



2001

Laporan Tahunan • Annual Report

**PACIFIC & ORIENT BERHAD**

(308366-H) (Incorporated in Malaysia)

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# Notice of Annual General Meeting

## NOTICE IS HEREBY

**GIVEN** that the Eighth Annual General Meeting of the Company will be held at Raya Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 4 March 2002 at 11.30 a.m. for the following purposes:

1. To receive and consider the audited financial statements for the year ended 30 September 2001 and the Reports of the Directors and the Auditors thereon. **<Resolution 1>**
2. To re-elect a Director: **<Resolution 2>**  
Dato' Abu Hanifah Noordin retires by rotation pursuant to Article 80 of the Company's Articles of Association, and being eligible, offers himself for re-election.
3. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965: **<Resolution 3>**  
"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 next Annual General Meeting of the Company."
4. To re-appoint Messrs Arthur Andersen & Co. as auditors and to authorise the Board of Directors to fix their remuneration. **<Resolution 4>**
5. Special business:  
To consider and if thought fit, with or without any modification, to pass the following which will be proposed as Special Resolution and Ordinary Resolutions respectively:  
**Special Resolution**  
Proposed Adoption of the New Articles of Association **<Resolution 5>**  
"THAT the Company be and is hereby authorised to adopt the new Articles of Association of the Company as set out in the Circular to shareholders of the Company dated 1 February 2002."

### 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 the Kuala Lumpur Stock Exchange ("KLSE") 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 (as at 31 December 2001 the total issued and paid-up share capital of the Company is RM99,200,000 comprising 99,200,000 ordinary shares of RM1.00 each fully paid) and the total funds allocated shall not exceed the total retained earnings and share premium of the Company 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);

## NOTICE 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 the KLSE 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 the KLSE 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.”
6. 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

1 February 2002

**Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. The provision of Section 149(1)(b) of the Companies Act, 1965 (“the Act”) shall not apply to the Company.
2. The instrument appointing a proxy must be deposited at the registered office of the Company situated at 11<sup>th</sup> Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.
3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. The provision of Section 149(1)(c) of the Act shall apply to the Company.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. Where a member is personally present at the meeting, any proxy appointed by that member shall be invalidated.
6. 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 5 – Adoption of the New Articles of Association**

The new Articles of Association as detailed in Appendix II of the Circular to shareholders of the Company which is despatched together with the Company’s 2001 Annual Report will be adopted, if the resolution passed.

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

The effect of the resolution under item 5 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.

**3. 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 2001 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 (73), 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 CEO 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 a senior partner in 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.

An independent non-executive director of Carlsberg Brewery (M) Berhad, Hap Seng Consolidated Berhad, Lingui Developments Berhad, Malayan Cement Berhad and Glenealy Plantations (Malaya) Berhad and a non-executive director of Rohas-Euco Industries Berhad.

- **Dato' Abu Hanifah Noordin** (50), Malaysian  
Independent Non-Executive Director, member of the Audit Committee, the Nominating Committee and the Remuneration Committee

Dato' Abu Hanifah Noordin 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).

An independent non-executive director of Mega First Corporation Berhad and Pacific & Orient Insurance Co. Berhad.

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

The following sets out details of attendance of meetings held during the financial year ended 30 September 2001:

Name	Position	Meetings Attended (Out of 4 Held)
Mr Chan Hua Eng R OBE	Non-Executive Chairman	4
Mr Chan Thye Seng	Chief Executive Officer	4
Mr Lim Kheng Guan	Independent Non-Executive Director	4
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 Noordin	Independent Non-Executive Director	4

#### Place and Times of Meetings

During the financial year under review, four meetings were held at the Company's registered office – 11<sup>th</sup> Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur:

Date		Time
25 November 2000	18 <sup>th</sup> Board Meeting	11.50 a.m.
28 February 2001	19 <sup>th</sup> Board Meeting	12.00 noon
30 May 2001	20 <sup>th</sup> Board Meeting	12.20 p.m.
29 August 2001	21 <sup>st</sup> Board Meeting	3.40 p.m.

# Corporate Information

## BOARD OF DIRECTORS

Chan Hua Eng R OBE  
Chairman

Chan Thye Seng  
Chief Executive Officer

Lim Kheng Guan  
Independent Non-Executive Director

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 Noordin  
Independent Non-Executive Director

## SECRETARIES

Valerie Cheah Chui Mei  
Hong Pek Har

## 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

Arthur Andersen & Co.  
Public Accountants  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Malaysia

## PRINCIPAL BANKERS

Malayan Banking Berhad  
Bank Utama (Malaysia) Berhad

## SOLICITORS

Chung, Chan & Hasnal

## REGISTERED OFFICE

11<sup>th</sup> 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](http://www.pacific-orient.com)

## STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange Main Board

# Board of Directors

## CHAN HUA ENG ROBE

(73), 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 CEO 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 a senior partner in 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.

An independent non-executive director of Carlsberg Brewery (M) Berhad, Hap Seng Consolidated Berhad, Lingui Developments Berhad, Malayan Cement Berhad and Glenealy Plantations (Malaya) Berhad and a non-executive director of Rohas-Euco Industries Berhad.

## CHAN THYE SENG

(45), 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.

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.

## LIM KHENG GUAN

(59), Malaysian

Independent Non-Executive Director, member of the Audit Committee

Mr Lim has been a member of the Board since February 1995. He is a Fellow of the Australian Society of Certified Practising Accountants, an associate of the Malaysian Institute of Accountants, Malaysian Association of Certified Public Accountants and Australian Institute of Bankers. He also attended advanced management programme at Manchester Business School, INSEAD and London Business School. He has more than 30 years of experience in accounting, management consulting and held senior managerial position in local and multinational Public Listed Companies. Mr Lim is currently the Executive Director of Malaysian Management Consultants Sdn Bhd.

An independent non-executive director of Telekom Malaysia Berhad and Pacific & Orient Insurance Co. Berhad.

## BOARD OF DIRECTORS

**MICHAEL YEE KIM SHING**

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

(63), Malaysian

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).

An independent non-executive director of Mega First Corporation Berhad and Pacific & Orient Insurance Co. Berhad.

**Y.M. TUNKU MU'TAMIR BIN TUNKU TAN SRI MOHAMED**

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

(57), Malaysian

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.

An independent non-executive director of Arus Murni Corporation Berhad and Pacific & Orient Insurance Co. Berhad.

**DATO' ABU HANIFAH NOORDIN**

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

(50), Malaysian

Dato' Abu Hanifah Noordin 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).

An independent non-executive director of Mega First Corporation Berhad and Pacific & Orient Insurance Co. Berhad.

*None of the Directors has been convicted of any offence other than a traffic offence within the last ten years.*



# Corporate Governance

## AND STATEMENT OF DIRECTORS' RESPONSIBILITIES

### A. THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (CODE)

The Code was issued during 2000 as part of a private sector-led initiative to align Malaysian practice with international mainstream thought on corporate governance.

Subsequently, in 2001, the Kuala Lumpur Stock Exchange revised its Listing Requirements making 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, not all the formal structures and mechanisms were in place during the financial year ended 30 September 2001. 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 2001 were as follows:

		Meetings Attended (Out of 4 Held)
Mr Chan Hua Eng R OBE	Non-Executive Chairman	4
Mr Chan Thye Seng	Chief Executive Officer	4
Mr Lim Kheng Guan	Independent Non-Executive Director	4
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 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 and 7 of this report.

Independent Non-Executive Directors form two-thirds 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 fulfill this role 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.

## CORPORATE GOVERNANCE

## AND STATEMENT OF DIRECTORS' RESPONSIBILITIES

**2. Appointment, Re-election and Assessment**

A Nominating Committee was formed on 30 November 2001 and membership comprises Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed (Chairman), Mr Michael Yee Kim Shing and Dato' Abu Hanifah Noordin. All three members are Independent Non-Executive Directors.

Subject to shareholders' approval at the forthcoming Annual General Meeting scheduled for 4 March 2002, the Articles of Association of the Company will be amended to require each Director be elected for a term of no more than three years after which he/she must be re-elected. This requirement shall not apply to the Managing Director/Chief Executive Officer until the present incumbent's contract of service expires in 2005.

**3. Remuneration**

A Remuneration Committee was formed on 29 August 2001 and has the same membership as the Nominating Committee.

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

	RM	No. of Directors
<b>Non-Executive:</b>		
Up to RM50,000		
• Fees	15,000	1
• Benefits-in-kind	2,100	
	<u>17,100</u>	
• Fees	22,500	4
<i>Aggregate</i>		
• Fees	105,000	
• Benefits-in-kind	2,100	
<b>Executive:</b>		
RM600,001 to RM650,000		
• Salary and other remuneration	497,001	1
• Allowances	120,000	
• Benefits-in-kind	31,600	
	<u>648,601</u>	
<i>Aggregate</i>		
• Salary and other remuneration	497,001	
• Allowances	120,000	
• Benefits-in-kind	31,600	

**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.

## CORPORATE GOVERNANCE

### AND STATEMENT OF DIRECTORS' RESPONSIBILITIES

#### 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 relations 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 12 to 16.

##### 2. Responsibility For Annual Audited Accounts

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.

##### 3. Internal Controls

The Board acknowledges its responsibility for the Group's system of internal controls that is designed to identify and manage the risks to which the Group is exposed. Accordingly, the Group is moving towards the implementation of a risk-based approach to review the Group's policies and procedures. This review is subject to periodic examination and adjustments are made when necessary to ensure that the system remains as relevant as is reasonably possible to the environments in which the Group operates. Nevertheless, this system cannot eliminate every possibility of misstatement or loss.

The Group has an independent internal audit department (IAD) to ensure compliance with internal control procedures as well as applicable laws and regulations. It adopts a risk-based audit approach and reports directly to the Audit Committee for reviewing findings with management at quarterly meetings thus ensuring that follow up action is taken where necessary.

# Additional Compliance Statement

During the financial year under review:

- a. there were no
  - corporate exercises in which funds had been raised
  - share buybacks
  - options, warrants or convertible securities exercised
  - ADR or GDR 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
- b. the Company did not have a policy on revaluation of landed properties.
- c. Non-audit fees paid by the Group to the external auditors during the financial year amounted to RM6,000.

# 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)

Lim Kheng Guan

(Independent Non-Executive Director)

Dato' Abu Hanifah Noordin

(Independent Non-Executive Director)

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 Requirement of the Kuala Lumpur Stock Exchange.
- 1.3 The Committee shall include at least one person:
  - (a) Who is 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 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
    - ii) Is a member of one of the Associations specified in Part II of the 1<sup>st</sup> 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 years. However, the appointment terminates when a member ceases to be a Director.

## REPORT OF THE AUDIT COMMITTEE

**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 authorized 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.
- 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.

## REPORT OF THE AUDIT COMMITTEE

### 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 program and results of internal audit processes including actions taken on recommendations.
    - iii) The extent of co-operation and assistance rendered by employees of 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 the Kuala Lumpur Stock Exchange.
- 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.

## REPORT OF THE AUDIT COMMITTEE

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 statement of accounts.
- (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 the Kuala Lumpur Stock Exchange.

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.

