

**MEDA INC. BERHAD (507785-P)**  
**For the Quarter Ended 30 June 2009**

**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 2008. 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 2008.

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 2008. At the date of authorization of issue of this interim financial statement, the following new Financial Reporting Standards ("FRSs") and Issues Committee Interpretations ("IC Int") were issued but are not yet effective, :

<u>New FRSs</u>		Effective for financial periods beginning on or after
FRS 4	Insurance Contracts	I January 2010
FRS 7	Financial Instruments : Disclosures	I January 2010
FRS 8	Operating Segments	I July 2009
FRS 139	Financial Instruments : Recognition and Measurement	I January 2010
<u>IC Int</u>		
IC Int 9	Reassessment of Embedded Derivatives	I January 2010
IC Int 10	Interim Financial Reporting and Impairment	I January 2010

Other than FRS 139, the application of the above new FRSs and IC Int, when they become effective, will not have any significant impact on the results and the financial positions of the Group. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

**2. Auditors' Report on Preceding Annual Financial Statements**

The Auditors' Report on the preceding financial statements for the financial year ended 31 December 2008 was not qualified.

### 3. Seasonal or Cyclical Factors

The business operations of the Group during the interim financial period ended 30 June 2009 (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.

	<b>Revenue RM'000</b>	<b>Profit/(Loss) Before Tax RM'000</b>
Property Development	2,977	(359)
Property Investment	1,978	77
Hotel Operations	14,600	(29)
Others	179	(512)
	<u>19,734</u>	<u>(823)</u>
Unallocated Corporate Expenses		(1,598)
Share of associated company's loss		(62)
Loss on disposal of a subsidiary company (Net of allowance for doubtful debts of RM9.4 million)		(7,190)
Allowance for shortfall in minimum net income guarantee		(4,000)
Finance Cost		(1,524)
	<u><u>19,734</u></u>	<u><u>(15,197)</u></u>

### 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 2008.

## 10. Subsequent Material Events

There were no material events subsequent to the end of the interim financial period.

## 11. Changes in the Composition of the Group

There were no material changes in the composition of the Group for the interim financial period except for the disposal of the entire equity interest in Kota Malim Sdn Bhd (KMSB) on 17 April 2009 by the Company (holding 30% interest in KMSB) and Litaran Bayu Sdn Bhd (LBSB) (holding the remaining 70% interest) for a cash consideration of RM2.0 million. LBSB is a wholly-owned subsidiary of the Company.

Upon disposal, KMSB ceased to be a subsidiary of the Company.

## 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 2008 as follows:

	<b>As at 30 June 2009 RM '000</b>	<b>As at 31 December 2008 RM '000</b>
<b><u>Contingent Liability</u></b>		
A corporate guarantee given to a financial institution for credit facilities extended to an associated company	18,000	18,000
<b><u>Contingent Assets</u></b>		
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 total revenue of RM10.4 million and a net loss of RM11.0 million. The net loss incurred was mainly contributed by the loss on disposal of a subsidiary company, namely Kota Malim Sdn Bhd amounting to RM7.2 million after allowing for doubtful debts of RM9.4 million in respect of the amount owing by the said subsidiary to the Group. In addition, allowance for shortfall in minimum net income guarantee amounting to RM2.0 million, also contributed to the net loss.

Revenue of RM11.4 million and a net loss of RM14.5 million were recorded in the same quarter of preceding year. The variance between this net loss of RM14.5 million compared to the net loss of RM11.0 million recorded in the current quarter was largely attributed to the payment of an agency commission in the preceding year in respect of the disposal of the Summit USJ property.

On the 6-month cumulative basis, the Group recorded revenue of RM19.7 million and a net loss of RM15.2 million as compared to a revenue of RM28.3 million and a net loss of RM5.6 million respectively for the same period of last year. Comparatively, the net loss recorded in the current period was higher mainly attributed to the recognition of loss on disposal of Kota Malim Sdn Bhd, lower property development activities and lower rental income generated upon disposal of the Summit USJ property.

**2. Variation of Results against Immediate Preceding Quarter (Quarter 2, 2009 vs Quarter 1, 2009)**

The Group recorded a net loss of RM11.0 million in the current quarter compared to a net loss of RM4.2 million recorded in the immediate preceding quarter. The higher net loss recorded in the current quarter was largely attributed to the recognition of loss on disposal of Kota Malim Sdn Bhd as highlighted above.

**3. Prospects**

The Group anticipates the remaining year to be challenging in view of the current economic uncertainties. However, the property development activities of the Group is expected to improve with more launches for sale of properties planned for the remaining year.

