

MEDA INC. BERHAD (507785-P)
For the Quarter Ended 31 March 2010

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 2009. 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 2009.

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 2009. 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:

		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
FRS 127	Consolidation and Separate Financial Statements	1 July 2010
<u>Amendments/ Improvements To FRS</u>		
FRS 1	First-time adoption of Financial Reporting Standards	1 January 2010 and 1 January 2011
FRS 2	Share-based Payment	1 January 2010 and 1 July 2010
FRS 5	Non-current Asset Held for Sale and Discontinued Operations	1 January 2010 and 1 July 2010
FRS 7	Financial Instruments : Disclosure	1 January 2010 and 1 January 2011
FRS 138	Intangible Assets	1 January 2010 and 1 July 2010
<u>IC Int</u>		
IC Int 9	Reassessment of Embedded Derivatives	1 January 2010 and 1 July 2010
IC Int 12	Service Concession Arrangements	1 July 2010
IC Int 15	Agreements for the Construction of Real Estate	1 July 2010
IC Int 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Int 17	Distributions of Non-cash Assets to 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 March 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, as follows:

	Revenue RM'000	Profit/(Loss) Before Tax RM'000
Property Development	2,273	(657)
Property Investment	639	373
Hotel Operations	6,626	(198)
Construction Contract	1,927	72
Others	875	490
	<u>12,340</u>	<u>80</u>
Unallocated Corporate Expenses		(878)
Share of Associated Company's Loss		(38)
Other Income – Reversal of Services Charges		1,184
Allowance for Shortfall In Guarantee Rental Return		(610)
Finance Cost		(967)
	<u><u>12,340</u></u>	<u><u>(1,229)</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 2009.

10. Subsequent Material Events

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

12. Changes in Contingent Liabilities and Contingent Assets

There were no movements in the contingent liability and contingent assets since the last annual balance sheet date as at 31 December 2009. The following contingent liability and contingent assets, which were disclosed in the audited financial statements of the Group for the year ended 31 December 2009, have remained unchanged and are still valid:

	As at 31 March 2010 RM '000	As at 31 December 2009 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 RM12.3 million and a net loss of RM1.2 million. The net loss incurred was mainly due to a combination of operational losses and head office expenses.

By comparison, the Group recorded a net loss of RM4.2 million on revenue of RM9.4 million for the corresponding period of last year.

2. Variation of Results against Immediate Preceding Quarter (Quarter 1, 2010 vs Quarter 4, 2009)

The Group recorded a net loss of RM1.2 million in the current quarter compared to a net loss of RM5.0 million in the immediate preceding quarter. The decrease in net loss recorded in the current quarter is mainly due to the cessation of provision for shortfall in minimum net income guarantee RM2.0 million in relation to the disposal of The Summit Subang USJ.

3. Prospects

With the recent improvement in the domestic economy, the Group is encouraged by improved sentiments in the property market. Coupled with the state of readiness of the developments projects within the Group, management expects to proceed diligently with new product launches.

4. Profit Forecast

Not applicable as no profit forecast was published.

5. Taxation

	3 Months Ended		3 Months Ended	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	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)	-	(42)
- Deferred tax	-	-	-	-
	-	(42)	-	(42)
	-	(42)	-	(42)

Included in the Trade and Other Payable of the attached Condensed Consolidated Balance Sheet is an amount of RM14.3 million representing the 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 properties outside the ordinary course of the Group's business during the current quarter and the interim financial period.

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 March 2010 were as follows:

	RM '000
Short Term – Secured	24,301
Long Term – Secured	29,301
	<u>53,602</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.

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 21st October 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 the date of 5th April 2010 for case management.

The above matter is now fixed for further case management on 21st June 2010 for parties to file in their respectively witness statements. The trial date will fixed for 20th October 2010 to 22nd October 2010.

10. 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 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 on reason that it was time-barred and ZKP later filed its appeal against the Timbalan Pendaftar's decision.

On 29 October 2009, the Judge allowed ZKP's appeal. AM has 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 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. ZKP is attempting to strike out the writ and statement of claim at the hearing on 17th May 2010.

Subsequent to ZKP is filing its Statement of Defense for two other matters amounting to RM391,733/- on 14th February 2007. LHDN has applied for Summary Judgement. One of which is brought up for hearing on 9th June 2010 whilst on the other matter, ZKP has requested to strike out Writ and Summons. The hearing of Summons in Chambers was held on 6th May 2010.

(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 Judgement. Mention of LHDN's application in relation to the three Writs has been fixed for 6th May 2010, 10th May 2010 and 18th May 2010 respectively.

(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.

