

MEDA INC. BERHAD (507785-P)

For the Quarter Ended 31 December 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 Economics
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
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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 31 December 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	14,744	(3,152)
Property Investment	8,678	2,916
Hotel Operations	31,661	1,655
Others	88	(1,570)
	<hr/> 55,171	<hr/> (151)
Unallocated Corporate Expenses		(3,504)
Share of associated company's loss		(164)
Impairment loss		(378)
Allowance for doubtful debts		(3,000)
Allowance for net income guarantee		(5,770)
Finance Cost		(7,196)
	<hr/> 55,171	<hr/> (20,163)

8. Segment Reporting (continued)

The car park operation and the plantation segments that were presented as separate segments in previous quarters have been re-grouped into property investment and property development respectively as these sources of income are generating income from the same respective assets.

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 31 December 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 RM19.2 million and a net loss of RM12.2 million. The net loss incurred was mainly due to lower property development activities and lower rental income generated following from the disposal of the Summit USJ property. The RM0.38 million impairment loss recognized in the current quarter was on net basis whereby an impairment loss of RM7.15 million was made on The Summit Bukit Mertajam property whereas a gain on revaluation of RM6.77 million was recognized on 10 Semantan retail lots. Additionally, the Group also made allowance for doubtful debts amounting to RM3.0 million in the current quarter.

Compared to the same quarter of preceding year, a total revenue of RM25.3 million and a pre-tax loss of RM29.3 million were recorded respectively. The lower revenue generated was mainly due to same reasons mentioned above. Lower pre-tax loss recorded in the current quarter was mainly due to lower provisions for impairment losses made on investment properties in the current quarter. The savings in interest cost (due to loan redemption) arising from the disposal of the Summit USJ property has also contributed to the lower pre-tax loss being recorded in the current quarter.

On the 12-month cumulative basis, the Group recorded a revenue of RM55.2 million and a net loss of RM20.6 million as compared to RM72.4 million and a net loss of RM100.0 million respectively for the same period of last year. The lower net loss recorded was mainly due to lower impairment losses made in the current year and savings in interest cost as mentioned in 2nd paragraph above.

2. Variation of Results against Immediate Preceding Quarter (Quarter 4, 2008 vs Quarter 3, 2008)

The Group recorded a net loss of RM12.2 million in the current quarter compared to a net loss of RM2.8 million in the immediate preceding quarter. The higher loss recorded in the current quarter was mainly due to allowances made for doubtful debts and additional allowance made for shortfall in profit guarantee in relation to the disposal of the Summit USJ property.

3. Prospects

The Group continues to view the current year to be a challenging year due to the effects of the global economic slowdown.

Existing products for projects in Johor and Melaka shall be launched in the second quarter while other products shall be further enhanced for forthcoming project launches. Meanwhile, the Group shall continue to monitor its operating costs.

4. Profit Forecast

Not applicable as no profit forecast was published.

5. Taxation Expense

	3 Months Ended		12 Months Ended	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM '000	RM '000	RM '000	RM '000
Current quarter / period				
- Income tax	(31)	(408)	(31)	(408)
- Deferred tax	(605)	14,468	(605)	14,468
	(636)	14,060	(636)	14,060
(Under) / Over accrual of tax in prior year:				
- Income tax	(16)	1,690	(16)	1,690
- Deferred tax	191	(637)	191	(637)
	175	1,053	175	1,053
	(461)	15,113	(461)	15,113

5. Taxation Expense (continued)

The effective tax rates of the Group for the current and the cumulative quarters were lower than the statutory tax rate mainly due to losses of certain subsidiary companies cannot be offset against taxable profits made by other subsidiary companies.

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. As of 20th February 2009, the negotiation is on going.

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.

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 20th February 2009, 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 Proposal").

The parties to the Proposal had mutually agreed to terminate the Proposal due to non-fulfillment of one of the conditions precedent to the conditional sale and purchase agreement entered into between the parties on 27 July 2007.

- 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.

As at 20th February 2009, the proposed disposal has yet to be completed due to certain conditions precedent as per the Agreement have yet to be fulfilled.

(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.

