



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

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**NOTICE IS HEREBY GIVEN** that the Ninth Annual General Meeting of the Company will be held at Raya Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 18 February 2003 at 11.30 a.m. for the following purposes:

# Notice

1. To receive and consider the audited financial statements for the year ended 30 September 2002 and the Reports of the Directors and the Auditors thereon. **Resolution 1**

2. To re-elect a Director:

Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed retires by rotation pursuant to Article 82 of the Company's Articles of Association, and being eligible, offers himself for re-election. **Resolution 2**

3. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:

"THAT Mr Chan Hua Eng being over the age of 70 years and retiring in accordance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting of the Company." **Resolution 3**

4. To re-appoint Messrs Ernst & Young 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 Ordinary Resolutions:

a) Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 **Resolution 5**

"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 6**

"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 2002 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 (re: page 3 item 5 of the Circular) which would otherwise be available for dividends; AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever occurs first);

# of Annual General Meeting

- ii) retain the shares so purchased as treasury shares or cancel them or both, with an appropriate announcement to be made to 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

24 January 2003

## NOTES:

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

## EXPLANATORY NOTES ON SPECIAL BUSINESS

### 1. **Resolution 5 – 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.

### 2. **Resolution 6 – 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 2002 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 (74), Malaysian  
Non-Executive Chairman
- Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed (58), Malaysian  
Independent Non-Executive Director, Chairman of the Nominating Committee and the Remuneration Committee, member of the Audit Committee

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

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

### **BOARD MEETINGS**

#### **Attendance**

There were four meetings of the Board of Directors held during the financial year ended 30 September 2002, the details are set out in the Corporate Governance on page 8 of this Annual Report.

#### **Place and Time of Meetings**

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

Date		Time
30 November 2001	22nd Board Meeting	11.40 a.m.
28 February 2002	23rd Board Meeting	4.00 p.m.
24 May 2002	24th Board Meeting	11.30 a.m.
30 August 2002	25th Board Meeting	11.30 a.m.

# 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 Bin Noordin  
Independent Non-Executive Director

## **SECRETARIES**

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

## **REGISTRARS**

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

## **AUDITORS**

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

## **PRINCIPAL BANKERS**

Malayan Banking Berhad  
Bank Utama (Malaysia) Berhad

## **REGISTERED OFFICE**

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

## **STOCK EXCHANGE LISTING**

Kuala Lumpur Stock Exchange  
Main Board

# Profile of the

**Chan Hua Eng** R OBE (74), Malaysian

Non-Executive Chairman

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

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

**Chan Thye Seng** (46), 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** (60), 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 Institute 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 positions 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. He is also a non-independent non-executive director of Celcom (Malaysia) Berhad and Technology Resources Industries Berhad.

# Board of Directors

**Michael Yee Kim Shing** (64), Malaysian

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

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

An independent non-executive director of Mega First Corporation Berhad, Pacific & Orient Insurance Co. Berhad and Dataprep Holdings Berhad. He has an indirect interest in 155,000 fully paid ordinary shares of RM1.00 each in the Company.

**Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed** (58), Malaysian

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

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

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

**Dato' Abu Hanifah Bin Noordin** (51), Malaysian

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

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

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 traffic offences within the last ten years.



# Corporate Governance

## and Statement of Directors' Responsibilities

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

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

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

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

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

### B. BOARD OF DIRECTORS

#### 1. Composition and Attendance

The composition of the Board, and the individual Directors' attendance of meetings during the financial year ended 30 September 2002 were as follows:

		Meetings Attended (Out of 4 Held)
Mr Chan Hua Eng R OBE	Non-Executive Chairman	3
Mr Chan Thye Seng	Chief Executive Officer	4
Mr Lim Kheng Guan	Independent Non-Executive Director	3
Mr Michael Yee Kim Shing	Independent Non-Executive Director	4
Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	Independent Non-Executive Director	4
Dato' Abu Hanifah Bin Noordin	Independent Non-Executive Director	3

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

Independent non-executive directors form 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 fulfil 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.

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

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

As mentioned in 1 above, the Board is of the view that it has the right mix of individual qualities to fulfil its role.

## Corporate Governance and Statement of Directors' Responsibilities

Further, as the Board was unchanged from the previous financial year, it was not considered necessary to reassess the composition of the Board or its individual members.

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

No meetings were held during the financial year under review.

### 3. Remuneration

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

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

	RM	No. of Directors
<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
Aggregate		
• Fees	105,000	
• Benefits-in-kind	2,100	
<b>Executive:</b>		
RM550,001 to RM600,000		
• Salary and other remuneration	432,676	1
• Allowances	120,000	
• Benefits-in-kind	19,100	
	<u>571,776</u>	
Aggregate		
• Salary and other remuneration	432,676	
• Allowances	120,000	
• Benefits-in-kind	19,100	

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

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

No meetings were held during the financial year under review.

## Corporate Governance and Statement of Directors' Responsibilities

### 4. Responsibilities

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

### 5. Supply of Information

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

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

## C. SHAREHOLDERS

The Board recognises the value of good investor 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 13 to 15.

### 2. Responsibility for Annual Audited Financial Statements

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

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

# Statement of Internal Controls

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

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

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

During the period under review, these controls and procedures were augmented, documented/formalised for the major subsidiary.

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

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

# 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 Company to the external auditors during the financial year amounted to RM11,000.

# Report

## of the Audit Committee

### MEMBERS

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

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

Lim Kheng Guan (Independent Non-Executive Director)

Dato' Abu Hanifah Bin 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 Requirements of the Kuala Lumpur Stock Exchange ("KLSE").
- 1.3 The Committee shall include at least one person:
  - a) Who is a member of the Malaysian Institute of Accountants; or
  - b) Who must have at least three (3) year's working experience and:
    - i) Have passed the examinations specified in Part I of the 1st schedule of the Accountants Act, 1967; or
    - ii) Is a member of one of the Associations specified in Part II of the 1st schedule of the Accountants Act, 1967.
- 1.4 No alternate Directors shall be appointed as a member of the Committee.
- 1.5 The members of the Committee shall elect a Chairman from amongst their number.
- 1.6 If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three months appoint such number of new members as may be required to make up the minimum of three (3) members.
- 1.7 The terms of office and performance of the Committee and each of its members shall be reviewed by the Board no less than once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

#### 2. Meetings

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

#### 3. Rights and Authority

The Committee is authorised to:

- 3.1 Investigate any matter within its terms of reference.
- 3.2 Have adequate resources required to perform its duties.
- 3.3 Have full and unrestricted access to information, records and documents relevant to its activities.
- 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 programme 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 KLSE.
- 4.4 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering:
- a) The composition of the Committee including the name, designation and directorship of the members.
  - b) The terms of reference of the Committee.
  - c) The number of meetings held and details of attendance of each member.
  - d) A summary of the activities of the Committee in the discharge of its functions and duties.
  - e) A summary of the activities of the Internal Audit function.
- 4.5 To review the following for publication in the Company's Annual Report:
- (a) The disclosure statement of the Board on:
    - i) The Company's applications of the principles set out in Part I of the Malaysian Code on Corporate Governance.
    - ii) The extent of compliance with the best practices set out in Part II of the Malaysian Code on Corporate Governance, specifying reasons for any area of non-compliance and the alternative measures adopted in such areas.
  - (b) The statement on the Board's responsibility for the preparation of the annual audited financial statements.
  - (c) The disclosure statement on the state of the system of internal controls of the Company and of the Group.
  - (d) Other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of the Listing Requirements of the KLSE.

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

# Report of the Audit Committee

## 5. Internal Audit Department

- 5.1 The Head of the Internal Audit Department shall have unrestricted access to the Committee members and report to the Committee whose scope of responsibility includes overseeing the development and the establishment of the Internal Audit function.
- 5.2 In respect of the routine administrative matters, the Head of 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 ended 30 September 2002. 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 Bin Noordin	4	4

## 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 2002 includes the following:

- Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plans and results of the internal audit processes, with the Internal Audit Department.
- Reviewed with the External Auditors their audit plans (inclusive of system evaluation, audit fees, issues raised and management's response) prior to the commencement of the annual audit.
- Reviewed the draft year-end statutory accounts, the audit reports, issues and reservations arising from audits and the management's letter, with the External Auditors.
- Reviewed the draft quarterly and year-end statutory accounts with management and the respective draft quarterly reports for announcement to the KLSE.
- Reviewed the disclosure of related party transactions entered into by the Company and the Group and any conflict of interest situation and questionable transactions which may have an impact on management's integrity.
- Updated and advised the Board with any latest changes and pronouncements that may have been issued by the accountancy, statutory and regulatory bodies.
- Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate made the necessary recommendations to the Board. Minutes of all Committee's meetings were made available to all Board members.
- Prepared the Audit Committee Report for inclusion in the Company's Annual Report.
- Reviewed with management and the External Auditors the disclosure statements on compliance of the Malaysian Code of Corporate Governance, Board's responsibility for preparing the annual audited accounts and the Statement of Internal Controls ("SIC"), the negative assurance in respect of the review on the SIC provided by the External Auditors (Para 15.24 of the Listing Requirements of the KLSE) 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 2002 is as follows:

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



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 2002.