Phase 1 of two-and-a-half-storey terrace houses comprising 54 units under Aman Larkin project in Johor were fully sold while Phase 2 of the same development comprising 20 units has received positive response. In view of this positive response, Phase 3 comprising 105 units shall be launched in the 4<sup>th</sup> quarter of the current year.

It is anticipated that sale of swiftlet farms at Kuala Linggi, Melaka shall also be launched latest by 4<sup>th</sup> quarter of the current year.

With the picking up of the property development activities and continuous monitoring of operating cost of the Group, the financial performance of the Group is expected to improve.

**4. Profit Forecast**

Not applicable as no profit forecast was published.

## 5. Taxation

	3 Months Ended		6 Months Ended	
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RM '000	RM '000	RM '000	RM '000
<b>Current quarter / period</b>				
- Income tax	-	-	-	-
- Deferred tax	-	-	-	-
<hr/>				
<b>(Under) / Over accrual of tax in prior year:</b>				
- Income tax	-	-	(42)	-
- Deferred tax	-	-	-	-
<hr/>				
	-	-	(42)	-
<hr/>				
	-	-	(42)	-
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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. As of 17 August 2009, negotiation for a settlement plan with the tax authority is still on-going.

## 6. Sale of Unquoted Investments and/or Properties

There was no disposal of unquoted investment and properties during the current quarter except for the disposal of Kota Malim Sdn Bhd (KMSB) on 17 April 2009 as highlighted in Note 11 of Part A to this report.

## 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 is the corporate proposal that has been announced by the Company but not completed as at 17 August 2009, being the latest practicable date which shall not be earlier than 7 days from the date of this announcement:

- i) The Company had on 10 April 2009, entered into a Shares Sale Agreement (“SSA”) with En. Abdul Rashid Tang Bin Abdullah to acquire a total of 2,550,000 ordinary shares of RM1.00 each, representing 51% of the entire issued and paid-up share capital of Hadhari Cattle Industry Sdn Bhd for a total cash consideration of RM18 million (“Proposed Acquisition”).

The Proposed Acquisition is subject to regulatory approval and fulfillment of conditions precedent as stipulated in the SSA. As at 17 August 2009, the Proposed Acquisition is still pending completion and is subject to relevant approval.

## 9. Group Borrowings and Debt Securities

The Group borrowings as at 30 June 2009 were as follows:

	<b>RM '000</b>
Short Term – Secured	24,773
Long Term – Secured	30,224
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	54,997
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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.

The High Court has fixed 10 September 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 now fixed on 29 October 2009 for clarification.

### **(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 and is currently pending LHDN's reply.

## **11. Changes in Material Litigation (continued)**

### **(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 pending LHDN's reply.

### **(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)

Subsequent to the above injunction, on 16 April 2009, ND was served with a writ of summons and statement of claim dated 19 March 2009 by ID claiming a total of RM2,612,971 purportedly being monies due and owing to ID for outstanding certification, moiety and interior designing work done for ND.

ND is currently seeking the necessary legal advice to resolve and defend against this matter.

### (ix) Chow Tat Meng & 150 Others (“CTM”) Vs Meda Development Sdn Bhd & 10 Others (“MD”)

#### Azizah Rahman & 35 Others (“AR”) Vs Meda Development Sdn Bhd & 7 Others (“MD”)

Two groups of shop lot purchasers, CTM and AR, had since 16th April 2005 commenced separate legal actions against MD, claiming amongst others for liquidated damages amounting to RM16,979,033/- and RM5,466,184/- respectively.

The Court has directed that both cases be heard together and has fixed the cases for further case management on 25 August 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		6 Months Ended	
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RM '000	RM '000	RM '000	RM '000
<b>Loss attributable to equity holders of the Parent</b>				
<b>Company</b>	<b>(11,021)</b>	<b>(14,540)</b>	<b>(15,239)</b>	<b>(5,621)</b>
<b>Weighted average number of ordinary shares</b>				
Issued ordinary shares at beginning of period	426,940	426,940	426,940	426,940
Effect of shares issued during the period	-	-	-	-
<b>Weighted average number of ordinary shares</b>	<b>426,940</b>	<b>426,940</b>	<b>426,940</b>	<b>426,940</b>
<b>Basic loss per share (Sen)</b>	<b>(2.58)</b>	<b>(3.41)</b>	<b>(3.57)</b>	<b>(1.32)</b>

### b) Diluted earning / (loss) per share

As the Company does not have any dilutive potential ordinary shares outstanding as at 30 June 2009, 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 24 August 2009.

**ON BEHALF OF THE BOARD**

**TEOH SENG KIAN**  
**Executive Director**  
**Selangor Darul Ehsan**  
**24 August 2009**