

13. ACCOUNTANTS REPORT

(Prepared for inclusion in this Prospectus)



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The Board of Directors
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(Formerly known as MIT Holdings Berhad)
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21 March 2002

Dear Sirs

**Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report**

This Report has been prepared by KPMG, an approved company auditor, for inclusion in the Prospectus to be dated 29 March 2002 in connection with the restructuring exercise, including the proposed listing of and quotation for the entire issued and paid-up share capital of Mutiara Goodyear Development Berhad (formerly known as MIT Holdings Berhad) (hereinafter referred to as "MGDB" or "the Company") on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

1. General Information

1.1 Background

MGDB was incorporated in Malaysia on 27 June 1978 under the Companies Act, 1965 as a private limited company under the name of MIT Holdings Berhad. Subsequently, on 17 October 2001, the Company changed its name from MIT Holdings Berhad to Mutiara Goodyear Development Berhad.

The Company was listed on the now defunct Bumiputera Stock Exchange in 1980.

1.2 Principal Activity

The Company was previously involved in property development, general construction, housing project management, supplying offices machinery and equipment, insurance brokery and consultancy whilst listed on the Bumiputera Stock Exchange. It has ceased the above operations since 1996. The current principal activity of the Company is that of investment holding.



13. ACCOUNTANTS REPORT (CONT'D)

*Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report*

1.3 Share Capital

The authorised share capital of the Company before the restructuring exercise was RM20,000,000 comprising 20,000,000 ordinary shares of RM1.00 each. At an Extraordinary General Meeting of the Company held on 18 September 2001, the shareholders of the Company approved the increase of its authorised share capital from RM20,000,000 to RM500,000,000 by the creation of an additional 480,000,000 new ordinary shares of RM1.00 each.

The present issued and paid-up share capital of the Company is RM116,506,000 consisting of 116,506,000 ordinary shares of RM1.00 each.

Pursuant to the restructuring exercise, including the proposed listing of and quotation for the entire issued and paid-up share capital of MGDB on the Main Board of the KLSE, the issued and paid-up share capital of the Company will be increased to RM162,806,000 comprising 162,806,000 ordinary shares of RM1.00 each as follows:

Date of Allotment	No. of ordinary shares of RM1.00 each	Issue price per ordinary share (RM)	Purpose	Issued and fully paid-up share capital (Cumulative) (RM'000)
*	6,300,000	1.00	*	*6,300
18.09.2001	44,063,000	1.00	Acquisition of DL	50,363
18.09.2001	66,143,000	1.05	Acquisition of PBM	116,506
	30,000,000	1.00	Restricted Issue for settlement of debt	146,506
	6,300,000	1.00	Rights Issue	152,806
	10,000,000	1.20	Restricted Public Issue	162,806

* This represents the issued and paid-up share capital of the Company prior to the implementation of the restructuring exercise.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report

1.4 Restructuring exercise

In connection with and as an intergral part of the proposed listing of and quotation for the entire issued and paid-up share capital of MGDB on the Main Board of the KLSE, MGDB is currently implementing the following restructuring exercise which are inter-conditional upon one another:

1.4.1 Acquisition of Dynastic Lion Sdn Bhd ("DL")

Acquisition of the entire issued and paid-up share capital of Dynastic Lion Sdn Bhd ("DL"), the holding company of South East Dragon Sdn Bhd ("SED") and Regal Form Sdn Bhd ("RF") for a total purchase consideration of RM62.95 million of which 70% of the total purchase consideration satisfied by the issuance of 44.06 million new ordinary shares of RM1.00 each in MGDB at an issue price of RM1.00 per share and the remaining 30% of the purchase consideration satisfied by the issuance of 18.89 million of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") at a nominal value of RM1.00 each in MGDB. The ICULS issued are for a period of five (5) years and at an interest rate of 2.5% per annum, convertible only after the third year from the date of the issue of the ICULS.

1.4.2 Acquisition of Pembangunan Bandar Mutiara Sdn Bhd ("PBM")

Acquisition of the entire issued and paid-up share capital of Pembangunan Bandar Mutiara Sdn Bhd ("PBM") for a total purchase consideration of RM69.45 million satisfied by the issuance of 66.14 million new ordinary shares of RM1.00 each in MGDB at an issue price of RM1.05 per share.

1.4.3 Rights Issue

Renounceable Rights Issue of 6.3 million new ordinary shares of RM1.00 each to the existing shareholders of MGDB at an issue price of RM1.00 per share on the basis of one (1) new ordinary share of RM1.00 for every one (1) existing ordinary share in MGDB.

1.4.4 Debt Settlement

Issuance of additional 17.20 million and 49.05 million ICULS to shareholders of DL and PBM respectively in consideration for amounts owing to the shareholders of DL and PBM. The ICULS issued will be converted at 5 ICULS of RM1.00 each for 4 new ordinary shares of RM1.00 each. The ICULS issued are for a period of five (5) years and at an interest rate of 2.5% per annum, convertible only after the third year from the date of the issue of the ICULS.

68.11 million new ordinary shares of RM1.00 each in MGDB will be issued when all the ICULS issued (including those ICULS issued pursuant to the Acquisition of DL in Paragraph 1.4.1) are fully converted.

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report

1.4.5 Restricted Issue

Restricted Issue of 30 million new ordinary shares of RM1.00 each in MGDB to the existing shareholders of PBM at an issue price of RM1.00 per share to be utilised for partial settlement of PBM's syndicated loan facilities.

1.4.6 Offer for sale of MGDB shares to Bumiputera parties

Offer for sale of 15 million ordinary shares of RM1.00 each in MGDB by the vendors of DL and PBM to Bumiputera parties nominated by MGDB and approved by the Ministry of International Trade and Industry, at an offer price of RM1.20 per share.

1.4.7 Restricted Public Issue

Restricted Public Issue of 10 million new ordinary shares of RM1.00 each in MGDB at an issue price of RM1.20 per share to all graduates and existing staff of University Institute Technology MARA ("UiTM") (formerly known as MARA Institute of Technology)

1.4.8 Restricted Offer for sale of shares

Restricted Offer for sale of 7 million ordinary shares of RM1.00 each in MGDB ("Restricted Offer Shares") by the vendors of DL at an offer price of RM1.20 per share to the following parties:

- i) 1,000,000 Restricted Offer Shares will be offered to all graduates and existing staff of UiTM;
- ii) 4,400,000 of the Restricted Offer Shares will be placed with public investors by way of private placement; and
- iii) the balance of 1,600,000 Restricted Offer Shares will be offered to the eligible employees of MGDB Group.

1.4.9 Restricted Offer for sale of ICULS

Restricted Offer for sale of RM100,000 nominal value of ICULS by a vendor of DL and PBM to the service providers and staff of service providers of MGDB Group at an offer price of RM1.00 for every nominal value of ICULS.

1.4.10 Increase in authorised share capital

Increase in authorised share capital of MGDB from RM20 million to RM500 million by the creation of 480 million new ordinary shares of RM1.00 each.

1.4.11 Transfer of listing status

Transfer of the listing status of MGDB from the Bumiputera Stock Exchange to the Main Board of KLSE and the listing of the entire issued and paid-up share capital and ICULS of MGDB on the Main Board of KLSE.

All the above proposals are inter-conditional upon one another.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

The above scheme was approved by:

- i) Securities Commission ("SC") progressively vide its letters dated 4 May 2001, 11 July 2001, 26 November 2001 and 14 December 2001.
- ii) Ministry of International Trade and Industry ("MITI") on 31 December 2001.
- iii) Foreign Investment Committee ("FIC") on 27 November 2000.
- iv) Shareholders of the Company at an Extraordinary General Meeting held on 18 September 2001.

