policies adopted by the Company are consistent with those adopted in previous years.

- (b) New/Revised FRSs, Issue Committee Interpretation (“IC Interpretation”) and Amendments to FRSs that are not yet effective

The Company has not applied the following new/revised FRSs and IC Interpretations that have been issued by MASB but are not yet effective:

New FRSs, Amendments to FRSs and Interpretations		Effective for financial periods beginning on or after
FRS 1	First-time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3	Business Combinations (revised)	1 July 2010
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 101	Presentation of Financial Statements (revised)	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Consolidated and Separate Financial Statements (revised)	1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRSs	Improvements to FRSs (2009)	1 January 2010
Amendments to FRSs	Improvements to FRSs (2010)	1 January 2011
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements : Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendment to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132	Financial Instruments: Presentation	1 March 2010

(b) New/Revised FRSs, Issue Committee Interpretation (“IC Interpretation”) and Amendments to FRSs that are not yet effective (cont’d)

New FRSs, Amendments to FRSs and Interpretations		Effective for financial periods beginning on or after
Amendments to FRS 138	Intangible Assets	1 July 2010
IC Interpretation 4	Determining Whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18	Transfer of Assets from Customers	1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
TR - 3	Guidance on Disclosures of Transition to IFRSs	31 December 2010
TR i - 3	Presentation of Financial Statements of Islamic Financial Institutions	1 January 2010
TR i - 4	Shariah Compliant Sale Contracts	1 January 2011

The above new/revised FRSs, IC Interpretations and Amendments to FRSs are expected to have no significant impact on the financial statements of the Company upon their initial application except as discussed below. The Company is exempted from disclosing the possible impact to the financial statements upon the initial application of FRS 7 and FRS 139.

- (b) New/Revised FRSs, Issue Committee Interpretation (“IC Interpretation”) and Amendments to FRSs that are not yet effective (cont’d)

FRS 101 – Presentation of Financial Statements

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of income and expense recognised directly in equity, either in one single statement, or in two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements.

The revised FRS 101 also requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company’s objective, policies, and processes for managing capital.

The revised FRS 101 will be adopted retrospectively by the Company.

- (c) Significant accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date, and reported amounts of income and expenses during the financial year.

Although these estimates are based on management's best knowledge of current events and actions, historical experiences and various other factors, including expectations for future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(d) Property, plant and equipment

(i) *Measurement basis*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of an asset

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(ii) *Depreciation*

Depreciation is calculated to write off the depreciable amount of property, plant and equipment on a straight-line basis over their estimated useful lives. The depreciable amount is determined after deducting residual value from cost.

The principal annual rates used for this purpose are:

Computers equipment	33%
Motor vehicles	16%
Office equipment	20%
Furniture&fittings	10%
Office renovation	10%

(e) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both rather than for use in the production or supply of goods and services or for administrative purposes, or sale in the ordinary course of business.

(i) *Measurement basis*

Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of investment properties includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(ii) *Depreciation*

Depreciation is calculated to write off the depreciable amount of investment properties on a straight-line basis over their estimated useful lives. Depreciable amount is determined after deducting the residual value from the cost of the investment property.

Long leasehold apartments are amortised on the straight line basis over the remaining period of the lease.

(f) *Receivables*

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established. Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Known bad debts are written off and allowance is made for any receivables considered to be doubtful of collection.

(g) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(h) Share capital

Ordinary shares are recorded at nominal value and proceeds received in excess, if any, of the nominal value of shares issued are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of shares is accounted for as a deduction from share premium, if any, otherwise it is charged to the income statement.

Dividends to shareholders are recognised in equity in the period in which they are declared.

(i) Revenue recognition

Rental income is recognised on a straight line basis over the specific tenure of the respective leases.

(j) Operating Leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating lease income of the Company is credited to the income statement on a straight line basis over the period of the lease.

(k) Impairment of assets

Property, plant and equipment and investment property are assessed at each balance sheet date to determine whether there is any indication of impairment.

If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Recoverable amount is estimated for individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are charged to the income statement.

Any reversal of an impairment loss as a result of a subsequent increase in recoverable amount should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the asset.

