

MEDA INC. BERHAD (507785-P)

For the Quarter Ended 30 June 2008

Part A -Explanatory Notes Pursuant to Financial Reporting Standards (FRS) 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirement of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

The significant accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 31 December 2007 except for the adoption of the following new/revised Financial Reporting Standards ("FRSs"), amendments to FRSs and Issues Committee Interpretations ("IC Int") effective for financial period beginning on or after 1 July 2007:

| | |
|-------------------------|--|
| FRS 107 | Cash Flow Statements |
| FRS 111 | Construction Contracts |
| FRS 112 | Income Taxes |
| FRS 118 | Revenue |
| FRS 119 | Employees Benefits |
| FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| FRS 126 | Accounting and Reporting by Retirement Benefit Plans |
| FRS 129 | Financial Reporting in Hyperinflationary Economies |
| FRS 134 | Interim Financial Reporting |
| FRS 137 | Provisions, Contingent Liabilities and Contingent Assets |
| Amendment to FRS 121 | The Effects of Changes in Foreign Exchange Rates – Net investment in a Foreign Operation |
| IC Int 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| IC Int 2 | Members' Shares in Co-operative Entities and Similar Instruments |
| IC Int 5 | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| IC Int 6 | Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment |
| IC Int 7 | Applying the Restatement Approach under FRS 129 (2004) – Financial Reporting in Hyperinflationary Economies |
| IC Int 8 | Scope of FRS 2 |

FRS where its effective date is deferred indefinitely:

| | |
|---------|---|
| FRS 139 | Financial Instruments : Recognition and Measurement |
|---------|---|

1. Basis of Preparation (continued)

The adoption of the above FRSs, amendments to FRSs and IC Int does not have any significant financial impact on the financial statements of the Group. The Group is exempted from disclosing the impact of FRS 139 prior to its effective date.

2. Auditors' Report on Preceding Annual Financial Statements

The Auditors' Report on the preceding financial statements for the financial year ended 31 December 2007 was not qualified.

3. Seasonal or Cyclical Factors

The business operations of the Group during the interim financial period ended 30 June 2008 (hereafter referred to as interim financial period) have not been materially affected by any significant seasonal or cyclical factors.

4. Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no unusual items materially affecting the assets, liabilities, equity, net income or cash flow of the Group during the interim financial period.

5. Accounting Estimates

There were no changes in the estimates of amounts reported in prior financial year that have material effect in the interim financial period.

6. Issuances and Repayment of Debt and Equity

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the interim financial period.

7. Dividend Paid

There were no dividends paid during the interim financial period.

8. Segment Reporting

Segmental information for the interim financial period is presented in respect of the Group's business segment.

| | Revenue RM'000 | Profit/(Loss) Before Tax RM'000 |
|------------------------------------|---------------------------|--|
| Property Development | 4,558 | (3,323) |
| Property Investment | 6,149 | 2,368 |
| Hotel Operations | 14,630 | 935 |
| Plantation | 1,762 | 843 |
| Car Park Operation | 1,178 | 975 |
| Others | - | (89) |
| | <hr/> 28,277 | <hr/> 1,709 |
| Unallocated Corporate Expenses | - | (1,829) |
| Share of associated company's loss | - | (66) |
| Finance Cost | - | (5,435) |
| | <hr/> 28,277 | <hr/> (5,621) |

9. Valuation of Property, Plant and Equipment

The valuation of land and buildings has been brought forward, without amendment from the financial statements as at 31 December 2007.

10. Subsequent Material Events

There were no material events subsequent to the end of the interim financial period that have not been reflected in the financial statements.

11. Changes in the Composition of the Group

There were no material changes in the composition of the Group for the interim financial period.