## **FINANCIAL RESULTS**

The Group posted revenue of RM251.5 million which was RM23.5 million higher than that recorded in 2001. This increase resulted from premium growth at the insurance subsidiary company and higher interest income from the money lending subsidiary company. However, a higher pre-tax loss of RM13.3 million was recorded compared to the RM12.2 million of 2001 mainly due to higher claims incurred by the insurance subsidiary company. After tax loss was lower at RM11.1 million, a reduction of RM1.7 million against the RM12.8 million after tax loss of 2001, mainly because higher deferred tax benefits were recognised at the insurance subsidiary company, resulting in a tax write-back in 2002.

At Company level, turnover decreased to RM7.4 million from RM17.9 million in 2001 because of a reduction in dividend income. In line with this, pre-tax profit was reduced to RM1.0 million from RM11.7 million in 2001 and after-tax profits were lower at RM0.7 million compared to RM8.3 million in 2001.

# Chairman's

## **ACTIVITIES AND PROSPECTS OF THE GROUP**

The level of business activity for the Group increased again making three successive years of growth in turnover. The main contributor to this growth was once more the Financial Services Division with the Information Technology Division recording modest gains. However, keen competition in the insurance industry and sluggish demand for IT products and services have again hampered profitability.

The outlook for the global economy remains uncertain with lower world growth forecast for 2003 by the IMF in its World Economic Outlook survey of September 2002. Although Asia is generally expected to perform better than Europe and the USA, uncertainties such as the price of oil, instability in the Middle East and slow global economic recovery all act to dampen optimism. Domestically, the considerable reliance on exports of manufactured goods and the continued trend of shrinking foreign direct investment weigh heavily on the economy. In order to counter these shortcomings the Malaysian government introduced a number of initiatives to encourage growth from the domestic sector but results are unlikely to be seen in the short term.

Faced with these facts, your Board is cautiously optimistic about the current year. The possibility of further negative impact on the Group cannot be completely disregarded but the Group remains financially sound and your Board and management both continue to seek out sustainable growth and profitability.

As announced previously, your Company has proposed an Employee Share Option Scheme (ESOS). Open to eligible employees of the Group, the ESOS is intended to motivate and retain staff by rewarding them in a manner related to the performance of the Group. By recognising employee contribution in this manner, it is hoped that staff will take even greater interest in the Group's progress.

#### **Financial Services**

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

#### **Insurance**

During the year a branch office was opened in Kuching, re-establishing a presence in that city after an absence of several years and a service centre was opened in Sungai Petani. By extending the office network of POI, it is expected that service to customers in those areas will be improved and that premium growth would be encouraged.

# Statement

Throughout the year POI participated in a pilot project, testing an online link to Jabatan Pengangkutan Jalan ("JPJ"). Under this system, insurance information is transmitted to JPJ and captured in its database. The successful completion of the project is expected to result in a switch to electronic cover notes. When introduced, these will bring about greater efficiency and convenience for customers.

Two new products were launched during the year: extended warranty programmes for Perusahaan Otomobil Kedua Sdn Bhd (Perodua) vehicles and for consumer electrical goods. The former is offered in collaboration with Perodua to customers who buy their vehicles under hire purchase. The latter is distributed through credit companies and major retailers. Both products give a customer the choice of extending the warranty period of his or her purchase beyond that offered by the manufacturer itself.

Turnover of RM233.5 million was achieved compared to the RM221.8 million of 2001, an increase of approximately five per cent. Despite this, POI recorded a pre-tax loss of RM12.0 million, a reversal from the RM0.7 million pre-tax profit in 2001. The modest premium growth achieved was a reflection of the extent of competition within the industry and, as mentioned last year, if this situation continues, the resultant erosion of underwriting margins will limit opportunities for further growth. The reduction in profitability was mainly due to an increase in claims reserves.

## Chairman's Statement

### **Money Lending**

Turnover at POC rose significantly to RM11.1 million from RM0.9 million in 2001. This increase was due to the recognition of interest income that, for reasons of prudence, was not previously recognised. POC was able to do this as the uncertainties surrounding a borrower's debt restructuring have been removed. As a result, a pre-tax profit of RM6.3 million was posted compared to the pre-tax loss of RM3.3 million of 2001.

### **Information Technology**

Keenly competitive market conditions make 2002 a challenging year. The many enquiries received last year in respect of higher value insurance-related software did not translate into firm orders and as a result, turnover for the Division was below expectation. The insurance industry in Malaysia does not appear ready yet to undertake major commitments to investment in technology due for the most part to a difficult operating environment and the prospect of further mergers – many projects have been suspended temporarily and even cancelled as a result. However, sales of workflow solutions continued at a steady pace with successful implementations at legal firms taking place during the year.

In the USA, operations were expanded to Florida with the opening of an office in Fort Lauderdale. This office was set up primarily to provide wireless Internet access but other products and services (Virtual Private Networks, Point to Point, Web Hosting, Web Design and Workflow Applications) are also on offer. Wireless Internet access is especially useful where land-based lines are not available or are not the preferred choice, e.g. in remote areas, for temporary site operations, private networks spread out over metropolitan areas, etc. This technology is also offered by our Malaysian operations.

The subsidiary company in Thailand is notable for having achieved a profit in 2002 due primarily to having secured a large software licensing agreement with a bank. Building on experience gained in Malaysia, the Thai subsidiary has begun to market the workflow solutions centred on credit administration and recovery.

This division recorded turnover of RM14.4 million, a slight improvement on the RM13.9 million of 2001. A pre-tax loss of RM7.4 million was posted, a marginal reduction from the RM8.0 million loss in 2001. The lower loss is attributable to cost reduction/containment and higher sales.

### **Consumer and Distribution Services**

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

## Chairman's Statement

### Distribution

Following the introduction of the Wizard Card motoring assistance service in 2001, enrolment has settled to a steady pace. POD continues to work towards sales growth by seeking out quality products to distribute. Discussions are being held with prospective suppliers and it is hoped that these will bear fruit during the current year. Sales of RM0.2 million were posted, the same level achieved in 2001. POD posted a lower pre-tax loss of RM0.1 million compared to RM0.3 million in 2001. This reduction was mainly due to a reduction in management expenses.

### Motoring Assistance

The Wizard Card programme operated by DND continues to grow steadily. The focus during 2002 has been to improve the quality of customer service and to broaden the range of services and benefits available to cardholders. With this, it is hoped that the ability of the company to generate income will be augmented.

DND contributed turnover of RM0.1 million compared to RM0.03 million in 2001. A pre-tax loss of RM0.9 million was posted against a pre-tax loss of RM1.2 million in 2001. (Note: 2002 was the first year in which a full year's results were consolidated in the Group accounts.) The lower loss is attributable to a reduction in expenditure on advertising and promotions.

### DIVIDEND

A first interim dividend of 3.75 sen less tax, in respect of the financial year ended 30 September 2002, was paid on 28 June 2002.

The Directors had on 18 November 2002 declared a second interim dividend of 3.75 sen per share less tax in respect of the financial year ended 30 September 2002, which is payable on 20 December 2002. This dividend has not been reflected in the financial statements but it will be accounted for in the financial year ending 30 September 2003. The Directors do not recommend the payment of any final dividend for the current financial year.

### APPRECIATION

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

**Chan Hua Eng** R OBE

Chairman

Kuala Lumpur

23 December 2002

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat tuan bagi tahun berakhir 30 September 2002.

## **KEPUTUSAN KEWANGAN**

Kumpulan mencatatkan hasil sebanyak RM251.5 juta yang merupakan RM23.5 juta lebih tinggi daripada yang dicatatkan pada tahun 2001. Peningkatan ini adalah akibat daripada pertumbuhan premium anak syarikat insurans dan pendapatan faedah yang lebih tinggi daripada anak syarikat pemberi pinjaman wang. Walau bagaimanapun, kerugian pra cukai yang lebih tinggi sebanyak RM13.3 juta telah dicatatkan berbanding dengan RM12.2 juta pada tahun 2001 terutamanya akibat tuntutan lebih tinggi ditanggung oleh anak syarikat insurans. Kerugian selepas cukai adalah lebih rendah pada RM11.1 juta, pengurangan sebanyak RM1.7 juta berbanding RM12.8 juta kerugian selepas cukai pada tahun 2001, terutamanya disebabkan oleh faedah cukai tertunda yang lebih tinggi telah diiktiraf pada anak syarikat insurans, mengakibatkan kemasukan kira semula cukai pada tahun 2002.

