



2003

LAPORAN TAHUNAN • ANNUAL REPORT



PACIFIC & ORIENT BERHAD
(308366-H) (Incorporated in Malaysia)

11th Floor, Wisma Bumi Raya
No. 10, Jalan Raja Laut
50350 Kuala Lumpur
Malaysia
Tel: 03-26985033
Fax: 03-26944209
Web Site: www.pacific-orient.com

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to the action you should take, you should consult your Stockbroker, Bank Manager, Solicitor, Accountant or other Professional Adviser immediately.

If you have sold or transferred all your shares in PACIFIC & ORIENT BERHAD, you should at once send this Circular together with the 2003 Annual Report to the agent through whom the sale or transfer was contracted for onward transmission to the purchaser or transferee respectively.

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PACIFIC & ORIENT BERHAD
(308366-H)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED RENEWAL OF PURCHASE BY THE COMPANY OF ITS OWN SHARES

The Notice of the 10th Annual General Meeting to be held at Anggerik Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 20 February 2004, at 11.30 a.m. is incorporated in the 2003 Annual Report and is sent to you together with this Circular. Shareholders are advised to refer to the Notice of the 10th Annual General Meeting and the Form of Proxy which are included in the 2003 Annual Report. The Form of Proxy must be lodged at the Registered Office of the Company at 11th Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

This Circular is dated 28 January 2004

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:—

“AGM”	–	Annual General Meeting
“Board”	–	Board of Directors of POB
“Directors”	–	Directors of POB
“EPS”	–	Earnings Per Share
“POB” or “the Company”	–	Pacific & Orient Berhad
“POB Group” or “Group”	–	POB and its subsidiaries
“POI”	–	Pacific & Orient Insurance Co. Berhad
“KLSE”	–	Kuala Lumpur Stock Exchange
“Listing Requirements”	–	Listing Requirements of the KLSE
“NTA”	–	Net Tangible Assets
“Proposed Share Buy Back”	–	Proposal to enable POB to purchase its own shares up to a maximum of ten per cent (10%) of the issued and paid-up share capital of POB
“Proposal”	–	The Proposed Share Buy Back
“RM” and “sen”	–	Ringgit Malaysia and sen respectively
“Shares”	–	Issued and paid-up ordinary shares of RM1.00 each in POB

CONTENTS

LETTER TO THE SHAREHOLDERS CONTAINING:–

	PAGE
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSAL	2
3. RATIONALE	2
4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY BACK	2
5. EFFECTS OF THE PROPOSED SHARE BUY BACK	3
5.1 Share Capital	3
5.2 Net Tangible Assets and Working Capital	3-4
5.3 Earnings	4
5.4 Dividends	4
5.5 Effects of the Malaysian Code On Take-overs And Mergers 1998	4
6. SOURCES OF FUNDING	4
7. PURCHASE/RESALE PRICE	4
8. APPROVALS REQUIRED	5
9. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS	5
9.1 Directors' Shareholdings	5
9.2 Substantial Shareholders' Shareholdings	5
10. PURCHASE OF THE COMPANY'S SHARES AND RESALE OF TREASURY SHARES IN THE PREVIOUS TWELVE (12) MONTHS	5
11. SHARE PRICES	6
12. PUBLIC SHAREHOLDING SPREAD	6
13. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	6
14. DIRECTORS' RECOMMENDATION	6
15. ANNUAL GENERAL MEETING	7
16. FURTHER INFORMATION	7

APPENDIX



PACIFIC & ORIENT BERHAD
(308366-H)
(Incorporated in Malaysia)

Registered Office:

11th Floor, Wisma Bumi Raya
No. 10, Jalan Raja Laut
50350 Kuala Lumpur

28 January 2004

Directors:–

Mr Chan Hua Eng (Chairman)
Mr Chan Thye Seng (Chief Executive Officer)
Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed
Dato' Abu Hanifah Bin Noordin
Mr Michael Yee Kim Shing

To : The Shareholders of Pacific & Orient Berhad

Dear Sir/Madam

THE PROPOSED RENEWAL OF PURCHASE BY THE COMPANY OF ITS OWN SHARES

1. INTRODUCTION

On 28 November 2003, the Company had announced to the KLSE its decision to submit to shareholders a proposal to purchase and/or hold its own shares of up to ten per cent (10%) of the Company's issued and paid-up ordinary shares of RM1.00 each.

The purpose of this Circular is to provide you with the details of the Proposal and to seek your approval for the Ordinary Resolution to be tabled at the AGM to be convened on 20 February 2004, notice of which is set out on pages 2 and 3 of the 2003 Annual Report.

2. DETAILS OF THE PROPOSAL

At the AGM held on 18 February 2003, your Directors obtained shareholders' approval for the Company to purchase up to ten per cent (10%) of the issued and paid-up share capital of POB for the time being on the KLSE.

In accordance with the guidelines of the KLSE in respect of purchase of own shares by a listed company, the authority to undertake the Proposed Share Buy Back shall lapse at the conclusion of the next AGM unless the authority is renewed.

Your Directors now propose to seek shareholders' approval for a renewal of the authority to undertake the Proposed Share Buy Back at the forthcoming AGM to be held on 20 February 2004. As at 31 December 2003, the total issued and paid-up share capital of the Company is RM101,108,000 comprising 101,108,000 ordinary shares of RM1.00 each and hence, the maximum number of Shares which may be purchased by the Company will be ten per cent (10%) of the issued and paid-up share capital of the Company or 10,110,800 Shares.

The Proposed Share Buy Back will be effective immediately upon passing of the ordinary resolution up to the conclusion of the next AGM (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next AGM is required by law to be held, whichever occurs first).

The Directors may retain the Shares so purchased as treasury shares or cancel them or both. An appropriate announcement will be made to the KLSE in respect of the intention of the Directors together with the rationale, whether to retain the Shares so purchased as treasury shares or cancel them or both, if the Proposed Share Buy Back is executed. An immediate announcement shall be made upon each purchase or resale of Shares.

3. RATIONALE

The Proposed Share Buy Back will enable the Company to utilise its financial resources which are not immediately required to purchase its Shares which may lead to stability in the performance of the Shares on the stock market. This may have a positive impact on the market price of the Company's Shares.

4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY BACK

The Proposed Share Buy Back will allow the Company to utilise financial resources for which it has no immediate use to purchase its own Shares on the KLSE and as a result of which may help enhance the EPS. The stability of the Share prices is important in order to maintain investors' confidence to facilitate the Company's future funds raising exercises via issues of equity shares or other instruments, should there be any such exercises in future. The Proposed Share Buy Back will also provide an opportunity for the Company to make a gain when it resells the Shares for cash when market conditions improve.

The Proposed Share Buy Back, if executed, will however temporarily reduce the financial resources of the POB Group and should there be any good investment opportunity arising in the future, the Company may have to resell the Shares for cash in the market not at an opportune time. It may also result in a lower amount of dividends declared to shareholders as funds are being diverted to purchase Shares. Furthermore, the distributable reserves available for dividends could be reduced as a result of the Proposed Share Buy Back. In any event, the Directors will be mindful of the interests of the POB Group and the shareholders in implementing the Proposed Share Buy Back.

5. EFFECTS OF THE PROPOSED SHARE BUY BACK

The Directors propose to allocate an amount not exceeding the total retained earnings and share premium of the Company for the Proposed Share Buy Back. As at 30 September 2003, the audited retained earnings and share premium of the Company were RM52,070,000 and RM44,671,000 respectively. The unaudited retained earnings and share premium based on the management accounts of the Company as at 30 November 2003 were RM48,963,000 and RM44,678,000 respectively. The actual number of Shares to be purchased, the total amount of funds involved and the timing of each purchase will depend on market conditions and stock market sentiment as well as the financial resources available in the POB Group.

Assuming that the Proposed Share Buy Back is carried out in full, the effects of the Proposed Share Buy Back are as follows:-

5.1 Share Capital

If carried out in full, and all the Shares so purchased are cancelled, the Proposed Share Buy Back will result in the issued and paid-up share capital of the Company as at 31 December 2003 being reduced from RM101,108,000 comprising 101,108,000 Shares to RM90,997,200 comprising 90,997,200 Shares.

	No of shares of RM1.00 each	RM
Existing issued and paid-up share capital as at 31 December 2003	101,108,000	101,108,000
No. of Shares to be cancelled pursuant to the Proposal	10,110,800	10,110,800
Upon completion of the Proposal	<u>90,997,200</u>	<u>90,997,200</u>

If 10,110,800 Shares so purchased are treated as treasury shares, they will not reduce the number of shares issued but the rights attaching to them as to voting, dividends and participation in other distribution and otherwise are suspended. Whilst these Shares remain as treasury shares, the Companies Act, 1965 prohibits such Shares to be taken into account in calculating the number of shares in the Company for any purpose whatsoever. The Directors of the Company may subsequently distribute the treasury shares as dividends to shareholders or resell them on the KLSE or cancel them.

5.2 Net Tangible Assets and Working Capital

On Acquisitions

- i. If the price of the Shares so purchased is below the NTA per share immediately prior to the Proposed Share Buy Back, then the NTA per share after the purchase will increase.
- ii. If the price of the Shares so purchased is above the NTA per share immediately prior to the Proposed Share Buy Back, then the NTA per share after the purchase will decrease.

Should the Shares acquired as mentioned in item 5.2(i) and 5.2(ii) above be subsequently cancelled, there will be no further financial impact on the NTA per share.

On Resale

- i. If the resale price of the Shares so purchased is more than the prevailing NTA per share immediately prior to the resale, then the NTA per share after the sale of the Shares will increase.
- ii. If the resale price of the Shares so purchased is less than the prevailing NTA per share immediately prior to the resale, then the NTA per share after the sale of the Shares will decrease.

The Proposed Share Buy Back, however, is likely to reduce the working capital of the POB Group, the quantum of which depends on the purchase prices of the Shares, the actual number of Shares bought back and the effective funding cost to POB.

5.3 Earnings

The impact on the EPS resulting from the Proposed Share Buy Back will depend on the quantum of the earnings of the POB Group for the financial year ending 30 September 2004, as well as the number of Shares actually purchased.

5.4 Dividends

The Proposed Share Buy Back may reduce the amount of distributable reserves available for dividends.

5.5 Effects of the Malaysian Code On Take-overs And Mergers 1998

The Proposed Share Buy Back will not trigger the Mandatory General Offer required under the Malaysian Code On Take-overs And Mergers 1998.

The existing Directors, substantial shareholders and persons connected with the Directors will not incur an obligation to undertake a Mandatory General Offer under the Malaysian Code On Take-overs And Mergers 1998 for the balance of the shares, which he/she does not already own as a result of the Proposed Share Buy Back, since their current shareholding already exceed 50% of the issued and paid-up share capital of the Company.

6. SOURCES OF FUNDING

The funding of the Proposed Share Buy Back will be through internally generated funds and/or bank borrowings, the proportion of which will depend on the quantum of purchase consideration as well as the availability of the internally generated funds and borrowings and repayment capabilities of the POB Group at the time of purchase(s). As such, the funding is not expected to have a negative bearing on the cashflow position of the POB Group.

7. PURCHASE/RESALE PRICE

The Company may only purchase its own Shares on the KLSE at a price which is not more than fifteen per cent (15%) above the weighted average price of the Company's Shares for the five (5)

market days immediately prior to the purchase. The Company may treat the Shares so purchased as treasury shares and resell them at a price which is not less than the weighted average price of the Company's Shares for the five (5) market days immediately prior to the resale.

4

8. APPROVALS REQUIRED

The Proposal is conditional upon approval being obtained from the shareholders of the Company at the forthcoming AGM.

9. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS SHAREHOLDINGS

9.1 Directors Shareholdings

The number of Shares held directly and indirectly by the Directors as at 31 December 2003 are set out below :-

Directors	No. of Shares held							
	Before the Proposed Share Buy Back				After the Proposed Share Buy Back			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Chan Hua Eng	-	-	⁽¹⁾ 1,130,000	1.12	-	-	⁽¹⁾ 1,130,000	1.24
Chan Thye Seng	8,449,302	8.36	⁽²⁾ 48,554,098	48.02	8,449,302	9.29	⁽²⁾ 48,554,098	53.36
Michael Yee Kim Shing	-	-	⁽³⁾ 155,000	0.15	-	-	⁽³⁾ 155,000	0.17

9.2 Substantial Shareholders Shareholdings

The number of the Shares held directly and indirectly by the substantial shareholders as at 31 December 2003 are set out below :-

Substantial Shareholders	No. of Shares held							
	Before the Proposed Share Buy Back				After the Proposed Share Buy Back			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Chan Thye Seng	8,449,302	8.36	⁽²⁾ 48,554,098	48.02	8,449,302	9.29	⁽²⁾ 48,554,098	53.36
Mah Wing Investments Limited	23,848,620	23.59	-	-	23,848,620	26.21	-	-
Mah Wing Holdings Sdn Bhd	23,575,478	23.32	-	-	23,575,478	25.91	-	-
Employees Provident Fund Board	5,470,000	5.41	-	-	5,470,000	6.01	-	-

- Notes :
- (1) Held by virtue of his substantial shareholding in Chan Kok Tien Realty Sdn Bhd which in turn holds 1,130,000 Shares.
 - (2) Held by virtue of his substantial shareholding in Mah Wing Investments Limited, Mah Wing Holdings Sdn Bhd and Chan Kok Tien Realty Sdn Bhd.
 - (3) Held by virtue of his spouse and children's interest in the Company.

10. PURCHASE OF THE COMPANY S SHARES AND RESALE OF TREASURY SHARES IN THE PREVIOUS TWELVE (12) MONTHS

The Company did not make any purchases of its own Shares nor resell any treasury shares in the previous twelve (12) months.

11. SHARE PRICES

The following table sets out the monthly highest and lowest transacted prices of Shares on the KLSE for the past twelve (12) months from January 2003 to December 2003:–

	High (RM)	Low (RM)
<u>2003</u>		
January	1.65	1.57
February	1.52	1.45
March	1.47	1.40
April	1.60	1.40
May	1.60	1.43
June	1.72	1.53
July	3.10	1.68
August	3.24	2.21
September	2.75	2.28
October	2.50	2.03
November	2.33	2.15
December	2.25	1.50

The last transacted price of Shares on 12 January 2004 was RM2.15, being the last practicable date prior to the printing of this Circular.

Source: Bloomberg Financial Services

12. PUBLIC SHAREHOLDING SPREAD

The public shareholding spread as at 31 December 2003 was 43.47%. The public shareholding spread is expected to reduce to 37.18% assuming the Proposed Share Buy Back is fully implemented and purchased from the public and all the Shares so purchased are cancelled.

13. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS INTERESTS

None of the Directors, substantial shareholders and persons connected to them has any interest, direct or indirect, in the Proposal and proposed resale of treasury shares, if any.

14. DIRECTORS RECOMMENDATION

The Directors, having considered all aspects of the Proposal, are of the opinion that the Proposal is in the best interest of the Company and its shareholders. Accordingly, they recommend that you vote in favour of the Ordinary Resolution to be tabled at the forthcoming AGM.

15. ANNUAL GENERAL MEETING

The notice of AGM that contains the resolution pertaining to the Proposal has been incorporated into the 2003 Annual Report which is being circulated to you together with this Circular.

If you are unable to attend and vote in person at the AGM, you should complete and return the enclosed Form of Proxy in the 2003 Annual Report in accordance with the instructions contained therein as soon as possible and in any event so as to arrive at the registered office of the Company at 11th Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur no later than forty-eight (48) hours before the time set for holding the AGM or any adjournment thereof.

The lodging of the Form of Proxy will not, however, preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

16. FURTHER INFORMATION

Shareholders are requested to refer to the attached appendix for further information.

Yours faithfully
For and on behalf of
PACIFIC & ORIENT BERHAD

CHAN HUA ENG R OBE
Chairman

APPENDIX**1. RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Directors of POB who collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the POB Group during the two (2) years immediately preceding the date of this Circular.

3. MATERIAL LITIGATION

The POB Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, save and except those litigation involving the insurance subsidiary, POI, in its normal course of business for the settlement or recovery of claims in respect of its policies. The net outstanding claims of POI based on its latest audited financial statements for the year ended 30 September 2003 was RM318,457,506. The Directors do not have any knowledge of any proceedings, pending or threatened, against any member of the POB Group or of any facts likely to give rise to any proceedings which might materially or adversely affect the position or business of the POB Group.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 11th Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur during normal business hours (Monday to Friday) for the period from the date hereof up to the date of the AGM:-

- (a) Memorandum and Articles of Association of POB; and
- (b) Annual Reports of POB for the past three (3) financial years ended 30 September 2001, 2002 and 2003.

C O N T E N T S

- 2 **N**otice of Annual General Meeting
 - 4 **S**tatement Accompanying Notice of Annual General Meeting
 - 5 **C**orporate Information
 - 6 **P**rofile of the Board of Directors
 - 8 **C**orporate Governance and Statement of Directors' Responsibilities
 - 11 **S**tatement of Internal Controls
 - 12 **A**dditional Compliance Statement
 - 13 **R**eport of the Audit Committee
 - 16 **C**hairman's Statement
 - 20 **P**enyata Pengerusi
 - 25 **F**inancial Statements
 - 79 **L**ist of Group's Properties
 - 82 **S**hareholdings Statistics
- F**orm of Proxy

NOTICE

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at Anggerik Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 20 February 2004 at 11.30 a.m. for the following purposes:

1. To receive and consider the audited financial statements for the year ended 30 September 2003 and the Reports of the Directors and the Auditors thereon. **Resolution 1**
2. To approve the payment of Directors' fees of RM195,000 per annum. **Resolution 2**
3. To re-elect a Director:
Mr Michael Yee Kim Shing retires by rotation pursuant to Article 82 of the Company's Articles of Association, and being eligible, offers himself for re-election. **Resolution 3**
4. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:
"THAT Mr Chan Hua Eng being over the age of 70 years and retiring in accordance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 4**
5. To re-appoint Messrs Ernst & Young as auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 5**
6. Special business:
To consider and if thought fit, with or without any modification, to pass the following which will be proposed as Ordinary Resolutions:
 - (a) Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 **Resolution 6**
"THAT subject to Section 132D of the Companies Act, 1965 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company for the time being; AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."
 - (b) Authority to Directors on purchase of the Company's own shares **Resolution 7**
"THAT subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, and the requirements of Malaysia Securities Exchange Berhad ("MSEB") and any other relevant authorities, the Directors of the Company be and are hereby unconditionally and generally authorised to:
 - (i) purchase shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, provided that the aggregate number of shares bought pursuant to this Resolution does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company for the time being and the total funds allocated shall not exceed the total retained earnings and share premium of the Company (re: page 3 item 5 of the Circular) which would otherwise be available for dividends AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever occurs first);

OF ANNUAL GENERAL MEETING

- (ii) retain the shares so purchased as treasury shares or cancel them or both, with an appropriate announcement to be made to MSEB in respect of the intention of the Directors whether to retain the shares so purchased as treasury shares or cancel them or both together with the rationale of the decision so made;
- (iii) deal with the shares purchased in the manner prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of MSEB and any other relevant authorities for the time being in force; and
- (iv) take all such steps as are necessary or expedient to implement or to effect the purchase of the shares.”