1.5 Information on Subsidiaries

- 1.5.1** The subsidiaries under the restructuring exercise as at the date of this report and their principal activities are as follows:

Name of company	Principal activities	Effective ownership interest
Dynastic Lion Sdn Bhd ("DL")	Investment holding	100%
Regal Form Sdn Bhd ("RF")	Property development	100%
South East Dragon Sdn Bhd ("SED")	General merchant and property investment	100%
Puncak Kencana Sdn Bhd ("PK")	Property development	100%
Potensi Naga Sdn Bhd ("PN")	Property investment	100%
Pembangunan Bandar Mutiara Sdn Bhd ("PBM")	Property development	100%

- 1.5.2** A summary of the particulars of the subsidiaries under the restructuring exercise are as follows:

DL

DL was incorporated in Malaysia on 2 May 1996 as a private limited company under the Companies Act, 1965. The authorised share capital of DL is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each, of which 8,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report

RF

RF was incorporated in Malaysia on 14 April 1994 as a private limited company under the Companies Act, 1965. The authorised share capital of RF is RM5,000,000 comprising 4,000,000 ordinary shares of RM1.00 each and 1,000,000 preference shares of RM1.00 each of which 500,000 ordinary shares of RM1.00 each and 500,000 preference shares of RM1.00 each have been issued and fully paid-up.

SED

SED was incorporated in Malaysia on 25 March 1994 as a private limited company under the Companies Act, 1965. The authorised share capital of SED is RM500,000 comprising 300,000 ordinary shares of RM1.00 each and 200,000 preference shares of RM1.00 each of which 100,000 ordinary shares of RM1.00 each and 100,000 preference shares of RM1.00 each have been issued and fully paid-up.

PK

PK was incorporated in Malaysia on 27 July 1994 as a private limited company under the Companies Act, 1965. The authorised share capital of PK is RM25,000,000 comprising 20,000,000 ordinary shares of RM1.00 each and 5,000,000 preference shares of RM1.00 each of which 4,000,000 ordinary shares of RM1.00 each and 4,000,000 preference shares of RM1.00 each have been issued and fully paid-up.

PN

PN was incorporated in Malaysia on 19 October 1993 as a private limited company under the Companies Act, 1965. The authorised share capital of PN is RM100,000 comprising 100,000 ordinary shares of RM1.00 each all of which have been issued and fully paid-up.

PBM

PBM was incorporated in Malaysia on 30 April 1993 as a private limited company under the Companies Act, 1965 in the name of Pembangunan Permatang Rotan Sdn.Bhd. The company changed its name to Pembangunan Bandar Mutiara Sdn. Bhd. on 7 January 1995. The authorised share capital of PBM is RM300,000,000 comprising 300,000,000 ordinary shares of RM1.00 each, of which 15,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report

1.6 Financial statements and basis of accounting and accounting policies

As part of the restructuring exercise, MGDB and its newly acquired subsidiaries comprising DL and its subsidiaries (SED,PN,PK and RF) and PBM (hereinafter referred to as "MGDB Group") have changed the financial year end of the MGDB Group to 30 April.

This Report is based on audited financial statements which have been prepared in accordance with approved accounting standards issued by the Malaysian Accounting Standards Board and is presented on a basis consistent with the accounting policies normally adopted by the Proforma MGDB Group.

1.7 Auditors

KPMG have acted as auditors for RF and PBM for all the financial years/periods covered by this Report. MGDB, DL, SED, PK and PN were audited by another firm of auditors for the financial years/periods up to the year/period ended 30 April 2001. The financial statements of all the companies for the six months ended 31 October 2001 were audited by KPMG.

The financial statements of the MGDB Group for the relevant financial years under review were not subject to any qualification except for MGDB. The financial statements of MGDB for the financial years ended 30 September 1997 to 1999, the seven months ended 30 April 2000, the financial year ended 30 April 2001 and the six months ended 31 October 2001 were qualified by its auditors as follows:

i) *Going concern - referred to in the auditors' report for the period ended 31 October 2001*

The appropriateness of the going concern assumption in the preparation of the financial statements of MGDB is dependent on continuing financial support of its shareholders, creditors and bankers, the successful completion of the corporate exercise and achieving future profitable operations.

ii) *Going concern - referred to in the auditors' report for the period ended 30 April 2000 and year ended 30 April 2001*

The appropriateness of the going concern assumption in the preparation of the financial statements of MGDB is dependent on MGDB being able to continue its operations. This is dependent on the future profitable operations and continuing financial support from its shareholders, creditors and bankers and the successful outcome of the proposed corporate exercise.

13. ACCOUNTANTS REPORT (CONT'D)

*Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report*

iii) *Going concern - referred to in the auditors' report for the year ended 30 September 1997 to 1999*

The appropriateness of the going concern assumption in the preparation of the financial statements of MGDB is dependent on MGDB being able to continue its operations. This is dependent upon several factors including continuing financial support from its holding and associated companies and creditors and these parties will not commence legal action against MGDB and should MGDB be able to generate profits from its projects and businesses, MGDB will be allowed to settle its financial obligations in the ordinary course of business.

iv) *Other payables and accrued expenses*

- RM123,935 (financial period ended 31 October 2001)
- RM123,935 (financial year ended 30 April 2001)
- RM336,205 (financial period ended 30 April 2000)
- RM2,710,891 (financial year ended 30 September 1999)
- RM2,568,346 (financial year ended 30 September 1998)
- RM2,425,343 (financial year ended 30 September 1997)

The auditors were unable to verify the amount as there was insufficient information and documentation.

v) *Long term liabilities - referred to in the auditors' report for the period ended 31 October 2001*

As at 31 October 2001, bank borrowings of RM7,169,439 were recorded in the Company's financial statements. We were unable to verify these amounts as the necessary documents and records confirming these amounts were not provided to us. Similarly, the final amounts needed as settlement for these bank borrowings cannot be determined as the final settlement sum are depending on the completion of the corporate exercise.

vi) *Long term liabilities - referred to in the auditors' report for the financial period/year ended 30 September 1997 to 30 April 2001*

- RM7,169,439 (financial period ended 30 April 2000, financial year ended 30 April 2001)
- RM1,949,957 (financial year ended 30 September 1997 to 1999)

The auditors were unable to verify the amount as the necessary documents and records were not provided to them.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

2. Summary of Results**2.1 Proforma Consolidated Results**

We set out below the summarised proforma consolidated results of MGDB Group based on the audited financial statements of MGDB and its subsidiaries prepared on the assumption that the acquisitions of DL and PBM had been effective throughout the five financial years ended 30 April 2001 and the six months ended 31 October 2001 after making such adjustments as we considered necessary. The following results are to be read in conjunction with the notes thereon.

	←-----Year ended 30 April-----→					6 months ended 31 October
	1997	1998	1999	2000	2001	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	39,132	109,783	75,892	88,030	88,110	38,872
Profit before depreciation, interest and exceptional items	13,497	17,757	26,067	20,318	18,259	10,273
Depreciation	(66)	(57)	(95)	(139)	(163)	(97)
Interest expense	(5)	(13)	(20)	(23)	(5)	-
Interest income	123	247	468	471	671	436
Exceptional items	54	-	-	(6,737)	-	-
Profit before tax	13,603	17,934	26,420	13,890	18,762	10,612
Tax expense *	(3,989)	(5,737)	(2,365)	(4,911)	(5,999)	(3,132)
Profit attributable to shareholders	9,614	12,197	24,055	8,979	12,763	7,480
Number of ordinary shares in issue ('000)	116,506	116,506	116,506	116,506	116,506	116,506
Earnings per share (sen)						
- Basic	8.2	10.5	20.6	7.7	10.9	** 12.8
- Diluted	5.2	6.6	13.0	4.8	6.9	** 8.1

* Tax expense has been adjusted for over/under-provision in the respective years.

