

MEDA INC. BERHAD (507785-P)

For the Quarter Ended 30 September 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 these 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 these interim financial statements, the following new Financial Reporting Standards ("FRSs") and Issues Committee Interpretations ("IC Int") were issued but are not yet effective, :

		Effective for financial periods beginning on or after
<u>New FRSs</u>		
FRS 4	Insurance Contracts	I January 2010
FRS 7	Financial Instruments : Disclosures	I January 2010
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 September 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 segments.

	Revenue RM'000	Profit/(Loss) Before Tax RM'000
Property Development	3,975	(868)
Property Investment	3,260	1,553
Hotel Operations	22,300	(572)
Others	266	(721)
	<u>29,801</u>	<u>(608)</u>
Unallocated Corporate Expenses		(2,359)
Share of associated company's loss		(90)
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		(6,000)
Finance Cost		(2,258)
	<u>29,801</u>	<u>(18,505)</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.

12. Changes in Contingent Liabilities and Contingent Assets

There were no movements in the contingent liabilities and contingent assets since the last annual balance sheet date as at 31 December 2008. The following contingent liability and contingent assets, which were disclosed in the audited financial statements of the Group for the year ended 31 December 2008, have remained unchanged and are still valid:

	As at 30 September 2009 RM '000	As at 31 December 2008 RM '000
<u>Contingent Liability</u>		
A corporate guarantee given to a financial institution 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 total revenue of RM10.01 million and a net loss of RM3.3 million. The net loss incurred was mainly attributable to the allowance for shortfall in minimum net income guarantee amounting to RM2.0 million, arising from the prior year disposal of “The Summit Subang USJ”. In percentage terms, this item alone accounted for 60.6% of the net loss for the quarter.

On a comparative basis, revenue amounting to RM7.7 million and a net loss of RM2.8 million were recorded in the corresponding quarter of the preceding year. The variance between this net loss of RM2.8 million and the net loss of RM3.3 million sustained in the current quarter is substantially attributable to the provision of RM2.0 million for the shortfall in relation to the minimum net income guarantee mentioned above.

On the 9-month cumulative basis, the Group recorded revenue of RM29.8 million and a net loss of RM18.5 million for the current year as compared with a revenue of RM36.0 million and a net loss of RM8.4 million for the corresponding period of last year. In comparison, the net loss recorded in the current period is more than double (approximately 220%) that sustained in the corresponding period of last year, due mainly to the full recognition of the loss arising from the disposal of Kota Malim Sdn Bhd, slower property development activities and lower rental income consequent upon the disposal of the Summit USJ property.

2. Variation of Results against Immediate Preceding Quarter (Quarter 3, 2009 vs Quarter 2, 2009)

The Group recorded a net loss of RM3.3 million in the current quarter compared with a net loss of RM11.0 million recorded in the immediately preceding quarter. The higher net loss recorded in the preceding quarter was largely attributable to the full recognition of loss arising on disposal of Kota Malim Sdn Bhd as highlighted above.

3. Prospects

As the last quarter of the current financial year unfolds, the Group continues to maintain a cautious and realistic view of the prospects prevailing in the balance of the financial year. However, the Group is encouraged by the recent positive signs that the domestic economy is slowly, but surely, recovering from the adverse effects of the global recession. These welcome signs augur well for the Group and coincide with the Group’s planned intensification of its business and property development activities.

As cited in the previous quarterly report, Phase 1 of the two-and-a-half-storey terrace houses comprising 54 units under the Aman Larkin project in Johor had been fully sold while approximately half of the 20 units in Phase 2 of the same development had been sold. The Group is currently planning to launch Phase 3 (comprising 105 units) in the first quarter of year 2010.

In tandem with the progress of the development projects reported above, the swiftlet farm project (comprising the construction of 50 units of bird house in Kuala Linggi, Melaka) was officially launched on 12 November 2009. On the basis of the encouraging response to the launch, the Group is hopeful of achieving a reasonable return from this project.

The above-mentioned positive developments, in combination with the anticipated beneficial financial effect of the Group’s cost-rationalisation measures, provide the underlying reasons for the Group’s cautious optimism that an improved financial performance in the next financial year is likely to be achieved.

4. Profit Forecast

Not applicable as no profit forecast was published.

5. Taxation

	3 Months Ended		9 Months Ended	
	30/09/2009	30/09/2008	30/09/2009	30/09/2008
	RM '000	RM '000	RM '000	RM '000
Current quarter / period				
- Income tax	-	-	-	-
- Deferred tax	-	-	-	-
	-	-	-	-
(Under) / Over accrual of tax in prior year:				
- Income tax	-	-	(42)	-
- Deferred tax	-	-	-	-
	-	-	(42)	-
	-	-	(42)	-

Included in the Trade and Other Payables of the attached Condensed Consolidated Balance Sheet is an amount of RM15.4 million representing outstanding tax penalties. As of the date of submission of this report, 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/or properties during the current 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) Termination of Corporate Proposal Announced

On 11 September 2009, the Group made the following announcement to Bursa Malaysia, pursuant to the Board's decision to abort the Proposed Acquisition disclosed in detail in the previous Quarterly Report:

"Reference is made to the Company's announcement dated 10 April 2009 and 16 April 2009 on the Proposed Acquisition.

The Board of Directors of Meda Inc. Berhad wishes to announce that the Company had on 9 September 2009 notified En Abdul Rashid Tang Bin Abdullah, the Vendor of the Shares on the termination of the SSA of the Proposed Acquisition in view of the non-fulfillment of the conditions precedent."

9. Group Borrowings and Debt Securities

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

	RM '000
Short Term – Secured	25,147
Long Term – Secured	28,884
	<u>54,031</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.

The High Court has fixed 2 December 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.

On 29 October 2009, the Judge allowed ZKP's appeal.

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

A Writ of Summons 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.

Subsequent to ZKP's filing its Statement of Defense, LHDN has applied for Summary Judgment. Mention for Summary Judgment was fixed for 18 November 2009.

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. Subsequent to that, LHDN applied to the Court for Summary Judgment. Mention of LHDN's application has been fixed for 30 November 2009.

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

Writs of Summons 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 Nandex Development Sdn Bhd ("ND")

A Writ of Summons 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 has been fixed for mention on 5 January 2010.

(vii) 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.

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.

The matter has been fixed for mention on 9 December 2009.

11. Changes in Material Litigation (continued)

(viii) 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 3 March 2010.

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 earnings / (loss) per share

	3 Months Ended		9 Months Ended	
	30/09/2009	30/09/2008	30/09/2009	30/09/2008
	RM '000	RM '000	RM '000	RM '000
Loss attributable to equity holders of the Parent				
Company	(3,308)	(2,801)	(18,547)	(8,422)
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)	(0.77)	(0.66)	(4.34)	(1.97)

b) Diluted earnings / (loss) per share

As the Company does not have any dilutive potential ordinary shares outstanding as at 30 September 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 26 November 2009.

ON BEHALF OF THE BOARD

TEOH SENG KIAN
Executive Director
Selangor Darul Ehsan
26 November 2009