7. To transact any other business which may properly be transacted at an Annual General Meeting, of which due notice shall have been given.

By Order of the Board

VALERIE CHEAH CHUI MEI (LS 04944)

HONG PEK HAR (MAICSA 0820727)

Company Secretaries

Kuala Lumpur

28 January 2004

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one (1) proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the registered office of the Company situated at 11th Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the meeting.
3. In the case of a corporate member, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.

Explanatory Notes on Special Business

1. Resolution 6 – Authority pursuant to Section 132D of the Companies Act, 1965

The effect of the resolution under item 6 of the agenda, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot shares in the Company up to and not exceeding in total ten per cent (10%) of the issued and paid-up share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

2. Resolution 7 – Authority to Directors on purchase of the Company's own shares

This resolution will empower the Directors of the Company to purchase the Company's shares up to ten per cent (10%) of the issued and paid-up share capital of the Company (“Proposed Share Buy Back”) by utilising the funds allocated which shall not exceed the total retained earnings and share premium of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Further information on the Proposed Share Buy Back are set out in the Circular to shareholders of the Company which is despatched together with the Company's 2003 Annual Report.

STATEMENT ACCOMPANYING

NOTICE OF ANNUAL GENERAL MEETING

Directors Standing for Re-election

The Directors who are offering themselves for re-election are:

- Chan Hua Eng R OBE (75), Malaysian
Non-Executive Chairman
* Interest in securities in the Company: 1,130,000 fully paid ordinary shares of RM1.00 each (indirect)
- Michael Yee Kim Shing (65), Malaysian
Independent Non-Executive Director, Chairman of the Audit Committee, member of the Nominating Committee and the Remuneration Committee
* Interest in securities in the Company: 1,000,000 fully paid ordinary shares of RM1.00 each (direct) and 155,000 fully paid ordinary shares of RM1.00 each (indirect)

The details of the above Directors who are standing for re-election are set out in the Directors' Profile on pages 6 to 7 of this Annual Report.

Other than as disclosed above, neither of the above named persons holds any securities in the Company or its subsidiary companies nor have they been convicted of any offences, other than traffic offences in the last ten years. There are no conflicts of interest involving these persons and the Company.

Board Meetings

Attendance

There were four meetings of the Board of Directors held at the Company's registered office (11th Floor, Wisma Bumi Raya, No.10, Jalan Raja Laut, 50350 Kuala Lumpur) during the financial year ended 30 September 2003, the details of which are as follows:

Date		Time
29 November 2002	26th Board Meeting	10.30 a.m.
18 February 2003	27th Board Meeting	1.15 p.m.
29 May 2003	28th Board Meeting	11.30 a.m.
27 August 2003	29th Board Meeting	11.30 a.m.

The details are set out in the Corporate Governance on pages 8 to 10 of this Annual Report.

* Correct as at 10 January 2004

CORPORATE I N F O R M A T I O N

Board of Directors

Chan Hua Eng R OBE
Chairman

Chan Thye Seng
Chief Executive Officer

Michael Yee Kim Shing
Independent Non-Executive Director

Y.M. Tunku Mu'tamir Bin
Tunku Tan Sri Mohamed
Independent Non-Executive Director

Dato' Abu Hanifah Bin Noordin
Independent Non-Executive Director

Secretaries

Valerie Cheah Chui Mei (LS 04944)
Hong Pek Har (MAICSA 0820727)

Registrars

Mega Corporate Services Sdn Bhd
Level 11-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel: 03-26924271
Fax: 03-27325388

Auditors

Ernst & Young
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Malaysia

Principal Bankers

Malayan Banking Berhad
RHB Bank Berhad

Registered Office

11th Floor, Wisma Bumi Raya
No. 10, Jalan Raja Laut
50350 Kuala Lumpur
Malaysia
Tel: 03-26985033
Fax: 03-26944209
Web Site: www.pacific-orient.com

Stock Exchange Listing

Malaysia Securities Exchange Berhad
Main Board

PROFILE

Chan Hua Eng R OBE (75), Malaysian

Non-Executive Chairman

Mr Chan has been on the Board since March 1995. Mr Chan is the father of Mr Chan Thye Seng, the Chief Executive Officer and Managing Director. He graduated with a Bachelor of Law (Honours) degree from the University of Bristol in 1952 and was called to the Bar at Middle Temple in 1953. He is an associate member of the Institute of Taxation. Until his retirement in 1987, he was the senior partner of a large legal firm in Kuala Lumpur during the major part of which he was engaged in corporate advisory work. He is also past Chairman of the Bar Council and of the Sabah Inquiry Commission and had been a part-time Judicial Commissioner.

He is also an independent non-executive director of Carlsberg Brewery (Malaysia) Berhad, Lingui Developments Berhad, Lafarge Malayan Cement Berhad, Glenealy Plantations (Malaya) Berhad and a non-independent non-executive director of Rohas-Euco Industries Berhad.

Chan Thye Seng (47), Malaysian

Chief Executive Officer and Managing Director

Mr Chan joined the Board in March 1995. Mr Chan is the son of Mr Chan Hua Eng. He had 13 years experience as a practising lawyer, after having been called to the Bar at Middle Temple in 1980 and the Malaysian Bar in 1982. He graduated from University College Cardiff with a Bachelor of Law (Honours) degree. He was previously on the Boards of the Kuala Lumpur Commodities Exchange and Malaysian Futures Clearing Corporation Sdn Bhd.

He is also a non-executive director of Ancom Berhad and Pacific & Orient Insurance Co. Berhad.

Mr Chan is a director and major shareholder of Mah Wing Holdings Sdn Bhd as well as director and beneficial owner of Mah Wing Investments Limited both of which are major shareholders of the Company.

Michael Yee Kim Shing (65), Malaysian

Independent Non-Executive Director, Chairman of the Audit Committee, member of the Nominating Committee and the Remuneration Committee

Mr Yee joined the Board in February 1995. He received his tertiary education at the University of Melbourne, graduating with a Bachelor of Commerce degree and is a member of the Malaysian Institute of Accountants, the Institute of Chartered Accountants, Australia and the Institute of Certified Public Accountants of Singapore. He was a practising accountant for more than 26 years, retiring as a senior partner in Ernst & Whinney (now known as Ernst & Young).

He is also an independent non-executive director of Mega First Corporation Berhad, Dataprep Holdings Berhad and a non-executive director of Pacific & Orient Insurance Co. Berhad.

OF THE BOARD OF DIRECTORS

Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed (59), Malaysian

Independent Non-Executive Director, Chairman of the Nominating Committee and the Remuneration Committee, member of the Audit Committee

Y.M. Tunku Mu'tamir joined the Board in September 1995. He is an associate member of the Institute of Chartered Secretaries and Administrators and a member of the Malaysian Institute of Chartered Secretaries and Administrators. Y.M. Tunku Mu'tamir is also a member of the Dewan Perniagaan Melayu Bandaraya, Kuala Lumpur. Since 1976, he has been the executive director of Syarikat Sri Timang Sdn Bhd, an investment holding company.

He is also a non-executive director of Pacific & Orient Insurance Co. Berhad.

Dato' Abu Hanifah Bin Noordin (52), Malaysian

Independent Non-Executive Director, member of the Audit Committee, the Nominating Committee and the Remuneration Committee

Dato' Hanifah has been on the Board since June 1997. He graduated from University Malaya with an honours degree in Economics and subsequently qualified as a Chartered Accountant and a Certified Public Accountant. He was the Chairman and Managing Partner of Turquand Young & Co./Ernst & Whinney (now known as Ernst & Young) for 9 years. He was also the President of the Malaysian Institute of Accountants for 13 years and in that capacity served as a Board member of the International Accounting Standards Committee (IASC).

He is also an independent non-executive director of Mega First Corporation Berhad, VIA Communication Network Berhad and a non-executive director of Pacific & Orient Insurance Co. Berhad.

The interest of each Director in the shares of the Company are disclosed on pages 82 to 83 [Shareholdings Statistics].
None of the Directors has been convicted of any offence other than traffic offences within the last ten years.

CORPORATE GOVERNANCE

A. The Malaysian Code of Corporate Governance (Code)

In 2001 the Kuala Lumpur Stock Exchange ("KLSE") Listing Requirements made it necessary for public listed companies to issue statements

- setting out how they have applied the principles contained within the Code to their circumstances; and
- explaining the extent to which they have been able to comply with best practices suggested by the Code, areas of and reasons for non-compliance and alternatives adopted; if any.

The Board of Directors supports the objectives of the Code and also acknowledges its role in ensuring that shareholders' interests are properly looked after. For this reason, the Board of Directors affirms its policy of adhering to the spirit of the Code.

It should be noted, however, that although the intentions and existing customs of the Board and your Company substantially coincide with the Best Practices contained within the Code, there may be instances where some of the formal structures and mechanisms were not in place during the financial year under review. Where appropriate, those areas where the Best Practices had not been complied with are explained below.

B. Board of Directors

1. Composition and Attendance

The composition of the Board, and the individual Directors' attendance of meetings during the financial year ended 30 September 2003 were as follows:

		Meetings Attended (Out of 4 Held)
Mr Chan Hua Eng	Non-Executive Chairman	4
Mr Chan Thye Seng	Chief Executive Officer	4
Dato' Lim Kheng Guan (resigned on 18 August 2003)	Independent Non-Executive Director	2
Mr Michael Yee Kim Shing	Independent Non-Executive Director	4
Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	Independent Non-Executive Director	4
Dato' Abu Hanifah Bin Noordin	Independent Non-Executive Director	4

Taken as a whole, the Board represents many years' experience in financial, legal and corporate affairs and is therefore suited to the oversight of your Company. The background of each Director is provided on pages 6 to 7 of this report.

Independent non-executive directors form more than half of the Board thus ensuring that minority shareholders' interests are adequately represented. In the opinion of the Board, the appointment of a Senior Independent Non-Executive Director to whom any concerns should be conveyed is not necessary. The Board operates in an open environment in which opinions and information are freely exchanged and in these circumstances any concerns need not be focussed on a single director as all members of the Board fulfil this role individually and collectively.

The Board is alert to the possibility of potential conflicts of interest involving the Directors and the Company and affirms its commitment to ensuring that such situations of conflict are avoided.

AND STATEMENT OF DIRECTORS' RESPONSIBILITIES

2. Appointment, Re-election and Assessment

The Memorandum and Articles of Association of the Company require each Director be elected for a term of no more than three years after which he/she must be re-elected. This requirement does not apply to the Managing Director/Chief Executive Officer until the present incumbent's contract of service expires in 2005.

As mentioned in 1 above, the Board is of the view that it has the right mix of individual qualities to fulfil its role. Further, as the Board was unchanged from the previous financial year (other than for the resignation of Dato' Lim Kheng Guan), it was not considered necessary to reassess the composition of the Board or its individual members.

The Nominating Committee comprises Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed (Chairman), Mr Michael Yee Kim Shing and Dato' Abu Hanifah Bin Noordin. All three members are Independent Non-Executive Directors.

No meetings were held during the financial year under review.

3. Remuneration

The remuneration of the executive Director is contractually set (his contract of service runs for five years, expiring in 2005) except for the bonus element which is determined by the full Board. The remuneration of the non-executive Directors is deliberated upon by the full Board before recommendation is made to the shareholders who shall decide by resolution in general meeting.

The Directors' remuneration during the financial year was as follows:

	RM	No. of Directors
Non-Executive:		
Up to RM50,000		
• Fees*	35,000	1
• Benefits-in-kind	2,100	
	<u>37,100</u>	
• Fees*	40,000	4
<i>Aggregate</i>		
• Fees*	195,000	
• Benefits-in-kind	2,100	
Executive:		
RM550,001 to RM600,000		
• Salary and other remuneration	448,752	1
• Allowances	120,000	
• Benefits-in-kind	19,100	
	<u>587,852</u>	
<i>Aggregate</i>		
• Salary and other remuneration	448,752	
• Allowances	120,000	
• Benefits-in-kind	19,100	

* Directors' fees for the year are subject to shareholders' approval at the Annual General Meeting

Corporate Governance and Statement of Directors' Responsibilities

The above disclosure is in full compliance with the Listing Requirements of MSEB. Although the said disclosure does not fully comply with the requirements of the Securities Commission, in the view of the Board of Directors, sufficient information is contained therein.

Membership of the Remuneration Committee is the same as that of the Nominating Committee.

No meetings were held during the financial year under review.

4. Responsibilities

The Board maintains a list of matters reserved for its decision. The purpose of this is to ensure that the Board and management are clearly aware of where the limits of responsibility lie and that due consideration is given to issues at the appropriate level.

5. Supply of Information

Prior to all Board meetings the Company Secretarial Department distributes Board papers containing management and financial information relevant to the business of the meetings.

Further, the Board has access to advice and services of the two Company Secretaries. This is augmented by regular informal dialogue between key non-executive members of the Board and management on matters pertaining to the state of the Company's affairs.

C. Shareholders

The Board recognises the value of good investor relation and the importance of disseminating information in a fair and equitable manner. The participation of shareholders, both individual and institutional, at general meetings is encouraged whilst requests for briefings from the press and investment analysts are usually met as a matter of course.

In addition, the Company maintains a website with links to announcements of results and annual reports.

D. Accountability and Audit

1. The Audit Committee

The Audit Committee was set up in 1995. The composition of the Committee, its terms of reference, attendance of meetings by individual members and a summary of its activities during the financial year are set out on pages 13 to 15.

2. Responsibility For Annual Audited Financial Statements

The Directors are responsible for the preparation of financial statements each financial year in accordance with the requirements of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. Central to those requirements is the need to ensure that these accounts present a true and fair view of the state of affairs of the Group and the Company, the results, cash flows and statement of changes in equity. In the preparation of these financial statements for the year under review, appropriate accounting policies have been selected and they have been applied in a consistent manner.

This statement is made in accordance with a resolution of the Board of Directors.

STATEMENT of Internal Controls

In the Pacific & Orient Group, the Board of Directors has overall responsibility for internal control and reviewing its effectiveness. A set of policies and procedures is in place to ensure that assets are adequately protected against unauthorised use or disposal and that the interests of shareholders are safeguarded. The systems in place are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board maintains an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures. The Board meets regularly and has a schedule of matters that are brought to it for decision in order that effective control over strategic, financial, operational and compliance issues can be maintained. This structure includes the Audit Committee and Group Internal Audit Department (IAD).

The Group consists of several companies, each of which has its own management and internal control structures. Operating management of each business unit bears responsibility for the identification and mitigation of major business risks and each maintains controls and procedures appropriate to its own business environment. These include procedures to identify and then mitigate significant risks.

The Audit Committee, together with Group IAD and senior management, reviews the effectiveness of the internal financial and operating control environment of the Group. The Audit Committee holds regular meetings and reviews reports from internal and external auditors covering such matters. Significant issues are brought to the attention of the Board.

Additional

COMPLIANCE STATEMENT

During the financial year under review:

- a. under the Group Employee Share Option Scheme, 1,696,000 ordinary shares of RM1.00 each, fully paid, were issued.
- b. there were no
 - corporate exercises in which funds had been raised
 - share buybacks
 - warrants or convertible securities exercised
 - American Depository Receipt or Global Depository Receipt programmes sponsored by the Company
 - sanctions and/or penalties imposed on the Company or its subsidiaries, directors or management by any relevant authority
 - profit estimates, forecasts or projections or unaudited results released which differ by 10 per cent or more from the audited results
 - profit guarantees given in respect of the Company
 - material contracts between the Company and its subsidiaries that involve directors' or major shareholders' interests
 - loans between the Company and its subsidiaries that involve directors' or major shareholders' interests
- c. the Company did not have a policy on revaluation of landed properties.
- d. non-audit fees paid by the Company to the external auditors during the financial year amounted to RM11,000.

REPORT

OF THE AUDIT COMMITTEE

Members

Michael Yee Kim Shing Chairman (Independent Non-Executive Director)

Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed (Independent Non-Executive Director)

Dato' Abu Hanifah Bin Noordin (Independent Non-Executive Director)

Dato' Lim Kheng Guan (Independent Non-Executive Director) – resigned on 18 August 2003

The terms of reference of the Committee are as follows:

1. Membership

- 1.1 The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members.
- 1.2 The majority of the members including the Chairman of the Committee shall be Independent Directors as defined in Chapter 1 of the Listing Requirements of Malaysia Securities Exchange Berhad (“MSEB”).
- 1.3 The Committee shall include at least one person:
 - (a) Who is a member of the Malaysian Institute of Accountants; or
 - (b) Who must have at least 3 year’s working experience and:
 - (i) Have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - (ii) Is a member of one of the Associations specified in Part II of the 1st Schedule of the Accountants Act, 1967.
- 1.4 No alternate Directors shall be appointed as a member of the Committee.
- 1.5 The members of the Committee shall elect a Chairman from amongst their number.
- 1.6 If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three months appoint such number of new members as may be required to make up the minimum of three (3) members.
- 1.7 The terms of office and performance of the Committee and each of its members shall be reviewed by the Board no less than once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

2. Meetings

- 2.1 The quorum for a Committee meeting shall be at least two (2) members; the majority present must be Independent Directors.
- 2.2 The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.
- 2.3 Notwithstanding paragraph 2.2 above, upon the request of any member of the committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.
- 2.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.
- 2.5 The Committee may invite any non-member Directors or employee of the company and of the Group who the Committee thinks fit and proper to attend its meetings to assist in its deliberations and resolutions of matters raised.
- 2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters and the recommendations relating thereto and to follow up on all relevant decisions made.
- 2.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- 2.8 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.
- 2.9 In addition to the availability of detailed minutes of the Committees’ meetings to all Board members, the Committee at each Board meeting will report a summary of significant matters and resolutions.

3. Rights and Authority

The Committee is authorised to:

- 3.1 Investigate any matter within its terms of reference.
- 3.2 Have adequate resources required to perform its duties.
- 3.3 Have full and unrestricted access to information, records and documents relevant to its activities.

Report of the Audit Committee

- 3.4 Have direct communication channels with the External and Internal Auditors.
- 3.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.