Pada peringkat Syarikat, jumlah dagangan menurun kepada RM7.4 juta daripada RM17.9 juta pada tahun 2001 disebabkan oleh pengurangan dalam pendapatan dividen. Seajar dengan ini, keuntungan pra cukai telah berkurangan kepada RM1.0 juta daripada RM11.7 juta pada tahun 2001 dan keuntungan selepas cukai adalah lebih rendah pada RM0.7 juta berbanding dengan RM8.3 juta pada tahun 2001.

# Penyata

## **AKTIVITI-AKTIVITI DAN PROSPEK KUMPULAN**

Tahap aktiviti perniagaan bagi Kumpulan meningkat sekali lagi menjadikannya pertumbuhan tiga tahun berturut-turut dalam jumlah dagangan. Penyumbang utama kepada pertumbuhan ini ialah Bahagian Khidmat Kewangan dengan Bahagian Teknologi Maklumat mencatatkan laba yang sederhana. Walau bagaimanapun, persaingan sengit dalam industri insurans dan permintaan yang lembab bagi produk dan perkhidmatan IT telah sekali lagi menjejaskan keberuntungan.

Harapan bagi ekonomi global kekal tidak pasti dengan ramalan pertumbuhan dunia yang lebih rendah bagi tahun 2003 oleh IMF dalam kajian Harapan Keseluruhan Ekonomi Dunia September 2002. Sungguhpun Asia pada amnya dijangka akan menunjukkan prestasi lebih baik daripada Eropah dan Amerika Syarikat, ketidakpastian seperti harga minyak, ketidakstabilan di Timur Tengah dan pemulihan ekonomi global yang lembab semuanya bertindak untuk melemahkan semangat. Dari segi domestik, pergantungan yang banyak ke atas eksport barangan dikilang dan trend berterusan bagi pengecutan pelaburan langsung asing membebankan ekonomi. Untuk menangkis kelemahan ini kerajaan Malaysia telah memperkenalkan beberapa inisiatif untuk menggalakkan pertumbuhan dari sektor domestik tetapi keputusan berkemungkinan tidak dapat dilihat dalam jangka pendek.

Berhadapan dengan fakta-fakta ini, Lembaga Pengarah tuan bersikap optimistik dengan berhati-hati mengenai tahun semasa. Kemungkinan kesan negatif selanjutnya ke atas Kumpulan tidak boleh diketepikan langsung namun Kumpulan kekal kukuh dari segi kewangan dan kedua-dua pihak Lembaga Pengarah serta pengurusan tuan akan terus mencari peluang pertumbuhan dan keberuntungan yang boleh dipertahankan.

Sebagaimana diumumkan sebelum ini, Syarikat tuan telah mencadangkan Skim Opsyen Saham Kakitangan ("ESOS"). Dibuka kepada kakitangan Kumpulan yang layak, ESOS adalah dihasratkan untuk mendorong dan mengekalkan kakitangan dengan memberi mereka ganjaran dalam cara yang berkait dengan prestasi Kumpulan. Dengan mengiktiraf sumbangan kakitangan dalam cara ini, adalah diharapkan agar kakitangan akan mengambil minat yang lebih dalam progres Kumpulan.

#### **Khidmat Kewangan**

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

#### **Insurans**

Dalam tahun ini, sebuah pejabat cawangan telah dibuka di Kuching yang memantapkan semula kehadiran dalam bandar itu selepas meninggalkannya beberapa tahun dan sebuah pusat servis telah dibuka di Sungai Petani. Dengan meluaskan rangkaian pejabat POI adalah dijangkakan bahawa perkhidmatan kepada pelanggan-pelanggan di kawasan itu akan bertambah baik dan bahawa pertumbuhan premium akan digalakkan.

# Pengerusi

Sepanjang tahun ini, POI menyertai dalam projek utama, yang menguji hubungan talian terus dengan Jabatan Pengangkutan Jalan ("JPJ"). Di bawah sistem ini maklumat insurans dihantar ke JPJ dan ditawan dalam pengkalan datanya. Kejayaan dalam penyelesaian projek ini dijangka akan mengakibatkan pertukaran kepada nota-nota perlindungan elektronik. Apabila diperkenalkan, ini akan membawa kepada kecekapan dan kemudahan yang lebih besar kepada pelanggan-pelanggan.

Dua produk baru telah dilancarkan dalam tahun ini: program waranti lanjutan bagi kenderaan Perusahaan Otomobil Kedua Sdn Bhd ("Perodua") dan untuk barangan elektrik pengguna. Program waranti lanjutan bagi kenderaan Perodua ditawarkan atas kerjasama dengan Perodua kepada pelanggan-pelanggan yang membeli kenderaan mereka di bawah skim sewa beli. Program waranti bagi barangan elektrik pengguna diedarkan melalui syarikat-syarikat kredit dan peruncit-peruncit utama. Kedua-dua produk memberikan pengguna pilihan untuk melanjutkan tempoh waranti pembelian mereka lebih daripada apa yang ditawarkan oleh pengilang sendiri.

Jumlah dagangan sebanyak RM233.5 juta telah dicapai berbanding dengan RM221.8 juta pada tahun 2001, peningkatan lebih kurang lima peratus. Namun demikian, POI mencatatkan kerugian pra cukai sebanyak RM12.0 juta, berbanding dengan keuntungan pra cukai sebanyak RM0.7 juta pada 2001. Pertumbuhan premium yang sederhana dicapai adalah gambaran tahap persaingan dalam industri dan, sebagaimana dinyatakan pada tahun lepas, sekiranya keadaan ini berterusan, akibat penghakisan margin pengunderaitan akan menghadkan peluang untuk pertumbuhan selanjutnya. Pengurangan dalam keberuntungan adalah terutamanya akibat daripada peningkatan dalam rizab tuntutan.

## Penyata Pengerusi

### **Pemberian Pinjaman Wang**

Jumlah dagangan di POC meningkat dengan ketaranya kepada RM11.1 juta daripada RM0.9 juta pada tahun 2001. Peningkatan ini disebabkan oleh pengiktirafan pendapatan faedah yang, atas alasan berhemat, tidak diiktiraf sebelum ini. POC dapat berbuat demikian memandangkan ketakpastian yang mengelilingi penyusunan semula hutang peminjam telah dihapuskan. Akibatnya keuntungan pra cukai sebanyak RM6.3 juta telah dicatatkan berbanding dengan kerugian pra cukai sebanyak RM3.3 juta pada tahun 2001.

### **Teknologi Maklumat**

Keadaan pasaran yang hebat persaingannya menjadikan tahun 2002 penuh cabaran. Banyak pertanyaan yang diterima tahun lepas berhubung dengan perisian berkaitan insurans yang bernilai tinggi tidak menjadi pesanan-pesanan kukuh dan akibatnya, jumlah dagangan bagi Bahagian adalah di bawah jangkaan. Industri insurans di Malaysia masih tidak bersedia untuk melaksanakan komitmen-komitmen yang besar terhadap pelaburan dalam teknologi sebahagian besar disebabkan oleh persekitaran operasi yang sukar dan prospek penggabungan selanjutnya – banyak projek telah digantung buat sementara dan malah ada yang telah dibatalkan. Walau bagaimanapun, jualan penyelesaian aliran kerja terus berada dalam keadaan kukuh dengan kejayaan dalam pelaksanaan kepada firma-firma guaman sepanjang tahun ini.

Di Amerika Syarikat, operasi telah dikembangkan hingga ke Florida dengan pembukaan pejabat di Fort Lauderdale. Pejabat ini telah ditubuhkan dengan tujuan utama untuk menyediakan laluan Internet tanpa wayar tetapi produk-produk dan perkhidmatan-perkhidmatan lain (Virtual Private Networks, Point to Point, Web Hosting, Web Design and Workflow Applications) juga ditawarkan. Laluan Internet Tanpa Wayar adalah amat berguna apabila talian-talian berasaskan tanah tidak tersedia atau bukan merupakan pilihan yang diutamakan, contohnya dalam kawasan yang terpencil, untuk operasi tapak sementara, tebaran rangkaian persendirian di kawasan metropolitan, dll. Teknologi ini juga ditawarkan melalui operasi kami di Malaysia.

Anak syarikat di Thailand mendapat perhatian amat ketara dengan pencapaian keuntungan pada tahun 2002 disebabkan terutamanya kerana berjaya mendapat perjanjian pelesenan perisian terbesar dengan sebuah bank. Berasaskan pengalaman yang diperoleh di Malaysia, anak syarikat Thai telah mula memasarkan penyelesaian aliran kerja yang bertumpu pada pentadbiran kredit dan kutipan.