** The earnings per share for the six months ended 31 October 2001 has been equalised on an annual basis.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

- i) *The revenue in 1997 was mainly derived from sales of commercial properties in Dataran Prima(Phase 2) which was launched in December 1995. By April 1997, Phase 2 has achieved sales of 86% and substantial development work had been carried out, thereby contributing substantially to the Group's revenue. Contribution from Bandar Tasek Mutiara ("BTM") was minimal as the project was just launched in March 1997.*
- ii) *The substantial increase in revenue in 1998 was mainly due to progress billings recognised from Dataran Prima and sales from the launch of BTM by PBM. Phase 2 of Dataran Prima's stage of completion has reached a more advanced stage than in 1997 together with increased sales for Phase 3 contributed significantly to the Group's revenue. The Group's revenue also increased as Phase 1 of BTM was fully sold and development work have almost reached completion. Phase 2 of BTM was also substantially sold and development work performed to an advance stage also contributed to the Group's revenue.*

In tandem with the increase in revenue and the substantial level of development work done, the profit before taxation has increased accordingly.

- iii) *In 1999, revenue of the Group decreased substantially because revenue from Phase 2 of Dataran Prima and Phase 1 and 2 of BTM had been recognised in the previous years. The revenue for the year was derived mainly from sales of Phase 3 of Dataran Prima and Phase 3 of BTM and gross dividends of RM12.5 million from a former associate, Glomac Group Management Services Sdn. Bhd ("Glomac"). Higher profit was achieved as higher margin was recorded for the Phase 3 of both of these developments and the gross dividends from Glomac.*
- iv) *In 2000, both the revenue and profit before taxation increased and were derived from additional sales and the advanced stage of completion of Phase 3 of Dataran Prima and BTM as compared to 1999. The exceptional items for the year are explained in Paragraph 2.2.3 below.*
- v) *In 2001, revenue were derived from the remaining progress billings of Phase 3 of both Dataran Prima and BTM as well as Phase 4 and Phase 5 of BTM which were launched in October 1999 and December 2000 respectively.*

Profit before taxation increased as a result of BTM's contribution as the profit margins for Phase 4 and Phase 5 command a higher margin than the earlier phases.

- vi) *Revenue and profit before taxation of the Group for the six months ended 31 October 2001 were mainly derived from the sales of Phase 5 of BTM and the completion of development work of Phase 4.*

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
 Accountants' Report

2.2 Notes to the Proforma Consolidated Results**2.2.1 Basis of accounting and consolidation**

The proforma consolidated results of MGDB Group are prepared for illustrative purposes only and are based on the audited financial statements of MGDB and its subsidiaries for the period/years under review. The financial statements of MGDB Group are prepared in compliance with applicable approved accounting standards in Malaysia.

The results have been presented on a basis consistent with the accounting policies normally adopted by the Proforma MGDB Group and on the basis that the acquisitions of DL and PBM has been effective throughout the five financial years ended 30 April 2001 and the six months ended 31 October 2001.

2.2.2 Change of accounting year end

The accounting year end of MGDB is made up to the year ended 30 April 2001. The proforma consolidated results for the past five years have therefore been prepared based on the past five years audited financial statements of the subsidiaries, after making such adjustments as we considered necessary for the results to be coterminous with that of MGDB.

2.2.3 Exceptional items

Details of the exceptional items are as follows:

	←-----Year ended 30 April----->					6 months ended 31 Oct
	1997	1998	1999	2000	2001	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Write-back of capital reserve in a subsidiary company of MGDB	54	-	-	-	-	-
(ii) Loan restructuring fees of PBM	-	-	-	(3,451)	-	-
(iii) Write-back of directors' fees and allowances of MGDB	-	-	-	484	-	-
(iv) Under accrual of interest in MGDB	-	-	-	(3,322)	-	-
(v) Deferred expenditure written off in PBM	-	-	-	(448)	-	-
	54	-	-	(6,737)	-	-

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report

2.2.4 Earnings per ordinary share

Basic earnings per share

The calculations of basic earnings per share are based on the net profit attributable to shareholders (after adjustments have been made for over/under provision in taxation and exceptional items) and the enlarged issued and paid-up share capital of 116,506,000 ordinary shares of RM1.00 each following the restructuring exercise mentioned in paragraphs 1.4.1 and 1.4.2.

Diluted earnings per share

The calculations of diluted earnings per share are based on the net profit attributable to shareholders (after adjustments have been made for over/under provision in taxation and exceptional items) and the enlarged issued and paid-up share capital of 184,613,000 ordinary shares of RM1.00 each after the conversion of ICULS following the restructuring exercise mentioned in paragraphs 1.4.1 and 1.4.2.

2.3 Dividends

MGDB

MGDB has not declared or paid any dividends since its date of incorporation on 27 June 1978.

Subsidiaries

Details of dividends declared or paid by the individual subsidiaries of MGDB Group for the five (5) financial years/period ended 30 April 2001 and the six (6) months ended 31 October 2001 are as follows:

Financial year/period ended	Issued and fully paid-up share capital (RM'000)	Gross dividend rate (%)	Net dividend declared or paid (RM'000)	Tax rate (%)
SED				
Ordinary:				
30.06.1999	100	16,666.70	12,000	28
Preference:				
30.06.2000	100	12,900.00	12,900	*
PK				
Ordinary:				
30.04.1997	4,000	71.43	2,000	30
30.04.1998	4,000	280.00	8,064	28
30.04.2000	4,000	322.50	12,900	*
Preference:				
30.04.1999	4,000	347.20	10,000	28

* tax exempt

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

None of the other subsidiaries of MGDB Group declared or paid any dividend since 30 April 1996 or their dates of incorporation, whichever is later.

2.4 Summary of Results by Companies**2.4.1 MGDB - The Company**

	< -Year ended 30 September- >			7 months ended 30 April	Year ended 30 April	6 months ended 31 October
	1997	2001	1999	2000	2001	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-	-
Operating expenses	(233)	(143)	(143)	(12)	(658)	(202)
Exceptional item	-	-	-	(2,838)	-	-
Loss before tax	(233)	(143)	(143)	(2,850)	(658)	(202)
Tax expense	-	-	-	-	-	-
Loss after tax	(233)	(143)	(143)	(2,850)	(658)	(202)
Number of shares in issue ('000)	6,300	6,300	6,300	6,300	6,300	116,506
Earnings per share (sen)	(3.7)	(2.3)	(2.3)	(45.2)	(10.4)	(0.17)

- Note: i) MGDB changed its accounting year end from 30 September to 30 April effective from the financial period ended 30 April 2000 in order to be coterminous with the proposed financial year end of the Group.*
- ii) Exceptional item in 1996 relates to write back of capital reserve in a subsidiary company.*
- iii) Exceptional item in 2000 relates to under accrual of interest expense of RM3,322,000 and write-back of directors' fees and allowances of RM484,000*
- iv) There were no other extraordinary or exceptional items during the financial years/periods under review.*

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

2.4.2 Dynastic Lion Sdn Bhd ("DL")

	←-----Year ended 30 June----->				10 months ended	6 months ended
	1997	1998	1999	2000	30 April 2001	31 October 2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-	-
Gross profit	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-
Operating expenses	-	-	-	(4)	(13)	-
Loss before tax	-	-	-	(4)	(13)	-
Tax expense	-	-	-	-	-	-
Loss after tax	-	-	-	(4)	(13)	-
Number of shares in issue ('000)	*	*	*	8,000	8,000	8,000
Earnings per share (sen)	-	-	-	(0.1)	(0.1)	-

* Represent subscribers' shares of RM2.00.