4. Functions and Duties

- 4.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independence, purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.
- 4.2 To review the following and report to the Board:
 - (a) With the External Auditors:
 - (i) The audit plan and audit report and the extent of assistance rendered by employees of the Auditee.
 - (ii) Their evaluation of the system of internal controls.
 - (iii) The audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as Auditors.
 - (iv) The management letter and management's response.
 - (v) Issues and reservations arising from audits.
 - (b) With the Internal Audit Department:
 - (i) The adequacy and relevance of the scope, functions and resources of internal audit and the necessary authority to carry out its work.
 - (ii) The audit plan of work programme and results of internal audit processes including actions taken on recommendations.
 - (iii) The extent of co-operation and assistance rendered by employees of the auditee.
 - (iv) The appraisal of the performance of the internal audit including that of the senior staff and any matter concerning their appointment and termination.
 - (c) The quarterly results and year end financial statement of accounts prior to the approval by the Board, focusing particularly on:
 - (i) Changes and implementation of major accounting policies and practices.
 - (ii) Significant and unusual issues.
 - (iii) Going concern assumption.
 - (iv) Compliance with accounting standards, regulatory and other legal requirements.
 - (d) The major findings of investigations and management response.
 - (e) The propriety of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raise questions of management integrity.
- 4.3 To report any breaches of the Listing Requirements which have not been satisfactorily resolved, to MASEB.
- 4.4 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering:
 - (a) The composition of the Committee including the name, designation and directorship of the members.
 - (b) The terms of reference of the Committee.
 - (c) The number of meetings held and details of attendance of each member.
 - (d) A summary of the activities of the Committee in the discharge of its functions and duties.
 - (e) A summary of the activities of the internal audit function.
- 4.5 To review the following for publication in the Company's Annual Report:
 - (a) The disclosure statement of the Board on:
 - (i) The Company's applications of the principles set out in Part I of the Malaysian Code on Corporate Governance.
 - (ii) The extent of compliance with the best practices set out in Part II of the Malaysian Code on Corporate Governance, specifying reasons for any area of non-compliance and the alternative measures adopted in such areas.
 - (b) The statement on the Board's responsibility for the preparation of the annual audited financial statements.
 - (c) The disclosure statement on the state of the system of internal controls of the Company and of the Group.
 - (d) Other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of the Listing Requirements of MASEB.

The above functions and duties are in addition to such other functions as may be agreed to from time to time by the Committee and the Board.

Report of the Audit Committee

5. Internal Audit Department

- 5.1 The Head of the Internal Audit Department shall have unrestricted access to the Committee members and report to the Committee whose scope of responsibility includes overseeing the development and the establishment of the internal audit function.
- 5.2 In respect of the routine administrative matters, the Head of the Internal Audit Department shall report to the Group Chief Executive.

Attendance at Meetings

A total of five (5) Audit Committee meetings were held during the financial year ended 30 September 2003. The details of attendance of the Committee members are as follows:-

Name of Committee Member	Number of Meetings Held	Number of Meetings Attended
Michael Yee Kim Shing	5	5
Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	5	5
Dato' Abu Hanifah Bin Noordin	5	5
Dato' Lim Kheng Guan (resigned on 18 August 2003)	5	3

Activities of the Committee

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 30 September 2003 included the following:

- Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plans and results of the internal audit processes, with the Internal Audit Department.
- Reviewed with the External Auditors their audit plans (inclusive of system evaluation, audit fees, issues raised and management response) prior to the commencement of the annual audit.
- Reviewed the draft year-end statutory accounts, the audit reports, issues and reservations arising from audits and the management letter, with the External Auditors.
- Reviewed the draft quarterly and year-end statutory accounts with management and the respective draft quarterly reports for announcement to MASEB.
- Reviewed the disclosure of related party transactions entered into by the Company and the Group and any conflict of interest situation and questionable transactions which may have an impact on management's integrity.
- Updated and advised the Board with any latest changes and pronouncements that may have been issued by the accountancy, statutory and regulatory bodies.
- Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate made the necessary recommendations to the Board. Minutes of all Committee's meetings were made available to all Board members.
- Prepared the Audit Committee Report for inclusion in the Company's Annual Report.
- Reviewed with management and the External Auditors the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Board's responsibility for preparing the annual audited accounts and the Statement of Internal Controls ("SIC"), the negative assurance in respect of the review on the SIC provided by the External Auditors (Para 15.24 of the Listing Requirements of MASEB) and other statements for publication in the Company's Annual Report.

Internal Audit Activities Report

The summary of the activities of the Internal Audit Department for the year ended 30 September 2003 is as follows:

- Prepared the annual Audit Plan for the Audit Committee's approval.
- Regularly performed risk-based audits of strategic business units of the Group, which cover reviews of the internal control system, accounting and management information systems and risk management.
- Issued audit reports to the Audit Committee members and management that identify weaknesses and problems and contain recommendations for improvement.
- Acted on suggestions made by the Audit Committee members and/or senior management on concerns over operations or control.
- Followed up on management corrective actions on audit issues raised by the External Auditors. Determined whether corrective actions taken had achieved the desired results.
- Attended all Audit Committee meetings to table and discuss the audit reports and follow up on matters raised.

CHAIRMAN'S

On behalf of your Board of Directors, I have the pleasure of presenting the Annual Report and Audited Financial Statements of your Company for the year ended 30 September 2003.

Financial Results

The Group recorded revenue of RM264.5 million, exceeding the RM251.5 million achieved in 2002 by RM13.0 million. This was accounted for by premium growth at the insurance subsidiary company. A pre-tax profit of RM0.7 million was achieved compared to a pre-tax loss of RM13.3 million in 2002 because of a reduction in claims incurred by the insurance subsidiary company. After tax loss was reduced to RM2.2 million from RM10.4 million in 2002.

At Company level, turnover rose to RM11.1 million from RM7.4 million in 2002 because of an increase in dividend income. However, a pre-tax loss of RM2.1 million was posted as compared to a profit in 2002 of RM1.0 million because of impairment loss in respect of long term investments. Further, because for tax purposes the said impairment loss was not allowed as an expense, an after tax loss of RM3.0 million was recorded compared with an after-tax profit of RM0.7 million in 2002.

Activities and Prospects of the Group

The level of business activity for the Group increased again making four successive years of growth in turnover. As has been the case in recent years, the Financial Services Division was the main source of this growth.

The IMF in its World Economic Outlook survey of September 2003 noted "increasing signs of a renewed recovery" and that "the balance of risks has improved significantly" but cautions that "the pace and robustness of the recovery is still unclear". It also suggests that Asia-Pacific countries are expected to experience the fastest growth with Malaysia expected to experience well-sustained economic activity. However, there remain a number of negative factors, among which are the dependence of global growth on the United States and particularly for Asia, the possible return of SARS.

Given these circumstances, your Board remains cautiously optimistic about the current year. However, the possibility of negative impact from external sources on the Group cannot be ignored although the Group remains financially sound and your Board and management both continue to seek out sustainable growth and profitability.

As was announced previously, a Private Placement of eight million new ordinary shares of RM1.00 each to identified Independent Non-Executive Directors of your Company at an issue price to be determined later has been approved by the Securities Commission and shareholders. The shares have since been allotted.

STATEMENT

Financial Services

The division comprises Pacific & Orient Insurance Co. Berhad ("POI") and P & O Capital Sdn. Bhd. ("POC"), a money lending company.

Insurance

POI continued its drive to improve accessibility to its products and services by opening a branch in Kuantan and a service centre in Sungei Besi. These new premises serve customers and agents while increasing company visibility in these areas.

The testing of an online link to Jabatan Pengangkutan Jalan ("JPJ") last year was concluded successfully. Thus, from 1 January 2004, under this system, insurance information is transmitted to JPJ and captured in its database thereby making manual cover notes unnecessary. From that date, a customer will not need to present a cover note when renewing road tax as JPJ would be able to confirm that insurance cover is in place through the system.

During the year, POI entered into an agreement with Mastercard International to participate in an affinity programme developed by Renew Express Sdn Bhd. POI is the "insurer of choice" under the programme which, amongst other things, offers flexible payment schemes for insurance premiums and road tax.

Premium growth was marginally higher than of 2002 but this was not reflective of business conditions, which continued to be keenly competitive. Nevertheless, efforts to diversify have paid dividend as the increase in premiums in 2003 was derived from Extended Warranty Programme that was introduced last year.

POI recorded a turnover of RM251.7 million, surpassing the RM233.5 million that was posted in 2002 by just under eight per cent. Profit before tax amounted to RM13.3 million compared to a pre-tax loss of RM12.0 million in 2002.

Money Lending

Turnover at POC eased to RM4.7 million from RM11.1 million in 2002. The reduction came about because whereas turnover in 2002 included interest income that for reasons of prudence, was not previously recognised, the same did not occur in 2003. Following on from this, a pre-tax profit of RM0.2 million was recorded compared to the RM6.3 million of 2002.

Chairman's Statement

Information Technology

The continuation of competitive market conditions through 2003 made it another challenging year. As had occurred in 2002, sales efforts, while generating significant interest, did not result in firm orders, mainly due to cost issues. However, the prospects for 2004 are somewhat brighter because of developments in the insurance industry - effective 1 January 2004, insurance companies are required to issue e-cover notes, i.e. to transmit motor insurance details and confirmation of cover directly to JPJ. The company has a readymade product that was developed specifically to link insurance companies to their branches and agents which is ideally suited to this purpose - iAgent - essentially a secure virtual private network operating over the Internet. On top of this, new products and services are on offer such as Web cameras for security/surveillance and cost-effective high speed Internet connectivity. Further, in order to address cost concerns of customers, a range of options in the way of leasing, rental and arrangements under the application software provider concept are being offered.

Activity at the office that was opened in Fort Lauderdale, Florida last year has picked up. To augment the wireless Internet/networking products and services that have been on offer, the Company has introduced web-based camera solutions that were successfully installed at a number of sites. These cameras are cost-effective and although primarily used for security/surveillance purposes, have other applications. Thus far, the installations have been small but negotiations for larger-scale sites are in progress with a number of prospective customers.

The subsidiary company in Thailand had a slower year compared to 2002, marked by the absence of large contracts. To address this, the Thai subsidiary is looking to expand its range of products and services by offering lower-cost versions of existing software. There has been notable interest from Thai insurers which augurs well for 2004.

This division posted a turnover of RM11.6 million, a reduction from the RM14.4 million of 2002. A marginally bigger pre-tax loss of RM8.0 million was recorded compared with the corresponding RM7.4 million of 2002.

Consumer and Distribution Services

This division comprises Pacific & Orient Distribution Sdn. Bhd. ("POD") and Dynamic Network Distributions Sdn. Bhd. ("DND"), a provider of motoring assistance services.

Distribution

Turnover eased during the year under review primarily due to slow take-up of Wizard Card. POD is working with DND to reassess and revamp the distribution arrangement with a view to regenerating growth.

Sales at POD of RM0.1 million were lower than the RM0.2 million posted in 2002. The Company posted a higher pre-tax loss of RM0.2 million compared to RM0.1 million in 2002. This increase was primarily attributable to the drop in sales.

Chairman's Statement

Motoring Assistance

During 2003, Wizard Card sales slowed significantly, making it necessary to review the operations of the company and its business model. The current year will see reorganisation of management and operations with a view to reviving growth.

DND contributed turnover of RM0.05 million compared to RM0.1 million in 2002. A lower pre-tax loss of RM0.7 million was posted against a pre-tax loss of RM0.9 million in 2002 due to a reduction in management expenses.

Dividend

A first interim dividend of 3.75 sen less tax, in respect of the financial year ended 30 September 2003, was paid on 30 June 2003.

The Directors had on 10 November 2003 declared a second interim dividend of 3.75 sen per share less tax in respect of the financial year ended 30 September 2003, which is payable on 22 December 2003. This dividend has not been reflected in the financial statements but it will be accounted for in the financial year ending 30 September 2004. The Directors do not recommend the payment of any final dividend for the current financial year.

Appreciation

On behalf of the Board of Directors, I would like to acknowledge the efforts put in by management and staff during the year and to thank our business associates for continued co-operation and support.

Dato' Lim Kheng Guan recently stepped down after more than seven years on the Board. His many valuable contributions to the Group are deserving of our special thanks.

CHAN HUA ENG R OBE

Chairman

Kuala Lumpur

8 January 2004

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat tuan bagi tahun berakhir 30 September 2003.

Keputusan Kewangan

Kumpulan telah mencatat perolehan sebanyak RM264.5 juta, melebihi RM251.5 juta yang diperolehi pada tahun 2002 sebanyak RM13.0 juta. Ini adalah hasil daripada pertumbuhan premium anak syarikat insurans. Keuntungan sebelum cukai sebanyak RM0.7 juta telah diperolehi berbanding dengan kerugian sebelum cukai sebanyak RM13.3 juta pada tahun 2002 disebabkan pengurangan dalam tuntutan yang ditanggung oleh anak syarikat insurans. Kerugian selepas cukai telah berkurangan kepada RM2.2 juta daripada RM10.4 juta pada tahun 2002.

Di peringkat Syarikat, jumlah dagangan meningkat kepada RM11.1 juta daripada RM7.4 juta pada tahun 2002 disebabkan peningkatan dalam pendapatan dividen. Walau bagaimanapun, kerugian sebelum cukai sebanyak RM2.1 juta telah dicatatkan berbanding dengan keuntungan pada tahun 2002 sebanyak RM1.0 juta disebabkan rosotnilai berhubung dengan pelaburan jangka panjang. Selanjutnya, disebabkan rosotnilai tidak dibenarkan sebagai perbelanjaan untuk tujuan cukai, kerugian selepas cukai sebanyak RM3.0 juta telah direkodkan berbanding dengan keuntungan selepas cukai sebanyak RM0.7 juta pada tahun 2002.

Aktiviti-aktiviti dan Prospek Kumpulan

Tahap aktiviti perniagaan bagi Kumpulan meningkat lagi menjadikan pertumbuhan dalam jumlah dagangan empat tahun berturut-turut. Sama seperti tahun-tahun kebelakangan ini, Bahagian Perkhidmatan Kewangan adalah sumber utama bagi pertumbuhan ini.

IMF dalam tinjauan Harapan Ekonomi Dunia pada September 2003 menyatakan “tanda-tanda peningkatan bagi pemulihan yang diperbaharui” dan bahawa “kemajuan yang ketara dalamimbangan risiko” tetapi mengingatkan bahawa “kadar dan keteguhan pemulihan masih lagi tidak jelas”. Ia juga mencadangkan bahawa negara-negara Asia Pasifik dijangka mengalami pertumbuhan yang pesat dengan Malaysia dijangka mengalami kegiatan ekonomi yang amat mapan. Walau bagaimanapun, masih terdapat beberapa faktor negatif, antaranya adalah pergantungan pertumbuhan global ke atas Amerika Syarikat dan khususnya bagi Asia, kemungkinan kembalinya SARS.

Mengambil kira keadaan-keadaan ini, Lembaga Pengarah berhati-hati kekal optimistik berkenaan dengan tahun semasa. Walau bagaimanapun, kemungkinan wujudnya kesan negatif daripada sumber-sumber luar ke atas Kumpulan tidak boleh diabaikan meskipun Kumpulan kekal kukuh dari segi kewangan dan Lembaga Pengarah serta pihak pengurusan terus berusaha mencari peluang pertumbuhan dan keberuntungan yang boleh dipertahankan.

Sebagaimana yang telah diumumkan sebelum ini, Tawaran Persendirian sebanyak lapan juta saham biasa baru bernilai RM1.00 sesaham kepada Pengarah-pengarah Bebas Bukan Eksekutif Syarikat yang dikenalpasti pada harga terbitan yang akan ditentukan kemudian telah diluluskan oleh Suruhanjaya Sekuriti dan pemegang-pemegang saham. Saham di bawah cadangan ini telah diperumpukkan.

PENGERUSI

Perkhidmatan Kewangan

Bahagian ini terdiri daripada Pacific & Orient Insurance Co. Berhad (“POI”) dan P & O Capital Sdn. Bhd. (“POC”), sebuah syarikat pemberi pinjaman wang.

Insurans

POI telah meneruskan usahanya untuk meningkatkan kebolehsampaian kepada produk-produk dan perkhidmatannya dengan membuka sebuah cawangan di Kuantan dan sebuah pusat perkhidmatan di Sungai Besi. Premis-premis baru ini akan memberikan khidmat kepada pelanggan-pelanggan dan ejen-ejen disamping meningkatkan keterlibatan syarikat di dalam kawasan-kawasan ini.

Pengujian dalam sambungan talian terus ke Jabatan Pengangkutan Jalan (“JPJ”) tahun lalu telah dilaksanakan dengan jayanya. Dengan itu, mulai 1 Januari 2004, sistem ini membolehkan maklumat insurans dihantar ke JPJ dan disimpan dalam pengkalan datanya yang justeru menjadikan nota perlindungan yang manual tidak lagi diperlukan. Dari tarikh tersebut, seseorang pelanggan tidak perlu menunjukkan nota perlindungan apabila memperbaharui cukai jalan memandangkan JPJ berupaya mengesahkan perlindungan insurans tersedia melalui sistem tersebut.

Dalam tahun ini, POI telah menandatangani perjanjian dengan Mastercard International untuk menyertai program afiniti yang dibangunkan oleh Renew Express Sdn Bhd. POI adalah “penginsurans pilihan” di bawah program ini, yang antara lainnya menawarkan skim pembayaran fleksibel bagi premium insurans dan cukai jalan.

Pertumbuhan premium adalah lebih tinggi sedikit daripada tahun 2002 tetapi ini tidak menggambarkan keadaan perniagaan yang kian terus bersaing. Walau bagaimanapun, usaha dalam mempelbagaikan mendatangkan hasil dengan peningkatan dalam premium pada tahun 2003 yang diperolehi daripada Program Waranti Lanjutan yang diperkenalkan pada tahun lepas.

POI merekodkan jumlah dagangan sebanyak RM251.7 juta, melebihi RM233.5 juta yang dicatatkan pada tahun 2002 sebanyak hanya di bawah lapan peratus. Keuntungan sebelum cukai berjumlah sebanyak RM13.3 juta berbanding kerugian sebelum cukai sebanyak RM12.0 juta pada tahun 2002.

Pemberian Pinjaman Wang

Jumlah dagangan pada POC berkurangan kepada RM4.7 juta daripada RM11.1 juta pada tahun 2002. Pengurangan berkenaan terjadi disebabkan jumlah dagangan pada tahun 2002 termasuk faedah pendapatan yang atas alasan berhemah tidak diiktiraf sebelum ini, yang sama tidak berlaku pada tahun 2003. Berikutan daripada ini, keuntungan sebelum cukai sebanyak RM0.2 juta telah direkodkan berbanding RM6.3 juta bagi tahun 2002.