(l) Taxation

The tax expense in the income statement represents the aggregate amount of current tax and deferred tax included in the determination of profit or loss for the financial year.

On the balance sheet, a deferred tax liability is recognised for taxable temporary differences while a deferred tax asset is recognised for deductible temporary differences and unutilised tax losses only to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences and tax losses can be utilised.

No deferred tax is recognised for temporary differences arising from the initial recognition of:

- (i) goodwill; or
- (ii) an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured based on tax consequences that would follow from the manner in which the asset or liability is expected to be recovered or settled, and based on tax rates enacted or substantively enacted by the balance sheet date that are expected to apply to the period when the asset is realised or when the liability is settled.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, whether in the same or a different period, directly to equity.

(m) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Company's financial instruments, which are recognised in the balance sheet comprise cash and bank balances, receivables, payables and ordinary shares.

These financial instruments are recognised when a contractual relationship has been established. The accounting policies and methods adopted, including the basis of measurement applied are disclosed above, where relevant.

The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes below, where applicable.

There were no financial instruments not recognised in the balance sheet.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Based on its current level of operations, the Company does not have any financial risk other than liquidity and cash flow risk. Being wholly-owned and controlled by the holding company, the Company manages its liquidity and cash flow risk by securing continuing financial support from the holding company.

4. PROPERTY, PLANT AND EQUIPMENT

2010	Motor vehicles RM	Computer equipment RM	Office equipment RM	Furniture & fittings RM	Office renovation RM	Total RM
Cost						
At 1.11.2009	137,334	27,401	522	-	-	165,257
Additions	124,255	98,882	245,865	90,620	447,719	1,007,341
Disposal	(10,000)	-	-	-	-	(10,000)
Written off	-	-	(522)	-	-	(522)
At 31.10.2010	251,589	126,283	245,865	90,620	447,719	1,162,076
Accumulated depreciation						
At 1.11.2009	42,347	10,822	104	-	-	53,273
Charge for the year	40,254	36,926	49,173	9,062	44,772	180,187
Disposal	(1,600)	-	-	-	-	(1,600)
Written off	-	-	(104)	-	-	(104)
At 31.10.2010	81,001	47,748	49,173	9,062	44,772	231,756
Net carrying amount						
At 31.10.2010	170,588	78,535	196,692	81,558	402,947	930,320
2009						
Cost						
At 1.11.2008	127,334	5,392	-	-	-	132,726
Additions	10,000	22,009	522	-	-	32,531
At 31.10.2009	137,334	27,401	522	-	-	165,257
Accumulated depreciation						
At 1.11.2008	20,374	1,779	-	-	-	22,153
Charge for the year	21,973	9,043	104	-	-	31,120
At 31.10.2009	42,347	10,822	104	-	-	53,273
Net carrying amount						
At 31.10.2009	94,987	16,579	418	-	-	111,984

5. INVESTMENT PROPERTY

	2010 RM	2009 RM
Leasehold building Cost		
At 1 November/31 October	158,993 =====	158,993 =====
Accumulated depreciation		
At 1 November	27,632	25,884
Charge for the year	1,748	1,748
At 31 October	29,380 -----	27,632 -----
Net book value at 31 October	129,613 =====	131,361 =====
Fair value at 31 October	180,000 =====	180,000 =====

The title deed to the investment property has yet to be transferred to the name of the Company.

The fair value of the investment property at 31 October 2010 is arrived at by reference to market evidence of transaction prices for similar properties and is performed by a registered valuer having an appropriate recognised professional qualification and recent experience in the location and category of property being valued.

6. DEVELOPMENT EXPENDITURE

	2010 RM	2009 RM
At 1 November	22,613,545	876,656
Cost incurred during the financial year		21,736,889
Reclassified to sundry receivables	(22,613,545)	-
At 31 October 2010	- =====	22,613,545 =====

7. SUNDRY RECEIVABLES

	2010 RM	2009 RM
Advance payments made pending the signing of the Privatisation Agreement (<i>see note 19</i>)	112,802,715	-
Sundry receivables	643,368	500,000
	-----	-----
At 31 October 2010	113,446,083	500,000
	=====	=====

Included in advance payments made pending the signing of the Privatisation Agreement is an amount of RM22,613,545 reclassified from development expenditure.