12. Changes in Contingent Liabilities and Contingent Assets

There were no changes in the contingent liability and contingent assets since the last annual balance sheet date as at 31 December 2007 as follows: .

| | As at 30 June 2008 RM '000 | As at 31 December 2007 RM ' 000 |
|---|---|--|
| <u>Contingent Liability</u> | | |
| A corporate guarantee given to financial institutions for credit facilities extended to an associated company | 18,000 | 18,000 |
| <u>Contingent Assets</u> | | |
| A legal claim made by a subsidiary company against an insurance company in respect of losses and damages suffered to its properties during the insured period. | 6,016 | 6,016 |
| A balance of shortfall amount in profit guarantee due to the Company arising from a profit guarantee agreement entered into between the Company and a substantial shareholder of the Company. | 2,189 | 2,189 |

PART B. Explanatory Notes Pursuant to Appendix 9B of The Listing Requirements of Bursa Malaysia Securities Berhad (BMSB)

1. Review of Performance

For the current quarter under review, the Group recorded a total revenue of RM11.4 million and a net loss of RM14.5 million.

The net loss incurred was mainly due to other expenses incurred as disclosed on the Unaudited Condensed Consolidated Income Statements.

On the 6-month cumulative basis, the Group recorded a revenue of RM28.3 million as compared to that of the same period of last year of RM33.9 million mainly due to lower property development activities.

The Group recorded a lower loss of RM5.6 million in the current period against a loss of RM82.9 million recorded in the same period of last year. This lower loss was mainly due to an impairment loss of RM77.4 million in respect of the Summit USJ property recognized in the previous period.

2. Variation of Results against Immediate Preceding Quarter (Quarter 2, 2008 vs Quarter 1, 2008)

The Group recorded a net loss of RM14.5 million for the current quarter compared to a net profit of RM8.9 million for the immediate preceding quarter. The variation in the results was mainly due to expenses on the disposal of the Summit USJ property incurred in the current quarter and a gain on disposal of the Office Tower (part of the aforesaid Summit USJ property) of RM9.6 million recognized in the 1st quarter of the current year.

3. Prospects

The Group anticipates the remaining year to be challenging in view of the increased cost of building materials and the current economic uncertainties. However, the property development activities in the second half year is expected to improve with more launches for sale of properties planned. In addition, with the savings in interest cost, following the disposal of the Summit USJ property, the financial performance of the Group is expected to improve.

4. Profit Forecast

Not applicable as no profit forecast was published.

5. Taxation Expense

There was no tax expense incurred by the Group for the current quarter and for the interim financial period mainly due to losses incurred by certain subsidiary companies and availability of unutilized capital allowances and unabsorbed tax losses brought forward from previous years available to setoff against future taxable profits.

Included in the Trade and Other Payable of the attached Condensed Consolidated Balance Sheet, is an amount of RM15.4 million representing the outstanding tax penalties, of which the Group is in the process of negotiating with the tax authority for a settlement plan. The settlement plan is anticipated to be concluded by the end of the year.

6. Sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investment and properties outside the ordinary course of the Group's business during the current quarter and the interim financial period save for the disposal of The Summit Subang USJ property by the Group, which was completed on 31 March 2008. A gain of RM9.6 million was recognized from the disposal in the 1st quarter.

7. Purchase or Disposal of Quoted Securities

There was no purchase or disposal of quoted securities for the current quarter and for the interim financial period.

8. (a) Status of Corporate Proposal Announced

Below are the corporate proposals that have been announced by the Company but not completed as at 15 Aug 2008, being the latest practicable date which shall not be earlier than 7 days from the date of this announcement:

- i) Proposed acquisition by Nandex Land Sdn Bhd, a wholly-owned subsidiary of the Company, of a piece of freehold land measuring 83,160 square metres and held under title HS(D) 61545 PT 47, Pekan Tanjong Kling Sek II, State of Melaka from Ganesha Sdn Bhd, a wholly-owned subsidiary of Malaysia Building Society Berhad, for a total cash consideration of RM20.0 million as announced on 27 July 2007.

The approval of Foreign Investment Committee was obtained on 31 October 2007. However, the proposed development plans were not approved by the local authority and the Group is currently revising the development plan.

- ii) On 9th July 2008, the Company and its wholly-owned subsidiary, Litaran Bayu Sdn. Bhd (“LBSB”) entered into a Share Sale Agreement (“Agreement”) with Equal Hope Ventures Sdn. Bhd. (“EHV”) for the disposal of Kota Malim Sdn Bhd (“KMSB”), a subsidiary of the Company for a cash consideration of RM2 million (“Proposed disposal”). The Company currently owns 30% direct equity interest and 70% indirect equity interest (through LBSB) in KMSB.

