

MEDA INC. BERHAD (507785-P)

For the Quarter Ended 31 December 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") have been issued but are not yet effective:

		Effective for financial periods beginning on or after
<u>Revised FRSs</u>		
FRS 1	First Time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
<u>Amendments/ Improvements To FRS</u>		
FRS 2	Share-based Payment	1 July 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
FRS 138	Intangible Assets	1 July 2010
<u>IC Int</u>		
IC Int 12	Service Concession Arrangements	1 July 2010
IC Int 15	Agreements for the Construction of Real Estate	1 July 2010
IC Int 17	Distributions of Non-cash Assets of Owners	1 July 2010

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 31 December 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, as follows:

	Revenue RM'000	Profit/(Loss) Before Tax RM'000
Property Development	6,160	(1,359)
Property Investment	3,747	1,021
Hotel Operations	31,420	970
Others	8,067	1,503
	<hr/>	<hr/>
	49,394	2,135
Unallocated Corporate Expenses		(3,130)
Gain on disposal of investment in a subsidiary company		
Share of associated company's loss		(119)
Gain on disposal of investment in a subsidiary company		3,865
Provision for doubtful debts		(9,378)
Provision for shortfall in guaranteed rental return		(2,309)
Allowance for shortfall in minimum net income guarantee		(8,810)
Finance Cost		(4,098)
	<hr/>	<hr/>
	49,394	(21,844)

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

In line with its re-organization initiative, the Group completed the disposal of its interest in a sub-subsidiary entity - Performance Sciences Sdn Bhd (PSSB) - on 6 November 2009 for a cash consideration of RM99,000. The Group had made an announcement on this transaction to Bursa Malaysia on 9 November 2009.

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 31 December 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	2,000	2,000
<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 RM19.6 million and a net after-tax loss of RM4.2 million. The net loss incurred was mainly attributable to the allowance for shortfall in minimum net income guarantee amounting to RM2.8 million, arising from the prior year disposal of “The Summit Subang USJ”.

On the 12-month cumulative basis, the Group recorded revenue of RM49.4 million and a net loss of RM22.7 million for the current year as compared with a revenue of RM56.3 million and a net loss of RM20.6 million for the corresponding period of last year. The higher net loss recorded in the current year was due mainly to the full-year allowance for the shortfall in minimum net income guarantee amounting to RM8.8 million, as well as the provision for doubtful debts of RM9.4 million arising from the Group’s disposal of its entire shareholding in a subsidiary entity, viz. Kota Malim Sdn Bhd.

2. Variation of Results against Immediate Preceding Quarter (Quarter 4, 2009 vs Quarter 3, 2009)

The Group recorded a net loss of RM4.2 million in the current quarter, as compared with a net loss of RM3.3 million recorded in the immediately preceding quarter. The increase in net loss recorded in the current quarter is mainly due to income tax provision adjustments which culminate in an increase in tax provision of RM0.9 million.

3. Prospects

Despite the recent positive signs of a gradual recovery of the domestic economy, the Board of Directors remains cautiously optimistic of prospects in the new financial year. Notwithstanding this, the Group has been working earnestly to position itself for the onset of the normalization of business activities within the country.

4. Profit Forecast

Not applicable as no profit forecast was published.

5. Taxation

	3 Months Ended		12 Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM ‘000	RM ‘000	RM ‘000	RM ‘000
Current quarter / period				
- Income tax	-	-	-	-
- Deferred tax	(99)	-	(99)	-
	(99)	-	(99)	-
(Under) / Over accrual of tax in prior year:				
- Income tax	1,537	-	1,537	-
- Deferred tax	(2,285)	-	(2,285)	-
	(748)	-	(748)	-
	(847)	-	(847)	-

Included in the Trade and Other Payables of the attached Condensed Consolidated Balance Sheet is an amount of RM14.3 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. Group Borrowings and Debt Securities

The Group borrowings as at 31 December 2009 were as follows:

	RM '000
Short Term – Secured	24,085
Long Term – Secured	30,081
	<u>54,166</u>

None of the Group borrowings is denominated in foreign currency.

9. Off Balance Sheet Financial Instruments

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

10. 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.

10. Changes in Material Litigation (continued)

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 5 April 2010 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 under 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 by 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. The Defendants have since filed their Notice of Appeal. ZKP is awaiting notice of the Appeal mention date.

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

Two Writs of Summons were initiated by LHDN against ZKP to claim an aggregate sum of RM9,603,548.27 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. Whilst mention for Summary Judgment for one of the Writs was fixed for 24 March 2010, no date has yet been fixed for mention for Summary Judgment for the other Writ.

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

Three 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 in relation to the three Writs has been fixed for 9 February 2010, 22 February 2010 and 12 March 2010 respectively.

10. Changes in Material Litigation (continued)

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

Two 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 in respect of one of the Writs while Mention for the other Writ has been fixed for 19 February 2010.

(vi) 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 has been fixed for mention on 5 January 2010. Subsequent to that, LHDN applied to the Court for Summary Judgment. Case Management of the Plaintiff's application has been fixed for 19 February 2010.

(vii) Lembaga Hasil Dalam Negeri ("LHDN") vs Everlasting Growth Sdn Bhd ("EG")

A Writ of Summon was initiated by LHDN against EG to claim a sum of RM924,303.17 in respect of outstanding tax assessment for Year of Assessment 2006.

LHDN has applied for Summary Judgment. EG is awaiting a new date to be fixed for mention of the Plaintiff's application for Summary Judgment.

(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.

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.

ID has filed an application to enter Summary Judgment and the matter is fixed for mention on 21 March 2010.

10. Changes in Material Litigation (continued)

(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 3 March 2010.

11. Dividend

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

12. 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		12 Months Ended	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM '000	RM '000	RM '000	RM '000
Loss attributable to equity holders of the Parent				
Company	(4,144)	(8,539)	(22,691)	(20,629)
Weighted average number of ordinary shares				
(000's)				
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)	(0.97)	(2.00)	(5.31)	(4.83)

b) Diluted earnings / (loss) per share

As the Company does not have any dilutive potential ordinary shares outstanding as at 31 December 2009, no diluted earnings / (loss) per share is presented.

13. 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 23 February 2010.