8. SHARE CAPITAL

	2010 RM	2009 RM
Authorised:		
100,000 shares of RM1 each	100,000	100,000
	=====	=====
Issued and fully paid:		
100,000 ordinary shares of RM1 each	100,000	100,000
	=====	=====

9. HOLDING COMPANY

The holding company is S P Setia Berhad, a company incorporated in Malaysia which owns 100% (2009 : 100%) of the issued share capital of the Company.

The amount owing to the holding company represents unsecured interest-free advances which are not repayable within the next 12 months.

10. TRADE PAYABLES

	2010 RM	2009 RM
Contractors' claim	957,128	17,137
	=====	=====

The normal credit term extended by contractors and suppliers is 45 days.

11. AMOUNTS OWING TO RELATED COMPANIES

The amounts owing to the related companies represent unsecured interest-free advances which are payable on demand.

12. REVENUE

The Company did not earn any revenue during the financial year (2009 : NIL).

13. LOSS BEFORE TAX

	2010 RM	2009 RM
Loss before tax is stated after charging:		
Auditors' remuneration	4,800	1,200
Depreciation		
- property, plant and equipment	180,187	31,120
- investment property	1,748	1,748
Director's fee	100	500
Property, plant & equipment written off	418	-
Rental of office	143,328	
Direct operating expenses of revenue generating investment property	3,688	4,226
	=====	=====
and crediting		
Gain on disposal of property, plant & equipment	600	-
	=====	=====

14. TAX EXPENSE

	2010 RM	2009 RM
Malaysian taxation based on results for the current year	-	-
Overprovision in prior year	-	(700)
	-----	-----
	-	(700)
	=====	=====

The provision for taxation differs from the amount of taxation determined by applying the applicable statutory tax rate to the loss before tax as a result of the following differences:

	2010 RM	2009 RM
Accounting loss	(1,223,073)	(483,558)
Taxation at applicable statutory tax rate of 25% (2009 : 25%)	(305,768)	(120,890)
Tax effects arising from non-deductible expenses	79,713	14,344
Addition of deferred tax assets not recognised	226,055	106,546
Overprovision in prior year	-	(700)
	-----	-----
	-	(700)
	=====	=====

The following temporary differences exist at 31 October the deferred tax benefits of which have not been recognised in the financial statements.

	2010 RM	2009 RM
Unutilised tax losses	1,509,148	744,440
Unabsorbed capital allowances	460,540	89,788
Excess of capital allowances over accumulated depreciation on property, plant and equipment	(282,623)	(51,383)
	-----	-----
	1,687,065	782,845
	=====	=====

15. EMPLOYEE BENEFITS EXPENSE

No employee benefits expense was incurred during the financial year (2009 : RM Nil), as the Company does not have any employees.

16. RELATED PARTY DISCLOSURES

The Company has a relationship with its holding company, namely, S P Setia Berhad, and its subsidiary companies:

- (a) Significant transactions with related party during the financial year were as follows:

	Transaction value		Balance Outstanding	
	2010 RM	2009 RM	2010 RM	2009 RM
Purchase of motor vehicle				
- <i>Setia Bina Raya Sdn Bhd</i>	-	10,000	-	-
- <i>S P Setia Project Management Sdn Bhd</i>	48,108	-	48,108	-
- <i>Syarikat Kemajuan Sdn Bhd</i>	72,000	-	72,000	-

- (b) Key management personnel compensation

	2010 RM	2009 RM
Director's fee	100	500
	=====	=====

17. FINANCIAL INSTRUMENTS

Fair value

The carrying amounts of the financial assets and liabilities of the Company at the balance sheet date approximated their fair values except for the amount owing to the holding company included as a non-current liability.

It is not practical to estimate the fair value of the amount owing to the holding company included as a non-current liability due principally to the absence of fixed repayment terms. However, the Company does not anticipate the carrying amount to be significantly different from the value that would eventually be settled.

18. CAPITAL COMMITMENT

	RM
Commitment to acquire of property, plant and equipment	
- Approved and contracted	210,561
	=====

19. SIGNIFICANT EVENT PENDING COMPLETION

Conditional Shareholders' Agreement entered into on 20 December 2000 between the holding company and YGP Holdings Sdn. Bhd. ("YGP") to govern the relationship between the holding company and YGP ("the Parties") as proposed shareholders in the Company and to set out the respective rights, duties and obligations of the Parties in relation to the proposed mixed residential and commercial development project.