- Note: i) DL changed its accounting year end from 30 June to 30 April effective from the financial period ended 30 April 2001 in order to be coterminous with the holding company's financial year end.
- ii) There were no extraordinary or exceptional items during the financial years/periods under review.

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

2.4.3 South East Dragon Sdn Bhd ("SED")

	<-----Year ended 30 June----->				10 months ended	6 months ended
	1997	1998	1999	2000	30 April 2001	31 October 2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	2,900	25,044	12,900	-	-
Other operating income	-	55	-	-	-	-
Operating expenses	-	(34)	(5)	(3)	(3)	(3)
Profit/(loss) before tax	-	2,921	25,039	12,897	(3)	(3)
Tax expense	-	(885)	(7,012)	-	-	-
Profit/(loss) after tax	-	2,036	18,027	12,897	(3)	(3)
Number of shares in issue ('000)						
- ordinary	100	100	100	100	100	100
- preference	-	-	-	100	100	100
Earnings per ordinary share (sen)	-	2,036	18,027	12,897	(3)	(3)

- Note: i) *SED changed its accounting year end from 30 June to 30 April effective from the financial period ended 30 April 2001 in order to be coterminous with the holding company's financial year end.*
- ii) *SED commenced operations on 15 July 1996. Revenue in 1998 and 1999 were derived mainly from gross dividends from a former associate, Glomac Group Management Services Sdn. Bhd. while revenue in 2000 comprised of gross dividend from its subsidiary company.*
- iii) *There were no extraordinary or exceptional items during the financial years/periods under review.*

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report

2.4.4 Puncak Kencana Sdn Bhd ("PK")

	16 months	Year ended 30 April				6 months
	ended					ended
	30 April					31 October
	1997	1998	1999	2000	2001	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	43,900	64,675	33,836	39,552	29,767	2,112
Gross profit	18,518	14,079	15,341	12,578	8,840	1,733
Other operating income	40	120	420	4,109	1,550	1,327
Operating expenses	(2,841)	(2,175)	(1,964)	(2,327)	(2,165)	(893)
Profit before tax	15,717	12,024	13,797	14,360	8,225	2,167
Tax expense	(4,804)	(3,255)	(142)	(4,408)	(2,834)	(628)
Profit after tax	10,913	8,769	13,655	9,952	5,391	1,539
Number of shares in issue ('000)						
- ordinary	4,000	4,000	4,000	4,000	4,000	4,000
- preference	-	-	4,000	4,000	4,000	4,000
Earnings per ordinary share (sen)	272.8	219.2	341.4	248.8	134.7	38.5

- Note: i) PK changed its accounting year end from 30 June to 30 April effective from the financial period ended 30 April 1997.
- ii) The revenue in 1997 and 1998 were mainly derived from sales achieved from Phase 1 and Phase 2 of its development project in Dataran Prima.
- iii) Revenue in 1999 and 2000 were lower as Phase 1 and Phase 2 have been substantially completed in 1998. The revenue in 1999 and 2000 were mainly derived from Phase 3 of the project. The gross profit was maintained as higher margin was recorded for Phase 3. Other operating income in 2000 was derived mainly from the gain on sale of properties and rental income from parking bays.
- iv) Revenue in 2001 comprised of progress billings from Phase 3 of Dataran Prima and Selayang low cost flat. Other operating income in 2001 mainly comprised of rental from parking bays.
- v) There were no extraordinary or exceptional items during the financial years/period under review.

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

2.4.5 Potensi Naga Sdn Bhd ("PN")

	< ----Year ended 31 December---->				16 months ended	6 months ended
	1996	1997	1998	1999	30 April 2001	31 October 2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	46	1,612	940
Gross profit	-	-	-	(215)	341	246
Other operating income	-	-	-	-	114	33
Operating expenses	-	-	-	(7)	(127)	(19)
(Loss)/Profit before tax	-	-	-	(222)	328	260
Tax expense	-	-	-	-	(30)	(73)
(Loss)/Profit after tax	-	-	-	(222)	298	187
Number of ordinary shares in issue ('000)	*	*	*	100	100	100
Earnings per share (sen)	-	-	-	(222)	298	187

* Represent subscribers' shares of RM2.00.

- Note: i) PN changed its accounting year end from 30 June to 30 April effective from the financial period ended 30 April 2001 in order to be coterminous with the holding company's financial year end.
- ii) Revenue for 2000 and 2001 were in respect of rental income derived from the tenancy of Wisma Goodyear in Kelana Center Point.
- iii) There were no extraordinary or exceptional items during the financial years/period under review.

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

2.4.6 Regal Form Sdn Bhd ("RF")

	←—Year ended 31 December—→				16 months ended	6 months ended
	1996	1997	1998	1999	30 April 2001	31 October 2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-	-
Gross profit	-	-	-	-	-	-
Other operating income	-	-	-	-	5	21
Operating expenses	-	-	-	-	(30)	(13)
Operating loss	-	-	-	-	(25)	8
Tax expense	-	-	-	-	-	-
(Loss)/profit after tax	-	-	-	-	(25)	8
Number of shares in issue ('000)						
- ordinary	500	500	500	500	500	500
- preference	-	-	-	-	500	500
Earnings per ordinary share (sen)	-	-	-	-	(5.0)	1.6

Note: i) *RF changed its accounting year end from 31 December to 30 April effective from the financial period ended 30 April 2001 in order to be coterminous with the holding company's financial year end.*

ii) *There were no extraordinary or exceptional items during the financial years/period under review.*

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report

2.4.7 Pembangunan Bandar Mutiara Sdn Bhd ("PBM")

	←-----Year ended 31 December-----→				16 months ended	6 months ended
	1996	1997	1998	1999	30 April 2001	31 October 2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	27,542	42,040	41,491	72,976	35,820
Gross profit	-	2,355	3,981	5,017	14,027	9,082
Other operating income	705	844	1,042	1,046	1,297	359
Operating expenses	(416)	(1,114)	(1,144)	(1,241)	(2,003)	(1,058)
Operating profit	289	2,085	3,879	4,822	13,321	8,383
Exceptional items	-	-	-	(3,451)	(448)	-
Profit before tax	289	2,085	3,879	1,371	12,873	8,383
Tax expense	(100)	(692)	(1,102)	-	(3,962)	(2,431)
Profit after tax	189	1,393	2,777	1,371	8,911	5,952
Number of shares in issue ('000)	15,000	15,000	15,000	15,000	15,000	15,000
Earnings per share (sen)	1.3	9.3	18.5	9.1	59.4	39.6

- Note: i) PBM changed its accounting year end from 31 December to 30 April effective from the financial period ended 30 April 2001 in order to be coterminous with the holding company's financial year end.
- ii) PBM commenced operations in 1996. Revenue was mainly derived from the progress billings received from the development of Bandar Tasek Mutiara in Seberang Perai. Phase 1 and Phase 2 were launched in March 1997 and August 1997 respectively.
- iii) Revenue in 1998 increased as Phase 1 of Bandar Tasek Mutiara was fully sold and development work has almost reached completion.
- iv) The major contributors of revenue in 1999 were Phase 2 and Phase 3A that consist of double storey shop office and residential units.
- v) The higher revenue in 2001 was mainly due to the contribution from Phase 4 and Phase 5 that were launched in October 1999 and December 2000 respectively. Higher development profit was achieved in 2001 as these phases command a higher margin than the earlier phases.
- vi) Exceptional item in 1999 was in respect of loan restructuring fees incurred during the year while exceptional item in 2001 was in respect of deferred expenditure written off. There were no other extraordinary or exceptional items during the financial years/period under review.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