Bahagian ini mencatat jumlah dagangan sebanyak RM14.4 juta, kenaikan sedikit berbanding RM13.9 juta pada tahun 2001. Kerugian pra cukai sebanyak RM7.4 juta telah dicatatkan, satu pengurangan kecil daripada RM8.0 juta dalam tahun 2001. Kerugian yang lebih rendah boleh dikaitkan kepada pengurangan/pengawalan kos dan jualan yang lebih tinggi.

## Penyata Pengerusi

### **Khidmat Pengguna dan Pengedaran**

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

### **Pengedaran**

Berikutan pengenalan khidmat bantuan permotoran Wizard Card pada tahun 2001, jumlah penyertaan perkhidmatan telah menetap dalam keadaan yang stabil. POD terus bekerja ke arah pertumbuhan jualan dengan mencari produk-produk berkualiti untuk diedarkan. Perbincangan telah diadakan dengan bakal-bakal pembekal dan adalah diharapkan agar ini akan membawa hasil dalam tahun semasa. Jualan sebanyak RM0.2 juta telah dicatatkan, sama dengan tahap yang telah dicapai pada tahun 2001. Syarikat mencatatkan kerugian pra cukai yang lebih rendah sebanyak RM0.1 juta berbanding dengan RM0.3 juta pada tahun 2001. Pengurangan ini adalah terutamanya disebabkan oleh pengurangan dalam perbelanjaan pengurusan.

### **Bantuan Pemotoran**

Program Wizard Card yang dikendalikan oleh DND terus berkembang dengan baik. Tumpuan dalam tahun 2002 adalah untuk memperbaiki kualiti khidmat pelanggan dan untuk meluaskan rangkaian perkhidmatan dan faedah yang ada kepada pemegang kad. Dengan ini, adalah diharapkan agar keupayaan syarikat untuk menghasilkan pendapatan akan bertambah.

DND menyumbangkan jumlah dagangan sebanyak RM0.1 juta berbanding dengan RM0.03 juta pada tahun 2001. Kerugian pra cukai sebanyak RM0.9 juta telah dicatatkan terhadap kerugian pra cukai sebanyak RM1.2 juta pada tahun 2001. (Nota: Tahun 2002 adalah tahun pertama dalam mana keputusan sepenuhnya telah disatukan dalam akaun-akuan Kumpulan.) Kerugian yang rendah boleh dikaitkan dengan pengurangan dalam perbelanjaan ke atas pengiklanan dan promosi.

### **DIVIDEN**

Dividen interim pertama sebanyak 3.75 sen ditolak cukai, berhubung dengan tahun kewangan berakhir 30 September 2002, telah dibayar pada 28 Jun 2002.

Para Pengarah telah pada 18 November 2002 mengisytiharkan dividen interim kedua sebanyak 3.75 sen setiap saham ditolak cukai berhubung dengan tahun kewangan berakhir 30 September 2002, yang akan dibayar pada 20 Disember 2002. Dividen ini tidak ditunjukkan dalam penyata kewangan tetapi ia akan diakaunkan dalam tahun kewangan akan berakhir 30 September 2003. Para Pengarah tidak mengesyorkan bayaran apa-apa dividen terakhir bagi tahun kewangan semasa.

### **PENGHARGAAN**

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan ke atas usaha-usaha yang dibuat oleh pihak pengurusan dan kakitangan sepanjang tahun ini dan ingin mengucapkan terima kasih kepada sekutu-sekutu perniagaan atas kerjasama dan sokongan berterusan mereka.

**Chan Hua Eng** R OBE

Pengerusi

Kuala Lumpur

23 Disember 2002



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# 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 2002.

## PRINCIPAL ACTIVITIES

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

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

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

## RESULTS

	Group RM'000	Company RM'000
Net (loss)/profit for the year	(11,107)	672
Accumulated profits brought forward	63,985	62,409
Profits available for appropriation	52,878	63,081
Dividends	(2,678)	(2,678)
Accumulated profits carried forward	50,200	60,403

## DIVIDENDS

The amount of dividends paid or declared by the Company since 30 September 2001 were as follows:

RM'000

In respect of the financial year ended 30 September 2001

2nd interim dividend of 3.75 sen per share less tax at 28% paid on 21 December 2001 2,678

In respect of the financial year ended 30 September 2002

1st interim dividend of 3.75 sen per share less tax at 28% paid on 28 June 2002 2,678

The Directors had on 18 November 2002 declared a 2nd interim dividend of 3.75 sen per share less tax at 28%, amounting to RM2,678,000 in respect of the financial year ended 30 September 2002, which is payable on 20 December 2002. This dividend has not been reflected in the financial statements for the current financial year but it will be accounted for in the financial year ending 30 September 2003. The Directors do not recommend the payment of any final dividend for the current financial year.

## RESERVES AND PROVISIONS

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

Before the income 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 for the insurance subsidiary company.

## Directors' Report

### **BAD AND DOUBTFUL DEBTS**

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

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

### **CURRENT ASSETS**

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

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

### **VALUATION METHODS**

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

### **CONTINGENT AND OTHER LIABILITIES**

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

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

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

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

### **CHANGE OF CIRCUMSTANCES**

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

### **ITEMS OF AN UNUSUAL NATURE**

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

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

# Directors' Report

## SUBSEQUENT EVENTS

The subsequent events are as disclosed in Note 36 to the financial statements.

## 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 Bin 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 82 of the Company's Articles of Association, Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed retires from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

## DIRECTORS' BENEFITS

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

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 24 and 29 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:

The Company	Number of Ordinary Shares of RM1.00 Each			At 30 September 2002
	At 1 October 2001	Bought	Sold	
Chan Thye Seng				
– Direct interest	9,615,902	–	–	9,615,902
– Indirect interest	47,424,098	–	–	47,424,098
Michael Yee Kim Shing				
– Indirect interest	155,000	–	–	155,000
Lim Kheng Guan				
– Direct interest	20,000	–	–	20,000

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.

## Directors' Report

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.

### **AUDITORS**

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

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

**CHAN THYE SENG**

**MICHAEL YEE KIM SHING**

Kuala Lumpur  
23 December 2002

# 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 64 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 2002 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  
23 December 2002

## Statutory Declaration

I, SIEW CHEE CHOONG, the Officer primarily responsible for the financial management of PACIFIC & ORIENT BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 32 to 64 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by            )  
the abovenamed SIEW CHEE CHOONG            )  
at Kuala Lumpur in Wilayah                    )  
Persekutuan on 23 December 2002.            )     **SIEW CHEE CHOONG**

Before me:

**MOHD RADZI BIN YASIN**  
Commissioner for Oaths  
Kuala Lumpur

# Report of the Auditors

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

We have audited the accompanying financial statements set out on pages 32 to 64. 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 applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of information in the financial statement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 30 September 2002 and of the results and cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its 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 the subsidiary companies for which we have not acted as auditors as indicated in Note 7 to the financial statements, being financial statements which are included in the consolidated financial statements.

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

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

ERNST & YOUNG  
AF: 0039  
Chartered Accountants

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

Kuala Lumpur, Malaysia  
23 December 2002



# Balance Sheets

as at 30 September 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>ASSETS</b>					
Property, plant and equipment	3	<b>29,290</b>	31,788	<b>1,783</b>	2,039
Intangible assets	4	<b>4,493</b>	5,163	–	–
Deferred taxation	5	<b>9,177</b>	6,280	–	–
Investments	6	<b>551,375</b>	535,559	<b>46,789</b>	46,940
Investment in subsidiary companies	7	–	–	<b>87,866</b>	87,866
Inventories – goods for resale, at cost		<b>592</b>	554	–	–
Loans	8	<b>57,002</b>	46,495	–	–
Receivables	9	<b>24,453</b>	24,260	<b>526</b>	304
Due from subsidiary companies	10	–	–	<b>80,776</b>	68,717
Deposits and placements with financial institutions	11	<b>1,538</b>	9,269	<b>751</b>	7,973
Cash and bank balances		<b>5,838</b>	7,424	<b>129</b>	143
<b>TOTAL ASSETS</b>		<b>683,758</b>	666,792	<b>218,620</b>	213,982
<b>LIABILITIES</b>					
Provision for outstanding claims	12	<b>324,109</b>	304,484	–	–
Payables	13	<b>14,112</b>	15,975	<b>552</b>	3,154
Hire purchase creditors	14	<b>255</b>	304	–	4
Bank borrowings	15	<b>21,298</b>	10,756	<b>14,250</b>	5,000
Provision for taxation		<b>32</b>	2,756	–	–
<b>TOTAL LIABILITIES</b>		<b>359,806</b>	334,275	<b>14,802</b>	8,158
Unearned premium reserves	16	<b>89,999</b>	84,655	–	–
<b>SHAREHOLDERS' FUNDS</b>					
Share capital	17	<b>99,200</b>	99,200	<b>99,200</b>	99,200
Reserves	18	<b>134,753</b>	148,662	<b>104,618</b>	106,624
		<b>233,953</b>	247,862	<b>203,818</b>	205,824
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>683,758</b>	666,792	<b>218,620</b>	213,982