## 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 four (4) Audit Committee meetings were held during the financial year ending 30 September 2001. 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	4	4
Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	4	4
Lim Kheng Guan	4	4
Dato' Abu Hanifah Noordin	4	4



## REPORT OF THE AUDIT COMMITTEE

### 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 2001 included the following:-

- (a) 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.
- (b) Recommended for the Board's adoption of the revised terms of reference of the Committee, duly incorporated with the relevant provisions under the Code on Corporate Governance and the KLSE Listing Requirements.
- (c) Reviewed and recommended the Internal Audit Charter, which defines the independence, purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.
- (d) 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.
- (e) Reviewed the statutory accounts, the audit report, issues and reservations arising from audits and the management letter, with the external auditors.
- (f) Reviewed the quarterly and year-end statutory accounts with management.
- (g) Reviewed the disclosure of related party transactions entered into by the Company and the Group and any conflict of interest situation and questionable transactions.
- (h) Updated and advised the Board on any latest changes and pronouncements that may be issued by the accountancy, statutory and regulatory bodies.
- (i) 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.
- (j) Prepared the Audit Committee Report for inclusion in the Company's Annual Report.
- (k) Reviewed the disclosure statements on compliance of the Code on Corporate Governance, Board's responsibility on the annual audited accounts and the state of internal control, 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 2001 was as follows:-

- (a) Prepared the annual Audit Plan for the Audit Committee's approval.
- (b) 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.
- (c) Issued audit reports to the Audit Committee members and Management that identify weaknesses and problems and contain recommendations for improvement.
- (d) Acted on suggestions made by the Audit Committee and/or senior management on concerns over operations or control.
- (e) Followed up on management corrective actions on audit issues raised by the external auditors. Determined whether corrective actions taken had achieved the desired results.
- (f) Attended all Audit Committee meetings to table and discuss the audit reports and follow up on matters raised.

## Chairman's Statement

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 2001.

### FINANCIAL RESULTS

Turnover for the Group during the year under review was RM228.7 million, an increase over the RM193.8 million recorded in 2000. The increase was mainly derived from the Financial Services Division, premium growth of 26 per cent being posted at the insurance subsidiary. However, in spite of this, the Group recorded a pre-tax loss of RM12.2 million as against a pre-tax profit of RM19.5 million in 2000. The loss was primarily due to provisions for diminution in the value of quoted investments and a reduction in investment income at the insurance subsidiary company. Consequently, an after-tax loss of RM12.8 million was posted – a variance of RM22.2 million from the after-tax profit of RM9.4 million in 2000.

At Company level, turnover decreased to RM17.9 million from RM36.5 million in 2000 because of a reduction in dividend income. Pre-tax profit was reduced to RM11.7 million from RM29.7 million in 2000 and after-tax profits were lower at RM8.3 million compared to RM20.9 million in 2000.

### ACTIVITIES OF THE GROUP

The level of business activity for the Group increased for a second successive year, as reflected in another year of higher Group turnover. As noted above, the main contributor to this was the Financial Services Division but the two other divisions, Information Technology and Distribution Services, managed to post modest gains as well. However, the decline in profitability experienced in 2000 has continued into the year under review and largely for the same underlying reasons: heavy competition in the insurance industry and slow demand for IT products and services.

Overlying these industry-specific issues are the effects of the attacks on the USA in September 2001. They have introduced greater uncertainty to an already unclear global economic outlook. One direct repercussion for the Group was the steep reduction in the value of portfolio investments that resulted in higher than expected provisions for diminution in their value during the financial year under review. Another has been the increase in reinsurance costs, the impact of which, though smaller initially, is likely to continue further into the future as reinsurers seek to recover losses.

## CHAIRMAN'S STATEMENT

The challenges that the Group faces are considerable and your Board cannot discount the possibility of further negative impact from continued weakness in financial markets over the short term. Furthermore, the outlook for all the Group's businesses is clouded by the weakness of the Malaysian economy and the global economic downturn. Continued pessimism in the Malaysian business community coupled with growing concerns about higher unemployment, the decrease in foreign direct investment and lower exports all point to a difficult year in 2002. Notwithstanding that, as the Group is financially sound and well placed to withstand the present uncertainties, the Group's prospects in the current year are expected to be better than the year under review.

On a more positive note, the acquisition of a 64 per cent interest in Dynamic Network Distributions Sdn. Bhd. ("DND"), announced previously, was completed during the year. This acquisition allows the Group to broaden the range of services it can offer motorists. The *Wizard Card* programme ("Wizard") operated by DND is centred on a 24-hour breakdown assistance service with ancillary services such as workshop referrals, guarantees on repair work, legal assistance, insurance claims assistance. In addition, Wizard offers cardholders discounts on a number of products and services as part of an affinity programme. New services and benefits will be added over time to increase the attractiveness and utility of Wizard.

### Financial Services

The division comprises Pacific & Orient Insurance Co. Berhad ("POI") and P & O Capital Sdn. Bhd. ("POC"), a provider of private funding.

#### Insurance

POI achieved turnover of RM222.6 million, an increase of 20 per cent over the RM185.9 million in 2000. In spite of this, however, pre-tax profit fell to RM0.7 million from RM34.5 million in 2000. Premium growth was the result of sustained effort by marketing personnel and earlier investments in service improvements but, as mentioned above, the insurance market remains highly competitive with consequent effect on underwriting margins and it will be difficult to make further gains if market conditions do not get better. This notwithstanding, POI will of course continue to seek out new avenues for growth.

Two factors were the main reason for the deterioration in profits: the low interest rate environment and weak stock market conditions. These led to a sharp fall off in investment returns and made it necessary to provide against further diminution in the value of POI's investments. Between 10 September 2001 and the end of the financial year, 30 September 2001, the KLCI declined approximately 80 points reversing an upward trend. This alone translated into additional provision for diminution in the value of quoted investments in excess of RM9 million.

On 18 January 2001, POI increased its issued and paid-up share capital from RM80 million to RM100 million by capitalising RM20 million of retained profits. Thus, POI comfortably met the deadline for compliance with the minimum capital requirement for insurance companies that passed on 30 June 2001.

#### Private Funding

Turnover at POC was lower at RM0.9 million compared to RM1.7 million in 2000. A higher pre-tax loss of RM3.3 million was posted than the RM1.7 million of 2000. This loss occurred because of continuing interest expenses although lending activity had slowed down and because interest has not been recognised in respect of certain loans for reasons of prudence. The situation has been more protracted than previously anticipated but is expected to be temporary.

#### **Information Technology**

Following the extensive revamping of this Division in 2000, substantial effort was put into revitalising sales during the year under review. New products have been developed and existing ones brought up to date with focus on the insurance market. In the past two years, insurers had been reluctant to commit resources to IT in view of the considerable recent expense on Y2K preparations and also because of the uncertainties surrounding new minimum capitalisation requirements and impending mergers within the insurance industry. However, P & O Global Technologies Sdn. Bhd. ("POGT") has received numerous enquiries about upgrades and new products suggesting that there is renewed interest in this area.

During the year, the INS 2000 project to develop a Windows-based successor to PowerVision was substantially completed. Named Ingenius, this integrated software solution includes a new module - iAgent. iAgent works over a secure Virtual Private Network linking an insurance company to its agents via the internet. This offers the prospect of much cheaper communications cost especially when compared with traditional fixed line connections. This system has considerable potential in view of the planned introduction of electronic or "paperless" cover notes by Jabatan Pengangkutan Jalan.

The credit recovery and administration solutions have performed well and installation at two major banks was completed during the year. Generally, the present economic climate has encouraged demand and increased sales to financial institutions and their panel solicitors are expected.

Telephony and network sales during the year were disappointing due in part to uncertainty over the future direction of Avaya Communications/Lucent whose products POGT had been marketing. In view of this, it has been necessary to diversify towards Cisco Systems, the acknowledged leader in high-end switching networks. POGT has obtained Premium Partner status and shall be concentrating on helping existing customers implement networking and telephony solutions.

This division recorded turnover of RM13.9 million, a marginal improvement on the RM13.5 million posted in 2000. Although a pre-tax loss of RM8.0 million was recorded, this compares favourably with the loss in 2000 of RM10.1 million. The reduction is attributable to cost reductions in certain units as a result of the restructuring exercise that was undertaken earlier and efforts to reduce costs will continue during the current year.

## CHAIRMAN'S STATEMENT

### **Consumer and Distribution Services**

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

#### Distribution

Following a review, the *Ringgit Saver* campaign that was introduced last year was set aside and replaced with a sales programme to distribute the *Wizard Card*, a motoring assistance service run by DND. Sales of RM0.2 million were posted, an increase over the RM0.02 million achieved in 2000. The company posted a pre-tax loss of RM0.3 million, down from RM2.5 million in 2000.

#### Motoring Assistance

During the year, your Company completed the acquisition of a 64 per cent interest in DND. DND operates a motoring assistance programme linking workshops together to form an organised network covering Peninsula Malaysia. The service is marketed under the *Wizard Card* programme and was launched in April 2001. Further development of the programme will occur during the current financial year in order to broaden its appeal.

DND contributed turnover of RM0.03 million and a pre-tax loss of RM1.2 million during the first year of consolidation of its results. The losses are primarily due to advertising and promotional expenses incurred in connection with the launching of the *Wizard Card* programme.

### **DIVIDEND**

In view of the prevailing uncertainties, your Board is not recommending a final dividend. The total gross dividend in respect of the financial year ended 30 September 2001 is 7.5 sen less tax comprising two interim dividends of 3.75 sen less tax each paid on 29 June and 21 December 2001.

### **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.

### **CHAN HUA ENG R OBE**

Chairman

Kuala Lumpur  
28 December 2001

## Penyata Pengerusi

Bagi pihak Lembaga Pengarah anda, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat anda bagi tahun berakhir 30 September 2001.

### KEPUTUSAN KEWANGAN

Jumlah perolehan bagi Kumpulan dalam tahun di bawah kajian adalah RM228.7 juta, satu peningkatan berbanding dengan RM193.8 juta yang direkodkan pada tahun 2000. Peningkatan ini terutamanya diperolehi daripada Bahagian Perkhidmatan Kewangan, pertumbuhan premium sebanyak 26 peratus dicatatkan oleh anak syarikat insurans. Walau bagaimanapun, di sebalik peningkatan ini, Kumpulan merekodkan kerugian sebelum cukai sebanyak RM12.2 juta berbanding dengan keuntungan sebelum cukai sebanyak RM19.5 juta pada tahun 2000. Kerugian ini terutamanya disebabkan oleh peruntukan untuk pengurangan nilai pelaburan yang disebut harga dan pengurangan dalam pendapatan pelaburan oleh anak syarikat insurans. Akibatnya, kerugian selepas cukai sebanyak RM12.8 juta telah dicatatkan – satu varians sebanyak RM22.2 juta daripada keuntungan selepas cukai sebanyak RM9.4 juta pada tahun 2000.

Di peringkat Syarikat, jumlah perolehan menurun kepada RM17.9 juta daripada RM36.5 juta pada tahun 2000 kerana pengurangan dalam pendapatan dividen. Keuntungan sebelum cukai telah menurun kepada RM11.7 juta daripada RM29.7 juta pada tahun 2000 dan keuntungan selepas cukai adalah lebih rendah pada RM8.3 juta berbanding dengan RM20.9 juta pada tahun 2000.

### AKTIVITI-AKTIVITI KUMPULAN

Tahap aktiviti perniagaan bagi Kumpulan meningkat untuk tahun kedua, menunjukkan jumlah perolehan Kumpulan yang lebih tinggi bagi satu tahun lagi. Sebagaimana dinyatakan di atas, penyumbang utama kepada pencapaian ini adalah Bahagian Perkhidmatan Kewangan tetapi dua bahagian lain, Teknologi Maklumat dan Perkhidmatan Pengedaran, turut merekodkan peningkatan yang sederhana. Walau bagaimanapun, penurunan dalam keberuntungan yang dialami pada tahun 2000 telah berterusan dalam tahun di bawah kajian dan kebanyakannya atas dasar alasan yang sama: persaingan yang hebat dalam industri insurans dan permintaan yang kurang bagi produk dan perkhidmatan IT.

Berdasarkan isu-isu industri-khususnya adalah kesan serangan ke atas Amerika Syarikat pada September 2001. Kesan ini telah mewujudkan ketakpastian yang lebih banyak kepada harapan keseluruhan ekonomi global yang sudahpun tidak jelas. Salah satu daripada akibat langsung terhadap Kumpulan adalah penurunan yang curam dalam nilai pelaburan portfolio yang menghasilkan pengurangan yang lebih banyak daripada yang dijangkakan dalam nilai pelaburan dalam tahun kewangan di bawah kajian. Satu lagi adalah kenaikan dalam kos insurans semula, kesan yang mana, walaupun lebih kecil pada awalnya, berkemungkinan akan berlanjutan ke masa hadapan apabila syarikat insurans semula cuba mengimbuhi kerugian.