3. Summarised Balance Sheets

The summarised balance sheets of MGDB and its subsidiaries for the relevant years/periods based on the audited financial statements of the respective companies are set out below:

3.1 MGDB - The Company

	<----As at 30 September---->			< -As at 30 April- >		As at
	1997	1998	1999	2000	2001	31 Oct
	RM'000	RM'000	RM'000	RM'000	RM'000	2001
						RM'000
Investments	-	-	-	-	-	132,397
Current assets	6	5	5	5	5	1,078
Current liabilities	(2,425)	(2,569)	(4,662)	(7,512)	(8,170)	(28,329)
Net current liabilities	(2,419)	(2,564)	(4,657)	(7,507)	(8,165)	(27,251)
	(2,419)	(2,564)	(4,657)	(7,507)	(8,165)	105,146
Finance by:						
Share capital	6,300	6,300	6,300	6,300	6,300	116,506
Share premium	221	221	221	221	221	3,528
Capital reserves	34	34	34	34	34	34
Accumulated losses	(10,924)	(11,069)	(11,212)	(14,062)	(14,720)	(14,922)
(Deficit)/surplus in shareholders' funds	(4,369)	(4,514)	(4,657)	(7,507)	(8,165)	105,146
Long term liabilities	1,950	1,950	-	-	-	-
	(2,419)	(2,564)	(4,657)	(7,507)	(8,165)	105,146
Net tangible assets (RM'000)	(4,369)	(4,514)	(4,657)	(7,507)	(8,165)	105,146
Net tangible assets per share (RM)	(0.69)	(0.72)	(0.74)	(1.19)	(1.30)	0.90

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
 Accountants' Report

3.2 Dynastic Lion Sdn Bhd ("DL")

	←-----As at 30 June----->				As at	As at
	1997	1998	1999	2000	30 April	31 Oct
	RM'000	RM'000	RM'000	RM'000	2001	2001
Investment	-	-	-	600	600	600
Deferred expenditure	2	3	3	-	-	-
Current assets	-	-	-	35,084	34,007	34,058
Current liabilities	(2)	(3)	(3)	(27,688)	(26,624)	(26,675)
Net current assets	(2)	(3)	(3)	7,396	7,383	7,383
	-	-	-	7,996	7,983	7,983
Financed by:						
Share capital	*	*	*	8,000	8,000	8,000
Accumulated losses	-	-	-	(4)	(17)	(17)
	-	-	-	7,996	7,983	7,983
Net tangible assets (RM'000)	-	-	-	7,996	7,983	7,983
Net tangible assets per share (RM)	-	-	-	1.00	1.00	1.00

* Represent subscribers' shares of RM2.00 comprising two (2) ordinary shares of RM1.00 each.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

3.3 South East Dragon Sdn Bhd ("SED")

	←-----As at 30 June-----→				As at	As at
	1997	1998	1999	2000	30 April	31 Oct
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Investments	5,500	5,500	9,600	9,600	9,600	9,600
Deferred expenditure	3	3	-	-	-	-
Current assets	1,080	94	31,815	35,998	35,923	35,783
Current liabilities	(6,483)	(3,461)	(33,252)	(37,338)	(37,266)	(37,129)
Net current liabilities	(5,403)	(3,367)	(1,437)	(1,340)	(1,343)	(1,346)
	100	2,136	8,163	8,260	8,257	8,254
Financed by:						
Share capital	100	100	100	* 200	* 200	* 200
Retained profits	-	2,036	8,063	8,060	8,057	8,054
	100	2,136	8,163	8,260	8,257	8,254
Net tangible assets (RM'000)	97	2,133	8,163	8,260	8,257	8,254
Net tangible assets per ordinary share (RM)	0.97	21.33	81.63	82.60	82.57	82.54

* Includes 100,000 preference shares of RM1.00 each.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

3.4 Puncak Kencana Sdn Bhd ("PK")

	<-----As at 30 April----->					As at
	1997	1998	1999	2000	2001	31 Oct 2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	-	151	303	290	255
Properties under development	8,966	8,516	8,798	8,376	7,929	7,996
Current assets	26,135	34,273	50,750	35,191	40,890	42,478
Current liabilities	(13,903)	(27,812)	(37,425)	(24,236)	(24,085)	(24,166)
Net current assets	12,232	6,461	13,325	10,955	16,805	18,312
	21,198	14,977	22,274	19,634	25,024	26,563
Financed by:						
Share capital	4,000	4,000	* 8,000	* 8,000	* 8,000	*8,000
Retained profits	9,717	10,461	14,116	11,617	17,007	18,546
Shareholders' funds	13,717	14,461	22,116	19,617	25,007	26,546
Long term liabilities	6,916	-	-	-	-	-
Deferred taxation	565	516	158	17	17	17
	21,198	14,977	22,274	19,634	25,024	26,563
Net tangible assets (RM'000)	13,717	14,461	22,116	19,617	25,007	26,546
Net tangible assets per ordinary share (RM)	3.43	3.62	5.53	4.90	6.25	6.64

* Includes 4,000,000 preference shares of RM1.00 each.

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
 Accountants' Report

3.5 Potensi Naga Sdn Bhd ("PN")

	←-----As at 31 December----->				As at	As at
	1996	1997	1998	1999	30 April	31 Oct
	RM'000	RM'000	RM'000	RM'000	2001	2001
Property, plant and equipment	-	-	-	35,785	15	157
Investment properties	-	-	-	-	35,785	35,785
Deferred expenditure	3	4	5	-	-	-
Current assets	-	-	-	215	750	1,018
Current liabilities	(3)	(4)	(5)	(4,222)	(621)	(823)
Net current liabilities	(3)	(4)	(5)	(4,007)	288	195
	-	-	-	31,778	36,088	36,137
Finance by:						
Share capital	*	*	*	100	100	100
Accumulated losses	-	-	-	(222)	76	263
Shareholders' funds	-	-	-	(122)	176	363
Long term liability				31,900	5,911	35,773
Deferred taxation	-	-	-	-	1	1
	-	-	-	31,778	36,088	36,137
Net tangible assets (RM'000)	-	-	-	(122)	176	363
Net tangible assets per share (RM)	-	-	-	(1.22)	1.76	3.63

* Represent subscribers' shares of RM2.00 comprising two ordinary shares of RM1.00 each.