The proposed disposal is subject to regulatory approval and shareholders' approval of EHV. As at 15 Aug 2008, these approvals have yet to be obtained.

(b) Utilisation of Proceeds Raised from Corporate Proposal

Sale of The Summit Subang USJ by Meda Development Sdn Bhd (“MDSB”) (“Sale”)

The proposed sale of The Summit Subang USJ by MDSB, a wholly-owned subsidiary of the Company, as announced to Bursa Malaysia Securities Berhad on 1 August 2007, was completed on 31 March 2008.

8. (b) Utilisation of Proceeds Raised from Corporate Proposal (continued)

The gross and net proceeds derived from the Sale are as follows :-

Table 1:

| Item | RM'000 |
|--|---------------|
| Sale consideration | 260,000 |
| Redemption sum (a) | (171,200) |
| Tenancy deposits received by MDSB from subsisting tenants of the Property up to the completion of the revised sale and purchase agreement dated 30 November 2007 ("Agreement") | (2,469) |
| Retention amounts and other deposits pursuant to the Agreement | (15,948) |
| Purchaser's cost sums (b) | (557) |
| Net Proceeds | 69,826 |

Note :

- (a) As part of the agreement, the redemption sum (inclusive of interest) was paid to AmInvestment Bank Berhad in order that the existing charges and any caveat lodged by it or on its behalf may be discharged or cancelled ("Redemption Sum"), as disclosed in the circular dated 2 January 2008.
- (b) In consideration of the purchaser making payment of the Redemption Sum prior to their receipt of the legal possession of the Property and thus having to incur financing costs, the purchaser is entitled to retain RM0.557 million from the sale consideration as purchaser's costs sums, as disclosed in the circular dated 2 January 2008.

The status of utilisation of the Net Proceeds as at 30 June 2008 are as follows:

Table 2:

| | Purpose | Proposed Utilisation * (RM'000) | Actual Utilisation (RM'000) | Intended Timeframe for Utilisation | Unused Amount | |
|----|---|---------------------------------|-----------------------------|------------------------------------|-----------------|------------|
| | | | | | Amount (RM'000) | % |
| 1. | Proposed repayment of bank borrowings | 27,600 | 25,473 | No requirement | 2,127 | 8% |
| 2. | Expansion / acquisition of related business or assets | 10,000 | - | No requirement | 10,000 | 100% |
| 3. | Working capital for Meda Group ** | 26,026 | 24,547 | No requirement | 1,479 | 6% |
| 4. | Expenses in relation to the Sale *** | 6,200 | 5,657 | No requirement | 543 | 9% |
| | Total | 69,826 | 55,677 | | 14,149 | 20% |

8. (b) Utilisation of Proceeds Raised from Corporate Proposal (continued)

- * As per the SC's approval, any variation to the utilization of proceeds will be adjusted from / to working capital.
- ** The amount of proposed working capital of RM26.026 million has been reduced from the original proposed amount of RM26.720 million (per the circular dated 2 January 2008) mainly due to additional interests cost incurred, in relation to the redemption sum highlighted in Table 1 above, up to the actual date of redemption.
- *** The expenses in relation to the Sale include fees for professional advisers and agent's commission.

9. Group Borrowings and Debt Securities

The Group borrowings as at 30 June 2008 were as follows:

| | |
|----------------------|---------------------|
| | RM '000 |
| Short Term – Secured | 37,652 |
| Long Term – Secured | 37,619 |
| | <hr/> <u>75,271</u> |

None of the Group borrowings is denominated in foreign currency.

10. Off Balance Sheet Financial Instruments

During the interim financial period, the Group did not enter into any contracts involving off balance sheet financial instruments.

11. Changes in Material Litigation

(i) The Store Corporation Berhad & The Store (Malaysia) Sdn Bhd ("The Store") Vs ZKP Development Sdn Bhd ("ZKP")

This matter arose out of a tenancy agreement entered into between the two parties whereby The Store agreed to rent all the premises known as Shoplots S2.67, F1.19, G0.58 and LG0.57 of The Summit Bukit Mertajam.