# Statements of Changes in Equity

for the year ended 30 September 2002

	Share Capital RM'000	← Non-distributable →			Translation Reserve RM'000	Distributable Accumulated Profits RM'000	Total RM'000
		Share Premium RM'000	Merger Reserve RM'000	Revaluation Reserve RM'000			
<b>Group</b>							
At 1 October 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 19)	-	-	-	-	-	(5,356)	(5,356)
Bonus issue (1:4) (Note 18)	-	-	20,000	-	-	(20,000)	-
At 30 September 2001	99,200	44,215	40,769	-	(307)	63,985	247,862
Currency translation differences	-	-	-	-	(124)	-	(124)
Net loss not recognised in the income statement	-	-	-	-	(124)	-	(124)
Net loss for the year	-	-	-	-	-	(11,107)	(11,107)
Dividends (Note 19)	-	-	-	-	-	(2,678)	(2,678)
At 30 September 2002	<b>99,200</b>	<b>44,215</b>	<b>40,769</b>	<b>-</b>	<b>(431)</b>	<b>50,200</b>	<b>233,953</b>
<b>Company</b>							
At 1 October 2000	99,200	44,215	-	-	-	59,443	202,858
Net profit for the year	-	-	-	-	-	8,322	8,322
Dividends (Note 19)	-	-	-	-	-	(5,356)	(5,356)
At 30 September 2001	99,200	44,215	-	-	-	62,409	205,824
Net profit for the year	-	-	-	-	-	672	672
Dividends (Note 19)	-	-	-	-	-	(2,678)	(2,678)
At 30 September 2002	<b>99,200</b>	<b>44,215</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,403</b>	<b>203,818</b>

The accompanying notes form an integral part of the statements.

# Income Statements

for the year ended 30 September 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue	20	<b>251,464</b>	227,941	<b>7,376</b>	17,921
Other operating income	21	<b>11,899</b>	1,792	<b>1,244</b>	1,201
		<b>263,363</b>	229,733	<b>8,620</b>	19,122
Changes in inventories		<b>(1,608)</b>	(896)	-	-
Reinsurance		<b>(30,478)</b>	(22,805)	-	-
Net claims incurred	22	<b>(174,250)</b>	(123,457)	-	-
Net commission		<b>(18,303)</b>	(17,732)	-	-
Increase in unearned premium reserves	16	<b>(5,344)</b>	(16,624)	-	-
Staff costs		<b>(22,228)</b>	(20,711)	<b>(2,421)</b>	(2,454)
Depreciation		<b>(3,288)</b>	(3,549)	<b>(297)</b>	(465)
Amortisation	23	<b>(704)</b>	(697)	-	-
Other operating expenses	24	<b>(19,401)</b>	(34,694)	<b>(4,252)</b>	(4,162)
(Loss)/profit from operations		<b>(12,241)</b>	(11,432)	<b>1,650</b>	12,041
Finance costs	25	<b>(1,043)</b>	(760)	<b>(643)</b>	(332)
(Loss)/profit before taxation	26	<b>(13,284)</b>	(12,192)	<b>1,007</b>	11,709
Income tax expense	31	<b>2,177</b>	(603)	<b>(335)</b>	(3,387)
Net (loss)/profit for the year		<b>(11,107)</b>	(12,795)	<b>672</b>	8,322
Basic loss per share (sen)	32	<b>(11.2)</b>	(12.9)		
Dividends per share (sen)					
3.75 sen (2001 : 7.5 sen) less tax	19	<b>2.7</b>	5.4		

# Consolidated Cash Flow Statement

for the year ended 30 September 2002

	Note	2002 RM'000	2001 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		<b>(13,284)</b>	(12,192)
Adjustments for:			
Depreciation		<b>3,288</b>	3,549
Amortisation of premiums, net of accretion of discounts		<b>621</b>	802
Amortisation of goodwill		<b>379</b>	379
Amortisation of software distribution licence		<b>325</b>	318
Gain on disposal of property, plant and equipment		<b>(11)</b>	(750)
Property, plant and equipment written off		<b>72</b>	44
(Write back of)/allowance for diminution in value of investments		<b>(724)</b>	14,918
Gain on disposal of investments		<b>(10,293)</b>	(699)
Loss on disposal of long term investments		<b>80</b>	–
Dividend income		<b>(2,653)</b>	(2,033)
Interest income		<b>(28,472)</b>	(19,814)
Bad debts written off		–	12
Allowance for doubtful debts		<b>791</b>	609
Increase in unearned premium reserves		<b>5,344</b>	16,624
Interest expense		<b>834</b>	658
Goodwill written off		–	468
Unrealised (gain)/loss on foreign exchange		<b>(188)</b>	283
Transfer from property, plant and equipment to inventories		<b>12</b>	13
Operating (loss)/profit before working capital changes		<b>(43,879)</b>	3,189
Changes in working capital:			
Proceeds from disposal of investments/investment properties		<b>29,826</b>	104,980
Purchase of investments		<b>(25,151)</b>	(124,341)
(Increase)/decrease in deposits and placements of the insurance subsidiary company with financial institutions		<b>(10,245)</b>	32,900
Increase in loans		<b>(396)</b>	(5,334)
Decrease/(increase) in receivables		<b>340</b>	(8,694)
Increase in inventories – goods for resale		<b>(38)</b>	(291)
Increase/(decrease) in provision for outstanding claims		<b>19,625</b>	(15,700)
Increase in payables		<b>786</b>	701
Cash used in operations		<b>(29,132)</b>	(12,590)
Tax paid, net of recoveries		<b>(3,350)</b>	(7,538)
Dividends received		<b>2,208</b>	1,553
Interest received		<b>17,285</b>	20,449
Interest paid		<b>(699)</b>	(584)
Net cash (used in)/generated from operating activities		<b>(13,688)</b>	1,290
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of a subsidiary company net of cash acquired		–	(315)
Purchase of property, plant and equipment	3 (e)	<b>(846)</b>	(2,000)
Proceeds from disposal of long term investment		<b>71</b>	–
Proceeds from disposal of property, plant and equipment		<b>74</b>	2,282
Net cash used in investing activities		<b>(701)</b>	(33)

# Consolidated Cash Flow Statement

for the year ended 30 September 2002

	2002 RM'000	2001 RM'000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	<b>(5,356)</b>	(13,392)
Decrease in hire purchase creditors	<b>(129)</b>	(190)
Drawdown of bank borrowings	<b>10,250</b>	5,000
Net cash generated from/(used in) financing activities	<b>4,765</b>	(8,582)
Effects of exchange rate changes on cash and cash equivalents	<b>1</b>	(29)
Net decrease in cash and cash equivalents	<b>(9,623)</b>	(7,354)
Cash and cash equivalents at beginning of year	<b>15,951</b>	23,291
Cash and cash equivalents at end of year	<b>6,328</b>	15,937
Cash and cash equivalents comprise the following:		
Cash and bank balances	<b>5,838</b>	7,424
Bank overdraft	<b>(1,048)</b>	(756)
Deposits and placements with financial institutions *	<b>1,538</b>	9,269
Cash and cash equivalents as previously reported	<b>6,328</b>	15,937
Effect of exchange rate changes	-	14
Cash and cash equivalents as restated	<b>6,328</b>	15,951

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

## NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

In the previous 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:

	2001 RM'000
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	321
Less : Cash and bank balances acquired	6
Cash flow on acquisition net of cash acquired	315

The accompanying notes form an integral part of the statement.