On 21 August 2007, a Memorandum of Understanding was entered into between Datuk Bandar Kuala Lumpur ("DBKL") and the Company, pertaining to the proposed mixed residential and commercial development of the State Lands and Private Lands;

Pending the signing of the Privatisation Agreement, both parties have on 23 April 2009 entered into an interim agreement to set out, amongst others, the Parties' respective rights and obligations and the steps to be taken in procuring the eventual issuance of the title to the said lands by the State Authority.

As announced by the holding company on 12 August 2010, the Company and DBKL have agreed to extend the period for the execution of the Privatisation Agreement to expire on 20 February 2011.

20. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 9 December 2010 by the board of directors.

ADDITIONAL INFORMATION**1. RESPONSIBILITY STATEMENT**

Our Directors have seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular. They confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Circular misleading.

The information on YGK was obtained from YGK and the responsibility of our Board is limited to ensuring that this information is correctly extracted and reproduced in this Circular.

2. CONSENT

CIMB has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name, valuation report and all references thereon in the form and context in which they appear.

Save as disclosed below, CIMB is not aware of any possible conflict of interest which exists or is likely to exist, in its capacity as the Adviser in respect of the Proposed Share Issuance.

CIMB and its related and associated companies ("**CIMB Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The CIMB Group engages in transactions with and perform services for our Group and/or our affiliates in the ordinary course of business and/or have engaged, and in the future may engage, in private banking, commercial banking and investment banking and other services in the ordinary course of business with our Group.

In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to engage in any transactions (on its own account or otherwise) with any member of our Group and/or our affiliates, hold long or short positions, and may trade or otherwise effect transactions on its own account or the account of its customers in debt or equity securities of our Group. This is a result of the businesses of the CIMB Group generally acting independent of each other, and accordingly there may be situations where parts of the CIMB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Group.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES OF OUR GROUP

3.1 Material commitments

Save as disclosed below, as at the nine (9)-month financial period ended 31 July 2011, our Directors are not aware of any material commitments contracted or known to be contracted by our Group which may have a material impact on the financial position of our Group.

	<u>RM 000</u>
Commitments to purchase development land	
- Approved and contracted	599,030
- Approved but not contracted	22,857
Contractual commitments for acquisitions of investment properties	78,606
Contractual commitments for acquisitions of property, plant and equipment	3,614
	<u>704,107</u>

3.2 Contingent liabilities

Save as disclosed below, as at the nine (9)-month financial period ended 31 July 2011, our Directors are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of our Group.

	<u>RM 000</u>
Corporate guarantees given to:	
- licensed banks for performance bonds granted to jointly controlled entities	718
- licensed banks to secure banking facilities granted to jointly controlled entities	30,450
Contingent liabilities arising from potential liabilities	706
	<u>31,874</u>

4. MATERIAL LITIGATION OF OUR GROUP

As at 11 November 2011, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of our Group and our Directors are not aware of any proceedings, pending or threatened, against our Group or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies of them are available for inspection during normal business hours at our registered office at Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the EGM:

- (i) Our Memorandum and Articles of Association and the Memorandum and Articles of Association of KLEC;
- (ii) Our audited consolidated financial statements for the two (2) FYE 31 October 2009 and 2010 and the unaudited quarterly results for the nine (9)-month financial period ended 31 July 2011;

- (iii) The audited financial statements of KLEC for the two (2) FYE 31 October 2009 and 2010 and the unaudited financial statements for the nine (9)-month financial period ended 31 July 2011;
- (iv) The Valuation Report referred to in Section 2.2 of this Circular;
- (v) The material contract referred to in Section 8 of Appendix I of this Circular; and
- (vi) The letter of consent referred to in Section 2 of this Appendix.