Penyata Pengerusi

Teknologi Maklumat

Keberterusan kedudukan pasaran yang bersaing sepanjang tahun 2003 menjadikan ia satu lagi tahun yang mencabar. Sebagaimana yang telah berlaku pada tahun 2002, usaha-usaha jualan, di samping menjana faedah yang penting, tidak menghasilkan pesanan yang kukuh, terutamanya disebabkan oleh isu-isu kos. Walau bagaimanapun, prospek bagi tahun 2004 adalah agak lebih cerah disebabkan perkembangan dalam industri insurans - berkuatkuasa 1 Januari 2004, syarikat-syarikat insurans perlu mengeluarkan e-nota perlindungan, iaitu untuk menghantar butir-butir insurans motor dan pengesahan perlindungan secara terus kepada JPJ. Syarikat mempunyai produk siap sedia yang telah dibangunkan secara khusus untuk menghubungkan syarikat-syarikat insurans dengan cawangan dan ejen-ejen mereka yang secara ideal sesuai untuk tujuan ini - iAgent - pada dasarnya merupakan rangkaian persendirian maya selamat yang dikendalikan menerusi Internet. Selain daripada itu, produk dan perkhidmatan baru telah ditawarkan seperti kamera Web bagi keselamatan/pengawasan dan sambungan Internet yang berkelajuan tinggi dan menjimatkan. Selanjutnya, untuk menangani kebimbangan kos pelanggan, rangkaian pilihan melalui cara pajakan, sewaan dan pengaturan di bawah konsep penyedia perisian aplikasi ditawarkan.

Kegiatan di pejabat yang dibuka di Fort Lauderdale, Florida tahun lepas telah meningkat. Untuk menambah produk dan perkhidmatan Internet/rangkaian tanpa wayar yang telah ditawarkan, Syarikat telah memperkenalkan penyelesaian kamera berasaskan web yang telah dipasang dengan jayanya di beberapa tapak. Kamera-kamera ini adalah menjimatkan dari segi kos dan sungguhpun digunakan terutamanya untuk tujuan keselamatan/pengawasan, ia mempunyai aplikasi lain. Sehingga kini, pemasangan adalah kecil tetapi rundingan bagi tapak bersaiz lebih besar sedang diadakan dengan beberapa pelanggan prospektif.

Anak syarikat di Thailand mengalami tahun yang lebih lembap berbanding dengan tahun 2002, terbukti dengan ketiadaan kontrak yang besar. Untuk menangani ini, anak syarikat Thai sedang cuba untuk mengembangkan rangkaian produk dan perkhidmatan dengan menawarkan versi kos lebih rendah bagi perisian sedia ada. Terdapat minat ketara daripada penginsurans Thai yang amat menggalakkan bagi tahun 2004.

Bahagian ini mencatat jumlah dagangan sebanyak RM11.6 juta, pengurangan daripada RM14.4 juta bagi tahun 2002. Kerugian sebelum cukai sebanyak RM8.0 juta telah dicatatkan berbanding dengan hanya RM7.4 juta bagi tahun 2002.

Perkhidmatan Pelanggan dan Pengedaran

Bahagian ini terdiri daripada Pacific & Orient Distribution Sdn. Bhd. ("POD") dan Dynamic Network Distributions Sdn. Bhd. ("DND"), penyedia perkhidmatan bantuan permotoran.

Pengedaran

Jumlah dagangan berkurangan dalam tahun di bawah kajian terutamanya disebabkan penerimaan Wizard Card yang perlahan. POD sedang bekerjasama dengan DND untuk menilai semula dan memperbaharui pengaturan pengedaran dengan tujuan untuk menjana semula pertumbuhan.

Jualan di POD sebanyak RM0.1 juta adalah lebih rendah daripada RM0.2 juta yang dicatatkan pada tahun 2002. Syarikat mencatat kerugian sebelum cukai lebih tinggi sebanyak RM0.2 juta berbanding dengan RM0.1 juta pada tahun 2002. Kenaikan ini dikaitkan terutamanya dengan kejatuhan dalam jualan.

Penyata Pengerusi

Bantuan Permotoran

Pada tahun 2003, jualan Wizard Card merosot dengan ketara, menjadikannya perlu untuk mengkaji semula operasi syarikat dan model perniagaannya. Tahun semasa akan menyaksikan penyusunan semula pengurusan dan operasi dengan tujuan untuk memulihkan pertumbuhan.

DND menyumbang jumlah dagangan sebanyak RM0.05 juta berbanding dengan RM0.1 juta pada tahun 2002. Kerugian sebelum cukai lebih rendah sebanyak RM0.7 juta dicatatkan berbanding kerugian sebelum cukai sebanyak RM0.9 juta pada tahun 2002 disebabkan pengurangan dalam perbelanjaan pengurusan.

Dividen

Dividen interim pertama sebanyak 3.75 sen ditolak cukai berhubung dengan tahun kewangan berakhir 30 September 2003 telah dibayar pada 30 Jun 2003.

Para Pengarah telah pada 10 November 2003 mengisytiharkan dividen interim kedua sebanyak 3.75 sen setiap saham ditolak cukai berhubung dengan tahun kewangan berakhir 30 September 2003, yang akan dibayar pada 22 Disember 2003. Dividen ini tidak ditunjukkan dalam penyata kewangan tetapi ia akan diakaunkan bagi tahun kewangan berakhir 30 September 2004. Para Pengarah tidak mengesyorkan sebarang bayaran dividen akhir bagi tahun kewangan semasa.

Penghargaan

Bagi pihak Lembaga Pengarah, saya ingin menyampaikan penghargaan terhadap usaha-usaha yang diberikan oleh pihak pengurusan dan kakitangan sepanjang tahun ini dan ingin mengucapkan terima kasih kepada sekutu-sekutu perniagaan kami bagi kerjasama dan sokongan berterusan mereka.

Baru-baru ini Dato' Lim Kheng Guan meletak jawatan selepas lebih daripada tujuh tahun berada dalam Lembaga Pengarah. Sumbangan berharga beliau kepada Kumpulan amatlah dihargai.

CHAN HUA ENG R OBE

Pengerusi

Kuala Lumpur

8 Januari 2004

Financial Statements

- 26 **D**irectors' Report
- 32 **S**tatement by Directors
- 32 **S**tatutory Declaration
- 33 **R**eport of the Auditors
- 34 **B**alance Sheets
- 35 **S**tatements of Changes in Equity
- 36 **I**ncome Statements
- 37 **C**onsolidated Cash Flow Statement
- 39 **C**ash Flow Statement
- 40 **N**otes to the Financial Statements

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2003.

Principal Activities

The principal activities of the Company are that of investment holding and the provision of management services.

The principal activities of the subsidiary companies are as disclosed in Note 7 to the financial statements.

There were no significant changes in the principal activities of the Group and of the Company during the financial year.

Results

	Group RM'000	Company RM'000
Net loss for the year	(2,178)	(3,009)
Accumulated profits brought forward as restated	62,642	60,436
Profits available for appropriation	60,464	57,427
Dividends	(5,357)	(5,357)
Accumulated profits carried forward	55,107	52,070

Dividends

The amount of dividends paid or declared by the Company since 30 September 2002 were as follows:

	RM'000
In respect of the financial year ended 30 September 2002	
2nd interim dividend of 3.75 sen per share less tax at 28% paid on 20 December 2002	2,678
In respect of the financial year ended 30 September 2003	
1st interim dividend of 3.75 sen per share less tax at 28% paid on 30 June 2003	2,679

In respect of the financial year ended 30 September 2003, the Directors had on 10 November 2003 declared a 2nd interim dividend of 3.75 sen per share less tax at 28%, amounting to RM2,724,000, based on the issued and paid-up share capital as at 30 September 2003. The dividend will be paid on 22 December 2003 to shareholders whose names appear in the Register of Members and the Record of Depositors on 8 December 2003. This dividend has not been reflected in the financial statements for the current financial year but it will be accounted for in shareholders' equity as an appropriation of accumulated profits in the financial year ending 30 September 2004. The Directors do not recommend the payment of any final dividend for the current financial year.

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Before the income statement and balance sheet of the Group were made out, the Directors took reasonable steps to ascertain that there was adequate provision for incurred claims, including Incurred But Not Reported (IBNR) claims for the insurance subsidiary company.

Share Options

On 5 December 2002, the shareholders of the Company at an Extraordinary General Meeting approved the establishment of an Employee Share Option Scheme (ESOS) of up to 10% of the issued and paid-up share capital of the Company. On 16 December 2002, approval of the ESOS was obtained from the Securities Commission (SC). The ESOS was implemented on 16 January 2003.

The main features of the ESOS are as follows:

- (a) The ESOS shall be in force for an initial period of five years in accordance with the requirements of the SC subject however to renewal for period(s) of up to a maximum of five years to be determined by the Board upon the recommendation by the ESOS Committee.
- (b) The maximum number of new ordinary shares of RM1.00 each (Shares) to be offered under the ESOS shall not be more than 10% of the issued and paid-up share capital or such percentage of the issued and paid-up share capital of the Company as may be permitted by the SC from time to time during the duration of the ESOS.
- (c) The Executive Directors involved in the day-to-day management and/or employees who are on the payroll of the Company and its subsidiary companies and have completed at least one year of continuous employment and who fulfil the conditions set out in the Bye-Laws of the ESOS shall be eligible to participate in the ESOS.
- (d) No option shall be granted for less than 1,000 Shares nor more than 900,000 Shares to any eligible employee.
- (e) The subscription price for each new Share issued under the ESOS shall be based on the weighted average market price of the Shares as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the five market days immediately preceding the date of offer subject to a discount of not more than 10%, or at the par value of the Shares, whichever is higher.
- (f) An eligible employee can only participate in one ESOS implemented by any company within the Group.

The Company had been granted an exemption by the Companies Commission of Malaysia from having to disclose the names of option holders of less than 100,000 shares. The names of the option holders and the number of options granted in respect of the ESOS that are 100,000 shares or more are as follows:

Names of option holders	Number of Share Options Under ESOS of RM1.00 Each			At 30 September 2003
	At 1 October 2002	Granted	Exercised	
Chan Thye Seng	–	900,000	–	900,000
Ong Eng Soon	–	850,000	–	850,000
Abdul Rahman Bin Talib	–	850,000	–	850,000
Sim Swee Huat	–	500,000	20,000	480,000
Khong Yuen Piaw	–	500,000	20,000	480,000
Siew Chee Choong	–	100,000	–	100,000
James Joseph Roberts	–	100,000	–	100,000
Chan Cheng Sim	–	100,000	15,000	85,000

The movements in the options to take up the unissued new ordinary shares of RM1.00 each in the Company during the financial year are as follows:

	Number of Share Options
At 1 October 2002	–
Granted	8,607,000
Exercised	(1,733,000)
Forfeited/lapsed	(178,000)
At 30 September 2003	6,696,000

Details of the exercise period and prices of share options granted during the financial year are as follows:

Exercise Period	Exercise Price RM	Number of Share Options Granted
5.4.2003 – 16.1.2008	1.27	7,807,000
12.7.2003 – 16.1.2008	1.76	800,000
		8,607,000

Details of share options exercised during the financial year:

Exercise Date	Exercise Price	Consideration Received RM	Number of Share Options
30.5.2003	1.27	27,940	22,000
6.6.2003	1.27	36,830	29,000
13.6.2003	1.27	6,350	5,000
20.6.2003	1.27	13,970	11,000
27.6.2003	1.27	13,970	11,000
4.7.2003	1.27	20,320	16,000
11.7.2003	1.27	259,080	204,000
18.7.2003	1.27	153,670	121,000
25.7.2003	1.27	414,020	326,000
1.8.2003	1.27	107,950	85,000
8.8.2003	1.27	193,040	152,000
15.8.2003	1.27	353,060	278,000
22.8.2003	1.27	187,960	148,000
29.8.2003	1.27	181,610	143,000
5.9.2003	1.27	100,330	79,000
12.9.2003	1.27	29,210	23,000
19.9.2003	1.27	54,610	43,000
26.9.2003*	1.27	46,990	37,000
			1,733,000

* The 37,000 shares were allotted on 1 October 2003.

The share options outstanding as at the end of the financial year are as follows:

Exercise Period	Exercise Price RM	Number of Share Options
5.4.2003 – 16.1.2008	1.27	5,896,000
12.7.2003 – 16.1.2008	1.76	800,000
		6,696,000

Bad and Doubtful Debts

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off as bad debts or allowed for as doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

Current Assets

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Valuation Methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Contingent and Other Liabilities

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group or of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the insurance subsidiary company.

Change of Circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Items of an Unusual Nature

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant Events

During the financial year,

- (i) the wholly-owned subsidiary company, P & O Global Technologies Sdn. Bhd. increased its authorised share capital from RM10,000,000 to RM25,000,000 by the creation of 15,000,000 new shares of RM1.00 each. It also increased its issued and fully paid-up share capital from RM8,000,000 to RM18,000,000 through the allotment of 10,000,000 new ordinary shares of RM1.00 each via the capitalisation of amounts due to the Company.
- (ii) the wholly-owned subsidiary company, Pacific & Orient Distribution Sdn. Bhd. increased its issued and fully paid-up share capital from RM200,000 to RM500,000 through the allotment of 300,000 new ordinary shares of RM1.00 each via the capitalisation of amounts due to the Company.
- (iii) the wholly-owned subsidiary company, P & O Global Technologies, Inc. increased its issued and additional paid in share capital from USD50,000 to USD1,000,000 through the allotment of 47,500 new shares of its common stocks of USD0.01 each at an issue price of USD20.00 per share via the capitalisation of amounts due to the Company.

Subsequent Events

The subsequent events are as disclosed in Note 40 to the financial statements.

Directors

The Directors in office since the date of the last report are:

Chan Hua Eng

Chan Thye Seng

Michael Yee Kim Shing

Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed

Dato' Abu Hanifah Bin Noordin

Dato' Lim Kheng Guan (resigned on 18 August 2003)

In accordance with Section 129(2) of the Companies Act, 1965, Chan Hua Eng retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

In accordance with Article 82 of the Company's Articles of Association, Michael Yee Kim Shing retires from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiary companies are a party with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to a Director pursuant to the ESOS.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Notes 27 and 32 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' Interest

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year were as follows:

The Company	Number of Ordinary Shares of RM1.00 Each			
	At 1 October 2002	Bought	Sold	At 30 September 2003
Chan Hua Eng				
– Indirect interest	–	1,130,000	–	1,130,000
Chan Thye Seng				
– Direct interest	9,615,902	–	1,150,000	8,465,902
– Indirect interest	47,424,098	1,130,000	–	48,554,098
Michael Yee Kim Shing				
– Indirect interest	155,000	–	–	155,000

In addition to the above, the following Director is deemed to have interest in the shares of the Company to the extent of the share options granted to him on 5 April 2003 pursuant to the ESOS of the Company as follows:

The Company	Number of Share Options Under ESOS of RM1.00 Each				
	Exercise Price RM	At 1 October 2002	Granted	Exercised	At 30 September 2003
Chan Thye Seng	1.27	–	900,000	–	900,000

Mr. Chan Thye Seng, by virtue of his interest in the Company, is deemed to have an interest in the shares of all the related corporations within the Group to the extent the Company has an interest.

None of the other Directors who were in office at the end of the financial year had any interest in the shares of the Company or its related corporations during the financial year.

Auditors

Ernst & Young retire and have indicated their willingness to accept re-appointment.

Signed on behalf of the Board
in accordance with a resolution
of the Directors

CHAN THYE SENG

MICHAEL YEE KIM SHING

Kuala Lumpur
28 November 2003

STATEMENT BY DIRECTORS

We, CHAN THYE SENG and MICHAEL YEE KIM SHING, being two of the Directors of PACIFIC & ORIENT BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 34 to 78 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2003 and of the results and cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board
in accordance with a resolution
of the Directors

CHAN THYE SENG

MICHAEL YEE KIM SHING

Kuala Lumpur
28 November 2003

STATUTORY DECLARATION

I, SIEW CHEE CHOONG, the Officer primarily responsible for the financial management of PACIFIC & ORIENT BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 34 to 78 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed SIEW CHEE CHOONG)
at Kuala Lumpur in Wilayah)
Persekutuan on 28 November 2003) **SIEW CHEE CHOONG**

Before me:

Mohd Radzi Bin Yasin
Commissioner for Oaths
Kuala Lumpur

REPORT OF THE AUDITORS

to the members of Pacific & Orient Berhad
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 34 to 78. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 30 September 2003 and of the results and cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors as indicated in Note 7 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Companies Act 1965.

ERNST & YOUNG
AF: 0039
Chartered Accountants

Pushpanathan a/l S.A.Kanagarayar
1056/03/05(J/PH)
Partner

Kuala Lumpur, Malaysia
28 November 2003

BALANCE SHEETS

as at 30 September 2003

		Group		Company	
	Note	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
ASSETS					
Property, plant and equipment	3	25,286	29,290	495	1,783
Intangible assets	4	3,849	4,493	–	–
Deferred taxation	5	20,439	21,686	479	33
Investments	6	548,318	551,375	42,699	46,789
Investment in subsidiary companies	7	–	–	101,641	87,866
Inventories – goods for resale	8	756	592	–	–
Loans	9	48,239	57,002	–	–
Receivables	10	29,473	24,453	643	526
Due from subsidiary companies	11	–	–	66,007	80,776
Deposits and placements with financial institutions	12	3,153	1,538	790	751
Cash and bank balances	13	5,723	5,838	1,766	129
TOTAL ASSETS		685,236	696,267	214,520	218,653
LIABILITIES					
Provision for outstanding claims	14	318,458	324,109	–	–
Payables	15	11,312	14,112	683	552
Hire purchase creditors	16	351	255	–	–
Bank borrowings	17	23,380	21,298	16,200	14,250
Provision for taxation		–	32	–	–
TOTAL LIABILITIES		353,501	359,806	16,883	14,802
Unearned premium reserves	18	90,894	89,999	–	–
SHAREHOLDERS' FUNDS					
Share capital	19	100,896	99,200	100,896	99,200
Reserves	20	139,945	147,262	96,741	104,651
		240,841	246,462	197,637	203,851
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		685,236	696,267	214,520	218,653

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 September 2003

	← Non-distributable →				Distributable	
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Accumulated Profits RM'000	Total RM'000
Group						
At 1 October 2001, as previously reported	99,200	44,215	40,769	(307)	63,985	247,862
Prior year adjustment	-	-	-	-	11,680	11,680
At 1 October 2001, as restated	99,200	44,215	40,769	(307)	75,665	259,542
Currency translation differences	-	-	-	(57)	-	(57)
Net loss not recognised in the income statement	-	-	-	(57)	-	(57)
Net loss for the year	-	-	-	-	(10,345)	(10,345)
Dividends (Note 21)	-	-	-	-	(2,678)	(2,678)
At 30 September 2002	99,200	44,215	40,769	(364)	62,642	246,462
At 1 October 2002, as previously reported	99,200	44,215	40,769	(431)	50,200	233,953
Prior year adjustment	-	-	-	67	12,442	12,509
At 1 October 2002, as restated	99,200	44,215	40,769	(364)	62,642	246,462
Currency translation differences	-	-	-	(238)	-	(238)
Net loss not recognised in the income statement	-	-	-	(238)	-	(238)
Issue of shares under ESOS	1,696	456	-	-	-	2,152
Net loss for the year	-	-	-	-	(2,178)	(2,178)
Dividends (Note 21)	-	-	-	-	(5,357)	(5,357)
At 30 September 2003	100,896	44,671	40,769	(602)	55,107	240,841
Company						
At 1 October 2001, as previously reported	99,200	44,215	-	-	62,409	205,824
Prior year adjustment	-	-	-	-	36	36
At 1 October 2001, as restated	99,200	44,215	-	-	62,445	205,860
Net profit for the year	-	-	-	-	669	669
Dividends (Note 21)	-	-	-	-	(2,678)	(2,678)
At 30 September 2002	99,200	44,215	-	-	60,436	203,851
At 1 October 2002, as previously reported	99,200	44,215	-	-	60,403	203,818
Prior year adjustment	-	-	-	-	33	33
At 1 October 2002, as restated	99,200	44,215	-	-	60,436	203,851
Issue of shares under ESOS	1,696	456	-	-	-	2,152
Net loss for the year	-	-	-	-	(3,009)	(3,009)
Dividends (Note 21)	-	-	-	-	(5,357)	(5,357)
At 30 September 2003	100,896	44,671	-	-	52,070	197,637

The accompanying notes form an integral part of the financial statements.