# Cash Flow Statement

for the year ended 30 September 2002

	Note	2002 RM'000	2001 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		<b>1,007</b>	11,709
Adjustments for:			
Depreciation		<b>297</b>	465
Loss on disposal of property, plant and equipment		<b>24</b>	1
Property, plant and equipment written off		<b>2</b>	–
Loss on disposal of long term investment		<b>80</b>	–
Dividend income		<b>(1,201)</b>	(11,877)
Interest income		<b>(4,571)</b>	(4,157)
Interest expense		<b>435</b>	233
Operating loss before working capital changes		<b>(3,927)</b>	(3,626)
Changes in working capital:			
Increase in receivables		<b>(59)</b>	(48)
Increase in due from subsidiary companies		<b>(7,940)</b>	(15,549)
(Decrease)/increase in payables		<b>(57)</b>	115
Cash used in operations		<b>(11,983)</b>	(19,108)
Dividends received		<b>1,072</b>	17,634
Interest received		<b>456</b>	692
Interest paid		<b>(302)</b>	(153)
Tax paid, net of recoveries		<b>(373)</b>	–
Net cash used in operating activities		<b>(11,130)</b>	(935)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of a subsidiary company		–	(321)
Purchase of property, plant and equipment	3 (e)	<b>(77)</b>	(111)
Proceeds from disposal of long term investment		<b>71</b>	–
Proceeds from disposal of property, plant and equipment		<b>10</b>	–
Net cash generated from/(used in) investing activities		<b>4</b>	(432)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		<b>(5,356)</b>	(13,392)
Decrease in hire purchase creditors		<b>(4)</b>	(69)
Drawdown of bank borrowings		<b>9,250</b>	5,000
Net cash generated from/(used in) financing activities		<b>3,890</b>	(8,461)
Net decrease in cash and cash equivalents		<b>(7,236)</b>	(9,828)
Cash and cash equivalents at beginning of year		<b>8,116</b>	17,944
Cash and cash equivalents at end of year		<b>880</b>	8,116
Cash and cash equivalents comprise the following:			
Cash and bank balances		<b>129</b>	143
Deposits and placements with financial institutions		<b>751</b>	7,973
		<b>880</b>	8,116

The accompanying notes form an integral part of the statement.

# Notes to the Financial Statements

30 September 2002

## 1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

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

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

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

The average number of employees during the financial year in the Group and in the Company were 610 (2001 : 579) and 44 (2001 : 41) respectively.

The financial statements were authorised for issue on 23 December 2002 pursuant to a resolution by the Board of Directors.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Accounting

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

### (b) Basis of Consolidation

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

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

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

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

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

- (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.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)****(b) Basis of Consolidation (Cont'd.)**

With the introduction of Malaysian Accounting Standards Board (MASB) Standard 21 Business Combinations, during the financial year, the Group has elected to apply the transitional provisions under this Standard, wherein the Group will conform with the requirements of the Standard prospectively.

**(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 less accumulated depreciation and accumulated impairment losses.

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

The principal annual rates of depreciation are :

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

The carrying values of property, plant and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement. Subsequent increase in recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement.

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

**(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. Investment properties are not depreciated.
- (ii) Long term quoted investments are stated at cost less allowance for any permanent diminution in value.



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

### (e) Investments (Cont'd.)

- (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, allowance for such diminution is then made accordingly.

Unquoted investments are stated at cost less allowance 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.

### (f) Receivables

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

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

### (g) Provisions

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

### (h) 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.

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

### (h) Income Recognition (Cont'd.)

- (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) Revenue from the privilege card programme service is recognised over the life of the privilege card programme.
- (viii) Maintenance contracts and other services are recognised upon completion of services rendered.

### (i) General Insurance Underwriting Results

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

#### Premium Income

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

#### Unearned Premium Reserves (UPR)

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

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

#### Provision for Claims

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

#### 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.

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

	<b>2002</b>	<b>2001</b>
	<b>RM</b>	<b>RM</b>
United States (US\$)	<b>3.8000</b>	3.8000
Thailand (Baht)	<b>0.0876</b>	0.0855

**(k) 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.

**(l) 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.

**(m) Inventories**

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

**(n) 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. PROPERTY, PLANT AND EQUIPMENT**

Group	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
<b>Cost :</b>									
At beginning of year	3,243	350	2,309	12,972	21,555	3,728	4,586	5,947	54,690
Additions	-	-	5	-	452	128	234	107	926
Disposals	-	-	-	-	(19)	(238)	(53)	(37)	(347)
Written off	-	-	-	-	(135)	(1)	(6)	(35)	(177)
Transfer to inventories	-	-	-	-	(14)	-	-	-	(14)
Translation differences	-	-	-	-	6	3	5	5	19
At end of year	<b>3,243</b>	<b>350</b>	<b>2,314</b>	<b>12,972</b>	<b>21,845</b>	<b>3,620</b>	<b>4,766</b>	<b>5,987</b>	<b>55,097</b>
<b>Accumulated Depreciation :</b>									
At beginning of year	-	15	124	2,140	11,920	3,089	2,202	3,412	22,902
Charge for the year	-	4	29	302	1,874	231	438	410	3,288
Disposals	-	-	-	-	(8)	(228)	(19)	(29)	(284)
Written off	-	-	-	-	(94)	-	(2)	(9)	(105)
Transfer to inventories	-	-	-	-	(2)	-	-	-	(2)
Translation differences	-	-	-	-	3	3	1	1	8
At end of year	<b>-</b>	<b>19</b>	<b>153</b>	<b>2,442</b>	<b>13,693</b>	<b>3,095</b>	<b>2,620</b>	<b>3,785</b>	<b>25,807</b>
<b>Net Book Value :</b>									
At end of year	<b>3,243</b>	<b>331</b>	<b>2,161</b>	<b>10,530</b>	<b>8,152</b>	<b>525</b>	<b>2,146</b>	<b>2,202</b>	<b>29,290</b>
At beginning of year	3,243	335	2,185	10,832	9,635	639	2,384	2,535	31,788
Depreciation charge for the year ended 30 September 2001	-	4	29	302	1,959	392	426	437	3,549

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

Company	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
<b>Cost :</b>					
At beginning of year	454	1,507	317	1,977	4,255
Additions	69	2	2	4	77
Disposals	(13)	(1)	(37)	–	(51)
Written off	–	(1)	(1)	–	(2)
At end of year	<b>510</b>	<b>1,507</b>	<b>281</b>	<b>1,981</b>	<b>4,279</b>
<b>Accumulated Depreciation :</b>					
At beginning of year	131	1,473	98	514	2,216
Charge for the year	51	19	29	198	297
Disposals	(7)	–	(10)	–	(17)
Written off	–	–	–	–	–
At end of year	<b>175</b>	<b>1,492</b>	<b>117</b>	<b>712</b>	<b>2,496</b>
<b>Net Book Value :</b>					
At end of year	<b>335</b>	<b>15</b>	<b>164</b>	<b>1,269</b>	<b>1,783</b>
At beginning of year	323	34	219	1,463	2,039
Depreciation charge for the year ended 30 September 2001	42	195	31	197	465

- (a) Certain freehold land and buildings of two subsidiary companies with net book value amounting to RM3,462,000 (2001 : RM3,486,000) have been pledged to a licensed bank for an overdraft facility granted to one of the said subsidiary companies, as disclosed in Note 15.
- (b) Included in the land and buildings of the Group is an amount of RM837,000 being the cost of a building in a subsidiary company that is not depreciated, as the building has not been in use and the residual value at the end of the useful economic life to the Group will not be materially different from the carrying value.
- (c) Included in the property, plant and equipment of the Group and of the Company are the following costs of fully depreciated assets which are still in use:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Computer equipment	<b>2,823</b>	1,050	–	–
Motor vehicles	<b>2,730</b>	2,400	<b>1,452</b>	1,400
Office equipment	<b>976</b>	779	–	–
Furniture, fixtures and fittings	<b>2,058</b>	1,779	–	–
	<b>8,587</b>	6,008	<b>1,452</b>	1,400

### 3. PROPERTY, PLANT AND EQUIPMENT (Cont'd.)

- (d) The net book value of motor vehicles of the Group and of the Company held under hire purchase agreements are RM403,000 (2001 : RM476,000) and RMNil (2001 : RM24,000) respectively.
- (e) During the year, the Group and the Company acquired property, plant and equipment by:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash	846	2,000	77	111
Hire purchase	80	297	-	-
	<b>926</b>	<b>2,297</b>	<b>77</b>	<b>111</b>

### 4. INTANGIBLE ASSETS

	Group	
	2002 RM'000	2001 RM'000
Goodwill on consolidation:		
At beginning of year	3,830	4,209
Goodwill on acquisition of a subsidiary company	-	468
Amortisation	(379)	(379)
Written off	-	(468)
At end of year	<b>3,451</b>	<b>3,830</b>
Software distribution licence:		
At beginning of year	1,333	1,735
Amortisation	(325)	(318)
Translation differences	34	(84)
At end of year	<b>1,042</b>	<b>1,333</b>
	<b>4,493</b>	<b>5,163</b>

**5. DEFERRED TAXATION**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
At beginning of year	<b>6,280</b>	4,846	-	(34)
Transferred to income statements	<b>2,897</b>	1,434	-	34
At end of year	<b>9,177</b>	6,280	-	-

This has been based on timing differences on:

Depreciation and capital allowances on property, plant and equipment	<b>(4,349)</b>	(5,227)	-	-
Unabsorbed capital allowances and losses	<b>10,411</b>	-	-	-
Basis for computing unearned premium reserves	<b>35</b>	41	-	-
Allowance for diminution in value of investments	<b>26,933</b>	27,614	-	-
Others	<b>(254)</b>	-	-	-
Timing differences on which deferred taxation is recognised	<b>32,776</b>	22,428	-	-