The Store applied for a declaration order against ZKP to seek inter alia the Court's declaration that the outstanding arrears in rental of RM4.7 million claimed by ZKP as at year 2002 to be unlawful and a declaration from the Court of what ought to be the applicable rental rate per square foot for the respective term of the tenancy.

The Court granted Order In Terms to convert the originating summons into a Writ Action on 21 Oct 2004 and in the same action, ZKP filed a counter claim inter alia, for the sum of RM8,972,257.88 being the shortfall of rental payable by The Store as at 2004 and continuing together with interest at the rate of 12% per annum.

Pursuant thereto, ZKP filed an application for Summary Judgement against The Store which was dismissed on 12 August 2005.

ZKP's appeal was dismissed with costs on 24 July 2006 and has filed its appeal against the Judge's decision. The Court of Appeal has dismissed ZKP's appeal with costs on 18 July 2007.

The High Court has fixed 21 October 2008 for case management.

11. Changes in Material Litigation (continued)

(ii) ZKP Development Sdn Bhd ("ZKP") Vs AMAssurance Berhad ("AM")

This is a contract of insurance where AM agreed to insure and indemnify ZKP up to total sum of RM74,000,000.00. ZKP had submitted a claim for the sum of RM6,016,154.52 being loss and damage suffered to its properties during the insured period.

AM had repudiated their liability in the contract of insurance. A Writ Of Summons was initiated thereafter by ZKP against AM to claim amongst others the aforesaid sum of RM6,016,154.52.

The Timbalan Pendaftar had allowed AM's application to strike out ZKP's Writ and Statement Of Claim on reason that it was time-barred and ZKP has filed its appeal against the Timbalan Pendaftar's decision.

The Judge in Chambers has fixed 29 August 2008 for clarification and decision.

(iii) Lembaga Hasil Dalam Negeri ("LHDN") Vs ZKP Development Sdn Bhd ("ZKP")

A Writ of Summon was initiated by LHDN against ZKP to claim the sum of RM9,603,548.37 in respect of outstanding tax assessment and tax penalty for the Years of Assessment from 1998 to 2001 on 2 November 2006.

ZKP has filed its Statement of Defence on 14 February 2007 and currently pending LHDN's reply.

(iv) Lembaga Hasil Dalam Negeri ("LHDN") Vs Meda Development Sdn Bhd ("MD")

Writs of Summons were filed by LHDN against MD to claim the total sum of RM22,466,768.46 in respect of outstanding tax assessment and tax penalty from Years 2001 to 2007.

MD has entered appearances and filed its Statements of Defence and the matter is now currently pending LHDN's reply.

(v) Lembaga Hasil Dalam Negeri ("LHDN") Vs Sri Lingga Sdn Bhd ("SL")

A Writ of Summon was initiated by LHDN against SL to claim the sum of RM6,863,147.60 in respect of outstanding tax assessment and tax penalty for the Year of Assessment 2002 and 2003 on 21 September 2007.

SL has appointed its solicitors to defend the claim and the said solicitors have entered appearance on behalf of SL.

11. Changes in Material Litigation (continued)

(vi) Nandex Development Sdn Bhd ("ND") Vs Intra Design Sdn Bhd ("ID")

ND had initiated an injunction action against the Defendant via an Originating Summons dated 8 August 2007 to refrain the Defendant from presenting a winding up petition against ND in relation to two (2) Notices under Section 218, Companies Act 1965 both dated 20 July 2007 over the alleged debts of RM1,358,371.22 and RM242,964.05 based on the interim certificates of payment together with 2.5% Retention Sum of which the Defendant claimed that the final certificates for payment have yet to be issued by the consultants.

The court has granted ND's application for an injunction to restrain the Defendant from filing a winding-up petition.

The Defendant has since appealed against the decision.

(vii) Chow Tat Meng & 150 Others ("CTM") Vs Meda Development Sdn Bhd & 10 Others ("MD")

CTM had on 16 April 2005 commenced a legal action against MD seeking from the Court, *inter alia*, declaration for breaches of sale and purchase agreements, deeds of mutual covenants, advertisement brochures and newsletters, damages for misrepresentations and refunds of sinking fund charges. CTM are claiming for a sum of RM16,979,032.75 as liquidated damages against MDSB.