## PENYATA Pengerusi

Kumpulan menghadapi banyak cabaran dan Lembaga tidak boleh mengeneppikan kemungkinan kesan negatif selanjutnya daripada kelemahan yang berterusan dalam pasaran kewangan dalam jangka pendek. Selanjutnya, pandangan keseluruhan perniagaan Kumpulan dikaburi oleh kelembapan ekonomi Malaysia dan ekonomi global yang merosot. Pesimisme yang berterusan dalam komuniti perniagaan di Malaysia disertai dengan kebimbangan berterusan berhubung dengan pengangguran, pengurangan pelaburan langsung luar negara dan eksport yang lebih rendah, semua ini menunjukkan ke arah tahun 2002 yang sukar. Namun begitu, dari segi kewangan Kumpulan yang kukuh dan berada dalam keadaan yang baik untuk bertahan dengan ketidakpastian pada masa ini, prospek Kumpulan pada tahun semasa adalah dijangka lebih baik daripada tahun di bawah kajian.

Dari segi pandangan yang lebih positif, pembelian sebanyak 64 peratus kepentingan dalam Dynamic Network Distributions Sdn. Bhd. ("DND"), seperti diumumkan sebelum ini, telah selesai dilaksanakan dalam tahun ini. Pembelian ini membenarkan Kumpulan untuk meluaskan rangkaian perkhidmatan yang ia boleh tawarkan kepada pemandu motokar. Program *Wizard Card* ("Wizard") dijalankan oleh DND ditumpukan kepada perkhidmatan 24-jam, bantuan kerosakan dengan perkhidmatan sampingan seperti bengkel rujukan, jaminan atas kerja membaiki, bantuan undang-undang, bantuan tuntutan insurans. Selain itu, Wizard menawarkan pemegang-pemegang kad diskaun ke atas beberapa produk dan perkhidmatan sebagai sebahagian daripada program yang menarik. Perkhidmatan dan faedah baru akan ditambah dari masa ke semasa untuk meningkatkan tarikan dan penggunaan Wizard.

### Perkhidmatan Kewangan

Bahagian ini terdiri daripada Pacific & Orient Insurance Co. Berhad ("POI") dan P & O Capital Sdn. Bhd. ("POC"), penyedia pembiayaan persendirian.

#### Insurans

POI memperoleh jumlah perolehan sebanyak RM222.6 juta, peningkatan sebanyak 20 peratus ke atas RM185.9 juta pada tahun 2000. Namun demikian, di sebalik peningkatan ini, keuntungan sebelum cukai telah menurun kepada RM0.7 juta daripada RM34.5 juta pada tahun 2000. Pertumbuhan premium adalah hasil daripada usaha yang berterusan oleh personel pemasaran dan pelaburan terdahulu dalam memperbaiki perkhidmatan, tetapi, sebagaimana yang dinyatakan di atas, pasaran insurans kekal amat bersaing dengan kesan berbangkit ke atas margin pengunderaitan dan ia akan menjadi sukar untuk membuat keuntungan selanjutnya sekiranya keadaan pasaran tidak bertambah baik. Tanpa mengambil kira keadaan ini, POI akan terus cuba mencari jalan baru untuk pertumbuhan.

Dua faktor yang menjadi alasan utama bagi kemerosotan dalam keuntungan: persekitaran kadar faedah yang rendah dan keadaan pasaran saham yang lembab. Ini telah menyebabkan kejatuhan yang curam dalam pulangan pelaburan dan memerlukan tambahan peruntukan terhadap pengurangan nilai pelaburan POI. Di antara 10 September 2001 dan pada hujung tahun kewangan, 30 September 2001, KLCI telah merosot lebih kurang 80 mata menterbalik aliran menaik. Ini sahaja bermakna peruntukan tambahan bagi pengurangan nilai pelaburan yang disebut harga melebihi RM9 juta.

Pada 18 Januari 2001, POI menambah modal saham yang diterbitkan dan berbayar daripada RM80 juta kepada RM100 juta dengan mempermodalkan RM20 juta daripada keuntungan tertahan. Justerunya, POI telah mematuhi keperluan modal minimum dengan selesanya sebelum tarikh terakhir pada 30 Jun 2001, seperti yang telah diluluskan untuk syarikat insurans.

#### Pembiayaan Persendirian

Jumlah perolehan di POC adalah lebih rendah pada RM0.9 juta berbanding dengan RM1.7 juta pada tahun 2000. Kerugian sebelum cukai yang lebih tinggi sebanyak RM3.3 juta telah dicatat berbanding dengan RM1.7 juta pada tahun 2000. Kerugian berlaku akibat daripada perbelanjaan faedah berterusan sungguhpun aktiviti pemberian pinjaman telah berkurangan dan disebabkan faedah tidak diiktiraf berhubung dengan pinjaman tertentu atas alasan-alasan berhemat. Keadaan ini telah mengambil masa yang lebih panjang daripada tempoh yang diramalkan sebelum ini tetapi dijangka hanya untuk sementara sahaja.

#### **Teknologi Maklumat**

Berikutan pengubahsuaian ekstensif Bahagian ini pada tahun 2000, usaha yang banyak telah ditumpukan untuk menggiatkan semula jualan dalam tahun di bawah kajian. Produk baru telah dibangunkan dan produk sedia ada dikemas kini dengan tumpuan ke atas pasaran insurans. Dalam dua tahun yang lepas, syarikat insurans telah keberatan untuk mengambil komitmen sumber-sumber IT memandangkan perbelanjaan yang banyak baru-baru ini ke atas persiapan Y2K dan juga kerana ketakpastian menyelubungi keperluan permodalan minimum dan penggabungan yang akan dilaksanakan dalam industri insurans. Walau bagaimanapun, P & O Global Technologies Sdn. Bhd. ("POGT") telah menerima pelbagai pertanyaan mengenai peningkatan dan produk-produk baru yang mencadangkan bahawa terdapat minat yang diperbaharui dalam bidang ini.

Dalam tahun di bawah kajian, sebahagian besar projek INS 2000 untuk membangunkan pengganti berasaskan Windows kepada PowerVision telah diselesaikan. Penyelesaian perisian bersepadu yang dinamakan Ingenius ini, merangkumi modul baru – iAgent. iAgent berfungsi ke atas Virtual Private Network yang menghubungkan syarikat insurans kepada ejen-ejennya melalui internet. Ini menawarkan prospek komunikasi yang lebih murah terutamanya apabila dibandingkan dengan sambungan talian tetap tradisional. Sistem ini mempunyai potensi yang banyak memandangkan pengenalan terancang elektronik atau nota perlindungan "tanpa kertas" oleh Jabatan Pengangkutan Jalan.

Pemungutan semula kredit dan penyelesaian pentadbiran telah menunjukkan prestasi baik dan pemasangan di dua bank utama telah selesai dalam tahun tersebut. Secara amnya, suasana ekonomi semasa telah menggalakkan permintaan dan meningkatkan jualan kepada institusi kewangan dan peguamcara panel mereka adalah dijangkakan.

Jualan telefoni dan rangkaian dalam tahun tersebut mengecewakan akibat sebahagiannya oleh ketakpastian terhadap tuju arah masa hadapan bagi Avaya Communications/Lucent yang produknya telah dipasarkan oleh POGT. Memandangkan hal ini, ia adalah perlu untuk mempelbagaikan ke arah Sistem Cisco, yang diakui terkemuka dalam rangkaian pemisah. POGT telah memperolehi status Premium Partner dan akan menumpu perhatian dalam membantu pelanggan sedia ada melaksanakan rangkaian dan penyelesaian telefoni.

Bahagian ini merekodkan jumlah perolehan sebanyak RM13.9 juta, peningkatan marginal ke atas RM13.5 juta yang dicatatkan pada tahun 2000. Sungguhpun kerugian sebelum cukai sebanyak RM8.0 juta telah direkodkan, ini agak baik berbanding dengan kerugian pada tahun 2000 sebanyak RM10.1 juta. Pengurangan ini dikaitkan dengan pengurangan kos dalam unit-unit tertentu akibat langkah penyusunan semula yang telah dijalankan lebih awal dan usaha-usaha untuk mengurangkan kos akan berterusan dalam tahun semasa.



## PENYATA PENERUSI

### **Perkhidmatan Pengguna dan Pengedaran**

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

#### Pengedaran

Berikutan satu kajian, kempen *Ringgit Saver* yang telah diperkenalkan tahun lepas telah diketepikan dan digantikan dengan program jualan untuk mengedar *Wizard Card*, satu perkhidmatan bantuan permotoran yang dijalankan oleh DND. Jualan sebanyak RM0.2 juta telah dicatatkan, satu peningkatan ke atas RM0.02 juta yang dicapai pada tahun 2000. Syarikat mencatat kerugian sebelum cukai sebanyak RM0.3 juta, kurang berbanding dengan RM2.5 juta pada tahun 2000.

#### Bantuan Permotoran

Dalam tahun tersebut, Syarikat telah menyelesaikan pembelian sebanyak 64 peratus kepentingan dalam DND. DND menjalankan program bantuan permotoran berhubung dengan bengkel untuk bersama membentuk rangkaian teratur meliputi Semenanjung Malaysia. Perkhidmatan ini dipasarkan di bawah program *Wizard Card* dan telah dilancarkan pada April 2001. Pembangunan program selanjutnya akan berlaku pada tahun kewangan semasa untuk meluaskan tarikkannya.

DND menyumbangkan jumlah perolehan sebanyak RM0.03 juta dan kerugian sebelum cukai sebanyak RM1.2 juta semasa tahun pertama penyatuan keputusannya. Kerugian secara utamanya disebabkan oleh perbelanjaan pengiklanan dan promosi yang ditanggung berhubung dengan pelancaran program *Wizard Card*.

### **DIVIDEN**

Memandangkan ketakpastian yang wujud sekarang, Lembaga tidak mencadangkan dividen akhir. Jumlah dividen kasar berhubung dengan tahun kewangan berakhir 30 September 2001 adalah 7.5 sen ditolak cukai yang terdiri daripada dua dividen interim sebanyak 3.75 sen ditolak cukai masing-masing dibayar pada 29 Jun dan 21 Disember 2001.

### **PENGHARGAAN**

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan ke atas usaha-usaha yang diberikan oleh pihak pengurusan dan kakitangan dalam tahun dan mengucapkan terima kasih kepada rakan-rakan perniagaan atas kerjasama dan sokongan yang berterusan.

### **CHAN HUA ENG R OBE**

Pengerusi

Kuala Lumpur  
28 Disember 2001

# Financial Statements

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# 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 2001.

## 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 23 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

	<b>Group RM'000</b>	<b>Company RM'000</b>
Net (loss) / profit for the year	(12,795)	8,322
Accumulated profits brought forward	102,134	59,443
Profits available for appropriation	89,339	67,765
Transfer from revaluation reserve	2	–
Dividends	(5,356)	(5,356)
Bonus issue (1:4)	(20,000)	–
Accumulated profits carried forward	<u>63,985</u>	<u>62,409</u>

## DIVIDENDS

The amount of dividends paid or declared by the Company since 30 September 2000 were as follows:

	<b>RM'000</b>
In respect of the financial year ended 30 September 2000	
3 <sup>rd</sup> interim dividend of 7.5 sen per share less tax at 28% paid on 22 December 2000	<u>5,357</u>
Final dividend of 7.5 sen per share less tax at 28% paid on 6 March 2001	<u>5,357</u>
In respect of the financial year ended 30 September 2001	
1 <sup>st</sup> interim dividend of 3.75 sen per share less tax at 28% paid on 29 June 2001	<u>2,678</u>
2 <sup>nd</sup> interim dividend of 3.75 sen per share less tax at 28% payable on 21 December 2001	<u>2,678</u>

The Directors do not recommend the payment of any final dividend for the financial year ended 30 September 2001.