INCOME STATEMENTS

for the year ended 30 September 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue	22	264,454	251,464	11,139	7,376
Other operating income	23	16,796	24,809	359	1,244
		281,250	276,273	11,498	8,620
Changes in inventories	24	(1,055)	(1,608)	-	-
Reinsurance		(49,826)	(30,478)	-	-
Net claims incurred	25	(153,865)	(174,250)	-	-
Net commission		(18,796)	(18,303)	-	-
Increase in unearned premium reserves	18	(895)	(5,344)	-	-
Staff costs		(22,448)	(22,228)	(2,646)	(2,421)
Depreciation		(2,966)	(3,288)	(245)	(297)
Amortisation	26	(711)	(704)	-	-
Other operating expenses	27	(28,292)	(32,311)	(9,417)	(4,252)
Profit/(loss) from operations		2,396	(12,241)	(810)	1,650
Finance costs	28	(1,719)	(1,043)	(1,291)	(643)
Profit/(loss) before taxation	29	677	(13,284)	(2,101)	1,007
Income tax expense	34	(2,855)	2,939	(908)	(338)
Net (loss)/profit for the year		(2,178)	(10,345)	(3,009)	669
Basic loss per share (sen)	35	(2.19)	(10.43)		
Dividend per share (sen)					
7.50 sen (2002 : 3.75 sen) less 28% tax	21	5.4	2.7		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 September 2003

	2003 RM'000	2002 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	677	(13,284)
Adjustments for:		
Depreciation	2,966	3,288
Amortisation of premiums, net of accretion of discounts	542	621
Amortisation of goodwill	379	379
Amortisation of software distribution licence	332	325
Gain on disposal of property, plant and equipment	(54)	(11)
Property, plant and equipment written off	818	72
Write back of diminution in value of investments	(9,518)	(13,634)
Impairment loss on investments	8,281	12,910
Allowance for stock obsolescence	14	-
Gain on disposal of investments	(6,191)	(10,293)
Loss on disposal of long term investments	-	80
Dividend income	(7,248)	(2,653)
Income from Islamic corporate bonds	(890)	(900)
Interest income	(20,355)	(27,572)
Bad debts written off	1	-
(Write back of)/allowance for doubtful debts	(1,431)	791
Increase in unearned premium reserves	895	5,344
Interest expense	1,470	834
Unrealised gain on foreign exchange	(671)	(188)
Transfer from property, plant and equipment to inventories	5	12
Operating loss before working capital changes	(29,978)	(43,879)
Changes in working capital:		
Proceeds from disposal of investments/investment properties	55,831	29,826
Purchase of investments	(25,897)	(25,151)
Increase in bankers acceptances	(54,202)	-
Decrease/(increase) in deposits and placements of the insurance subsidiary company with financial institutions	34,459	(10,245)
Decrease/(increase) in loans	8,763	(396)
Decrease in receivables	4,033	340
Increase in inventories – goods for resale	(178)	(38)
(Decrease)/increase in provision for outstanding claims	(5,651)	19,625
(Decrease)/increase in payables	(2,752)	786
Cash used in operations	(15,572)	(29,132)
Tax paid, net of recoveries	(6,919)	(3,350)
Dividends received	5,342	2,208
Income received from Islamic corporate bonds	890	900
Interest received	19,834	16,385
Interest paid	(1,495)	(699)
Net cash generated from/(used in) operating activities	2,080	(13,688)

Consolidated Cash Flow Statement
for the year ended 30 September 2003

	Note	2003 RM'000	2002 RM'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3 (e)	(905)	(846)
Proceeds from disposal of long term investment		–	71
Proceeds from disposal of property, plant and equipment		1,443	74
Net cash generated from/(used in) investing activities		538	(701)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		2,152	–
Dividends paid		(5,357)	(5,356)
Decrease in hire purchase creditors		(144)	(129)
Drawdown of bank borrowings		1,950	10,250
Net cash (used in)/generated from financing activities		(1,399)	4,765
Effects of exchange rate changes on cash and cash equivalents		90	1
Net increase/(decrease) in cash and cash equivalents		1,309	(9,623)
Cash and cash equivalents at beginning of year		6,387	15,951
Cash and cash equivalents at end of year		7,696	6,328
Cash and cash equivalents comprise the following:			
Cash and bank balances		5,723	5,838
Bank overdraft		(1,180)	(1,048)
Deposits and placements with financial institutions *		3,153	1,538
Cash and cash equivalents as previously reported		7,696	6,328
Effect of exchange rate changes		–	59
Cash and cash equivalents as restated		7,696	6,387

* *The deposits and placements with financial institutions relate to those of the Company and the non-insurance subsidiary companies.*

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENT

for the year ended 30 September 2003

	Note	2003 RM'000	2002 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(2,101)	1,007
Adjustments for:			
Depreciation		245	297
Loss on disposal of property, plant and equipment		3	24
Property, plant and equipment written off		800	2
Impairment loss on investments		4,090	–
Impairment loss on investment in subsidiary company		135	–
Loss on disposal of long term investment		–	80
Dividend income		(4,894)	(1,201)
Interest income		(4,408)	(4,571)
Interest expense		1,048	435
Operating loss before working capital changes		(5,082)	(3,927)
Changes in working capital:			
(Decrease)/increase in receivables		126	(59)
Increase in due from subsidiary companies		(8,050)	(7,940)
Increase/(decrease) in payables		156	(57)
Cash used in operations		(12,850)	(11,983)
Dividends received		3,524	1,072
Interest received		13,540	456
Interest paid		(1,073)	(302)
Tax paid, net of recoveries		(226)	(373)
Net cash generated from/(used in) operating activities		2,915	(11,130)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3 (e)	(15)	(77)
Proceeds from disposal of long term investment		–	71
Proceeds from disposal of property, plant and equipment		31	10
Net cash generated from investing activities		16	4
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		2,152	–
Dividends paid		(5,357)	(5,356)
Decrease in hire purchase creditors		–	(4)
Drawdown of bank borrowings		1,950	9,250
Net cash (used in)/generated from financing activities		(1,255)	3,890
Net increase/(decrease) in cash and cash equivalents		1,676	(7,236)
Cash and cash equivalents at beginning of year		880	8,116
Cash and cash equivalents at end of year		2,556	880
Cash and cash equivalents comprise the following:			
Cash and bank balances		1,766	129
Deposits and placements with financial institutions		790	751
		2,556	880

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2003

1. Principal Activities and General Information

The principal activities of the Company are that of investment holding and the provision of management services.

The principal activities of the subsidiary companies are as disclosed in Note 7 to the financial statements.

There were no significant changes in the principal activities of the Group and of the Company during the financial year.

The Company is a public limited company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Kuala Lumpur Stock Exchange. The registered office of the Company is located at 11th Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

The average number of employees during the financial year in the Group and in the Company were 603 (2002 : 610) and 43 (2002 : 44) respectively.

The financial statements were authorised for issue on 28 November 2003 pursuant to a resolution by the Board of Directors.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 30 September 2003, the Company adopted the following Malaysian Accounting Standards Board Standards (MASB) for the first time:

MASB 22 : Segment Reporting
MASB 23 : Impairment of Assets
MASB 24 : Financial Instruments - Disclosure and Presentation
MASB 25 : Income Taxes
MASB 27 : Borrowing Costs

The adoption of MASB 22 : Segment Reporting, MASB 23 : Impairment of Assets and MASB 27 : Borrowing Costs did not give rise to any material impact to the financial statements. The effects of adopting MASB 25 : Income Taxes are summarised in the Statements of Changes in Equity and Note 41 to the financial statements.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year.

Subsidiary companies are those companies in which the Group has a long term equity investment of more than 50% and/or power to exercise control over the financial and operating policies.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless the cost cannot be recovered.

The total profits and losses of subsidiary companies are included in the Group income statements. The proportion of the profit and loss applicable to minority shareholders is deducted in arriving at the profit attributable to the shareholders of the Company.

All the subsidiary companies are consolidated on the acquisition method of accounting except for Pacific & Orient Insurance Co. Berhad, which was consolidated on the merger method of accounting in accordance with the Malaysian Accounting Standard 2 Accounting for Acquisitions and Mergers.

2. Significant Accounting Policies (Cont'd)

(b) Basis of Consolidation (Cont'd)

- (i) Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed of during the financial year are included from the date of acquisition or up to the date of disposal.
- (ii) Under the merger method of accounting, the results of the merged subsidiary company is included as if the merger had been effected throughout the current and previous financial years.

The cost of investment in the Company's book is recorded as the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares transferred is treated as a merger reserve or merger deficit in accordance with merger relief provisions under Section 60(4) of the Companies Act, 1965.

With the introduction of MASB 21: Business Combinations during the previous financial year, the Group had elected to apply the transitional provisions under this Standard, wherein the Group will conform with the requirements of the Standard prospectively.

(c) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there are any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(d) Intangible Assets

- (i) Goodwill arising on consolidation represents the excess of acquisition cost over the fair value of the net assets of the subsidiary companies at the date of acquisition. Goodwill arising on consolidation is amortised over a period of twenty five years or the expected useful life, whichever is the shorter. Goodwill on consolidation is written down for impairment where it is considered necessary. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (c).
- (ii) Software distribution licence is amortised over a period of ten years.
- (iii) Preliminary and pre-operating expenses are written off as and when incurred.

2. Significant Accounting Policies (Cont'd)

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (c).

Freehold land is not depreciated. Leasehold land is depreciated over the term of the lease. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over its estimated useful life.

The principal annual rates of depreciation are:

Leasehold land	over the term of the lease of	92 years
Buildings		2%
Computer equipment		10%
Motor vehicles		20%
Office equipment		10% – 20%
Furniture, fixtures and fittings		10% – 20%

On the disposal of property, plant and equipment, the difference between net proceeds and the carrying amount is recognised in the income statement.

(f) Investments

- (i) Investment properties consist of freehold and leasehold land and buildings that are held for their investment potential and rental income. Investment properties are stated at cost less impairment losses, if any. Investment properties are not depreciated.
- (ii) Long term quoted and unquoted investments, and investments in subsidiary companies are stated at cost less impairment losses, if any.
- (iii) Investment securities are securities that are acquired and held for yield or capital growth, and are usually held to maturity date.

Malaysian Government Securities and Cagamas bonds are stated at cost adjusted for amortisation of premiums or accretion of discounts calculated on a constant yield basis from date of purchase to maturity date.

Government guaranteed bonds, unquoted corporate debt securities and Islamic corporate bonds which carry a minimum rating of "BBB" or "P3" are valued at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on a constant yield basis from the dates of purchase to maturity dates. Any corporate bond with a lower rating is stated at the lower of cost and net realisable value. The amortisation of premiums and accretion of discounts are recognised in the income statement.

Quoted securities and unit trusts are stated at the lower of cost and market value determined on an aggregate portfolio basis by category except that if diminution in value of an investment is considered permanent, allowance for such diminution is then made accordingly.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (c).

2. Significant Accounting Policies (Cont'd)

(g) Receivables

Known bad debts in the insurance subsidiary company are written off and specific allowance is made for any premium including agents, brokers and reinsurers balances which remain outstanding for more than six months from the date on which they become receivable and for all debts which are considered doubtful.

For the Company and other subsidiary companies, specific allowance is made for known doubtful debts which have been individually reviewed and specifically identified as doubtful.

(h) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(i) Borrowings

Interest bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(j) Equity Instruments

Ordinary shares are recorded at nominal value and proceeds received in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Costs incurred directly attributable to the issuance of shares are accounted for as a deduction from equity.

(k) Provisions

Provisions are recognised when the Group or the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2. Significant Accounting Policies (Cont'd)

(l) Income Recognition

- (i) Interest income on loans are recognised on an accrual basis except where a loan is considered non-performing, i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.
- (ii) Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.
- (iii) Interest income from money market instruments and deposits and placements with financial institutions are recognised on an accrual basis.
- (iv) Dividends from subsidiary companies and other investments are recognised when the right to receive payment is established.
- (v) Income from Islamic corporate bonds is recognised on an accrual basis.
- (vi) Revenue from computer projects is recognised on progress billings based on the percentage of completion method determined on the basis of services performed to date as a percentage of total services.
- (vii) Revenue relating to sales of hardware and consumer goods are recognised when delivery has taken place and transfer of risks and rewards have been completed.
- (viii) Revenue from the privilege card programme service is recognised over the life of the privilege card programme.
- (ix) Maintenance contracts and other services are recognised upon completion of services rendered.

(m) General Insurance Underwriting Results

The general insurance underwriting results are determined for each class of business after taking into account reinsurance, unearned premium reserves, claims incurred and commissions.

Premium Income

Premium is recognised in a financial period in respect of risks assumed during that particular financial period. Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Unearned Premium Reserves (UPR)

The Unearned Premium Reserves represent the portion of premium income not yet earned at balance sheet date. UPR is computed on the following bases:

- 25% method for marine cargo, aviation cargo and transit
- 1/24th method for fire, engineering and marine hull with a deduction of 15%, motor and bonds with a deduction of 10% and all other classes of business with a deduction of 20% or actual commission incurred, whichever is lower
- 1/8th method for overseas inward treaty business with a deduction of 20%
- Non-annual policies with a duration of cover extending beyond one year is time apportioned over the period of the risk.

Provision for Claims

Provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at balance sheet date. Provision is also made for the cost of claims together with related expenses incurred but not reported at balance sheet date on the basis of the actual claims incurred development pattern, using mathematical methods of estimation.

2. Significant Accounting Policies (Cont'd)

(m) General Insurance Underwriting Results (Cont'd)

Acquisition Cost

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(n) Currency Conversion and Translation

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into Ringgit Malaysia at the exchange rates approximating those ruling at that date. All exchange gains or losses are dealt with in the income statements.

The income statements of foreign subsidiary companies have been translated into Ringgit Malaysia at the average exchange rates for the year and the balance sheets of these companies are translated at the exchange rates ruling at the balance sheet date. On consolidation, the differences arising from such translation are taken to the translation reserve.

The principal exchange rates for each unit of foreign currency ruling at balance sheet date used are as follows:

	2003 RM	2002 RM
United States Dollar	3.8000	3.8000
Thailand Baht	0.0948	0.0876

(o) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates as enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences as at balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses, unused capital allowances and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses, unused capital allowances and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates as enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 : Income Taxes on 1 October 2002, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 41.

2. Significant Accounting Policies (Cont'd)

(p) Hire Purchase and Leases

Property, plant and equipment acquired under hire purchase and finance lease agreements are capitalised in the financial statements and are depreciated in accordance with the policy set out in (e) above. The corresponding outstanding obligations due under the hire purchase and finance lease agreements after deducting finance expenses are included as liabilities in the financial statements. Finance expenses are charged to the income statements over the period of the respective agreements.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(q) Inventories

Inventories are stated at the lower of cost (determined on the first in, first out basis) and net realisable value, after making due allowance for any obsolete items.

(r) Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid balances which are readily convertible to cash with insignificant risks of changes in value but exclude deposits and placements of the insurance subsidiary company with financial institutions. The cash flow statements of the Group and of the Company have been prepared using the indirect method.

(s) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument. The accounting policies on recognition and measurement of these financial instruments are disclosed in the individual accounting policy statements associated with each item.

Unrecognised financial instruments are recognised as liabilities when obligations to pay the counter parties are assessed as being probable.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains or losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Disclosure information for financial assets and liabilities that relate to rights and obligations arising under insurance contracts of the insurance subsidiary company are not provided as they do not fall within the scope of MASB 24: Financial Instruments – Disclosure and Presentation.