MD had been informed by the solicitors of CTM vide a letter dated 27 February 2008 that MD have withdrawn the summons in chambers filed on 16 January 2008 which sought for an injunction, *inter-alia*, the following:

- 1) to restrain MD from, *inter alia*, disposing, charging, mortgaging or assigning its movable and immovable assets including monies held in bank account or any other accounts in its own name up to the sum of RM30,000,000.00 or such other sum that the Court deems fit until the full and final disposal of the current material litigation matter; and/or
- 2) MD to furnish a bank guarantee in the sum of RM30,000,000.00 or such other sum that the Court deems fit as security to CTM.

However, CTM have filed a fresh application against MD to preserve a sum of RM30,000,000.00 in a stakeholders' account, in which a sealed copy of the preservation application in respect of Civil Suit no. S6-22-145-2005 has been served on MD on 19 February 2008.

The Court has dismissed CTM's application on 24th June 2008. CTM have filed in their Appeal and an application for stay. The Court has fixed 3rd September 2008 for decision on CTM's application for stay.

(viii) Azizah Rahman & 35 Others ("AR") Vs Meda Development Sdn Bhd & 7 Others ("MD")

AR had on 7 June 2006 commenced a legal action against MD seeking from the Court, *inter alia*, declaration for breaches of sale and purchase agreements, deeds of mutual covenants, advertisement brochures and newsletters, damages for misrepresentations and refunds of sinking fund charges. AR are claiming for a sum of RM5,466,183.94 as liquidated damages against MD.

11. Changes in Material Litigation (continued)

MD had been informed by the solicitors of AR vide a letter dated 27 February 2008 that AR have withdrawn the summons in chambers filed on 16 January 2008 which sought for an injunction, *inter-alia*, the following:

- 1) to restrain MD from, inter alia, disposing, charging, mortgaging or assigning its movable and immovable assets including monies held in bank account or any other accounts in its own name up to the sum of RM9,000,000.00 or such other sum that the Court deems fit until the full and final disposal of the current material litigation matter; and/or
- 2) MD to furnish a bank guarantee in the sum of RM9,000,000.00 or such other sum that the Court deems fit as security to AR.

However, AR have filed a fresh application against MD to preserve a sum of RM9,000,000.00 in a stakeholders' account, in which an unsealed copy of the preservation application in respect of Civil Suit no. S6-22-308-2006 has been served on MD on 30 January 2008.

The Court has recorded a consent order that the decision of CTM vs MD case above-mentioned shall bind this case and therefore AR's application was duly dismissed on 18 July 2008. AR have filed in their appeal.

12. Dividend

No dividend has been recommended or declared for the current quarter and for the interim financial period under review.

13. Earnings/(Loss) Per Share

The basic and diluted earnings / (loss) per share have been calculated based on the consolidated net profit / (loss) attributable to equity holders of the parent for the interim financial period and the weighted average number of ordinary shares outstanding during the period as follows:

a) Basic earning / (loss) per share

| | 3 Months Ended | | 6 Months Ended | |
|--|-----------------|-----------------|----------------|-----------------|
| | 30/6/2008 | 30/6/2007 | 30/6/2008 | 30/6/2007 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Loss attributable to equity holders of the Parent Company | (14,540) | (81,074) | (5,621) | (82,887) |
| <hr/> | | | | |
| Weighted average number of ordinary shares | | | | |
| Issued ordinary shares at beginning of period | 426,940 | 426,940 | 426,940 | 426,940 |
| Effect of shares issued during the period | - | - | - | - |
| Weighted average number of ordinary shares | 426,940 | 426,940 | 426,940 | 426,940 |
| <hr/> | | | | |
| Basic loss per share (Sen) | (3.41) | (18.99) | (1.32) | (19.41) |

13. Earnings/(Loss) Per Share (continued)

b) Diluted earning / (loss) per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

As the Group does not have any dilutive potential ordinary shares outstanding as at 30 June 2008, no diluted earnings / (loss) per share is presented.

14. Authorization for issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 22 August 2008.

ON BEHALF OF THE BOARD

TEOH SENG KIAN
Executive Director

Selangor Darul Ehsan
22 August 2008