As at 30 September 2002, the amount of timing differences which are not recognised in the financial statements are as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Timing differences in respect of:				
Depreciation and capital allowances on property, plant and equipment	<b>(2,960)</b>	(2,929)	<b>(667)</b>	(685)
Unabsorbed capital allowances and losses	<b>45,978</b>	43,845	<b>1,685</b>	1,714
Others	<b>(646)</b>	(924)	<b>(898)</b>	(898)
	<b>42,372</b>	39,992	<b>120</b>	131

**6. INVESTMENTS**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Cost</b>				
<b>Investment properties</b>				
Freehold buildings	<b>706</b>	706	-	-
Leasehold land and building	<b>730</b>	730	-	-
	<b>1,436</b>	1,436	-	-
<b>Long term investment in quoted securities</b>				
Shares in Malaysia	<b>48,802</b>	48,953	<b>46,789</b>	46,940

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

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Investment securities</b>				
Money market instruments:				
Malaysian Government Securities	<b>15,693</b>	15,693	-	-
Amortisation of premiums	<b>(493)</b>	(329)	-	-
	<b>15,200</b>	15,364	-	-
Cagamas bonds	<b>91,191</b>	91,191	-	-
Amortisation of premiums, net of accretion of discounts	<b>(702)</b>	(297)	-	-
	<b>90,489</b>	90,894	-	-
Islamic corporate bonds	<b>10,394</b>	10,394	-	-
Amortisation of premiums	<b>(81)</b>	(24)	-	-
	<b>10,313</b>	10,370	-	-
Quoted securities:				
Shares in Malaysia	<b>68,747</b>	74,239	-	-
Allowance for diminution in value	<b>(13,584)</b>	(20,768)	-	-
	<b>55,163</b>	53,471	-	-
Warrants in Malaysia	<b>1,756</b>	7,601	-	-
Allowance for diminution in value	<b>(396)</b>	(6,846)	-	-
	<b>1,360</b>	755	-	-
Unit trusts	<b>1,000</b>	1,000	-	-
Unquoted securities:				
Shares in Malaysia	<b>56</b>	56	-	-
Corporate bonds	<b>4,046</b>	-	-	-
Accretion of discounts	<b>5</b>	-	-	-
	<b>4,051</b>	-	-	-
Total investment securities	<b>177,632</b>	171,910	-	-
<b>Deposits and placements of the insurance subsidiary company with financial institutions</b>				
Licensed banks	<b>193,882</b>	229,442	-	-
Licensed finance companies	<b>129,623</b>	83,818	-	-
	<b>323,505</b>	313,260	-	-
Total investments	<b>551,375</b>	535,559	<b>46,789</b>	46,940
Investments maturing after 12 months	<b>89,806</b>	116,628	-	-



# Notes to the Financial Statements

30 September 2002

## 6. INVESTMENTS (Cont'd.)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Market value</b>				
Malaysian Government Securities	<b>16,077</b>	16,601	-	-
Cagamas bonds	<b>93,104</b>	94,776	-	-
Islamic corporate bonds	<b>10,465</b>	10,375	-	-
Shares quoted in Malaysia:				
Long term investments	<b>30,152</b>	25,430	<b>30,147</b>	25,426
Investment securities	<b>55,163</b>	53,471	-	-
Warrants quoted in Malaysia	<b>1,360</b>	755	-	-
Unit trusts	<b>1,129</b>	1,000	-	-

The title deed of the leasehold land and building of a subsidiary company has not been received from the authorities as at the date of this report. The total indicative market value of the investment properties of the Group based on an appraisal by a firm of professional valuers performed during the financial year was RM1,013,000.

No allowance 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 RM1,189,000 (2001 : RM1,065,000) represent deposits given by the insureds as collateral for bond guarantees granted by the insurance subsidiary company to third parties.

## 7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2002 RM'000	2001 RM'000
Unquoted shares – at cost	<b>92,456</b>	92,456
Allowance for diminution in value	<b>(4,590)</b>	(4,590)
	<b>87,866</b>	87,866

The subsidiary companies are:

Incorporated in Malaysia	Effective Interests		Principal Activities
	2002 %	2001 %	
Pacific & Orient Insurance Co. Berhad	<b>100</b>	100	General insurance business
P & O Technologies Sdn. Bhd.	<b>100</b>	100	Provision of information technology services and sale of information technology equipment
Pacific & Orient Distribution Sdn. Bhd.	<b>100</b>	100	Distribution of consumer goods and provision of sales and administrative services
P & O Capital Sdn. Bhd.	<b>100</b>	100	Money lending

**7. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd.)**

	Effective Interests		Principal Activities
	2002	2001	
Incorporated in Malaysia	%	%	
P & O Global Technologies Sdn. Bhd.	<b>100</b>	100	Dealing in computer hardware, software and systems
P & O Resources Sdn. Bhd.	<b>100</b>	100	Dealing in computer hardware, software and systems
Dynamic Network Distributions Sdn. Bhd.	<b>64</b>	64	Provision of management and privilege card programme services and sale of consumer goods
P & O Nominees Services (Tempatan) Sdn. Bhd.	<b>100</b>	100	Dormant
Pacific Global Technologies Sdn. Bhd.	<b>100</b>	100	Dormant
Seni Perkasa Sdn. Bhd.	<b>100</b>	100	Dormant
Seni Bayu Sdn. Bhd.	<b>100</b>	100	Dormant
Pacific & Orient - F.I.H. Sdn. Bhd.	<b>100</b>	100	Dormant
DND Consulting Services Sdn. Bhd.	<b>100</b>	100	Dormant
<b>Incorporated in the United States of America</b>			
P&O Global Technologies, Inc. *	<b>100</b>	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.*	<b>100</b>	100	Dealing in computer software and systems

\* Subsidiary companies not audited by Ernst & Young.

**Acquisition of Subsidiary Company**

In the previous 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 in the previous financial year is shown below:

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

## 7. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd.)

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

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

The effect of this acquisition on the cash flow of the Group in the previous financial year is disclosed in the note to the consolidated cash flow statement.

## 8. LOANS

	Group	
	2002 RM'000	2001 RM'000
Loans:		
– secured loans	<b>56,997</b>	46,470
– unsecured loans	<b>5</b>	25
	<b>57,002</b>	46,495
Due within one year	<b>56,945</b>	46,418
Due after one year	<b>57</b>	77
	<b>57,002</b>	46,495

## 9. RECEIVABLES

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade receivables:				
Outstanding premium including agents', brokers' and co-insurers' balances	<b>10,704</b>	11,644	–	–
Due from reinsurers and ceding companies	<b>5,433</b>	3,936	–	–
Others	<b>4,322</b>	2,040	–	–
	<b>20,459</b>	17,620	–	–
Allowance for doubtful debts	<b>(5,436)</b>	(5,527)	–	–
	<b>15,023</b>	12,093	–	–

**9. RECEIVABLES (Cont'd.)**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Other receivables:				
Accrued income	<b>4,078</b>	3,337	-	4
Share of assets held by Malaysian Motor Insurance Pool (MMIP)	<b>2,617</b>	2,477	-	-
Deposits and prepayments	<b>1,139</b>	1,062	<b>238</b>	159
Proceeds from disposal of quoted shares	-	4,140	-	-
Others	<b>1,596</b>	1,151	<b>288</b>	141
	<b>9,430</b>	12,167	<b>526</b>	304
	<b>24,453</b>	24,260	<b>526</b>	304
Trade and other receivables after 12 months	<b>5,218</b>	5,036	-	-
Allowance for doubtful debts	<b>(5,022)</b>	(4,859)	-	-
	<b>196</b>	177	-	-

**10. DUE FROM SUBSIDIARY COMPANIES**

The amounts due from subsidiary companies are interest-free, unsecured and have no fixed terms of repayment, except for an amount of RM22,785,000 (2001 : RM22,089,000) which bears interest at between 6.35% and 16.08% (2001 : 6.35% and 16.08%) per annum.

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

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Licensed banks	<b>724</b>	8,057	-	6,822
Licensed finance companies	<b>63</b>	61	-	-
Other licensed financial institutions	<b>751</b>	1,151	<b>751</b>	1,151
	<b>1,538</b>	9,269	<b>751</b>	7,973

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

**12. PROVISION FOR OUTSTANDING CLAIMS**

	Group	
	2002 RM'000	2001 RM'000
Provision for outstanding claims	<b>366,793</b>	341,055
Recoverable from reinsurers	<b>(42,684)</b>	(36,571)
Net outstanding claims	<b>324,109</b>	304,484

Included in the provision for outstanding claims is an amount of RM129,019,000 (2001 : RM110,121,000) in respect of net provision for Incurred But Not Reported (IBNR) claims as determined by an independent professional actuary.