## 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.

**PROVISIONS FOR OUTSTANDING CLAIMS**

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 there was adequate provision for incurred claims, including Incurred But Not Reported (IBNR) claims.

**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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision 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 provided 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.

## DIRECTORS' REPORT

### 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 Company acquired 320,000 ordinary shares of RM1.00 each fully paid representing 64% of the issued and paid-up share capital of Dynamic Network Distributions Sdn. Bhd. for a total consideration of RM321,000.
- (ii) the wholly-owned subsidiary company, Pacific & Orient Insurance Co. Berhad, increased its issued and fully paid-up share capital from RM80,000,000 to RM100,000,000 through a bonus issue of 1:4 of 20,000,000 new ordinary shares of RM1.00 each via the capitalisation of accumulated profits.
- (iii) the wholly-owned subsidiary company, P & O Global Technologies Sdn. Bhd. has increased its authorised share capital from RM5,000,000 to RM10,000,000 by the creation of 5,000,000 new shares of RM1.00 each. It also increased its issued and fully paid-up share capital from RM2,000,000 to RM8,000,000 through the allotment of 6,000,000 new ordinary shares of RM1.00 each via the capitalisation of amount due to its holding company, Pacific & Orient Berhad.

### DIRECTORS

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

Chan Hua Eng  
 Chan Thye Seng  
 Lim Kheng Guan  
 Michael Yee Kim Shing  
 Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed  
 Dato' Abu Hanifah Noordin

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 80 of the Company's Articles of Association, Dato' Abu Hanifah Noordin 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 is 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.

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 7 and 14 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' INTERESTS**

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:

	Number of Ordinary Shares of RM1.00 Each			At 30 September 2001
	At 1 October 2000	Bought	Sold	
<b>The Company</b>				
Chan Thye Seng				
– Direct interest	9,615,902	–	–	<b>9,615,902</b>
– Indirect interest	47,424,098	–	–	<b>47,424,098</b>
Michael Yee Kim Shing				
– Indirect interest	155,000	–	–	<b>155,000</b>
Lim Kheng Guan				
– Direct interest	20,000	–	–	<b>20,000</b>

Mr. Chan Thye Seng, by virtue of his 57.5% interest in the Company, is deemed to have interest in the shares of all the related corporations within the Group to the extent the Company has an interest.

Other than as stated above, none of the 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.

**NUMBER OF EMPLOYEES AND REGISTERED OFFICE**

The average number of employees in the Group and in the Company were 579 (2000: 533) and 41 (2000: 44) respectively.

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 11<sup>th</sup> Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

**AUDITORS**

Arthur Andersen & Co. 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  
11 December 2001

## 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 32 to 63 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 2001 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  
11 December 2001

## Statutory Declaration

I, CHAN THYE SENG, the Director primarily responsible for the financial management of PACIFIC & ORIENT BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 32 to 63 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 CHAN THYE SENG        )  
at Kuala Lumpur in Wilayah             )  
Persekutuan on 11 December 2001       )     **CHAN THYE SENG**

Before me:

**ABAS BIN HASAN**

Commissioner for Oaths  
Kuala Lumpur

# Auditors' Report

To the Shareholders of  
PACIFIC & ORIENT BERHAD

We have audited the financial statements set out on pages 32 to 63. 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 financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia and give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as at 30 September 2001 and of their results and their cash flows 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;
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies 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 of all the subsidiary companies of which we have not acted as auditors, as indicated in Note 23 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 subsidiary companies 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 these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Malaysia, did not include any adverse comment made under subsection (3) of Section 174 of the Act.

**Arthur Andersen & Co.**

No. AF 0103  
Public Accountants

11 December 2001

**Pushpanathan a/l S.A. Kanagarayar**

No. 1056/03/03(J/PH)  
Partner of the Firm



# Income Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Revenue	3	<b>228,743</b>	193,831	<b>17,921</b>	36,455
Other operating income	4	<b>1,792</b>	25,890	<b>1,201</b>	1,628
		<b>230,535</b>	219,721	<b>19,122</b>	38,083
Changes in inventories		<b>(896)</b>	(2,397)	–	–
Reinsurance		<b>(22,805)</b>	(17,433)	–	–
Net claims incurred	5	<b>(123,457)</b>	(96,793)	–	–
Net commission		<b>(17,732)</b>	(15,059)	–	–
Increase in unearned premium reserves		<b>(16,624)</b>	(7,897)	–	–
Staff costs		<b>(20,711)</b>	(19,193)	<b>(2,454)</b>	(2,562)
Depreciation		<b>(3,549)</b>	(3,590)	<b>(465)</b>	(580)
Amortisation	6	<b>(1,499)</b>	(2,116)	–	–
Other operating expenses	7	<b>(34,694)</b>	(35,235)	<b>(4,162)</b>	(5,185)
(Loss) / profit from operations		<b>(11,432)</b>	20,008	<b>12,041</b>	29,756
Finance costs	8	<b>(760)</b>	(526)	<b>(332)</b>	(54)
(Loss) / profit before taxation	9	<b>(12,192)</b>	19,482	<b>11,709</b>	29,702
Income tax expense	15	<b>(603)</b>	(10,085)	<b>(3,387)</b>	(8,833)
Net (loss) / profit for the year		<b>(12,795)</b>	9,397	<b>8,322</b>	20,869
Basic (loss) / earnings per share (sen)	16	<b>(12.9)</b>	9.5		
Dividends per share (sen)					
7.5 sen (2000: 30 sen) less tax		<b>5.4</b>	21.6		

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

## Balance Sheets

AS AT 30 SEPTEMBER 2001

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
<b>ASSETS</b>					
Cash and bank balances		<b>7,424</b>	5,199	<b>143</b>	75
Deposits and placements with financial institutions	17	<b>9,269</b>	19,304	<b>7,973</b>	17,869
Investments	18	<b>535,559</b>	564,119	<b>46,940</b>	46,940
Trade receivables	19	<b>58,588</b>	49,313	–	–
Other receivables	20	<b>12,167</b>	8,811	<b>304</b>	451
Due from subsidiary companies	21	–	–	<b>68,717</b>	64,685
Inventories – goods for resale, at cost		<b>554</b>	263	–	–
Property, plant and equipment	22	<b>31,788</b>	34,530	<b>2,039</b>	2,394
Investment in subsidiary companies	23	–	–	<b>87,866</b>	81,545
Intangible assets	24	<b>5,163</b>	5,944	–	–
Total assets		<b>660,512</b>	687,483	<b>213,982</b>	213,959
<b>LIABILITIES</b>					
Trade payables	25	<b>309,667</b>	324,381	–	–
Other payables	26	<b>10,792</b>	18,900	<b>3,154</b>	10,994
Hire purchase creditors	27	<b>304</b>	197	<b>4</b>	73
Bank borrowings	28	<b>10,756</b>	6,197	<b>5,000</b>	–
Provision for taxation		<b>2,756</b>	8,750	–	–
Deferred taxation	29	<b>(6,280)</b>	(4,846)	–	34
Total liabilities		<b>327,995</b>	353,579	<b>8,158</b>	11,101
<b>PROVISION FOR INSURANCE LIABILITIES</b>					
Unearned premium reserves	30	<b>84,655</b>	68,031	–	–
<b>SHAREHOLDERS' FUNDS</b>					
Share capital	31	<b>99,200</b>	99,200	<b>99,200</b>	99,200
Reserves	32	<b>148,662</b>	166,673	<b>106,624</b>	103,658
		<b>247,862</b>	265,873	<b>205,824</b>	202,858
Total liabilities and shareholders' funds		<b>660,512</b>	687,483	<b>213,982</b>	213,959

The accompanying notes form an integral part of the balance sheets.

# Statements of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Revaluation Reserve RM'000	Translation Reserve RM'000	Accumulated Profits RM'000	Total RM'000
<b>Group</b>							
At 1 October 1999	99,200	44,215	20,769	2	(591)	114,165	277,760
Currency translation differences	-	-	-	-	144	-	144
Net gains not recognised in the income statement	-	-	-	-	144	-	144
Net profit for the year	-	-	-	-	-	9,397	9,397
Dividends (Note 33)	-	-	-	-	-	(21,428)	(21,428)
At 30 September 2000	99,200	44,215	20,769	2	(447)	102,134	265,873
Transfer from revaluation reserve	-	-	-	(2)	-	2	-
Currency translation differences	-	-	-	-	140	-	140
Net gains not recognised in the income statement	-	-	-	(2)	140	2	140
Net loss for the year	-	-	-	-	-	(12,795)	(12,795)
Dividends (Note 33)	-	-	-	-	-	(5,356)	(5,356)
Bonus issue (1:4)	-	-	20,000	-	-	(20,000)	-
At 30 September 2001	<b>99,200</b>	<b>44,215</b>	<b>40,769</b>	<b>-</b>	<b>(307)</b>	<b>63,985</b>	<b>247,862</b>
<b>Company</b>							
At 1 October 1999	99,200	44,215	-	-	-	60,002	203,417
Net profit for the year	-	-	-	-	-	20,869	20,869
Dividends (Note 33)	-	-	-	-	-	(21,428)	(21,428)
At 30 September 2000	99,200	44,215	-	-	-	59,443	202,858
Net profit for the year	-	-	-	-	-	8,322	8,322
Dividends (Note 33)	-	-	-	-	-	(5,356)	(5,356)
At 30 September 2001	<b>99,200</b>	<b>44,215</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,409</b>	<b>205,824</b>

The accompanying notes form an integral part of the statements.

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	2001 RM'000	2000 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	<b>(12,192)</b>	19,482
Adjustments for:		
Depreciation	<b>3,549</b>	3,590
Amortisation of premiums, net of accretion of discounts	<b>802</b>	1,378
Amortisation of goodwill	<b>379</b>	379
Amortisation of software distribution licence	<b>318</b>	359
Goodwill written off	<b>468</b>	–
Preliminary and pre-operating expenses written off	–	43
Gain on disposal of property, plant and equipment	<b>(750)</b>	(59)
Property, plant and equipment written off	<b>44</b>	154
Bad debts written off	<b>12</b>	8
Provision for doubtful debts	<b>609</b>	1,126
Discounts allowed	–	117
Increase in unearned premium reserves	<b>16,624</b>	7,897
Unrealised loss on foreign exchange	<b>283</b>	184
Gain on disposal of investments	<b>(699)</b>	(25,022)
Provision for diminution in value of investments	<b>14,918</b>	12,696
Transfer from property, plant and equipment to inventories	<b>13</b>	–
Interest income	<b>(19,814)</b>	(25,343)
Dividend income	<b>(2,033)</b>	(2,263)
Interest expense	<b>658</b>	536
Proceeds from disposal of investments	<b>104,980</b>	120,231
Purchase of investments	<b>(124,341)</b>	(43,087)
Operating (loss) / profit before working capital changes	<b>(16,172)</b>	72,406
Changes in working capital:		
Decrease / (increase) in deposits and placements of the insurance subsidiary company with financial institutions	<b>32,900</b>	(46,725)
Increase in trade receivable	<b>(10,026)</b>	(1,563)
(Increase) / decrease in other receivables	<b>(4,002)</b>	19,631
Increase in inventories – goods for resale	<b>(291)</b>	(11)
Increase in pre-operating expenses	–	(7)
Decrease in trade payables	<b>(14,695)</b>	(30,054)
(Decrease) / increase in other payables	<b>(304)</b>	592
Cash (used in) / generated from operations	<b>(12,590)</b>	14,269
Interest received	<b>20,449</b>	25,699
Dividends received	<b>1,553</b>	1,569
Interest paid	<b>(584)</b>	(553)
Tax paid, net of recoveries	<b>(7,538)</b>	(10,821)
Net cash generated from operating activities	<b>1,290</b>	30,163