Builder of Distinction

Setia

SP SETIA BHD GROUP

(Company No.: 19698-X)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of S P Setia Berhad (“**S P Setia**” or “**Company**”) will be held at Nusantara Hall, Setia Alam Welcome Centre, No. 2, Jalan Setia Indah AD U13/AD, Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor Darul Ehsan on Thursday, 15 December 2011 at 11.00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing, with or without any modifications, the following resolution:

ORDINARY RESOLUTION – PROPOSED ISSUANCE OF 19,379,845 NEW ORDINARY SHARES OF RM0.75 EACH IN S P SETIA (“S P SETIA SHARES”) AT THE ISSUE PRICE OF RM3.87 PER S P SETIA SHARE TO SATISFY THE TOTAL CONSIDERATION OF RM75,000,000 PURSUANT TO THE PROPOSED ACQUISITION BY S P SETIA OF 40,000 ORDINARY SHARES OF RM1.00 EACH IN KL ECO CITY SDN BHD (“KLEC”) (“KLEC SHARES”) REPRESENTING 40% EQUITY INTEREST IN KLEC FROM YAYASAN GERAKBAKTI KEBANGSAAN (“YGK”) (“PROPOSED SHARE ISSUANCE”)

“**THAT** approval be and is hereby given for the Company to issue 19,379,845 new S P Setia Shares at the issue price of RM3.87 per S P Setia Share credited as fully paid-up upon the terms and conditions as set out in the conditional share sale agreement dated 25 July 2011 between the Company and YGK to satisfy the purchase consideration of RM75,000,000 pursuant to the proposed acquisition by S P Setia of 40,000 KLEC Shares representing 40% of the total equity interest in KLEC from YGK;

AND THAT such new S P Setia Shares to be issued shall upon allotment and issue, be free from any and all encumbrances and rank pari passu in all respects with the existing S P Setia Shares, save and except that they shall not be entitled to any and all dividends, rights, allotments and/or other distributions unless the allotment and issue of the new S P Setia Shares were made on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions;

AND THAT the Directors of the Company be and are hereby authorised to take such steps as are necessary or expedient to implement, finalise or to give full effect to the Proposed Share Issuance with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed and/or permitted by the relevant authorities, to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as may be necessary to give full effect to, complete and implement the Proposed Share Issuance, to deal with all matters relating thereto and/or to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company.”

By Order of the Board

Lee Wai Ngan (LS 00184)
Chan Toyee Ying (LS 00185)
Company Secretaries

30 November 2011
Kuala Lumpur

Notes:

1. *A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
2. *The Form of Proxy, in the case of an individual, shall be signed by the appointor or his attorney, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *The Form of Proxy duly completed and signed must be deposited at the Registered Office of the Company at Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.*

Builder of Distinction

Setia

SP SETIA BHD GROUP

(Company No.: 19698-X)

(Incorporated in Malaysia under the Companies Act, 1965)

No. of Ordinary Shares Held	
--------------------------------	--

PROXY FORM

I/We _____ NRIC No./Company No. _____
(full name in block letters)

of _____
(full address)

being a member/members of S P SETIA BERHAD, hereby appoint _____
(full name in block letters)

NRIC No.: _____ of _____
(full address)

and/or failing him/her, _____
(full name in block letters)

NRIC No.: _____ of _____
(full address)

or failing him/her, the Chairman of the Meeting, as * my/our proxy to attend and vote for * me/us and on * my/our behalf at the Extraordinary General Meeting of the Company to be held at Nusantara Hall, Setia Alam Welcome Centre, No. 2, Jalan Setia Indah AD U13/AD, Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor Darul Ehsan on Thursday, 15 December 2011 at 11.00 a.m. or at any adjournment thereof in the manner as indicated below:

ORDINARY RESOLUTION	FOR	AGAINST
PROPOSED SHARE ISSUANCE		

* Strike out whichever not applicable

(Please indicate with an "X" in the spaces above how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

Dated this _____ day of _____ 2011.

Signature of Member(s)

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The Form of Proxy, in the case of an individual, shall be signed by the appointor or his attorney, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. The Form of Proxy duly completed and signed must be deposited at the Registered Office of the Company at Plaza 138, Suite 18.03, 18th Floor, 138, Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

Company Secretary
S P Setia Berhad (19698-X)
Plaza 138, Suite 18.03
18th Floor, 138 Jalan Ampang
50450 Kuala Lumpur

1st fold here