3. Property, Plant and Equipment**Group**

	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
Cost:									
At beginning of year	3,243	350	2,314	12,972	21,845	3,620	4,766	5,987	55,097
Additions	-	-	-	-	209	303	234	399	1,145
Disposals	(463)	-	(837)	-	(127)	(430)	(94)	(6)	(1,957)
Write offs	-	-	-	-	(117)	-	(31)	(1,316)	(1,464)
Reclassification	-	-	-	-	-	-	9	(9)	-
Transfer to inventories	-	-	-	-	(6)	-	(1)	-	(7)
Translation differences	-	-	-	-	23	12	18	17	70
At end of year	2,780	350	1,477	12,972	21,827	3,505	4,901	5,072	52,884
Accumulated Depreciation :									
At beginning of year	-	19	153	2,442	13,693	3,095	2,620	3,785	25,807
Charge for the year	-	4	29	302	1,587	234	396	414	2,966
Disposals	-	-	-	-	(46)	(428)	(92)	(2)	(568)
Write offs	-	-	-	-	(96)	-	(25)	(525)	(646)
Reclassification	-	-	-	-	-	-	2	(2)	-
Transfer to inventories	-	-	-	-	(2)	-	-	-	(2)
Translation differences	-	-	-	-	10	12	10	9	41
At end of year	-	23	182	2,744	15,146	2,913	2,911	3,679	27,598
Net Book Value :									
At end of year	2,780	327	1,295	10,228	6,681	592	1,990	1,393	25,286
At beginning of year	3,243	331	2,161	10,530	8,152	525	2,146	2,202	29,290
Depreciation charge for the year ended									
30 September 2002	-	4	29	302	1,874	231	438	410	3,288

3. Property, Plant and Equipment (Cont'd)

Company	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
Cost:					
At beginning of year	510	1,507	281	1,981	4,279
Additions	1	–	7	7	15
Transfer to subsidiary companies	(27)	–	(118)	(277)	(422)
Reclassification	–	–	9	(9)	–
Disposals	–	–	(6)	(3)	(9)
Write offs	–	–	(16)	(1,306)	(1,322)
At end of year	484	1,507	157	393	2,541
Accumulated Depreciation:					
At beginning of year	175	1,492	117	712	2,496
Charge for the year	51	11	25	158	245
Transfer to subsidiary companies	(16)	–	(44)	(110)	(170)
Reclassification	–	–	2	(2)	–
Disposals	–	–	(2)	(1)	(3)
Write offs	–	–	(6)	(516)	(522)
At end of year	210	1,503	92	241	2,046
Net Book Value:					
At end of year	274	4	65	152	495
At beginning of year	335	15	164	1,269	1,783
Depreciation charge					
for the year ended					
30 September 2002	51	19	29	198	297

- (a) Certain freehold land and buildings of two subsidiary companies with net book value amounting to RM3,438,000 (2002 : RM3,462,000) have been pledged to a licensed bank for an overdraft facility granted to one of the said subsidiary companies, as disclosed in Note 17.
- (b) Included in the land and buildings of the Group in the previous financial year was an amount of RM837,000 being the cost of a building in a subsidiary company that was not depreciated, as the building had not been in use and the residual value at the end of the useful economic life to the Group would not have been materially different from the carrying value.

3. Property, Plant and Equipment (Cont'd)

- (c) Included in the property, plant and equipment of the Group and of the Company are the following costs of fully depreciated assets which are still in use:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Computer equipment	5,766	2,823	-	-
Motor vehicles	2,369	2,730	1,452	1,452
Office equipment	940	976	-	-
Furniture, fixtures and fittings	2,138	2,058	-	-
	11,213	8,587	1,452	1,452

- (d) The net book value of motor vehicles of the Group held under hire purchase arrangements are RM522,000 (2002 : RM403,000).

- (e) During the year, the Group and the Company acquired property, plant and equipment by:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash	905	846	15	77
Hire purchase	240	80	-	-
	1,145	926	15	77

4. Intangible Assets

	Group	
	2003 RM'000	2002 RM'000
Goodwill on consolidation:		
At beginning of year	3,451	3,830
Amortisation	(379)	(379)
At end of year	3,072	3,451
Software distribution licence:		
At beginning of year	1,042	1,333
Amortisation	(332)	(325)
Translation differences	67	34
At end of year	777	1,042
	3,849	4,493

5. Deferred Taxation

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At beginning of year	21,686	17,960	33	36
Transfer (from)/to income statements (Note 34)	(1,433)	3,659	446	(3)
Translation differences	186	67	-	-
At end of year	20,439	21,686	479	33

Presented after appropriate offsetting as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deferred tax assets	22,095	24,232	581	472
Deferred tax liabilities	(1,656)	(2,546)	(102)	(439)
At end of year	20,439	21,686	479	33

The components and movements of deferred tax liabilities and assets during the financial year and previous year prior to offsetting are as follows:

Deferred Tax Assets of the Group:

2003	Unearned Premium Reserves RM'000	Allowance for Diminution in Value of Investments RM'000	Allowance for Doubtful Debt RM'000	Tax losses and Unabsorbed Capital Allowances RM'000	Total RM'000
At beginning of year	10	3,926	268	20,028	24,232
Reclassification	-	3,615	-	(3,615)	-
Recognised in the income statements	3	(1,977)	-	(349)	(2,323)
Translation differences	-	-	23	163	186
At end of year	13	5,564	291	16,227	22,095

2002	Unearned Premium Reserves RM'000	Allowance for Diminution in Value of Investments RM'000	Allowance for Doubtful Debt RM'000	Tax losses and Unabsorbed Capital Allowances RM'000	Total RM'000
At beginning of year	11	7,732	262	12,738	20,743
Recognised in the income statements	(1)	(3,806)	-	7,229	3,422
Translation differences	-	-	6	61	67
At end of year	10	3,926	268	20,028	24,232

5. Deferred Taxation (Cont'd)

Deferred Tax Liabilities of the Group:

2003	Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
At beginning of year	(2,042)	(504)	(2,546)
Recognised in the income statements	625	265	890
At end of year	(1,417)	(239)	(1,656)

2002	Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
At beginning of year	(2,280)	(504)	(2,784)
Recognised in the income statements	238	-	238
At end of year	(2,042)	(504)	(2,546)

Deferred Tax Assets of the Company:

2003	Tax Losses and Unabsorbed Capital Allowances RM'000	Total RM'000
At beginning of year	472	472
Recognised in the income statements	109	109
At end of year	581	581

2002	Tax Losses and Unabsorbed Capital Allowances RM'000	Total RM'000
At beginning of year	480	480
Recognised in the income statements	(8)	(8)
At end of year	472	472

5. Deferred Taxation (Cont'd)

Deferred Tax Liabilities of the Company:

2003	Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
At beginning of year	(187)	(252)	(439)
Recognised in the income statements	85	252	337
At end of year	(102)	-	(102)

2002	Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
At beginning of year	(192)	(252)	(444)
Recognised in the income statements	5	-	5
At end of year	(187)	(252)	(439)

As at 30 September 2003, deferred tax assets have not been recognised in respect of temporary differences of the following:

	Group	
	2003 RM'000	2002 RM'000
Depreciation and capital allowances on property, plant and equipment	(22)	(20)
Unabsorbed capital allowances and losses	3,886	3,683
	3,864	3,663

Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiary companies in the Group and it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

6. Investments

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cost				
Investment properties				
Freehold buildings	706	706	-	-
Leasehold land and building	730	730	-	-
	1,436	1,436	-	-

6. Investments (Cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Long term investment in quoted securities				
Shares in Malaysia	49,052	48,802	46,789	46,789
Impairment loss	(5,827)	-	(4,090)	-
	43,225	48,802	42,699	46,789
Club membership	55	55	-	-
Investment securities				
Money market instruments:				
Malaysian Government Securities	5,088	15,693	-	-
Amortisation of premiums	(52)	(493)	-	-
	5,036	15,200	-	-
Cagamas bonds	70,761	91,191	-	-
Amortisation of premiums, net of accretion of discounts	(564)	(702)	-	-
	70,197	90,489	-	-
Islamic corporate bonds	10,394	10,394	-	-
Amortisation of premiums	(111)	(81)	-	-
	10,283	10,313	-	-
Bankers acceptances	54,202	-	-	-
Quoted securities:				
Shares in Malaysia	68,778	68,747	-	-
Allowance for diminution in value	(3,815)	(13,584)	-	-
	64,963	55,163	-	-
Warrants in Malaysia	1,756	1,756	-	-
Allowance for diminution in value	(647)	(396)	-	-
	1,109	1,360	-	-
Unit trusts	1,000	1,000	-	-
Unquoted securities:				
Shares in Malaysia	391	1	-	-
Corporate bonds (Amortisation of premiums)/accretion of discounts	7,433 (58)	4,046 5	-	-
	7,375	4,051	-	-
Total investment securities	214,556	177,577	-	-

6. Investments (Cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits and placements of the insurance subsidiary company with financial institutions				
Licensed banks	180,381	193,882	–	–
Licensed finance companies	108,665	129,623	–	–
	289,046	323,505	–	–
Total investments	548,318	551,375	42,699	46,789
Market value				
Club membership	60	60	–	–
Malaysian Government Securities	5,507	16,077	–	–
Cagamas bonds	71,717	93,104	–	–
Islamic corporate bonds	10,532	10,465	–	–
Shares quoted in Malaysia:				
Long term investments	38,432	30,152	38,187	30,147
Investment securities	64,963	55,163	–	–
Warrants quoted in Malaysia	1,109	1,360	–	–
Unit trusts	1,298	1,129	–	–
Unquoted corporate bonds	7,385	4,060	–	–

The title deed of the leasehold land and building of a subsidiary company has not been received from the authorities as at the date of this report. The total indicative market value of the investment properties of the Group based on an appraisal by a firm of professional valuers performed during the financial year was RM1,013,000 (2002 : RM1,013,000). No allowance for impairment loss has been made as the rental yields from these properties are supportive of the carrying value of the investment.

Deposits and placements of the Group amounting to RM815,000 (2002 : RM1,189,000) represent deposits given by the insureds as collateral for bond guarantees granted by the insurance subsidiary company to third parties.

As at balance sheet date, the range of effective interest rates and the earlier of the contractual repricing or maturity dates for each class of interest-bearing investments are as follows:

2003 Group	Contractual repricing or maturity dates (whichever is earlier)		Total carrying amount RM'000	Range of effective interest rate per annum %
	1 year or less RM'000	1 to 5 years RM'000		
Malaysian Government Securities	–	5,036	5,036	6.51
Cagamas bonds	35,130	35,067	70,197	3.53–5.18
Bankers acceptances	54,202	–	54,202	2.88–2.92
Unquoted corporate bonds	–	7,375	7,375	4.00–6.40
Deposits and placements of the insurance subsidiary company with financial institutions	289,046	–	289,046	1.00–4.00
	378,378	47,478	425,856	

The effective profit rate of the Islamic corporate bond as at balance sheet date was 8.15% per annum and is due to mature after 1 year.

7. Investment in Subsidiary Companies

	Company	
	2003 RM'000	2002 RM'000
Unquoted shares – at cost	106,366	92,456
Impairment losses	(4,725)	(4,590)
	101,641	87,866

The subsidiary companies are:

	Effective Interests		Principal Activities
	2003 %	2002 %	
Incorporated in Malaysia			
Pacific & Orient Insurance Co. Berhad	100	100	General insurance business
P & O Technologies Sdn. Bhd.	100	100	Provision of information technology services and sale of information technology equipment
Pacific & Orient Distribution Sdn. Bhd.	100	100	Distribution of consumer goods and provision of sales and administrative services
P & O Capital Sdn. Bhd.	100	100	Money lending
P & O Global Technologies Sdn. Bhd.	100	100	Dealing in computer hardware, software and systems
P & O Resources Sdn. Bhd.	100	100	Dealing in computer hardware, software and systems
Dynamic Network Distributions Sdn. Bhd.	64	64	Provision of management and privilege card programme services and sale of consumer goods
P & O Nominees Services (Tempatan) Sdn. Bhd.	100	100	Dormant
Pacific Global Technologies Sdn. Bhd.	100	100	Dormant
Seni Perkasa Sdn. Bhd.	100	100	Dormant
Seni Bayu Sdn. Bhd.	100	100	Dormant
Pacific & Orient – F.I.H. Sdn. Bhd.	100	100	Dormant
DND Consulting Services Sdn. Bhd.	100	100	Dormant

7. Investment in Subsidiary Companies (Cont'd)

	Effective Interests		Principal Activities
	2003 %	2002 %	
Incorporated in the United States of America			
P & O Global Technologies, Inc. *	100	100	Information technology services, research and development and trading activities
Subsidiary company of P & O Global Technologies Sdn. Bhd. – Incorporated in Thailand			
P & O Global Technologies (Thailand) Co. Ltd.*	100	100	Dealing in computer software and systems

* Subsidiary companies not audited by Ernst & Young.

8. Inventories – Goods for Resale

	Group	
	2003 RM'000	2002 RM'000
Inventories – at cost	770	592
Allowance for stock obsolescence	(14)	–
	756	592

9. Loans

	Group	
	2003 RM'000	2002 RM'000
Loans:		
– secured loans	48,205	56,997
– unsecured loans	34	5
	48,239	57,002
Due within one year	48,215	56,945
Due after one year	24	57
	48,239	57,002

The interest rates were between 6.00% and 9.50% (2002: 6.00% and 9.50%) per annum.

10. Receivables

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade receivables:				
Outstanding premium including agents', brokers' and co-insurers' balances	8,648	10,704	-	-
Due from reinsurers and ceding companies	6,014	5,433	-	-
Others	1,550	4,322	-	-
	16,212	20,459	-	-
Allowance for doubtful debts	(3,867)	(5,436)	-	-
	12,345	15,023	-	-
Other receivables:				
Accrued income	3,497	4,078	-	-
Share of assets held by Malaysian Motor Insurance Pool (MMIP)	2,888	2,617	-	-
Deposits and prepayments	1,728	1,139	98	238
Tax recoverable	8,028	677	451	208
Others	987	919	94	80
	17,128	9,430	643	526
	29,473	24,453	643	526

The currency exposure profile of trade and other receivables was as follows:

	Group 2003 RM'000	Company 2003 RM'000
Ringgit Malaysia	28,737	643
United States Dollar	179	-
Thailand Baht	557	-
	29,473	643

The Group's normal trade credit term is up to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors.

11. Due From Subsidiary Companies

The amounts due from subsidiary companies are interest-free, unsecured and have no fixed terms of repayment, except for an amount of RM23,213,000 (2002 : RM22,785,000) which bears interest at between 6.15% and 16.08% (2002 : 6.35% and 16.08%) per annum.

The currency exposure profile of the amounts due from subsidiary companies was as follows:

	Company 2003 RM'000
Ringgit Malaysia	59,370
United States Dollar	6,637
	66,007

12. Deposits and Placements with Financial Institutions

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Licensed banks	2,298	724	-	-
Licensed finance companies	65	63	-	-
Other licensed financial institutions	790	751	790	751
	3,153	1,538	790	751

The deposits and placements relate only to the Company and the non-insurance subsidiary companies. The deposits and placements of the insurance subsidiary company are included as investments under Note 6.

The currency exposure profile of deposits and placements with financial institutions was as follows:

	Group 2003 RM'000	Company 2003 RM'000
Ringgit Malaysia	855	790
United States Dollar	1,229	-
Thailand Baht	1,069	-
	3,153	790

The range of effective interest rates per annum with financial institutions at the balance sheet date was as follows:

	Group 2003 %	Company 2003 %
Licensed banks	0.50 – 2.50	-
Licensed finance companies	3.00	-
Other licensed financial institutions	2.75 – 2.76	2.75 – 2.76

12. Deposits and Placements with Financial Institutions (Cont'd)

The maturity profile of deposits and placements with financial institutions at the balance sheet date was as follows:

	Group 2003 Days	Company 2003 Days
Licensed banks	7 – 257	–
Licensed finance companies	30	–
Other licensed financial institutions	8 – 11	8 – 11

13. Cash and Bank Balances

The currency exposure profile of cash and bank balances was as follows:

	Group 2003 RM'000	Company 2003 RM'000
Ringgit Malaysia	5,464	1,766
United States Dollar	104	–
Thailand Baht	155	–
	5,723	1,766

14. Provision for Outstanding Claims

	Group	
	2003 RM'000	2002 RM'000
Provision for outstanding claims	355,237	366,793
Recoverable from reinsurers	(36,779)	(42,684)
Net outstanding claims	318,458	324,109

Included in the provision for outstanding claims is an amount of RM121,739,000 (2002 : RM129,019,000) in respect of net provision for Incurred But Not Reported (IBNR) claims as determined by an independent professional actuary.

15. Payables

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade payables:				
Due to reinsurers and ceding companies	3,724	4,698	–	–
Due to agents, brokers, co-insurers and insureds	894	1,115	–	–
Others	155	131	–	–
	4,773	5,944	–	–

15. Payables (Cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Other payables:				
Accruals	2,264	3,084	171	145
Collateral deposits	849	1,176	-	-
Insurance Guarantee Scheme Fund (IGSF) levy	522	488	-	-
Stamp duty payable	459	535	-	-
Unearned income	316	401	-	-
Unclaimed monies	273	557	-	-
Others	1,856	1,927	512	407
	6,539	8,168	683	552
	11,312	14,112	683	552

The normal trade credit terms granted to the Group is up to 90 days.

The currency exposure profile of trade and other payables was as follows:

	Group 2003 RM'000	Company 2003 RM'000
Ringgit Malaysia	10,959	683
United States Dollar	180	-
Thailand Baht	173	-
	11,312	683

16. Hire Purchase Creditors

	Group	
	2003 RM'000	2002 RM'000
Future minimum payments are as follows:		
Payable within one year	162	120
Payable between one and five years	260	189
	422	309
Finance charges	(71)	(54)
	351	255
Representing hire purchase creditors:		
Due within one year	135	100
Due after one year	216	155
	351	255

The hire purchase arrangements at the balance sheet date bore interest between 4.00% and 7.93% (2002 : 8.16% and 9.22%) per annum.

17. Bank Borrowings

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Bank overdraft	1,180	1,048	–	–
Revolving credits	22,200	20,250	16,200	14,250
	23,380	21,298	16,200	14,250

The bank borrowings of the Group and of the Company are due to mature within 1 year.

The revolving credit facilities of the Company are unsecured and bear interest at between 5.05% and 5.50% (2002 : 5.20% and 7.43%) per annum. The revolving credit facilities of subsidiary companies are secured by corporate guarantees from the holding company and bear interest at between 5.25% and 5.50% (2002 : 5.25% and 6.00%) per annum.

The bank overdraft is secured over certain of the freehold land and buildings of two subsidiary companies and bears interest at between 7.75% and 8.15% (2002 : 8.15%) per annum.

18. Unearned Premium Reserves

	Group	
	2003 RM'000	2002 RM'000
At beginning of year	89,999	84,655
Increase in unearned premium reserves (Note 30)	895	5,344
At end of year	90,894	89,999

19. Share Capital

	Company			
	Number of Shares		Amount	
	2003 '000	2002 '000	2003 RM'000	2002 RM'000
Authorised shares of RM1.00 each	200,000	200,000	200,000	200,000
Issued and fully paid ordinary shares of RM1.00 each				
At beginning of year	99,200	99,200	99,200	99,200
Issue of shares pursuant to the ESOS	1,696	–	1,696	–
At end of year	100,896	99,200	100,896	99,200

20. Reserves

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Non-distributable:				
Translation reserve	(602)	(364)	–	–
Share premium	44,671	44,215	44,671	44,215
Merger reserve	40,769	40,769	–	–
	84,838	84,620	44,671	44,215
Distributable:				
Accumulated profits	55,107	62,642	52,070	60,436
	139,945	147,262	96,741	104,651

21. Dividends

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
2nd interim dividend of 3.75 sen per share less tax at 28% in respect of previous year, declared on 18 November 2002 and paid on 20 December 2002	2,678	–	2,678	–
1st interim dividend of 3.75 sen per share less tax at 28% in respect of current financial year, declared on 26 May 2003 and paid on 30 June 2003 (2002 : 3.75 sen per share less tax at 28%)	2,679	2,678	2,679	2,678
	5,357	2,678	5,357	2,678

In respect of the financial year ended 30 September 2003, the Directors had on 10 November 2003 declared a 2nd interim dividend of 3.75 sen per share less tax at 28%, amounting to RM2,724,000, based on the issued and paid-up share capital as at 30 September 2003. The dividend will be paid on 22 December 2003 to shareholders whose names appear in the Register of Members and the Record of Depositors on 8 December 2003. This dividend has not been reflected in the financial statements for the current financial year but it will be accounted for in shareholders' equity as an appropriation of accumulated profits in the financial year ending 30 September 2004. The Directors do not recommend the payment of any final dividend for the current financial year.