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	Note	2001 RM'000	2000 RM'000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of a subsidiary company net of cash acquired		(315)	–
Purchase of property, plant and equipment	22(e)	(2,000)	(3,943)
Proceeds from disposal of property, plant and equipment		2,282	129
Net cash used in investing activities		<u>(33)</u>	<u>(3,814)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(13,392)	(21,428)
Decrease in hire purchase creditors		(190)	(341)
Drawdown of bank borrowing		5,000	–
Net cash used in financing activities		<u>(8,582)</u>	<u>(21,769)</u>
Effects of exchange rate changes on cash and cash equivalents		<u>(29)</u>	<u>(144)</u>
Net (decrease) / increase in cash and cash equivalents		<b>(7,354)</b>	4,436
Cash and cash equivalents at beginning of year		<b>23,291</b>	18,870
Cash and cash equivalents at end of year		<b><u>15,937</u></b>	<b><u>23,306</u></b>
Cash and cash equivalents comprise the following:			
Cash and bank balances		7,424	5,199
Bank overdraft		(756)	(1,197)
Deposits and placements with financial institutions*		9,269	19,304
Cash and cash equivalents as previously reported		<b>15,937</b>	23,306
Effect of exchange rate changes		–	(15)
Cash and cash equivalents as restated		<b><u>15,937</u></b>	<b><u>23,291</u></b>

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

**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE YEAR ENDED 30 SEPTEMBER 2001

**NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT**

During the financial year, the Company acquired a 64% equity interest in Dynamic Network Distributions Sdn. Bhd. The fair value of the assets acquired and liabilities assumed arising from the acquisition are as follows:

	<b>RM'000</b>
Cash and bank balances	6
Property, plant and equipment	107
Trade receivables	11
Other receivable	20
Other payables	(40)
Due to director	(111)
Loan	(140)
Goodwill on acquisition	468
Total consideration	<u>321</u>
Less: Cash and bank balances acquired	6
Cash flow on acquisition net of cash acquired	<u><u>315</u></u>

*The accompanying notes form an integral part of the statement.*

# Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2001

	Note	2001 RM'000	2000 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		11,709	29,702
Adjustments for:			
Depreciation		465	580
Provision for diminution in value in subsidiary company		–	570
Loss / (gain) on disposal of property, plant and equipment		1	(21)
Property, plant and equipment written off		–	2
Interest income		(4,157)	(3,560)
Dividend income		(11,877)	(31,320)
Interest expense		233	54
Purchase of investments		–	(151)
Operating loss before working capital changes		(3,626)	(4,144)
Changes in working capital:			
Increase in other receivables		(48)	(22)
Increase in due from subsidiary companies		(15,549)	(11,888)
Increase / (decrease) in other payables		115	(10)
Cash used in operations		(19,108)	(16,064)
Interest received		692	592
Dividends received		17,634	48,633
Interest paid		(153)	(54)
Tax paid, net of recoveries		–	(4,167)
Net cash (used in) / generated from operating activities		(935)	28,940
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of a subsidiary company		(321)	–
Purchase of property, plant and equipment	22(e)	(111)	(364)
Proceeds from disposal of property, plant and equipment		–	42
Net cash used in investing activities		(432)	(322)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(13,392)	(21,428)
Decrease in hire purchase creditors		(69)	(177)
Drawdown of bank borrowing		5,000	–
Net cash used in financing activities		(8,461)	(21,605)
Net (decrease) / increase in cash and cash equivalents		(9,828)	7,013
Cash and cash equivalents at beginning of year		17,944	10,931
Cash and cash equivalents at end of year		8,116	17,944
Cash and cash equivalents comprise the following:			
Cash and bank balances		143	75
Deposits and placements with financial institutions		7,973	17,869
		8,116	17,944

The accompanying notes form an integral part of the statement.

# Notes to the Financial Statements

30 SEPTEMBER 2001

## 1. 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 23 to the financial statements.

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

## 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 modified by the revaluation of certain property, plant and equipment and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

### (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 power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

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 is consolidated on the merger method of accounting in accordance with the Malaysian Accounting Standard No. 2.

- (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 companies are 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 merger reserve or merger deficit in accordance with merger relief provisions under Section 60(4) of the Companies Act, 1965.



## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (c) 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 (25) years or the expected useful life, whichever is the shorter. Goodwill on consolidation is written down for impairment where it is considered necessary.
- (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.

#### (d) Property, Plant and Equipment and Depreciation

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

Freehold land is not depreciated. Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost or valuation 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, furniture, fixtures and fittings	10% – 20%

With effect from the current financial year, a subsidiary company changed the depreciation rate for computer equipment from 15% to 10% per annum to be consistent with the Group's policy. The change had no material effect on the financial statements.

#### (e) 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 loss, if any.
- (ii) Long term quoted investments are stated at cost less provision for any permanent diminution in value.
- (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, Cagamas bonds and Islamic corporate bonds are stated at cost adjusted for amortisation of premiums or accretion of discounts calculated from date of purchase on a straight line basis to maturity date.

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

Unquoted investments are stated at cost less provision for any permanent diminution in value.

- (iv) Investments in subsidiary companies are stated at cost and are written down when the Directors consider that there is a permanent diminution in the value of such investments.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(f) Bad and Doubtful Debts**

Known bad debts in the insurance subsidiary company are written off and specific provisions are made for any premiums including agents' and reinsurance balances which remain outstanding for more than six months from the date they become payable and for all debts considered doubtful.

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

General provision is made to cover possible losses not specifically identified.

**(g) 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) 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.
- (vi) 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.
- (vii) Maintenance contracts and other services are recognised upon completion of services rendered.

**(h) 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 income is recognised on the date of assumption of risk and for inward treaty business, on the date of receipt of the account.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (h) General Insurance Underwriting Results (Cont'd)

##### Unearned Premium Reserves (UPR)

The Unearned Premium Reserves (UPR) 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
- 1/24<sup>th</sup> method for fire, engineering and marine hull with a deduction of 15%, motor with a deduction of 10% and all other classes of business with a deduction of 20% or actual commission incurred, whichever is lower
- 1/24<sup>th</sup> method for bonds with a deduction of 10% commission and for risks which are covered for more than a year, time apportioned accordingly. In previous year, 1/24<sup>th</sup> method (until 31 May 2000) and 100% method (effective from 1 June 2000) for bonds with a deduction of 10% commission
- 1/8<sup>th</sup> method for overseas inward treaty business with a deduction of 20%.

##### 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.

##### 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.

##### Inward Treaty Business

Premium received, commission and claims paid or payable on inward treaty business are accounted for when notified by the ceding companies or brokers concerned.

#### (i) 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:

	2001 RM	2000 RM
United States (US\$)	3.8000	3.8000
Thailand (Baht)	0.0855	0.0898

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(j) Deferred Taxation**

Deferred taxation is provided under the liability method in respect of all material timing differences except where there is reasonable evidence that these timing differences will not reverse in the foreseeable future.

Timing differences that give rise to deferred tax benefits are recognised only where there is a reasonable expectation of realisation.

**(k) Hire Purchase and Finance Lease**

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 (d) 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.

**(l) Inventories**

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

**(m) 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.

**3. REVENUE**

Revenue of the Group represents gross premium of the insurance subsidiary company, sales of goods and services and investment income of the Company and of the insurance subsidiary 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	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Gross premium	202,307	160,744	-	-
Interest income:				
– subsidiary companies	-	-	3,770	3,010
– others	19,750	25,280	387	550
Gross dividends:				
– shares quoted in Malaysia	2,033	2,263	766	765
– subsidiary company	-	-	11,111	30,555
Rental income	51	60	-	-
Malaysian Motor Insurance Pool (MMIP) investment income	87	136	-	-
Sale of goods and services	4,515	5,348	1,887	1,575
	<b>228,743</b>	193,831	<b>17,921</b>	36,455

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**4. OTHER OPERATING INCOME**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Interest income	64	63	-	-
Rental income:				
– subsidiary companies	-	-	433	378
– others	42	52	-	-
Gain on disposal of property, plant and equipment	750	59	-	21
Gain on disposal of investments	699	25,022	-	-
Others	237	694	768	1,229
	<b>1,792</b>	<b>25,890</b>	<b>1,201</b>	<b>1,628</b>

**5. NET CLAIMS INCURRED**

	Group	
	2001 RM'000	2000 RM'000
Gross claims paid less salvage	156,488	143,736
Reinsurance recoveries	(17,331)	(17,155)
Net claims paid	139,157	126,581
Net outstanding claims:		
At end of year	304,484	320,184
At beginning of year	(320,184)	(349,972)
	<b>123,457</b>	<b>96,793</b>

**6. AMORTISATION**

	Group	
	2001 RM'000	2000 RM'000
Amortisation of:		
– premiums, net of accretion of discounts	802	1,378
– goodwill on consolidation	379	379
– software distribution licence	318	359
	<b>1,499</b>	<b>2,116</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**7. OTHER OPERATING EXPENSES**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Other operating expenses include:				
Auditors' remuneration	146	138	18	18
Directors' remuneration*:				
Directors of the Company:				
– fees	240	225	105	105
– emoluments	617	590	617	590
Directors of the subsidiary companies:				
– fees	45	42	–	–
– emoluments	1,651	1,342	–	–
Property, plant and equipment written off	44	154	–	2
Provision for diminution in value of:				
– subsidiary company	–	–	–	570
– quoted investments	14,918	12,696	–	–
Rental of office equipment	9	4	80	60
Preliminary and pre-operating expenses written off	–	43	–	–
Bad debts:				
– recovered	(6)	(98)	–	–
– written off	12	8	–	–
Office rental:				
– subsidiary company	–	–	250	226
– others	824	811	318	318
Loss on foreign exchange:				
– unrealised	283	184	–	–
– realised	7	8	–	–
Loss on disposal of property, plant and equipment	–	–	1	–
Goodwill written off	468	–	–	–
Provision for doubtful debts	609	1,126	–	–

\* The estimated monetary value of other benefits not included in the above received by the Directors of the Company was RM34,000 (2000: RM34,000).