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

3.6 Regal Form Sdn Bhd ("RF")

	<-----As at 31 December----->				As at 30	As at 31
	1996	1997	1998	1999	April	October
	RM'000	RM'000	RM'000	RM'000	2001	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	-	-	-	-	1
Properties under development	6,074	6,643	7,037	14,077	8,402	8,623
Deferred expenditure	9	9	12	14	-	-
Current assets	222	-	116	28	9,706	10,053
Current liabilities	(5,094)	(6,152)	(6,665)	(2,519)	(7,294)	(7,591)
Net current (liabilities)/ assets	(4,872)	(6,152)	(6,549)	(2,491)	2,412	2,462
	1,211	500	500	11,600	10,814	11,086
Financed by:						
Share capital	500	500	500	500	* 1,000	*1,000
Accumulated losses	-	-	-	-	(25)	(17)
Shareholders' funds	500	500	500	500	975	983
Borrowings (secured)	711	-	-	3,000	2,000	2,264
Long term liabilities	-	-	-	8,100	7,839	7,839
	1,211	500	500	11,600	10,814	11,086
Net tangible assets	491	491	488	486	975	983
Net tangible assets per ordinary share (RM)	0.98	0.98	0.98	0.97	1.95	1.97

* Includes 500,000 preference shares of RM1.00 each.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

3.7 Pembangunan Bandar Mutiara Sdn Bhd ("PBM")

	←-----As at 31 December-----→				As at	As at
	1996	1997	1998	1999	30 April	31 Oct
	RM'000	RM'000	RM'000	RM'000	2001	2001
Property, plant and equipment	339	374	284	200	289	468
Properties under development	137,729	137,074	150,302	169,775	175,225	180,203
Deferred expenditure	-	448	448	448	-	-
Current assets	177	20,931	25,583	24,536	33,862	39,912
Current liabilities	(32,971)	(69,801)	(56,138)	(22,080)	(26,132)	(30,817)
Net current (liabilities)/assets	(32,794)	(48,870)	(30,555)	2,456	7,730	9,095
	105,274	89,026	120,479	172,879	183,244	189,766
Financed by:						
Share capital	15,000	15,000	15,000	15,000	15,000	15,000
Retained profits	189	1,582	4,359	5,730	14,642	20,594
Shareholders' funds	15,189	16,582	19,359	20,730	29,642	35,594
Borrowings (secured)	90,000	72,335	101,070	105,290	104,523	104,093
Hire purchase liabilities	61	85	34	7	-	-
Deferred taxation	24	24	16	16	16	16
Long term liabilities	-	-	-	46,836	49,063	50,063
	105,274	89,026	120,479	172,879	183,244	189,766
Net tangible assets (RM'000)	15,189	16,134	18,911	20,282	29,642	35,594
Net tangible assets per share (RM)	1.01	1.08	1.26	1.35	1.98	2.37

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report

4. Statement of Assets and Liabilities

The statement of assets and liabilities of the Company and the Proforma Group are prepared based on the audited financial statements of MGDB and its subsidiaries as at 31 October 2001 on the assumption that the MGDB Group has been in existence as at that date and should be read in conjunction with the notes thereon.

	Note	<-----As at 31 October 2001 ----->		
		Company RM'000	Proforma Group (Before conversion of ICULS) RM'000	Proforma Group (After conversion of ICULS) RM'000
Property, plant and equipment	5.2	-	2,083	2,083
Investments	5.3	132,397	5,500	5,500
Investment properties	5.4	-	34,400	34,400
Properties under development	5.5	-	311,766	311,766
Current assets				
Properties under development	5.5	-	21,746	21,746
Trade and other receivables	5.6	1,072	40,374	40,374
Cash and cash equivalents	5.7	6	24,090	24,090
		1,078	86,210	86,210
Current liabilities				
Trade and other payables	5.8	21,159	36,217	36,217
Borrowings	5.9	7,170	13,669	13,669
Taxation		-	10,368	10,368
		(28,329)	(60,254)	(60,254)
Net current (liabilities)/assets		(27,251)	25,956	25,956
		<u>105,146</u>	<u>379,705</u>	<u>379,705</u>
Financed by:				
Capital and reserves				
Share capital	5.10	116,506	162,806	230,913
Reserves	5.11	(11,360)	9,268	26,295
		105,146	172,074	257,208
Minority interests		-	4,000	4,000
Long term and deferred liabilities				
Borrowings	5.9	-	87,406	87,406
ICULS	5.12	-	85,134	-
Deferred taxation		-	31,091	31,091
		-	203,631	118,497
		<u>105,146</u>	<u>379,705</u>	<u>379,705</u>
Net tangible assets per share (RM)		0.90	1.06	1.11

13. ACCOUNTANTS REPORT (CONT'D)



*Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report*

5. Notes to the Statement of Assets and Liabilities

5.1 Summary of significant accounting policies

All significant accounting policies, which have been applied consistently throughout the period under review, are set out below.

5.1.1 Basis of accounting

The financial statements of the Company and of the Proforma Group are prepared in compliance with applicable approved accounting standards in Malaysia.

5.1.2 Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Proforma Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

5.1.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment retired from active use and held for disposal is stated at the lower of net book value and net realisable value.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. In determining the recoverable amount of property, plant and equipment, expected future cash flows are not discounted to their present values. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it will be charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

5.1.4 Assets under hire purchase

Property, plant and equipment acquired under hire purchase arrangement are capitalised at their purchase cost and depreciated on the same basis as owned assets. The corresponding obligations relating to the remaining capital payments are treated as a liability. Finance charges are charged to the income statement over the period of the hire purchase on the sum-of-digits method.

5.1.5 Depreciation

The straight-line method is used to write off the cost of the following assets over the term of their estimated useful lives at the following principal annual rates:

Furniture and fittings	10%
Office equipment	10%
Office renovation	20%
Car park equipment	15%
Computers	25%
Motor vehicles	20%

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report

5.1.6 Investment properties

Investment properties are held for their investment potential and rental income and are stated at cost less provision for diminution in value.

5.1.7 Investments

Long term investments are stated at cost. Investments in subsidiaries are stated at valuation determined by the directors based on the values of the net tangible assets. A provision is made when the directors are of the view that there is a diminution in their value which is other than temporary.

5.1.8 Properties under development

Properties under development comprising land and development expenditure are stated at cost plus attributable profit less foreseeable losses, net of progress billings. Development expenditure includes interest expense on loans and advances utilised to finance on-going development.

5.1.9 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

5.1.10 Capitalisation of borrowing costs

Borrowing costs incurred on properties under development are capitalised. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to the Proforma Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific property under development, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowing will be capitalised.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

13. ACCOUNTANTS REPORT (CONT'D)



*Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report*

5.1.11 Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

5.1.12 Revenue

i) Property development

Revenue from property development is recognised using the percentage of completion method. Where foreseeable losses are anticipated, full provision for these losses is made in the financial statements.

ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

iii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

5.1.13 Financing costs

Other than borrowing costs which are capitalised in properties under development mentioned in Note 5.1.10, all other interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of hire purchase is recognised in the income statement based on the sum-of-digits method.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report

**5.2 Property, plant and equipment****Proforma Group**

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Furniture and fittings	87	35	52
Office equipment	102	50	52
Office renovation	237	83	154
Car park equipment	233	65	168
Computers	269	168	101
Motor vehicles	598	242	356
Purchase from GMM*	1,200	-	1,200
Total	2,726	643	2,083

* This relate to furniture, office equipment, computer hardware and software and motor vehicles to be acquired from Goodyear Management (Malaysia) Sdn. Bhd. ("GMM") pursuant to the restructuring exercise.

5.3 Investments

	Company RM'000	Proforma Group RM'000
<i>Long term, at cost</i>		
Unquoted shares in subsidiaries	132,397	-
Unquoted preference shares	-	5,500
	<u>132,397</u>	<u>5,500</u>

The Company is in the process of registering the share certificates of PBM and DL in the name of the Company.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

5.4 Investment properties

	Proforma Group RM'000
Land and buildings, at cost	<u>34,400</u>

Investment properties consist of a 13-storey office building and a five storey shophouse which the Group intends to hold for rental income and investment purposes.

Leasehold land and buildings costing RM31,900,000 have been charged by way of a deed of assignment for RM12,000,000 as security for a bank overdraft facility granted to the Group. The strata titles to the properties have yet been issued by the authorities.

The directors are of the opinion that the current market values of the investment properties are at least equal to their net book values.