22. Revenue

Revenue of the Group represents gross premium and investment income (inclusive of amortisation of premiums, net of accretion of discount) of the insurance subsidiary company, sales of goods and services, interest income on loans granted and investment income of the Company. Revenue of the Company represents interest income on advances to subsidiary companies, investment income and fees for the provision of management services.

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Gross premium (Note 30)	232,840	214,733	–	–
Gross dividends:				
– shares quoted in Malaysia	7,248	2,653	4,894	1,201
Interest income:				
– subsidiary companies	–	–	4,332	4,508
– others	20,330	27,555	76	63
Income from Islamic corporate bonds	890	900	–	–
Rental income	44	45	–	–
MMIP investment income	116	114	–	–
Amortisation of premiums, net of accretion of discounts	(542)	(621)	–	–
Sale of goods and services	3,528	6,085	1,837	1,604
	264,454	251,464	11,139	7,376

Included in interest income – others of the previous financial year, is an amount of RM10,111,053 being interest income earned in respect of a non-performing loan in the following financial years:

Financial year ended 30 September	RM
2000	2,887,575
2001	3,337,630
2002	3,885,848
	10,111,053

The Directors considered this as a performing loan at the end of the previous financial year pursuant to a restructuring scheme.

23. Other Operating Income

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest income	25	17	-	-
Rental income:				
- subsidiary companies	-	-	253	531
- others	69	50	-	-
Write back of allowance for diminution in value of investments	9,518	13,634	-	-
Gain on disposal of property, plant and equipment	54	11	-	-
Gain on disposal of investments	6,191	10,293	-	-
Gain on foreign exchange:				
- unrealised	671	188	-	-
- realised	8	8	-	-
Others	260	608	106	713
	16,796	24,809	359	1,244

24. Changes in Inventories

Included in changes in inventories is an amount of RM14,000 being allowance for stock obsolescence.

25. Net Claims Incurred

	Group	
	2003 RM'000	2002 RM'000
Gross claims paid less salvage	180,199	172,715
Reinsurance recoveries	(20,683)	(18,090)
Net claims paid	159,516	154,625
Net outstanding claims:		
At end of year	318,458	324,109
At beginning of year	(324,109)	(304,484)
	153,865	174,250

26. Amortisation

	Group	
	2003 RM'000	2002 RM'000
Amortisation of:		
- goodwill on consolidation	379	379
- software distribution licence	332	325
	711	704

27. Other Operating Expenses

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Other operating expenses include:				
Auditors' remuneration	155	146	21	18
Directors' remuneration*:				
Directors of the Company:				
– fees	374	240	195	105
– emoluments	569	553	569	553
Directors of the subsidiary companies:				
– fees	59	45	–	–
– emoluments	1,279	1,363	–	–
Property, plant and equipment written off	818	72	800	2
Impairment loss on investments:				
– subsidiary company	–	–	135	–
– others	8,281	12,910	4,090	–
Rental of office equipment	1,026	492	112	93
Bad debts:				
– recovered	(10)	(44)	–	–
– written off	1	–	–	–
Office rental:				
– subsidiary company	–	–	264	256
– others	1,820	1,253	468	449
Loss on disposal of long term investment	–	80	–	80
Loss on disposal of property, plant and equipment	–	–	3	24
(Write back of)/allowance for doubtful debts	(1,431)	791	–	–

* The estimated monetary value of other benefits not included in the above received by the Directors of the Company was RM21,000 (2002 : RM21,000).

28. Finance Costs

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest expense	1,462	818	1,048	435
Others	257	225	243	208
	1,719	1,043	1,291	643

29. Profit/(Loss) Before Taxation

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Determined as follows:					
Insurance subsidiary company	30	13,259	(11,977)	-	-
Others		(10,799)	(1,075)	(2,101)	1,007
Before consolidation		2,460	(13,052)	(2,101)	1,007
Consolidation adjustments		(1,783)	(232)	-	-
After consolidation		677	(13,284)	(2,101)	1,007

30. Profit/(Loss) Before Taxation - Insurance Subsidiary Company

Revenue Account	Note	Group	
		2003 RM'000	2002 RM'000
Insurance fund			
Gross premium	22	232,840	214,733
Reinsurance		(49,826)	(30,478)
Net premium		183,014	184,255
Increase in unearned premium reserves	18	(895)	(5,344)
Earned premium		182,119	178,911
Net claims incurred	25	(153,865)	(174,250)
Net commission		(18,796)	(18,303)
		(172,661)	(192,553)
Underwriting surplus/(deficit) before management expenses		9,458	(13,642)
Management expenses	32	(28,566)	(28,659)
Underwriting deficit		(19,108)	(42,301)
Investment income	31	17,720	17,632
Other operating income - net	33	13,586	11,598
Profit/(loss) from operations		12,198	(13,071)
Finance costs		(29)	(20)
Surplus/(deficit) from insurance fund		12,169	(13,091)
Shareholder's fund			
Investment income	31	1,097	1,121
Management expenses	32	(7)	(7)
		13,259	(11,977)

31. Investment Income

Revenue Account	Group	
	2003 RM'000	2002 RM'000
Insurance fund		
Gross dividends:		
– shares quoted in Malaysia	2,353	1,452
Interest income:		
– Malaysian Government Securities	998	999
– Cagamas bonds	3,865	4,372
– bankers acceptances	737	–
– corporate bonds	427	141
– deposits and placements with financial institutions	8,562	9,969
Income from Islamic corporate bonds	890	900
Rental of properties	314	306
MMIP investment income	116	114
Amortisation of premiums, net of accretion of discounts	(542)	(621)
	17,720	17,632
Shareholder's fund		
Interest income:		
– bankers acceptances	33	–
– deposits and placements with financial institutions	1,064	1,121
	1,097	1,121

32. Management Expenses

	Group	
	2003 RM'000	2002 RM'000
Insurance fund		
Directors' salaries and emoluments*	740	509
Staff salaries and bonus	10,762	10,289
Other staff benefits	2,509	2,395
	14,011	13,193
Depreciation	1,460	1,838
Auditors' remuneration	85	80
Directors' fees	175	120
(Write back of)/allowance for bad and doubtful debts	(1,482)	747
Office rental	351	245
IGSF levy	522	488
Call centre service charges	552	531
Rental of equipment	1,101	637
Printing and EDP expenses	3,955	3,754
Business development	1,570	1,286
Bank charges	1,405	1,206
Office administration and utilities	1,527	1,405
Other expenses	3,334	3,129
	28,566	28,659

32. Management Expenses (Cont'd)

	Group	
	2003 RM'000	2002 RM'000
Shareholder's fund		
Staff salaries and bonus	5	5
Other staff benefits	1	1
	6	6
Other expenses	1	1
	7	7

* The estimated monetary value of other benefits not included in the above received by the Directors was RM21,000 (2002 : RM17,000).

33. Other Operating Income - Net

	Group	
	2003 RM'000	2002 RM'000
Insurance fund		
Gain/(loss) on disposal of:		
– investments	6,191	10,293
– property, plant and equipment	103	(1)
Realised gain on foreign exchange	7	16
Sundry income	245	650
Write back of diminution in value of investments	9,518	13,591
Permanent diminution in value of investments	(2,454)	(12,910)
Property, plant and equipment written off	(16)	(27)
Others	(8)	(14)
	13,586	11,598

34. Income Tax Expense

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current year's provision				
– Malaysian tax	1,348	719	1,282	335
– foreign tax	22	–	–	–
Tax recoveries	(20)	(50)	–	–
Transfer to/(from) deferred taxation (Note 5)	1,433	(3,659)	(446)	3
	2,783	(2,990)	836	338
Under provision in prior years	72	51	72	–
	2,855	(2,939)	908	338

34. Income Tax Expense (Cont'd)

A reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

	Group	
	2003 RM'000	2002 RM'000
Profit/(loss) before taxation	677	(13,284)
Taxation at Malaysian statutory tax rate of 28% (2002 : 28%)	189	(3,720)
Effect of different tax rates in other countries	29	42
Income not subject to tax	(342)	(298)
Expenses not deductible for tax purposes	2,163	857
Deferred tax asset not recognised during the year	56	47
Tax recoveries	(20)	(50)
Foreign tax	22	-
Under provision in prior years	72	51
Translation difference	186	67
Consolidation adjustments	500	65
Tax expense for the year	2,855	(2,939)

	Company	
	2003 RM'000	2002 RM'000
(Loss)/profit before taxation	(2,101)	1,007
Taxation at Malaysian statutory tax rate of 28% (2002 : 28%)	(588)	282
Income not subject to tax	-	(207)
Expenses not deductible for tax purposes	1,424	263
Under provision in prior years	72	-
Tax expense for the year	908	338

As at 30 September 2003, the Company has:

- unabsorbed capital allowances of approximately RM2,076,000 (2002 : RM1,685,000), subject to agreement with the Inland Revenue Board, which can be used to offset future taxable profits arising from business income.
- tax exempt account balance of approximately RM2,864,000 (2002 : RM2,864,000), subject to agreement with the Inland Revenue Board, which is available for distribution.
- sufficient tax credit under Section 108 of the Income Tax Act, 1967 and sufficient balance in the exempt account to frank the payment of net dividends out of its entire accumulated profits.

35. Basic Loss Per Share (sen)

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of ordinary shares in issue during the financial year.

		Group	
		2003	2002
		RM'000	RM'000
Net loss for the year	(RM'000)	(2,178)	(10,345)
Weighted average number of ordinary shares in issue	('000)	99,499	99,200
Basic loss per share	(sen)	(2.19)	(10.43)

The comparative basic loss per share has been restated to take into account the effect of the change in accounting policy as stated in Notes 2(a) and 41.

The diluted loss per share for the current financial year has not been presented as the issuance of shares during the financial year is anti-dilutive.

36. Significant Related Party Transactions

		Group	
		2003	2002
		RM'000	RM'000
Insurance revenue from a group of companies in which a Director, Mr Chan Thye Seng, has a substantial indirect interest:			
– Ancom Berhad group of companies		894	886
Insurance revenue from Directors, Mr Chan Hua Eng and Mr Chan Thye Seng and persons connected to them		16	19
Technical consultation fee to a company which a Director of a subsidiary company, Mr Ian Sandler, has a substantial direct interest		19	–

The Directors are of the opinion that the transactions above have been entered into in the normal course of business on terms and conditions which are not materially different from that obtainable in transactions with unrelated parties.

37. Commitments and Contingencies

(a) Contingent liabilities

		Company	
		2003	2002
		RM'000	RM'000
Guarantees given to financial institutions for facilities extended to subsidiary companies – secured		8,957	7,117

37. Commitments and Contingencies (Cont'd)

- (b) Non cancellable operating lease commitments

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Future minimum lease payments are as follows:				
Not later than one year	1,136	756	36	25
Later than one year and not later than five years	980	1,099	25	36
	2,116	1,855	61	61

These represent rental commitments of computer and office equipment of the Group and of the Company.

- (c) Other commitments and contingencies

The Group may be required to contribute up to a maximum amount of RM570,000 (2002 : RM522,000) in the following financial year to the Insurance Guarantee Scheme Fund.

- (d) Capital commitments

	Group	
	2003 RM'000	2002 RM'000
Approved and contracted for	130	–
Approved but not contracted for	65	–

38. Financial Instruments

- (a)
- Financial Risk Management Objectives and Policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its underwriting, credit, interest rate, market, foreign exchange and liquidity risks. The Group manages its financial risk via internal controls, standard operating procedures, investment strategies approved by the Board of Directors and adherence to the rules and regulations stipulated by the relevant authorities.

- (b)
- Underwriting Risks**

Underwriting risk is the risk of loss resulting from the selection and approval of risks to be insured.

The insurance subsidiary company manages its underwriting risks through the application of strict underwriting guidelines, which include exclusions, cover limits, loadings and availability of reinsurance programmes. New risks are carefully assessed before it is underwritten and an insurance policy issued.

38. Financial Instruments (Cont'd)**(c) Credit Risk**

Credit risk is the risk of loss arising as a result of the default by a debtor or counter party to a financial instrument. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's association to counter parties with high credit worthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The risk arising from lending and investment activities of the insurance subsidiary company is monitored regularly with respect to single customer limits, exposure to sector type, credit rating and remaining term to maturity, in accordance with investment guidelines and limits approved by the Board of Directors and prescribed by Bank Negara Malaysia.

The maximum exposure to credit risks is the carrying amount as stated in the financial statements.

The Group does not have any significant exposure to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial instruments.

The Group's credit risk exposure is analysed as follows:

	Group	
	2003	2002
	RM'000	RM'000
Rating of corporate bonds on market value basis:		
AAA	2,179	4,060
A	15,738	10,465
	17,917	14,525
Analysis of corporate bonds by industry segments:		
Properties	10,532	10,465
Plantation	5,206	-
Others	2,179	4,060
	17,917	14,525

(d) Interest Rate Risk

The Group's earnings are affected by fluctuations in market interest rates due to the impact such changes have on the interest bearing assets and liabilities.

The Group manages this risk through the assessment of differences in maturities of assets and liabilities and the consequent reinvestment of interest bearing assets to meet medium to long term working capital requirements.

As a result, the maintenance of a prudent mix of short and long term interest-bearing assets and liabilities as well as continuous reviews thereof are key factors in ensuring that returns generated from the interest bearing assets and expenses arising from interest bearing liabilities are commensurate with the risk profiles of the instruments involved.

(e) Market Risk

The Group's exposure to market risk arises mainly from changes in equity prices. The risk of loss in value is minimised by performing the requisite analyses prior to making an investment decision as well as ensuring that such investments are monitored continuously. Equity investments are available for sale and the Group manages the disposal of these investments with a view to optimise returns on realisation.

38. Financial Instruments (Cont'd)**(f) Foreign Exchange Risk**

The Group operates internationally and is exposed to foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposure. Foreign exchange exposures to transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

(g) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and ensures that funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(h) Derivatives

As at 30 September 2003, the Group did not transact in any derivative instruments for hedging purposes.

(i) Fair Values

The aggregate net fair values of financial assets and financial liabilities not carried at fair values on the balance sheets of the Group and of the Company as at the end of financial year are represented as follow:

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial Assets				
At 30 September 2003:				
Club membership	55	60	–	–
Malaysian Government Securities	5,036	5,507	–	–
Cagamas bonds	70,197	71,717	–	–
Islamic corporate bonds	10,283	10,532	–	–
Shares quoted in Malaysia:				
Long term investments	43,225	38,432	42,699	38,187
Unit trusts	1,000	1,298	–	–
Unquoted corporate bonds	7,375	7,385	–	–
Unquoted shares	391	*	–	–
Due from subsidiary companies	–	–	66,007	**
Financial Liabilities				
At 30 September 2003:				
Hire purchase creditors	351	308	–	–

* It is not practical to estimate the fair value of the Group's unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

** It is not practical to estimate the fair values of amounts due from subsidiary companies mainly due to a lack of fixed repayment term entered into by the parties involved and without incurring excessive costs.

38. Financial Instruments (Cont'd)

The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheets of the Group and the Company as at end of the financial year are:

	Group		Company	
	Nominal/ Notional amount RM'000	Net Fair Value RM'000	Nominal/ Notional amount RM'000	Net Fair Value RM'000
At 30 September 2003:				
Contingent liabilities	–	–	8,957	*

* *It is not practical to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.*

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- (i) Cash and cash equivalents, bankers acceptances, trade and other receivables/payables and short term borrowings
The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.
- (ii) Club membership
The fair value of club membership was obtained from the Property Market Report issued by the Valuation Department of Malaysia.
- (iii) Malaysian Government Securities, Cagamas bonds, Islamic corporate bonds and unquoted corporate bonds
The fair values of Malaysian Government Securities, Cagamas bonds, Islamic corporate bonds and unquoted corporate bonds are indicative values obtained from the secondary markets.
- (iv) Investment securities
The fair value of quoted shares is determined by reference to the stock exchange quoted market bid prices at the close of the business on the balance sheet date.
- (v) Unit trust
The fair value of quoted units in the unit trust fund is determined by reference to market quotations by the manager of the unit trust funds.

39. Segment Reporting

- (a) Business Segments:
The Group is organised into four major business segments:
 - (i) Insurance
 - (ii) Information technology
 - (iii) Investment holding
 - (iv) Money lending

Other business segments include distribution of consumer goods, provision of sales and administrative services, provision of management and privilege card programme services, none of which is of a sufficient size to be reported separately.

39. Segment Reporting (Cont'd)

30 September 2003	Insurance RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Elimination RM'000	Group RM'000
REVENUE							
External sales	251,388	3,460	4,971	4,568	67	–	264,454
Inter-segment sales	269	8,165	6,168	164	83	(14,849)	–
Total segment revenue	251,657	11,625	11,139	4,732	150	(14,849)	264,454
RESULT							
Segment result	13,289	(7,709)	(810)	463	(733)	(1,750)	2,750
Unallocated corporate expense							(379)
Operating loss							2,371
Finance cost							(1,719)
Interest income							25
Profit before tax							677
Income tax expense							(2,855)
Net loss for the year							(2,178)
ASSETS							
Segment assets	542,764	16,451	43,343	48,261	255		651,074
Unallocated corporate assets							34,162
Consolidated total assets							685,236
LIABILITIES							
Segment liabilities	417,684	2,479	481	17	84		420,745
Unallocated corporate liabilities							23,650
Consolidated total liabilities							444,395
OTHER INFORMATION							
Capital expenditure	436	688	15	–	6		1,145
Depreciation	1,352	1,414	187	–	13		2,966
Amortisation	542	332	379	–	–		1,253
Non-cash expenses	3,554	31	6,622	–	1		10,208

Notes to the Financial Statements

30 September 2003

39. Segment Reporting (Cont'd)

30 September 2002	Insurance RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Elimination RM'000	Group RM'000
REVENUE							
External sales	233,225	5,978	1,264	10,891	106	-	251,464
Inter-segment sales	261	8,468	6,112	177	179	(15,197)	-
Total segment revenue	233,486	14,446	7,376	11,068	285	(15,197)	251,464
RESULT							
Segment result	(11,876)	(7,456)	1,976	6,609	(901)	(242)	(11,890)
Unallocated corporate expense							(365)
Operating loss							(12,255)
Finance cost							(1,043)
Interest income							14
Loss before tax							(13,284)
Income tax expense							2,939
Net loss for the year							(10,345)
ASSETS							
Segment assets	543,082	20,020	49,220	57,011	331		669,664
Unallocated corporate assets							26,603
Consolidated total assets							696,267
LIABILITIES							
Segment liabilities	424,425	3,322	328	20	87		428,182
Unallocated corporate liabilities							21,623
Consolidated total liabilities							449,805
OTHER INFORMATION							
Capital expenditure	346	518	61	-	1		926
Depreciation	1,732	1,223	315	-	18		3,288
Amortisation	621	325	379	-	-		1,325
Non-cash expenses	18,282	11	82	-	31		18,406

39. Segment Reporting (Cont'd)

(b) Geographical Segments

In Malaysia, the Group's areas of operation are principally insurance, information technology, investment holding and money lending. Other operations in Malaysia include distribution of consumer goods, provision of sales and administrative services, provision of management and privilege card programme services.