**8. FINANCE COSTS**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Interest expense	647	514	233	54
Others	113	12	99	–
	<b>760</b>	<b>526</b>	<b>332</b>	<b>54</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**9. (LOSS) / PROFIT BEFORE TAXATION**

	Note	Group		Company	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Determined as follows:					
Insurance subsidiary company	10	729	34,468	-	-
Others		(1,030)	15,276	11,709	29,702
Before consolidation		(301)	49,744	11,709	29,702
Consolidation adjustments		(11,891)	(30,262)	-	-
After consolidation		(12,192)	19,482	11,709	29,702

**10. PROFIT BEFORE TAXATION - INSURANCE SUBSIDIARY COMPANY****Revenue Account**

	Note	Group	
		2001 RM'000	2000 RM'000
<b>Insurance fund</b>			
Gross premium		202,307	160,744
Reinsurance		(22,805)	(17,433)
Net premium		179,502	143,311
Increase in unearned premium reserves	30	(16,624)	(7,897)
Earned premium		162,878	135,414
Net claims incurred	5	(123,457)	(96,793)
Net commission		(17,732)	(15,059)
		(141,189)	(111,852)
Underwriting surplus before operating expenses		21,689	23,562
Investment income	11	18,697	22,782
Other (expenditure) / income	12	(14,996)	10,755
Staff costs		(12,068)	(11,536)
Depreciation		(1,965)	(2,064)
Amortisation of premiums net of accretion of discounts		(802)	(1,378)
Bad and doubtful debts	13	(581)	(15)
Other operating expenses	14	(10,819)	(9,951)
(Loss) / profit from operations		(845)	32,155
Finance costs		(10)	(24)
(Deficit) / surplus from insurance fund		(855)	32,131
<b>Non-insurance fund</b>			
Investment income	11	1,593	2,356
Staff costs		(8)	(16)
Other operating expenses	14	(1)	(3)
		729	34,468

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**11. INVESTMENT INCOME**

	Group	
	2001	2000
	RM'000	RM'000
<b>Insurance fund</b>		
Interest income:		
– Malaysian Government Securities	2,396	6,548
– Malaysian Semi-Government Securities	6	24
– Cagamas bonds	4,212	4,069
– Islamic and other corporate bonds	387	602
– deposits and placements with financial institutions	9,876	8,071
– secured loans	160	1,537
Gross dividends:		
– shares quoted in Malaysia	1,267	1,498
Rental income	306	297
MMIP investment income	87	136
	<b>18,697</b>	<b>22,782</b>
<b>Non-insurance fund</b>		
Interest income:		
– deposits and placements with financial institutions	1,593	2,273
– secured loans	–	83
	<b>1,593</b>	<b>2,356</b>

**12. OTHER EXPENDITURE / (INCOME)**

	Group	
	2001	2000
	RM'000	RM'000
<b>Insurance fund</b>		
Gain on disposal of:		
– investments	(699)	(25,022)
– property, plant and equipment	(740)	(37)
Realised loss / (gain) on foreign exchange	3	(2)
Sundry income	(221)	(134)
Provision for diminution in value of investments	14,918	12,696
Property, plant and equipment written off	19	107
Insurance Guarantee Scheme Fund (IGSF) levy	1,563	1,449
Sundry expenditure	153	188
	<b>14,996</b>	<b>(10,755)</b>



## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**13. BAD AND DOUBTFUL DEBTS**

	Group	
	2001 RM'000	2000 RM'000
<b>Insurance fund</b>		
Bad debts:		
– written off	–	3
– recovered	(6)	(98)
Provision for doubtful debts	<b>587</b>	110
	<b>581</b>	15

**14. OTHER OPERATING EXPENSES**

	Group	
	2001 RM'000	2000 RM'000
<b>Insurance fund</b>		
Directors' remuneration*:		
– fees	120	102
– emoluments	290	254
Auditors' remuneration	80	75
Office rental	233	239
Call centre service charges	435	–
Rental of equipment	252	–
Printing and EDP expenses	3,769	3,421
Business development	1,166	1,613
Bank charges	805	537
Office administration and utilities	1,145	1,696
Other expenses	<b>2,524</b>	2,014
	<b>10,819</b>	9,951
<b>Non-insurance fund</b>		
Other expenses	<b>1</b>	3

\* The estimated monetary value of other benefits not included in the above received by a Director was RM10,000 (2000: RM10,000).

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**15. INCOME TAX EXPENSE**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Current year's provision				
– Malaysian tax	<b>2,025</b>	15,015	<b>3,421</b>	8,910
Transfer from deferred taxation	<b>(1,434)</b>	(4,918)	<b>(34)</b>	(77)
	<b>591</b>	10,097	<b>3,387</b>	8,833
Under / (over) provision in prior years	<b>12</b>	(12)	–	–
	<b>603</b>	10,085	<b>3,387</b>	8,833

The effective rate of taxation of the Group for both the current and previous years is higher than the statutory rate of tax principally due to losses of certain subsidiary companies which cannot be set off against profits made by other companies in the Group as there is no tax relief for the Group.

The effective rate of taxation of the Company for both the current and previous years is higher than the statutory rate of tax due to certain expenses and provisions which are not deductible for income tax purposes.

As at 30 September 2001, the Company has:

- tax exempt account of approximately RM2,125,000 (2000: RM1,828,000), which is available for distribution, subject to agreement with the Inland Revenue Board.
- unabsorbed capital allowances of approximately RM1,714,000 (2000: RM1,439,000), which can be used to offset future taxable profits arising from business income subject to agreement with the Inland Revenue Board.
- sufficient tax credit under Section 108 of the Income Tax Act, 1967 and sufficient balance in the exempt account to declare dividends out of its entire distributable reserves without incurring additional tax liabilities.

**16. BASIC (LOSS) / EARNINGS PER SHARE (SEN)**

The basic (loss) / earnings per ordinary share is calculated by dividing the Group's net loss of RM12,795,000 (2000: net profit of RM9,397,000) by the share capital of 99,200,000 (2000: 99,200,000) ordinary shares in issue during the year.

**17. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Licensed banks	<b>8,057</b>	14,835	<b>6,822</b>	13,460
Licensed finance companies	<b>61</b>	3,459	–	3,459
Other licensed financial institutions	<b>1,151</b>	1,010	<b>1,151</b>	950
	<b>9,269</b>	19,304	<b>7,973</b>	17,869

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 18.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**18. INVESTMENTS**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
<b>Cost</b>				
<b>Investment properties</b>				
Freehold buildings	706	1,159	-	-
Leasehold land and building	730	730	-	-
	<b>1,436</b>	1,889	-	-
<b>Long term investment in quoted securities</b>				
Shares in Malaysia	<b>48,953</b>	48,953	<b>46,940</b>	46,940
<b>Investment securities</b>				
Money market instruments:				
Malaysian Government Securities	<b>15,693</b>	82,399	-	-
Amortisation of premiums	<b>(329)</b>	(1,712)	-	-
	<b>15,364</b>	80,687	-	-
Malaysian Semi-Government Securities	-	200	-	-
Cagamas bonds	<b>91,191</b>	30,792	-	-
Amortisation of premiums	<b>(298)</b>	(635)	-	-
Accretion of discounts	<b>1</b>	-	-	-
	<b>90,894</b>	30,157	-	-
Islamic corporate bonds	<b>10,394</b>	-	-	-
Accretion of discounts	<b>(24)</b>	-	-	-
	<b>10,370</b>	-	-	-
Quoted securities:				
Shares in Malaysia	<b>74,239</b>	61,112	-	-
Provision for diminution in value	<b>(20,768)</b>	(7,894)	-	-
	<b>53,471</b>	53,218	-	-
Warrants in Malaysia	<b>7,601</b>	7,601	-	-
Provision for diminution in value	<b>(6,846)</b>	(4,802)	-	-
	<b>755</b>	2,799	-	-
Unquoted securities:				
Shares in Malaysia	<b>56</b>	56	-	-
Unit trusts	<b>1,000</b>	-	-	-
Total investment securities	<b>171,910</b>	167,117	-	-

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**18. INVESTMENTS (Cont'd)**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
<b>Deposits and placements of the insurance subsidiary company with financial institutions</b>				
Licensed banks	229,442	212,017	-	-
Licensed finance companies	83,818	134,143	-	-
	<b>313,260</b>	346,160	-	-
Total investments	<b>535,559</b>	564,119	<b>46,940</b>	46,940
<b>Market value</b>				
Malaysian Government Securities	16,601	81,784	-	-
Cagamas bonds	94,776	30,561	-	-
Islamic corporate bonds	10,375	-	-	-
Shares quoted in Malaysia	78,901	90,063	25,426	36,840
Warrants quoted in Malaysia	755	2,799	-	-
Unit trusts	1,000	-	-	-

No provision has been made for the diminution in value of long term investment in quoted shares as the Directors are of the opinion that the diminution is temporary in nature.

Deposits and placements of the Group amounting to RM1,065,000 (2000: RM795,000) represent deposits given by the insureds as collateral for bond guarantees granted by the insurance subsidiary company to third parties.

**19. TRADE RECEIVABLES**

	Group	
	2001 RM'000	2000 RM'000
Outstanding premium including agents' / brokers' balances	11,644	7,578
Provision for doubtful debts	(2,449)	(2,102)
	<b>9,195</b>	5,476
Due from reinsurers / ceding companies and co-insurers	3,936	3,273
Provision for doubtful debts	(2,202)	(1,968)
	<b>1,734</b>	1,305
Loans:		
- secured loans	46,470	41,270
- unsecured loans	25	31
	<b>46,495</b>	41,301

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**19. TRADE RECEIVABLES (Cont'd)**

	Group	
	2001 RM'000	2000 RM'000
Others	2,040	2,173
Provision for doubtful debts	(876)	(942)
	<b>1,164</b>	1,231
	<b>58,588</b>	49,313
Loans:		
Due within one year	46,418	40,816
Due after one year	77	485
	<b>46,495</b>	41,301

**20. OTHER RECEIVABLES**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Accrued income	3,337	3,933	4	21
Share of assets held by MMIP	2,477	2,613	-	-
Deposits and prepayments	1,062	966	159	211
Proceeds from disposal of quoted shares	4,140	-	-	-
Others	1,151	1,299	141	219
	<b>12,167</b>	8,811	<b>304</b>	451

**21. DUE FROM SUBSIDIARY COMPANIES**

Included in the amounts due from subsidiary companies is net dividend receivable from the insurance subsidiary company of RMNil (2000: RM9,000,000).

The amounts due from subsidiary companies are interest-free, unsecured and have no fixed terms of repayment, except for an amount of RM22,089,000 (2000: RM15,759,000) which bears interest of 6.35% to 16.08% (2000: 7.95% to 16.08%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

## 22. PROPERTY, PLANT AND EQUIPMENT

## Group

	Valuation		Cost							Total RM'000
	Freehold land RM'000	Building RM'000	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment, furniture, fixtures and fittings RM'000		
<b>Valuation / Cost:</b>										
At beginning of year	240	1,360	3,243	350	15,561	20,153	3,890	10,141	54,938	
Additions	-	-	-	-	-	1,448	485	364	2,297	
From acquisition of subsidiary company	-	-	-	-	-	72	-	59	131	
Disposals / written off	(240)	(1,360)	-	-	(280)	(97)	(640)	(27)	(2,644)	
Transfer to inventories	-	-	-	-	-	(14)	-	-	(14)	
Translation differences	-	-	-	-	-	(7)	(7)	(4)	(18)	
At end of year	-	-	<b>3,243</b>	<b>350</b>	<b>15,281</b>	<b>21,555</b>	<b>3,728</b>	<b>10,533</b>	<b>54,690</b>	
<b>Accumulated Depreciation:</b>										
At beginning of year	-	326	-	11	1,985	10,009	3,320	4,757	20,408	
Charge for the year	-	-	-	4	331	1,959	392	863	3,549	
From acquisition of subsidiary company	-	-	-	-	-	12	-	12	24	
Disposals / written off	-	(326)	-	-	(52)	(56)	(618)	(16)	(1,068)	
Transfer to inventories	-	-	-	-	-	(1)	-	-	(1)	
Translation differences	-	-	-	-	-	(3)	(5)	(2)	(10)	
At end of year	-	-	-	<b>15</b>	<b>2,264</b>	<b>11,920</b>	<b>3,089</b>	<b>5,614</b>	<b>22,902</b>	
<b>Net Book Value:</b>										
At end of year	-	-	<b>3,243</b>	<b>335</b>	<b>13,017</b>	<b>9,635</b>	<b>639</b>	<b>4,919</b>	<b>31,788</b>	
At beginning of year	240	1,034	3,243	339	13,576	10,144	570	5,384	34,530	
Depreciation charge for the year ended 30 September 2000	-	27	-	4	338	1,850	566	805	3,590	

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**22. PROPERTY, PLANT AND EQUIPMENT (Cont'd)****Company**

	Cost			Total RM'000
	Computer equipment RM'000	Motor vehicles RM'000	Office equipment, furniture, fixtures and fittings RM'000	
<b>Cost:</b>				
At beginning of year	376	1,749	2,265	4,390
Additions	78	3	30	111
Disposals	–	(245)	(1)	(246)
At end of year	<b>454</b>	<b>1,507</b>	<b>2,294</b>	<b>4,255</b>
<b>Accumulated Depreciation:</b>				
At beginning of year	89	1,523	384	1,996
Charge for the year	42	195	228	465
Disposals	–	(245)	–	(245)
At end of year	<b>131</b>	<b>1,473</b>	<b>612</b>	<b>2,216</b>
<b>Net Book Value:</b>				
At end of year	<b>323</b>	<b>34</b>	<b>1,682</b>	<b>2,039</b>
At beginning of year	287	226	1,881	2,394
Depreciation charge for the year ended 30 September 2000	32	335	213	580

- (a) Certain freehold land and buildings of the subsidiary companies with net book value amounting to RM3,486,000 (2000: RM3,510,000) have been pledged to a licensed bank for an overdraft facility granted to one of the said subsidiary companies.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**22. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

- (b) In respect of the previous year, the freehold land and building of the Group, which were carried at revaluation, were revalued in 1984 based on an appraisal by a firm of professional valuers using an open market value basis. There was no subsequent revaluation performed since then and as permitted under the transitional provision of International Accounting Standard 16 (Revised), Property, Plant and Equipment, these properties are stated at their 1984 valuation less accumulated depreciation. Had the revalued freehold land and building been carried at historical cost less accumulated depreciation, the cost and net book value as at 30 September 2000 would be as follows:

	<b>Group 2000 RM'000</b>
Cost:	
Freehold land	149
Building	847
	<hr/> 996
Accumulated depreciation:	
Building	203
Net book value	<hr/> <hr/> 793

The above-mentioned freehold land and building were disposed of in the current year.