10. Changes in Material Litigation (continued)

SL had 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 10th May 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 had appointed its solicitors to rebut the claim. Subsequent to that, LHDN applied to the Court for Summary Judgement. The matter now is fixed for Hearing of Summons in Chambers to strike out the Writ and Statements of Claim on 17th May 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 the sum of RM924,303/- in respect of outstanding tax assessment for Year of Assessment 2006.

LHDN has applied for Summary of Judgement and fixed for case management on 20th May 2010.

(viii) Lembaga Hasil Dalam Negeri ("LHDN") Vs Cemerlang Land Sdn Bhd ("CL")

A Writ of Summon was initiated by LHDN against CL to claim a sum of RM3,591,236/- in respect of outstanding tax assessments and tax penalties for Year of Assessment 2002.

CL had appointed its solicitors to rebut the Writ. Subsequent to that, the matter came out for Hearing of Summons in Chambers to strike out the Writ and Statement of Claim on 21st April 2010. CL is now awaiting the next date from the Court.

(ix) 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 restrain 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 granted ND's application for an injunction to restrain ID from filing a winding-up petition. ID appealed against the decision. The Court dismissed ID's appeal with costs on 15 October 2008.

10. 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 ID.

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

ID's application for Summary Judgement was granted by the Court on 29th March 2010. ND has filed its appeal against the Court decisions.

(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 for liquidated damages amounting to RM16,979,033/- and RM5,466,184/- respectively. Fresh applications were filed by both CTM and AR against MD under Civil Suits No. S6-22-145-2005 and No.S6-22-308-2006 on 19th February 2008 and 30th January 2008 respectively to preserve the sums of RM30,000,000/- and RM9,000,000/- in stakeholders' account.

The High Court had on 24th June 2008 dismissed CTM's application and accordingly CTM filed an appeal under Civil Appeal No. W-02-706-2008 and the Court of Appeal ("COA") had fixed 10th February 2009 for the hearing. In the case of AR, the High Court recorded a consent order that the decision of CTM vs MD case as mentioned shall bind the case and therefore AR's application was duly dismissed on 18th July 2008. Accordingly AR filed an appeal under Civil Appeal No W-02-820-2008 and the COA had also fixed 10 February 2009 for the hearing.

On 12th February 2009, the COA had ordered MD to preserve the total sum of RM22.4 million in an interest bearing account, to be executed within 7days from the date of Order.

MD had accordingly filed a motion for stay of the Order and both CTM and AR had filed a motion for leave to commence committal proceedings against the directors of MD. Both hearings were fixed on 10th March 2009 at the COA but were subsequently postponed to 23rd March 2009. However, a settlement was reached prior to the aforesaid hearing date whereby the following matters were agreed by both CTM and AR together with MD:

- (i) MD undertakes to deposit into an interest bearing account under the names of Messrs AJ Ariffin Yeo & Hampul and Messrs SC Lim & Partner, within 14 days of MD's receipt of the sum of RM2 million from Mayban Trustees Berhad ("MTB") and /or their solicitors, which is being retained by MTB as security for the performance of MD's obligations to obtain the issuance of the strata titles of the properties sold to MTB under the Sales and Purchase Agreement dated 30th November 2007 between MD and MTB, as trustees for AmFirst Real Estate Trust;

10. Changes in Material Litigation (continued)

- (ii) Dato' Dr. Teoh Seng Foo and Mr. Teoh Seng Kian shall jointly guarantee the payment of up to a total aggregate sum of RM3 million on the final judgement sum (after exhausting all avenues of appeal) obtained by the CTM and AR against MD; and
- (iii) The Company shall guarantee the payment of the judgement sum obtained by CTM and AR against MD.

In consideration of the above, CTM and AR had agreed that:-

- (i) the COA orders shall be unenforceable;
- (ii) CTM and AR shall not demand MD's compliance of the COA Orders and / or enforce the COA Orders, and any reliefs there from, by whatsoever means and any form of execution proceedings already filed, including the committal proceedings (whether at the High Court or Court of Appeal) shall be withdrawn with no order as to costs;
- (iii) MD shall withdraw their Notice of Motion for stay of execution (at the Court of Appeal) dated 17th February 2009, with no order as to costs

The notice of motions filed at the COA were, as agreed withdrawn on 23rd March 2009.

The Court has directed that both cases be heard together and fixed the matter for hearing on 7th May 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 earning / (loss) per share

	3 Months Ended		3 Months Ended	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	RM '000	RM '000	RM '000	RM '000
Loss attributable to equity holders of the Parent Company	(1,229)	(4,244)	(1,229)	(4,244)
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)	(0.29)	(0.99)	(0.29)	(0.99)

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

b) Diluted earning / (loss) per share

As the Company does not have any dilutive potential ordinary shares outstanding as at 31 March 2010, 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 27th May 2010.

ON BEHALF OF THE BOARD

TEOH SENG KIAN
Executive Director
Selangor Darul Ehsan
27th May 2010