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 31 December 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	27,529	No requirement	71	0.26%
2.	Expansion / acquisition of related business or assets work	10,000	10,000 #	No requirement	-	-
3.	Working capital for Meda Group **	26,026	26,026	No requirement	-	-
4.	Expenses in relation to the Sale ***	6,200	6,200	No requirement	-	-
	Total	69,826	69,755		71	0.10%

(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. Any excess or deficit will be adjusted from the amount earmarked for working capital purposes as per the circular dated 2 January 2008.
- # The amount of RM10.0 million utilized under item 2 of Table 2 above is in effect for working capital purposes. The Group has effectively re-channelled this amount for working capital purposes as per the circular dated 2 January 2008.

9. Group Borrowings and Debt Securities

The Group borrowings as at 31 December 2008 were as follows:

	RM '000
Short Term – Secured	38,658
Long Term – Secured	33,152
	<u>71,810</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.

11. Changes in Material Litigation (continued)

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 8 May 2009 for case management.

(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 matter is fixed on 24 March 2009 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 assessments and tax penalties for 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 assessments and tax penalties for Years of Assessment from 2001 to 2007.

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

11. Changes in Material Litigation (continued)

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

Writs of Summon were initiated by LHDN against SL to claim the sum of RM7,281,718 in respect of outstanding tax assessments and tax penalties for Years of Assessment 2002 and 2003.

SL has appointed its solicitors to defend the claim and the said solicitors have entered appearances and filed Statements of Defence on behalf of SL. This matter is currently pending LHDN's reply.

(vi) Lembaga Hasil Dalam Negeri ("LHDN") Vs Kota Malim Sdn Bhd ("KM")

Writs of Summon were initiated by LHDN against KM to claim the sum of RM7,223,131 in respect of outstanding tax assessments and tax penalties for Years of Assessment from 1998 to 2003.

KM has appointed its solicitors to rebut the claim. LHDN's reply is currently pending.

(vii) Lembaga Hasil Dalam Negeri ("LHDN") Vs Nandex Development Sdn Bhd ("ND")

A Writ of Summon was initiated by LHDN against ND to claim the sum of RM2,040,578 in respect of outstanding tax assessments and tax penalties for the Year of Assessment 2006.

ND has appointed its solicitors to rebut the claim and the matter is now pending LHDN's reply.

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

ND had initiated an injunction action against ID via an Originating Summons dated 8 August 2007 to refrain ID 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 ID 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 ID from filing a winding-up petition.

ID has since appealed against the decision. The Court has dismissed ID's appeal with costs on 15 October 2008.

11. Changes in Material Litigation (continued)

(ix) **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 the Court has fixed 10 February 2009 for hearing of CTM's appeal. On 12th February 2009, the Court of Appeal had allowed CTM's appeal with costs and ordered MD to preserve the sum of RM22.4 million (inclusive of the case per item (x) below) into an interest bearing account, within 7 days from 12th February 2009.

MD has filed in a Stay Application which is fixed for hearing on 10th March 2009. In the meantime, CTM has filed a Motion for Leave to commence committal proceeding which is fixed for hearing on 10th March 2009.

(x) **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.

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

11. Changes in Material Litigation (continued)

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. The Court has fixed 10 February 2009 for hearing of AR's appeal. On 12th February 2009, the Court of Appeal had allowed AR's appeal with costs and ordered MD to preserve the sum of RM22.4 million (inclusive of the case per item (ix) above) into an interest bearing account, within 7 days from 12th February 2009.

MD has filed in a stay application which is fixed for hearing on 10th March 2009. In the meantime, AR has filed a Motion for Leave to commence committal proceeding which is fixed for hearing on 10th March 2009.

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		12 Months Ended	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM '000	RM '000	RM '000	RM '000
Loss attributable to equity holders of the Parent Company	(12,202)	(14,230)	(20,624)	(99,977)
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
Basic loss per share (Sen)	(2.86)	(3.33)	(4.83)	(23.42)

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 31 December 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 27th February 2009.

ON BEHALF OF THE BOARD

TEOH SENG KIAN
Executive Director
Selangor Darul Ehsan
27th February 2009