- (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:

	<b>Group</b>		<b>Company</b>	
	<b>2001 RM'000</b>	<b>2000 RM'000</b>	<b>2001 RM'000</b>	<b>2000 RM'000</b>
Computer equipment	<b>1,050</b>	777	-	-
Motor vehicles	<b>2,400</b>	1,681	<b>1,400</b>	489
Office equipment, furniture, fixtures and fittings	<b>2,558</b>	2,278	-	-
	<hr/> <b>6,008</b>	4,736	<hr/> <b>1,400</b>	489

- (d) The net book value of motor vehicles of the Group and of the Company held under hire purchase agreements are RM476,000 (2000: RM267,000) and RM24,000 (2000: RM99,000) respectively.

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

	<b>Group</b>		<b>Company</b>	
	<b>2001 RM'000</b>	<b>2000 RM'000</b>	<b>2001 RM'000</b>	<b>2000 RM'000</b>
Cash	<b>2,000</b>	3,943	<b>111</b>	364
Hire purchase	<b>297</b>	20	-	-
	<hr/> <b>2,297</b>	3,963	<hr/> <b>111</b>	364



## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**23. INVESTMENT IN SUBSIDIARY COMPANIES**

	Company	
	2001 RM'000	2000 RM'000
Unquoted shares – at cost	92,456	86,135
Provision for diminution in value	(4,590)	(4,590)
	87,866	81,545

The subsidiary companies are:

	Effective Interests		Principal Activities
	2001 %	2000 %	
<b>Incorporated in Malaysia</b>			
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 products 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
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. (formerly known as Seni Sempurna Sdn. Bhd.)	100	100	Dormant
Dynamic Network Distributions Sdn. Bhd.*	64	–	Provision of management and privilege card programme services
<b>Incorporated in the United States of America</b>			
P & O Global Technologies, Inc.*	100	100	Information technology services, research and development and trading activities
<b>Subsidiary company of P &amp; O Global Technologies Sdn. Bhd.</b>			
<b>Incorporated in Thailand</b>			
P & O Global Technologies (Thailand) Co. Ltd.*	100	100	Dealing in computer software and systems

\* Subsidiary companies not audited by Arthur Andersen & Co.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**23. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)****Acquisition of Subsidiary Company**

During the financial year, the Company acquired a 64% equity interest in Dynamic Network Distributions Sdn. Bhd. The effect of this acquisition on the financial results of the Group during the financial year is shown below:

	<b>7 months ended 30.9.2001 RM'000</b>
Revenue	<b>31</b>
Operating costs	<b>(916)</b>
Loss before taxation	<b>(885)</b>
Income tax expense	<b>-</b>
Increase in Group loss attributable to shareholders	<b>(885)</b>

The effect of this acquisition on the financial position of the Group as at 30 September 2001 is as follows:

	<b>30.9.2001 RM'000</b>
Property, plant and equipment	<b>154</b>
Trade and other receivables	<b>182</b>
Cash and bank balances	<b>42</b>
Other payables	<b>(110)</b>
Increase in Group net assets	<b>268</b>

The effect of this acquisition on the cash flow of the Group at the date of acquisition is disclosed in the note to the consolidated cash flow statement.

There was no acquisition of subsidiary companies in the financial year ended 30 September 2000.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**24. INTANGIBLE ASSETS**

	Group	
	2001 RM'000	2000 RM'000
Goodwill on consolidation:		
At beginning of year	4,209	4,588
Goodwill on acquisition of a subsidiary company	468	–
Amortisation	(379)	(379)
Written off	(468)	–
At end of year	3,830	4,209
Preliminary and pre-operating expenses:		
At beginning of year	–	36
Additions	–	7
	–	43
Written off	–	(43)
At end of year	–	–
Software distribution licence:		
At beginning of year	1,735	2,131
Amortisation	(318)	(359)
Translation differences	(84)	(37)
At end of year	1,333	1,735
	5,163	5,944

Included in pre-operating expenses in the previous year was an amount of RM5,000 for auditors' remuneration.

**25. TRADE PAYABLES**

	Group	
	2001 RM'000	2000 RM'000
Provision for outstanding claims	341,055	362,255
Recoverable from reinsurers	(36,571)	(42,071)
Net outstanding claims	304,484	320,184
Due to reinsurers / ceding companies and co-insurers	3,658	3,058
Due to agents / brokers and insureds	998	841
Others	527	298
	309,667	324,381

Included in the provision for outstanding claims is an amount of RM110,121,000 (2000: RM135,441,000) in respect of net provision for Incurred But Not Reported (IBNR) claims as determined by an independent professional actuary.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**26. OTHER PAYABLES**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
2 <sup>nd</sup> interim dividend	2,678	–	2,678	–
3 <sup>rd</sup> interim dividend	–	5,357	–	5,357
Proposed final dividend	–	5,357	–	5,357
Accruals	2,535	2,654	182	104
Collateral deposits	1,069	1,062	–	–
IGSF levy	1,563	1,449	–	–
Others	2,947	3,021	294	176
	<b>10,792</b>	<b>18,900</b>	<b>3,154</b>	<b>10,994</b>

**27. HIRE PURCHASE CREDITORS**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Future minimum payments are as follows:				
Payable within one year	129	169	5	89
Payable between one and five years	245	88	–	5
	<b>374</b>	<b>257</b>	<b>5</b>	<b>94</b>
Finance charges	(70)	(60)	(1)	(21)
	<b>304</b>	<b>197</b>	<b>4</b>	<b>73</b>
Representing hire purchase creditors:				
Due within one year	102	130	4	69
Due after one year	202	67	–	4
	<b>304</b>	<b>197</b>	<b>4</b>	<b>73</b>

**28. BANK BORROWINGS**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Bank overdraft	756	1,197	–	–
Revolving credits	10,000	5,000	5,000	–
	<b>10,756</b>	<b>6,197</b>	<b>5,000</b>	<b>–</b>

The revolving credit facilities are unsecured and bear interest at 1.5% (2000: 1.5%) per annum above the cost of funds. The bank overdraft is secured over certain of the freehold land and buildings of the subsidiary companies and bears interest at 1.75% to 2.5% (2000: 2.5%) per annum above the base lending rate.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**29. DEFERRED TAXATION**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
At beginning of year	<b>(4,846)</b>	72	<b>34</b>	111
Transferred to income statements	<b>(1,434)</b>	(4,918)	<b>(34)</b>	(77)
At end of year	<b>(6,280)</b>	(4,846)	-	34
This has been based on timing differences on:				
Depreciation and capital allowances on property, plant and equipment	<b>5,227</b>	5,234	-	(778)
Basis for computing unearned premium reserves	<b>(41)</b>	(10,745)	-	-
Provision for diminution in value of investments	<b>(27,614)</b>	(12,696)	-	-
Others	-	898	-	898
Timing differences on which deferred taxation is provided	<b>(22,428)</b>	(17,309)	-	120

**30. UNEARNED PREMIUM RESERVES**

	Group	
	2001 RM'000	2000 RM'000
At beginning of year	<b>68,031</b>	60,134
Increase in unearned premium reserves (Note 10)	<b>16,624</b>	7,897
At end of year	<b>84,655</b>	68,031

**31. SHARE CAPITAL**

	Group / Company	
	2001 RM'000	2000 RM'000
Authorised:		
Shares of RM1.00 each	<b>200,000</b>	200,000
Issued and fully paid:		
Ordinary shares of RM1.00 each	<b>99,200</b>	99,200

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**32. RESERVES**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Non-distributable:				
Revaluation reserve	–	2	–	–
Translation reserve	(307)	(447)	–	–
Share premium	44,215	44,215	44,215	44,215
Merger reserve	40,769	20,769	–	–
	<b>84,677</b>	64,539	<b>44,215</b>	44,215
Distributable:				
Accumulated profits	63,985	102,134	62,409	59,443
	<b>148,662</b>	166,673	<b>106,624</b>	103,658

The revaluation reserve cannot be distributed as cash dividends until after realisation of the assets concerned. During the financial year, the revaluation reserve was transferred to accumulated profits upon disposal of the said assets.

**33. DIVIDENDS**

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
1 <sup>st</sup> interim dividend of 3.75 sen per share less tax at 28% (2000: 7.5 sen per share less tax at 28%)	2,678	5,357	2,678	5,357
2 <sup>nd</sup> interim dividend of 3.75 sen per share less tax at 28% (2000: 7.5 sen per share less tax at 28%)	2,678	5,357	2,678	5,357
3 <sup>rd</sup> interim dividend of Nil sen per share less tax at 28% (2000: 7.5 sen per share less tax at 28%)	–	5,357	–	5,357
Proposed final dividend of Nil sen per share less tax at 28% (2000: 7.5 sen per share less tax at 28%)	–	5,357	–	5,357
	<b>5,356</b>	21,428	<b>5,356</b>	21,428

**34. RELATED PARTY TRANSACTIONS**

	Group	
	2001 RM'000	2000 RM'000
Transactions with other related party:		
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	825	764

The Directors are of the opinion that the transactions above 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.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**35. COMMITMENTS AND CONTINGENCIES**

(a) Contingent liabilities

	Group	
	2001 RM'000	2000 RM'000
Guarantees given to financial institutions for facilities extended to subsidiary companies – unsecured	<b>5,904</b>	6,271

(b) Other commitments and contingencies

The Group may be required to contribute up to a maximum amount of RM1,951,000 (2000: RM1,563,000) in the following financial year to the Insurance Guarantee Scheme Fund.

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities on behalf of its customers. No material losses are anticipated as a result of these transactions.