The Group also operates in the United States of America (information technology) and Thailand (information technology).

	Total Revenue from External Customers		Segment Assets		Capital Expenditure	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Malaysia	263,442	248,166	647,505	661,352	933	729
Thailand	872	3,217	1,994	5,014	64	6
United States of America	140	81	1,575	3,298	148	191
	264,454	251,464	651,074	669,664	1,145	926

The Directors are of the opinion that the inter-segment transactions have been entered into in the normal course of business on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

40. Subsequent Events

On 8 October 2003, the Company received approvals from the Securities Commission and the Foreign Investment Committee for a placement of 8,000,000 new ordinary shares of RM1.00 each to certain Independent Non-Executive Directors of the Company. At an Extraordinary General Meeting held on 14 October 2003, the shareholders of the Company approved the said placement. At the date of this report, the pricing for these shares has not been determined by the Board of Directors and no placement has been made.

41. Changes in Accounting Policy and Prior Year Adjustment

(a) Changes in accounting policy

During the financial year, the accounting policy of the Group and of the Company had been changed with respect to the recognition of deferred taxation in compliance with MASB 25 : Income Taxes.

In the previous years, provision was made using the liability method for deferred taxation for all material timing differences between accounting income and taxable income. Timing differences that give rise to deferred tax benefits were not taken into account except where there was reasonable expectation of realisation. Under MASB 25, deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

41. Changes in Accounting Policy and Prior Year Adjustment (Cont'd)

(b) Prior Year Adjustment

The change in accounting policy has been applied retrospectively and comparatives have been restated as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Effects on accumulated profits:				
At 1 October, as previously stated	50,200	63,985	60,403	62,409
Effects of adopting MASB 25	12,442	11,680	33	36
At 1 October, as restated	62,642	75,665	60,436	62,445
Effects on translation reserve:				
At 1 October, as previously stated	(431)	(307)	-	-
Effects of adopting MASB 25	67	-	-	-
At 1 October, as restated	(364)	(307)	-	-
Effects on net loss for the year:				
Net (loss)/profit before change in accounting policy	(4,474)	(11,107)	(3,455)	672
Effects of adopting MASB 25	2,296	762	446	(3)
Net (loss)/profit for the year	(2,178)	(10,345)	(3,009)	669

42. Comparative Figures

Comparatives are not disclosed for certain information relating to financial instruments of the Group and of the Company as permitted under the transitional provisions of MASB 24 : Financial Instruments – Disclosure and Presentation.

The presentation and classification of items in the financial statements for the current financial year are consistent with the previous financial year except that certain comparative figures have been adjusted as a result of change in accounting policy as disclosed in Notes 2(a) and 41 and reclassification of accounts.

Comparative figures as at 30 September 2002 have been restated as follows:

	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Group			
Balance Sheet:			
Deferred tax asset	9,177	12,509	21,686
Reserves	(134,753)	(12,509)	(147,262)
Income Statement:			
Other operating income	11,899	12,910	24,809
Other operating expenses	(19,401)	(12,910)	(32,311)
Consolidated Cash Flow Statement:			
Adjustments for:			
Write back of diminution in value of investments	(724)	(12,910)	(13,634)
Impairment loss on investments	-	12,910	12,910
Company			
Balance Sheet:			
Deferred tax asset	-	33	33
Reserves	(104,618)	(33)	(104,651)

LIST OF GROUP'S PROPERTIES

as at 30 September 2003

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2003 RM'000	Approximate age of building Years	Date of acquisition
MALAYSIA							
1.	P.N. 7383 Lot 1703 Section 46 and P.N. 7382 Lot 1700 Section 46 10th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	10,590	Leasehold expiring 8.4.2074	Office	3,674	18	Unit 10-A 1.7.1993 Unit 10-B 1.4.1995
2.	Lot No. P.T. 7 Section 46 and Lot No. P.T. 8 Section 47 Title Nos. H.S.(D) 814 and H.S.(D) 815 Town and District of Kuala Lumpur 11th and 12th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	11th Floor 10,589 12th Floor 10,589	Leasehold expiring 8.4.2074	Office	5,506	18	21.12.1982
3.	Lot No. 262 Mukim of Ampang District and State of Wilayah Persekutuan Unit 15-A, 15th Floor GCB Court No. 63, Jalan Ampang 50450 Kuala Lumpur Wilayah Persekutuan	1,596	Freehold	Condominium/ Residential	398	18	14.4.1986
4.	Grant Nos. 7486, 7491, 1362 and C.T. 1226 1438, 323, 322 & 2145 Town of Seremban Shoplot No. G.07 Ground Floor Wisma Punca Emas Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus	312.5	Freehold	Shop-lot	158	24	1.12.1986

List of Group's Properties

as at 30 September 2003

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2003 RM'000	Approximate age of building Years	Date of acquisition
5.	Lot No. 36 (formerly known as Private Lot No. 33) Block E Part of Lot No. 281 Section 48 Kuching Town Land District Taman Sri Sarawak Mall Jalan Padungan 93100 Kuching, Sarawak	3,878	Leasehold expiring 11.8.2771	4 storey shop-house	730	19	8.12.1984
6.	Lot No. 3.01 GL Nos. 20325 & 20326 Lot 3.1, 3rd Floor Wisma Kota Emas Jalan Dato' Tahwil Azhar 30300 Ipoh Perak Darul Ridzuan	787	Freehold	Office-lot	50	20	13.2.1991
7.	Lot No. 3.02 GL Nos. 20323 & 20324 Lot 3.2, 3rd Floor Wisma Kota Emas Jalan Dato' Tahwil Azhar 30300 Ipoh Perak Darul Ridzuan	743	Freehold	Office-lot	50	20	13.2.1991
8.	Block No. AC, Lot No. 318 Mahkota Square Lot 2, P.N. 6528 Kawasan Bandar XLII Daerah Melaka Tengah Negeri Melaka No. 2, Jalan PM7 Plaza Mahkota Bandar Hilir 75000 Melaka	8,347	Leasehold expiring 25.7.2090	4 storey shop-office	1,376	5	18.9.1998
9.	Lot No. 4328 N Held under Title No. 8385 Town of Ipoh District of Kinta Ipoh, Perak Darul Ridzuan Parcel No. B0-26 No. 26, Ground Floor Cherry Apartment Off Jalan Maxwell 30100 Ipoh Perak Darul Ridzuan	748	Freehold	Apartment/ Residential	50	12	4.1.1996

List of Group's Properties

as at 30 September 2003

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2003 RM'000	Approximate age of building Years	Date of acquisition
10.	H.S.(D) 128978 P.T. No. 43545 Mukim of Petaling No. 40, Jalan BP 5/8 Bandar Bukit Puchong Puchong 47100 Kuala Lumpur	5,099 (3,477)	Freehold	1 ¹ / ₂ storey factory corner unit/office	421	4	3.12.1999
11.	H.S.(D) 128977 P.T. No. 43544 Mukim of Petaling No. 38, Jalan BP 5/8 Bandar Bukit Puchong Puchong 47100 Kuala Lumpur	2,875 (2,002)	Freehold	1 ¹ / ₂ storey intermediate unit/office	215	4	3.12.1999
12.	Lot No. P.T. 6147 Title No. H.S. (D) 41601 Mukim Of Sungai Buloh District Of Petaling Jaya No. 29, Jalan SS21/37 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	(1,650)	Freehold	3 ¹ / ₂ storey mid terraced shop-office	1,819	23	24.1.1997
13.	Lot No. P.T. 5972 Title No. H.S. (D) 80192 Mukim Of Sungai Buloh District Of Petaling Jaya No. 21, Jalan SS21/56B Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	(1,650)	Freehold	3 ¹ / ₂ storey mid terraced shop-office	1,619	23	24.1.1997

SHAREHOLDINGS STATISTICS

as at 31 December 2003

Authorised capital	:	RM200,000,000
Issued and fully paid-up capital	:	RM101,108,000
Class of shares	:	Ordinary shares of RM1.00 each
Voting rights	:	One vote per RM1.00 share

Breakdown of Shareholdings

Holdings	No. of Holders	Total Holdings	%
Less than 100	13	153	0.00
100 to 1,000	2,007	1,992,146	1.97
1,001 to 10,000	2,487	9,886,501	9.78
10,001 to 100,000	423	11,387,300	11.26
100,001 to less than 5% of issued shares	50	21,968,500	21.73
5% and above of issued shares	3	55,873,400	55.26
Total	4,983	101,108,000	100.00

Substantial Shareholders

Name	Direct Interest	No. of RM1.00 Shares		Indirect Interest	%
		%			
Mah Wing Investments Limited	23,848,620	23.59		–	–
Mah Wing Holdings Sdn Bhd	23,575,478	23.32		–	–
Chan Thye Seng	8,449,302	8.36		*48,554,098	48.02
Employees Provident Fund Board	5,470,000	5.41		–	–

Notes:

* Held by virtue of his substantial shareholding in Mah Wing Investments Limited, Mah Wing Holdings Sdn Bhd and Chan Kok Tien Realty Sdn Bhd.

Directors' Shareholdings

Name	Direct Interest	No. of RM1.00 Shares		Indirect Interest	%
		%			
Chan Hua Eng R OBE	–	–		1,130,000 ⁽¹⁾	1.12
Chan Thye Seng	8,449,302	8.36		48,554,098 ⁽²⁾	48.02
Michael Yee Kim Shing	–	–		155,000 ⁽³⁾	0.15
Y.M. Tunku Mu'tamir	–	–		–	–
Bin Tunku Tan Sri Mohamed	–	–		–	–
Dato' Abu Hanifah Bin Noordin	–	–		–	–

Notes:

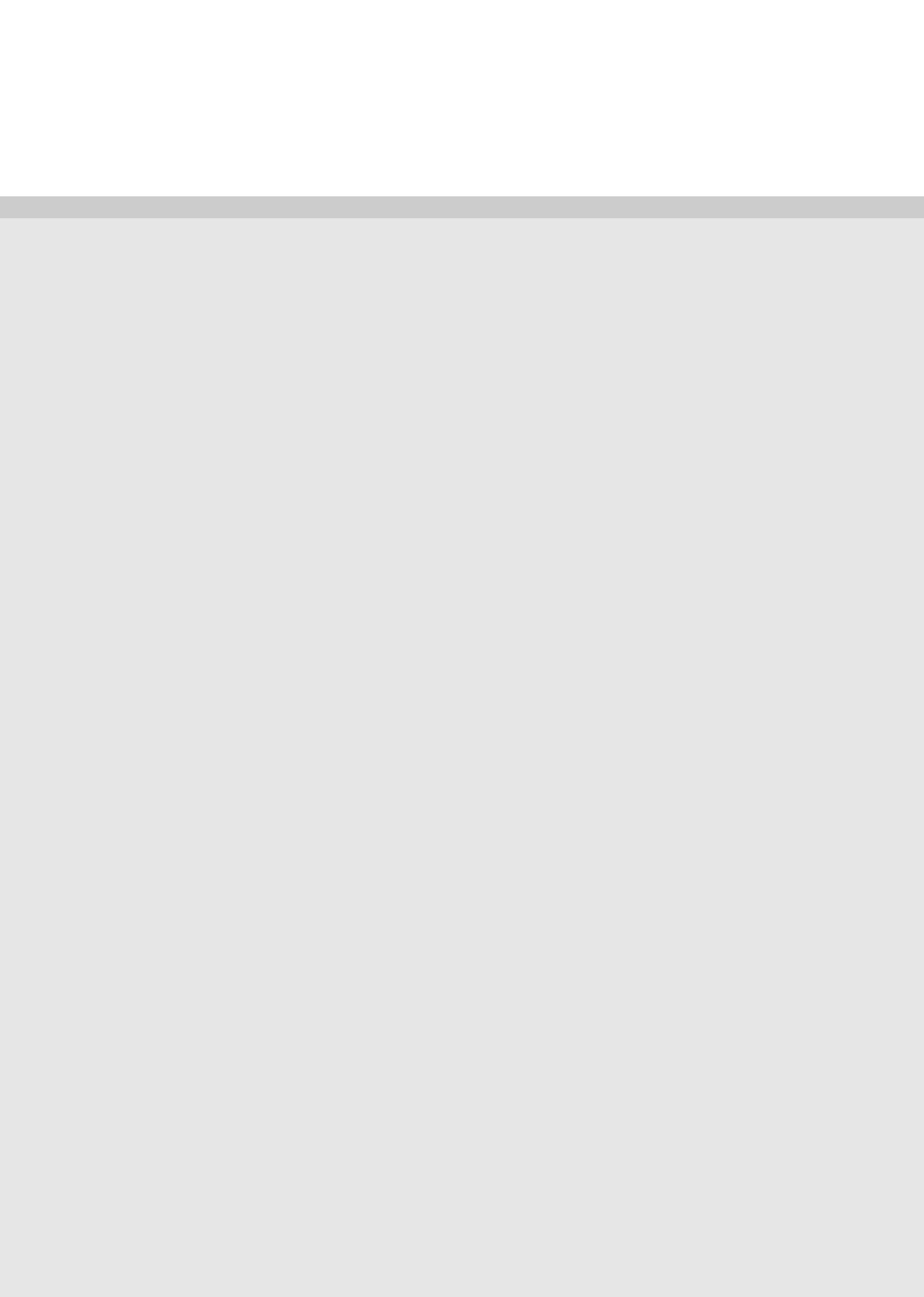
(1) Held by virtue of his substantial shareholding in Chan Kok Tien Realty Sdn Bhd.

(2) Held by virtue of his substantial shareholding in Mah Wing Investments Limited, Mah Wing Holdings Sdn Bhd and Chan Kok Tien Realty Sdn Bhd.

(3) Held by his spouse, Madam Kor Lee Lu and his daughter Miss Sharon Yee Su-In.

Thirty Largest Shareholders

Name	No. of RM1.00 Shares	% of Issued Capital
1. Mah Wing Investments Limited	23,848,620	23.59
2. Mah Wing Holdings Sdn Bhd	23,575,478	23.32
3. Chan Thye Seng	8,449,302	8.36
4. Employees Provident Fund Board	3,883,000	3.84
5. Permodalan Nasional Berhad	1,719,000	1.70
6. Libra Capital Markets Sendirian Berhad – ECM Libra Securities Limited for United Forest Limited	1,150,000	1.14
7. Chan Kok Tien Realty Sdn Bhd	1,130,000	1.12
8. Alliancegroup Nominees (Tempatan) Sdn Bhd – Pheim Asset Management Sdn Bhd for Employees Provident Fund	1,087,000	1.07
9. Amanah Saham Mara Berhad	960,000	0.95
10. AM Nominees (Tempatan) Sdn Bhd – Pertubuhan Keselamatan Sosial	948,000	0.94
11. Universal Trustee (Malaysia) Berhad – SBB Emerging Companies Growth Fund	667,000	0.66
12. Universal Trustee (Malaysia) Berhad – Mayban Balanced Trust Fund	600,000	0.59
13. HDM Nominees (Asing) Sdn Bhd – Pledged Securities Account for Premier Securities Investment Limited (MEMO)	554,000	0.55
14. Yeoh Kean Hua	550,000	0.54
15. Amanah Raya Berhad – SBB Double Growth Fund	536,300	0.53
16. Yayasan Sarawak	500,000	0.49
17. AMMB Nominees (Tempatan) Sdn Bhd – MIDF Aberdeen Asset Management Sdn Bhd for Employees Provident Fund (7/836-2)	500,000	0.49
18. Perbadanan Nasional Berhad	454,000	0.45
19. Menteri Besar Incorporation	441,000	0.44
20. Yayasan Kedah Berhad	427,000	0.42
21. HLG Nominee (Tempatan) Sdn Bhd – Pledged Securities Account for Ng Boon Bee	360,000	0.35
22. HDM Nominees (Tempatan) Sdn Bhd – HDM Venture Capital Sdn Bhd for Ancom Berhad	347,000	0.34
23. RHB Nominees (Tempatan) Sdn Bhd – Telekom Malaysia Berhad	313,000	0.31
24. Lembaga Pemegang-Pemegang Amanah Yayasan Negeri Sembilan	291,000	0.29
25. Wong Thean Yew	280,000	0.28
26. Southern Investment Bank Berhad – Employee's Provident Fund	251,800	0.25
27. Rothputra Nominees (Tempatan) Sdn Bhd – BBMB Retirement Scheme	250,000	0.25
28. AM Nominees (Tempatan) Sdn Bhd – Tabung Amanah Warisan Negeri Johor (A/C 1)	241,800	0.24
29. Lee Soon Hian	212,000	0.21
30. RHB Nominees (Tempatan) Sdn Bhd – RHB Asset Management Sdn Bhd for Yayasan Selangor	200,000	0.20
Total	74,726,300	73.91



FORM OF PROXY



PACIFIC & ORIENT BERHAD
(308366-H) (Incorporated in Malaysia)

No. of Shares Held

*I/We, _____

of _____

being a member/members of PACIFIC & ORIENT BERHAD, hereby appoint _____

of _____ or failing whom,

_____ of _____

_____ as *my/our proxy to vote for *me/us on *my/our behalf at the Tenth Annual General Meeting of the Company, to be held at Anggerik Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 20 February 2004 at 11.30 a.m., and at any adjournment thereof *for/against the resolutions to be proposed thereat.

As witness my hand this _____ day of _____ 2004

Signature/Common Seal of Member(s)

* Strike out whichever is not desired (Unless otherwise instructed, the proxy may vote as he thinks fit).

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one (1) proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the registered office of the Company situated at 11th Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the meeting.
3. In the case of a corporate member, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.

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STAMP

The Company Secretary
PACIFIC & ORIENT BERHAD (308366-H)
11th Floor, Wisma Bumi Raya
No. 10, Jalan Raja Laut
50350 Kuala Lumpur
Malaysia

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