5.5 Properties under development

	Proforma Group RM'000
Freehold land	257,009
Leasehold land	7,360
	<u>264,369</u>
Development expenditure	406,763
Attributable profits	106,981
	<u>778,113</u>
Less: Progress billings	<u>(444,601)</u>
	333,512
Less: Current portion	<u>(21,746)</u>
Non-current portion	<u>311,766</u>

Additions to development expenditure during the year include:

Interest expense	<u>4,865</u>
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Interest is capitalised in properties under development at rates ranging from 1% to 2.5% per annum above the lenders' base lending rate.

The portion of properties under development in respect of which significant development work has been undertaken and which is expected to be completed within the normal operating cycle of two to three years is considered as current assets.

The development properties have been charged to secure loan facilities and bank overdraft granted to the Group.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
 Accountants' Report

5.6 Trade and other receivables

	Company RM'000	Proforma Group RM'000
Trade receivables	-	36,482
Other receivables, deposits and prepayments	1,072	3,892
	<u>1,072</u>	<u>40,374</u>

Other receivables of the Company represent payment of listing expenses made by its subsidiaries on behalf of the Company. These balances will be debited to the share premium account upon completion of the restructuring exercise.

5.7 Cash and cash equivalents

	Company RM'000	Proforma Group RM'000
Cash and bank balances	6	22,510
Deposits placed with licensed banks	-	1,580
	<u>6</u>	<u>24,090</u>

Included in the Proforma Group's cash and bank balances is RM12,520,000, the utilisation of which is subject to the Housing Developers (Housing Development Account) Regulations 1991.

Included in the deposits placed with licensed banks is RM734,000 pledged for bank guarantees facility granted to the Group.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

5.8 Trade and other payables

	Company RM'000	Proforma Group RM'000
Trade payables	-	13,717
Other payables and accrued expenses	20,518	21,115
Amount due to subsidiaries	635	-
Amount owing to Directors	6	1,385
	<u>21,159</u>	<u>36,217</u>

Company

Included in other payables of the Company is an amount of RM18.89 million payable to the vendors of DL representing the balance of purchase consideration for the Acquisition of DL explained in Paragraph 1.4.1. The amount payable was satisfied by the issuance of 18.89 million of ICULS at a nominal value of RM1.00 each in MGDB, which was issued on 16 January 2002. (Section 9)

The amount due to subsidiaries and Directors are non-trade in nature, unsecured, interest free and have no fixed terms of repayment.

Proforma Group

Included in other payables of the Proforma Group is an amount of RM1,013,000 due to companies in which certain Directors have interest. The amount is non trade in nature, unsecured, interest free and has no fixed terms of repayment.

5.9 Borrowings

	Company RM'000	Proforma Group RM'000
<i>Current</i>		
Term loans - secured	-	2,319
- unsecured	7,170	-
Bank overdrafts (secured)	-	11,350
	<u>7,170</u>	<u>13,669</u>
<i>Non-current</i>		
Term loans (secured)	-	85,642
Bridging loan (secured)	-	1,764
	<u>-</u>	<u>87,406</u>
	<u>7,170</u>	<u>101,075</u>

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

Company

The term loans of the Company comprise:

	Company RM'000
Bank Pembangunan dan Infrastruktur Malaysia Berhad ("BPIMB")	2,773
Bank borrowings of former subsidiaries in which the Company has provided corporate guarantee	4,397
	<u>7,170</u>

The borrowings of former subsidiaries have been taken over by Pengurusan Danaharta Nasional Berhad ("Danaharta") in 2000.

The amount owing to BPIMB and Danaharta as shown above consist of principal sum of RM3,100,000 and interest accrued until 30 April 2000 of RM4,070,000.

The Company has appealed to BPIMB and Danaharta for a waiver of a portion of the total amount on the outstanding. The amount to be waived depends on the outcome of the settlement arrangements between the Company and BPIMB and Danaharta. Subject to the outcome of the settlement arrangements between the Company and BPIMB and Danaharta as disclosed below, interest for the period from 1 May 2000 to 30 April 2001 and 31 October 2001 were not provided for.

BPIMB

As a result of an appeal made by the solicitors of MGDB, BPIMB has agreed in its letter dated 8 November 2000 to reduce the redemption and/or settlement sum to RM1,500,000 and its solicitor cost of approximately RM10,000. On 2 January 2002, BPIMB has also agreed to extend the period for repayment of the redemption and/or settlement sum by MGDB to 14 June 2002.

MGDB has allocated approximately RM2,952,000 from part of the proceeds to be raised from the Rights Issue and Restricted Public Issue, to settle the debt owing to BPIMB.

Danaharta

On 6 October 2000, pursuant to an appeal made by MGDB, Danaharta has agreed to accept as settlement for the borrowings of former subsidiaries the sum of RM3,000,000 on the following conditions:

- i) payment be made to Danaharta in one lump sum on or before 31 January 2001;
- ii) MGDB provides a written confirmation to Danaharta with supporting evidence that application for the listing on the KLSE has been submitted to the relevant approving authorities; and
- iii) A Guarantee and Indemnity to be executed by a Director of the Company in favour of Danaharta securing the payment.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
 Accountants' Report

Danaharta in its letter dated 8 January 2002 has subsequently agreed to extend the payment deadline to 30 April 2002 with all other terms remain unchanged.

MGDB has allocated approximately RM4,776,000 from part of the proceeds to be raised from the Rights Issue and Restricted Public Issue, to settle the debt owing to Danaharta.

Proforma Group***Terms and debt repayment schedule***

The term loans, bridging loan and bank overdrafts of the Proforma Group are subject to interest at rates ranging from 1% to 2.5% per annum respectively above the lenders' base lending rate.

The bridging loan of a subsidiary is repayable in equal monthly instalments of RM666,667 commencing on 1 November 2002 or from redemption proceeds from properties under development, whichever is earlier.

The term loan of a subsidiary is repayable in equal instalments of RM250,000 commencing on 1 January 2002. The repayment schedule of the term loan of another subsidiary is subject to the Loan Rescheduling Agreement entered into between the subsidiary and its syndicated lenders on 21 May 1999 as follows:

Last Business Day of	RM'000
31.12.1999	8,100
2000	6,100
2001	9,600
2002	9,300
2003	22,900
2004	48,000
2005	3,300
	107,300

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

Interest payments by the subsidiary over the period of 36 months commencing 1 November 1998 and expiring on 30 October 2001 have been deferred. The repayment schedule for the above interest which is estimated at RM33,500,000 is as follows:

Last Business Day of	RM'000
2005	32,700
2006	800
	33,500

The term loans of the Proforma Group are secured by way of:

- i) legal charges over the Proforma Group's development land;
- ii) a fixed and floating debenture over all the assets of a subsidiary;
- iii) an equitable assignment of the proceeds from sale of development properties of a subsidiary;
- iv) a deed of assignment in respect of all dividends declared in favour of the lenders of a subsidiary;
- v) joint and several guarantee by Directors of certain subsidiaries and third parties;
- vi) subordinate deed to subordinate to loan all advances made into a subsidiary;
- vii) corporate guarantee by all shareholders of a subsidiary and a company in which certain Directors have interest; and
- viii) corporate guarantee from a subsidiary.

The bridging loan and bank overdrafts of the Proforma Group are secured by way of:

- i) legal charges over the Proforma Group's development land;
- ii) joint and several guarantee by Directors of certain subsidiaries;
- iii) corporate guarantee from a subsidiary; and
- iv) an assignment on a building and rental thereon of a subsidiary.