**36. SEGMENT REPORTING**

Segmental Information by Activities:

	Total Operating Revenue RM'000	Operating Revenue Derived From Other Segments RM'000	Net Operating Revenue Derived From External Customers RM'000	Profit / (Loss) Before Taxation RM'000	Total Assets Employed RM'000
<b>2001</b>					
General insurance business	222,597	255	222,342	729	533,377
Investment holding	17,921	16,768	1,153	11,709	213,982
Information technology	13,902	9,420	4,482	(7,996)	34,314
Others	1,095	329	766	(4,743)	49,404
	<b>255,515</b>	<b>26,772</b>	<b>228,743</b>	<b>(301)</b>	<b>831,077</b>
Consolidation adjustments	<b>(26,772)</b>	<b>(26,772)</b>	–	<b>(11,891)</b>	<b>(170,565)</b>
	<b>228,743</b>	–	<b>228,743</b>	<b>(12,192)</b>	<b>660,512</b>
<b>2000</b>					
General insurance business	185,882	237	185,645	34,468	555,860
Investment holding	36,455	35,140	1,315	29,702	213,959
Information technology	13,501	8,171	5,330	(10,123)	32,023
Others	1,695	154	1,541	(4,303)	43,610
	237,533	43,702	193,831	49,744	845,452
Consolidation adjustments	(43,702)	(43,702)	–	(30,262)	(157,969)
	193,831	–	193,831	19,482	687,483

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2001

**36. SEGMENT REPORTING (Cont'd)**

Segmental Information by Geographical Areas:

	Operating Revenue RM'000	Profit / (Loss) Before Taxation RM'000	Total Assets Employed RM'000
<b>2001</b>			
Malaysia	250,499	1,714	823,372
United States of America	3,583	(132)	4,685
Thailand	1,433	(1,883)	3,020
	<b>255,515</b>	<b>(301)</b>	<b>831,077</b>
Consolidation adjustments	<b>(26,772)</b>	<b>(11,891)</b>	<b>(170,565)</b>
	<b>228,743</b>	<b>(12,192)</b>	<b>660,512</b>
<b>2000</b>			
Malaysia	232,204	51,956	838,419
United States of America	3,874	(107)	4,462
Thailand	1,455	(2,105)	2,571
	237,533	49,744	845,452
Consolidation adjustments	(43,702)	(30,262)	(157,969)
	193,831	19,482	687,483

**37. COMPARATIVE FIGURES**

The presentation of the financial statements for the current year has been extended to comply with the new Malaysian Accounting Standards Board standards that are operative during the financial year ended 30 September 2001.

The following comparative figures of the Group's financial statements and notes thereto have been restated to conform with current year's presentation:

	As previously reported RM'000	As restated RM'000
<b>INCOME STATEMENT</b>		
Revenue	151,497	193,831
Other operating income	50,791	25,890
Reinsurance	-	17,433
Staff costs	19,778	19,193
Other operating expenses	34,650	35,235
<b>BALANCE SHEET</b>		
Other payables	24,030	18,900
Bank borrowings	1,197	6,197
Hire purchase creditors	67	197



# List of Group's Properties

AS AT 30 SEPTEMBER 2001

Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30/9/2001 RM'000	Approximate age of building Years	Date of acquisition
<b>MALAYSIA</b>						
P.N. 7383 Lot 1703 Section 46 and P.N. 7382 Lot 1700 Section 46	10,590	Leasehold expiring 8.4.2074	Office	3,854	16	Unit 10-A 1/7/1993
10 <sup>th</sup> Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan						Unit 10-B 1/4/1995
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	11 <sup>th</sup> Floor 10,589  12 <sup>th</sup> Floor 10,589	Leasehold expiring 8.4.2074	Office	5,882	16	21/12/1982
11 <sup>th</sup> and 12 <sup>th</sup> Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan						
Lot No. 262 Mukim of Ampang District and State of Wilayah Persekutuan	1,596	Freehold	Condominium / Residential	398	16	14/4/1986
Unit 15-A, 15 <sup>th</sup> Floor GCB Court No. 63, Jalan Ampang 50450 Kuala Lumpur Wilayah Persekutuan						

## LIST OF GROUP'S PROPERTIES

AS AT 30 SEPTEMBER 2001

Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30/9/2001 RM'000	Approximate age of building Years	Date of acquisition
Grant Nos. 7486, 7491, 1362 and C.T. 1226 1438, 323, 322 & 2145 Town of Seremban  Shop-lot No. G.07 Ground Floor Wisma Punca Emas Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus	312.5	Freehold	Shop-lot	158	22	1/12/1986
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	17	8/12/1984
Lot No. 3.01 GL Nos. 20325 & 20326  Lot 3.1, 3 <sup>rd</sup> Floor Wisma Kota Emas Jalan Dato' Tahwil Azhar 30300 Ipoh Perak Darul Ridzuan	787	Freehold	Office-lot	50	18	13/2/1991
Lot No. 3.02 GL Nos. 20323 & 20324  Lot 3.2, 3 <sup>rd</sup> Floor Wisma Kota Emas Jalan Dato' Tahwil Azhar 30300 Ipoh Perak Darul Ridzuan	743	Freehold	Office lot	50	18	13/2/1991

## LIST OF GROUP'S PROPERTIES

AS AT 30 SEPTEMBER 2001

Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30/9/2001 RM'000	Approximate age of building Years	Date of acquisition
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	1,430	3	18/9/1998
Lot No. 4328 N Held under Title No. 8385 Town of Ipoh District of Kinta Ipoh, Perak Darul Ridzuan  Parcel No. BO-26 No. 26, Ground Floor Cherry Apartment Off Jalan Maxwell 30100 Ipoh Perak Darul Ridzuan	748	Freehold	Apartment / Residential	50	10	4/1/1996
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	1½ storey factory corner unit / office	428	2	3/12/1999
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	1½ storey intermediate unit / office	219	2	3/12/1999

## LIST OF GROUP'S PROPERTIES

AS AT 30 SEPTEMBER 2001

Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30/9/2001 RM'000	Approximate age of building Years	Date of acquisition
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	3½ storey mid terraced shop-office	1,843	21	24/1/1997
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	3½ storey mid terraced shop-office	1,643	21	24/1/1997
<b>UNITED STATES OF AMERICA</b>						
East Quogue Town of Southampton Suffolk County New York  S.C.T.M. Dist. 900 Sec. 220 Blk. 01 Lot 90	(240,362)	Freehold	2 storey building	1,295	32	14/1/1998

# Shareholdings Statistics

AS AT 31 DECEMBER 2001

Authorised capital	:	RM200,000,000
Issued and fully paid-up capital	:	RM99,200,000
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 1,000	12	1,699	0.00
1,000 to 10,000	4,715	12,231,301	12.33
10,001 to 100,000	368	9,681,000	9.76
100,001 to less than 5% of issued shares	44	20,246,000	20.41
5% and above of issued shares	3	57,040,000	57.50
<b>Total</b>	<b>5,142</b>	<b>99,200,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest	No. of RM1.00 Shares		%
		%	Indirect Interest	
Mah Wing Investments Limited	23,848,620	24.04	—	—
Mah Wing Holdings Sdn Bhd	23,575,478	23.77	—	—
Chan Thye Seng	9,615,902	9.69	*47,424,098	47.81
Employees Provident Fund Board	5,470,000	5.51	—	—

**Note:** \* Held by virtue of his substantial shareholding in Mah Wing Investments Limited and Mah Wing Holdings Sdn Bhd.

## DIRECTORS' SHAREHOLDINGS

Name	Direct Interest	No. of RM1.00 Shares		%
		%	Indirect Interest	
Chan Hua Eng R OBE	—	—	—	—
Chan Thye Seng	9,615,902	9.69	^47,424,098	47.81
Lim Kheng Guan	20,000	0.02	—	—
Michael Yee Kim Shing	—	—	#155,000	0.16
Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	—	—	—	—
Dato' Abu Hanifah Noordin	—	—	—	—

**Notes:** ^ Held by virtue of his substantial shareholding in Mah Wing Investments Limited and Mah Wing Holdings Sdn Bhd.

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

## SHAREHOLDINGS STATISTICS

AS AT 31 DECEMBER 2001

## THIRTY LARGEST SHAREHOLDERS

Name	No. of RM1.00 Shares	% of Issued Capital
1. Mah Wing Investments Limited	23,848,620	24.04
2. Mah Wing Holdings Sdn Bhd	23,575,478	23.77
3. Chan Thye Seng	9,615,902	9.69
4. Employees Provident Fund Board	3,883,000	3.91
5. Permodalan Nasional Berhad	1,719,000	1.73
6. Libra Asia Securities Limited	1,130,000	1.14
7. AllianceGroup Nominees (Tempatan) Sdn Bhd – PHEIM Asset Management Sdn Bhd for Employees Provident Fund	1,087,000	1.10
8. Amanah Saham Mara Berhad	960,000	0.97
9. Universal Trustee (Malaysia) Berhad – BHLB Pacific High Growth Fund	750,000	0.76
10. Universal Trustee (Malaysia) Berhad – Mayban Balanced Trust Fund	600,000	0.61
11. Universal Trustee (Malaysia) Berhad – BHLB Pacific Emerging Companies Growth Fund	592,000	0.60
12. Libra Capital Markets Sendirian Berhad – Libra Asia Securities Limited for Premier Securities Investment Limited	576,000	0.58
13. AM Nominees (Tempatan) Sdn Bhd – Pertubuhan Keselamatan Sosial	558,000	0.56
14. Yayasan Sarawak	500,000	0.50
15. Yayasan Sabah	500,000	0.50
16. Arab-Malaysian Nominees (Tempatan) Sdn Bhd – MIDF Aberdeen Asset Management Sdn Bhd for Employees Provident Fund (7/836-2)	500,000	0.50
17. Amanah Raya Berhad – BHLB Pacific Double Growth Fund	475,000	0.48
18. Menteri Besar Incorporation	441,000	0.45
19. Yayasan Kedah Berhad	427,000	0.43
20. Yeoh Kean Hua	406,000	0.41
21. PFM Capital Sdn Bhd	390,000	0.40
22. UOBM Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Ancom Berhad (PCI)	347,000	0.35
23. Perbadanan Nasional Berhad	346,000	0.35
24. Lembaga Pemegang-Pemegang Amanah Yayasan Negeri Sembilan	291,000	0.29
25. Universal Trustee (Malaysia) Berhad – BHLB Pacific Savings Fund	286,000	0.29
26. Wong Thean Yew	280,000	0.28
27. Rothputra Nominees (Tempatan) Sdn Bhd – BBMB Retirement Scheme	250,000	0.25
28. Lee Soon Hian	212,000	0.21
29. AM Nominees (Tempatan) Sdn Bhd – Tabung Amanah Warisan Negeri Johor	212,000	0.21
30. RHB Nominees (Tempatan) Sdn Bhd – Rashid Hussain Asset Management Sdn Bhd for Yayasan Selangor	200,000	0.20
<b>Total</b>	<b>74,958,000</b>	<b>75.56</b>





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

# Form of Proxy

\*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 Eighth Annual General Meeting of the Company, to be held at Raya Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 4 March 2002 at 11.30 a.m. and at any adjournment thereof.

The proportion of \*my / our holding to be represented by \*my / our proxies are as follows:  
*[The next paragraph must be completed if two proxies are appointed]*

No. of Shares Held	
--------------------	--

First Proxy \_\_\_\_\_ %

Second Proxy \_\_\_\_\_ %

\*My / Our proxy is to vote as indicated herebelow:

	Resolutions	For	Against
1.	To receive the audited financial statements for the year ended 30 September 2001 and the Reports of the Directors and the Auditors thereon.		
2.	To re-elect Dato' Abu Hanifah Noordin as a Director of the Company.		
3.	To re-appoint Mr Chan Hua Eng as a Director of the Company pursuant to Section 129 of the Companies Act, 1965.		
4.	To re-appoint Messrs Arthur Andersen & Co. as auditors and to authorise the Directors to fix their remuneration.		
5.	To authorise the Directors to adopt the New Articles of Association.		
6.	To authorise the Directors to issue shares in the Company in the financial year which does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company for the time being.		
7.	To authorise the Directors to purchase shares in the Company.		

*[Please indicate with an "x" how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.]*

\*Delete if not applicable.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2002

\_\_\_\_\_  
Signature / Common Seal of Member(s)

**Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. The provision of Section 149(1)(b) of the Companies Act, 1965 ("the Act") shall not apply to the Company.
2. The instrument appointing a proxy must be deposited at the registered office of the Company situated at 11<sup>th</sup> Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.
3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. The provision of Section 149(1)(c) of the Act shall apply to the Company.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. Where a member is personally present at the meeting, any proxy appointed by that member shall be invalidated.
6. 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)

11<sup>th</sup> Floor, Wisma Bumi Raya

No. 10, Jalan Raja Laut

50350 Kuala Lumpur

Malaysia

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