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
 Accountants' Report

5.10 Share capital

	Proforma Group RM'000
<i>Ordinary shares of RM1.00 each:</i>	
Authorised	<u>500,000</u>
Issues and fully paid-up	
Balance as at 1 May 2001	6,300
44,063,000 new ordinary shares of RM1.00 each for the acquisition of DL	44,063
66,143,000 new ordinary shares of RM 1.00 each for the acquisition of PBM	66,143
Balance as at 31 October 2001	<u>116,506</u>
30,000,000 new ordinary shares of RM1.00 each for the restricted issue for partial settlement of PBM syndicated loan facilities	30,000
6,300,000 new ordinary shares of RM1.00 each for the right issue	6,300
10,000,000 new ordinary shares of RM1.00 each for the restricted public issue	10,000
Enlarged share capital at 31 October 2001 (before conversion of ICULS)	<u>162,806</u>
Conversion of ICULS to new ordinary shares of RM1.00 each on the basis of 4 new shares for every 5 ICULS held	68,107
Enlarged share capital at 31 October 2001	<u>230,913</u>

13. ACCOUNTANTS REPORT (CONT'D)



Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

5.11 Reserves

	Capital reserves RM'000	Share premium account RM'000	Reserve on consolidation RM'000	Accumulated losses RM'000	Total RM'000
<i>Proforma Group</i>					
At 1 May 2001	34	221	-	(14,720)	(14,465)
Arising from issuance of shares pursuant to the acquisition of PBM	-	3,307	-	-	3,307
Arising from issuance of shares pursuant to the restricted public issue	-	2,000	-	-	2,000
Estimated listing expenses	-	(2,500)	-	-	(2,500)
Arising from the acquisition of DL and PBM	-	-	21,128	-	21,128
Net loss for the period	-	-	-	(202)	(202)
At 31 October 2001 (before conversion of ICULS)	34	3,028	21,128	(14,922)	9,268
Arising from conversion of ICULS	-	17,027	-	-	17,027
At 31 October 2001 (after conversion of ICULS)	34	20,055	21,128	(14,922)	26,295
<i>Company</i>					
At 1 May 2001	34	221	-	(14,720)	(14,465)
Arising from issuance of shares pursuant to the acquisition of PBM	-	3,307	-	-	3,307
Net loss for the period	-	-	-	(202)	(202)
At 31 October 2001	34	3,528	-	(14,922)	(11,360)

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

5.12 Irredeemable Convertible Unsecured Loan Stock

The Company issued 85.134 million nominal value of Irredeemable Convertible Unsecured Loan Stock 2002/2007 pursuant to the acquisition of DL and debt settlement to the vendors of PBM and DL. The ICULS issued will be converted at 5 ICULS of RM1.00 each for 4 new ordinary shares of RM1.00 each. 68.11 million new ordinary shares will be issued when the ICULS are fully converted. The ICULS issue are for a period of five (5) years and at an interest rate of 2.5% per annum, convertible only after the third year from the date of the issue of the ICULS.

6. Cash Flow Statements

The cash flow statements of the Company and the Proforma Group set out below is based on the audited financial statements of MGDB and its subsidiaries for the six months period ended 31 October 2001 and is presented on the assumption that the MGDB Group has been in existence throughout the period under review.

	6 month period 31 October 2001	
	Company RM'000	Proforma Group RM'000
Cash flows from operating activities		
(Loss)/profit before tax	(202)	10,612
Adjustments for:		
Depreciation	-	97
Interest income	-	(436)
Operating (loss)/profit before working capital changes	(202)	10,273
Changes in working capital:		
Trade and other receivables	(1,072)	(5,895)
Trade and other payables	1,275	1,668
Properties under development	-	(3,491)
Cash generated from operations	1	2,555
Income taxes paid	-	(1,632)
Interest received	-	436
Net cash generated by operating activities	1	1,359

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
 Accountants' Report

	6 month period	
	31 October 2001	
	Company	Proforma
	RM'000	Group
		RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(386)
Placement of fixed deposits	-	(148)
Net cash used in investing activities	-	(534)
Cash flows from financing activities		
Proceeds from term loan	-	4,150
Proceeds from bridging loan	-	1,765
Repayment of term loan	-	(6,603)
Payment of hire purchase liabilities	-	(5)
Net cash used in financing activities	-	(693)
Net increase in cash and cash equivalents	1	132
Cash and cash equivalents at beginning of period	5	11,874
Cash and cash equivalents at end of period	6	12,006
Cash and cash equivalents comprise:		
Cash and bank balances	6	22,510
Deposits (excluding deposits pledged)	-	846
Bank overdrafts	-	(11,350)
	6	12,006

13. ACCOUNTANTS REPORT (CONT'D)

Mutiara Goodyear Development Berhad
 (Formerly known as MIT Holdings Berhad)
 Accountants' Report

7. Net Tangible Assets Cover ("NTA cover")

Based on the statement of assets and liabilities of the Proforma Group as at 31 October 2001, and after adjusting for the share issues pursuant to the restructuring exercise and the estimated listing expenses, the net tangible assets cover will be as follows:

	Proforma Group	
	(Before conversion of ICULS) RM'000	(After conversion of ICULS) RM'000
Tangible assets as per the Proforma Group's statement of assets and liabilities	<u>172,074</u>	<u>257,208</u>
Number of ordinary shares pursuant to the restructuring exercise	<u>162,806</u>	<u>230,913</u>
NTA cover per ordinary share of RM1.00 each (RM)	<u>1.06</u>	<u>1.11</u>

8. Significant events during the period

The following are significant events during the six month period ended 31 October 2001:

- i) MGDB has obtained approval on the restructuring exercise detailed in Paragraph 1.4 from the Securities Commission progressively vide its letters dated 4 May 2001, 11 July 2001, 26 November 2001 and 14 December 2001. Subsequently, MGDB obtained approval from its shareholders at an Extraordinary General Meeting held on 18 September 2001.
- ii) On 18 September 2001, MGDB acquired the entire issued and paid-up capital of DL for a purchase consideration of RM62.95 million satisfied by the issuance of 44.06 million new ordinary shares of RM1.00 each in MGDB at an issue price of RM1.00 per share and 18.89 million ICULS at a nominal value of RM1.00 each in MGDB. The Company issued the 44.06 million new ordinary shares of RM1.00 each on 18 September 2001 and the 18.89 million ICULS on 16 January 2002.
- iii) On 18 September 2001, MGDB acquired the entire issued and paid-up capital of PBM for a purchase consideration of RM69.45 million satisfied by the issuance of 66.14 million new ordinary shares of RM1.00 each in MGDB at an issue price of RM1.05 per share. The Company issued the 66.14 million new ordinary shares of RM1.00 each on 18 September 2001
- iv) The Company increased its authorised share capital from RM20 million to RM500 million by the creation of an additional 480 million new ordinary shares of RM1.00 each.
- v) The Company changed its name from MIT Holdings Berhad to Mutiara Goodyear Development Berhad on 17 October 2001.

13. ACCOUNTANTS REPORT (CONT'D)



*Mutiara Goodyear Development Berhad
(Formerly known as MIT Holdings Berhad)
Accountants' Report*

9. Events subsequent to the balance sheet date

The following are events subsequent to the balance sheet date made up to 31 October 2001:

- i) On 16 January 2002, 18.89 million ICULS of the Company were issued to the shareholders of DL in consideration of the remaining purchase consideration for the acquisition of the entire issued and paid-up capital of DL.
- ii) On 16 January 2002, 66.25 million ICULS of the Company were issued to the shareholders of DL and PBM in consideration for the amounts owing to the shareholders of DL and PBM.

10. Audited Financial Statements

No audited financial statements have been drawn up for any period subsequent to 31 October 2001.

Yours faithfully

KPMG
Firm No: AF 0758
Chartered Accountants

Chan Kam Chiew
Partner
Approval Number: 2055/6/02(J)