**13. PAYABLES**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade payables:				
Due to reinsurers and ceding companies	<b>4,698</b>	3,658	-	-
Due to agents, brokers, co-insurers and insureds	<b>1,115</b>	998	-	-
Others	<b>131</b>	527	-	-
	<b>5,944</b>	5,183	-	-
Other payables:				
2nd interim dividend	-	2,678	-	2,678
Accruals	<b>3,084</b>	2,535	<b>145</b>	182
Collateral deposits	<b>1,176</b>	1,069	-	-
Insurance Guarantee Scheme Fund (IGSF) levy	<b>488</b>	1,563	-	-
Stamp duty payable	<b>535</b>	436	-	-
Unearned income	<b>401</b>	428	-	-
Unclaimed monies	<b>557</b>	699	-	-
Others	<b>1,927</b>	1,384	<b>407</b>	294
	<b>8,168</b>	10,792	<b>552</b>	3,154
	<b>14,112</b>	15,975	<b>552</b>	3,154

**14. HIRE PURCHASE CREDITORS**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Future minimum payments are as follows:				
Payable within one year	<b>120</b>	129	-	5
Payable between one and five years	<b>189</b>	245	-	-
	<b>309</b>	374	-	5
Finance charges	<b>(54)</b>	(70)	-	(1)
	<b>255</b>	304	-	4
Representing hire purchase creditors:				
Due within one year	<b>100</b>	102	-	4
Due after one year	<b>155</b>	202	-	-
	<b>255</b>	304	-	4

**15. BANK BORROWINGS**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Bank overdraft	<b>1,048</b>	756	–	–
Revolving credits	<b>20,250</b>	10,000	<b>14,250</b>	5,000
	<b>21,298</b>	10,756	<b>14,250</b>	5,000

The revolving credit facilities of the Company are unsecured and bear interest at between 5.20% and 7.43% (2001 : 5.35% and 5.40%) per annum. The revolving credit facilities of subsidiary companies are secured by corporate guarantees from the holding company and bear interest at between 5.25% and 6.00% (2001 : 6.00% and 6.50%) per annum.

The bank overdraft is secured over certain of the freehold land and buildings of the subsidiary companies and bears interest at 8.15% (2001 : between 8.15% and 9.30%) per annum.

**16. UNEARNED PREMIUM RESERVES**

	Group	
	2002 RM'000	2001 RM'000
At beginning of year	<b>84,655</b>	68,031
Increase in unearned premium reserves (Note 27)	<b>5,344</b>	16,624
At end of year	<b>89,999</b>	84,655

**17. SHARE CAPITAL**

	Company	
	2002 RM'000	2001 RM'000
Authorised:		
200,000,000 shares of RM1.00 each	<b>200,000</b>	200,000
Issued and fully paid:		
99,200,000 ordinary shares of RM1.00 each	<b>99,200</b>	99,200

**18. RESERVES**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Non-distributable:				
Translation reserve	(431)	(307)	-	-
Share premium	44,215	44,215	44,215	44,215
Merger reserve	40,769	40,769	-	-
	<b>84,553</b>	84,677	<b>44,215</b>	44,215
Distributable:				
Accumulated profits	50,200	63,985	60,403	62,409
	<b>134,753</b>	148,662	<b>104,618</b>	106,624

In the previous financial year, 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.

**19. DIVIDENDS**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
1st interim dividend of 3.75 sen per share less tax at 28% (2001 : 3.75 sen per share less tax at 28%)	2,678	2,678	2,678	2,678
2nd interim dividend of Nil sen per share less tax at 28% (2001 : 3.75 sen per share less tax at 28% )	-	2,678	-	2,678
	<b>2,678</b>	5,356	<b>2,678</b>	5,356

The Directors had on 18 November 2002 declared a 2nd interim dividend of 3.75 sen per share less tax at 28%, amounting to RM2,678,000 in respect of the financial year ended 30 September 2002, which is payable on 20 December 2002. This dividend has not been reflected in the financial statements for the current financial year but it will be accounted for in the financial year ending 30 September 2003.

**20. REVENUE**

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

## Notes to the Financial Statements

30 September 2002

### 20. REVENUE (Cont'd.)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Gross premium (Note 27)	<b>214,733</b>	202,307	-	-
Gross dividends :				
– shares quoted in Malaysia	<b>2,653</b>	2,033	<b>1,201</b>	766
– subsidiary company	-	-	-	11,111
Interest income :				
– subsidiary companies	-	-	<b>4,508</b>	3,770
– others	<b>28,455</b>	19,750	<b>63</b>	387
Rental income	<b>45</b>	51	-	-
MMIP investment income	<b>114</b>	87	-	-
Amortisation of premium, net of accretion of discount	<b>(621)</b>	(802)	-	-
Sale of goods and services	<b>6,085</b>	4,515	<b>1,604</b>	1,887
	<b>251,464</b>	227,941	<b>7,376</b>	17,921

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

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

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

### 21. OTHER OPERATING INCOME

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Interest income	<b>17</b>	64	-	-
Rental income:				
– subsidiary companies	-	-	<b>531</b>	433
– others	<b>50</b>	42	-	-
Write back of allowance for diminution in value of investments	<b>724</b>	-	-	-
Gain on disposal of property, plant and equipment	<b>11</b>	750	-	-
Gain on disposal of investments	<b>10,293</b>	699	-	-
Gain on foreign exchange:				
– unrealised	<b>188</b>	-	-	-
– realised	<b>8</b>	-	-	-
Others	<b>608</b>	237	<b>713</b>	768
	<b>11,899</b>	1,792	<b>1,244</b>	1,201



**22. NET CLAIMS INCURRED**

	Group	
	2002 RM'000	2001 RM'000
Gross claims paid less salvage	<b>172,715</b>	156,488
Reinsurance recoveries	<b>(18,090)</b>	(17,331)
Net claims paid	<b>154,625</b>	139,157
Net outstanding claims:		
At end of year	<b>324,109</b>	304,484
At beginning of year	<b>(304,484)</b>	(320,184)
	<b>174,250</b>	123,457

**23. AMORTISATION**

	Group	
	2002 RM'000	2001 RM'000
Amortisation of:		
– goodwill on consolidation	<b>379</b>	379
– software distribution licence	<b>325</b>	318
	<b>704</b>	697

**24. OTHER OPERATING EXPENSES**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Other operating expenses include:				
Auditors' remuneration	<b>146</b>	146	<b>18</b>	18
Directors' remuneration *:				
Directors of the Company:				
– fees	<b>240</b>	240	<b>105</b>	105
– emoluments	<b>553</b>	617	<b>553</b>	617
Directors of the subsidiary companies:				
– fees	<b>45</b>	45	–	–
– emoluments	<b>1,363</b>	1,651	–	–
Property, plant and equipment written off	<b>72</b>	44	<b>2</b>	–
Allowance for diminution in value of quoted investments	–	14,918	–	–
Rental of office equipment	<b>492</b>	110	<b>93</b>	92
Bad debts:				
– recovered	<b>(44)</b>	(6)	–	–
– written off	–	12	–	–
Office rental:				
– subsidiary company	–	–	<b>256</b>	256
– others	<b>1,253</b>	824	<b>449</b>	312

**24. OTHER OPERATING EXPENSES (Cont'd.)**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Loss on foreign exchange:				
– unrealised	–	283	–	–
– realised	–	7	–	–
Loss on disposal of long term investment	<b>80</b>	–	<b>80</b>	–
Loss on disposal of property, plant and equipment	–	–	<b>24</b>	1
Goodwill written off	–	468	–	–
Allowance for doubtful debts	<b>791</b>	609	–	–

\* The estimated monetary value of other benefits not included in the above received by the Directors of the Company was RM21,000 (2001 : RM34,000).

**25. FINANCE COSTS**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Interest expense	<b>818</b>	647	<b>435</b>	233
Others	<b>225</b>	113	<b>208</b>	99
	<b>1,043</b>	760	<b>643</b>	332

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

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Determined as follows:					
Insurance subsidiary company	27	<b>(11,977)</b>	729	–	–
Others		<b>(1,075)</b>	(1,030)	<b>1,007</b>	11,709
Before consolidation		<b>(13,052)</b>	(301)	<b>1,007</b>	11,709
Consolidation adjustments		<b>(232)</b>	(11,891)	–	–
After consolidation		<b>(13,284)</b>	(12,192)	<b>1,007</b>	11,709

# Notes to the Financial Statements

30 September 2002

## 27. (LOSS)/PROFIT BEFORE TAXATION - INSURANCE SUBSIDIARY COMPANY

Revenue Account	Note	Group	
		2002 RM'000	2001 RM'000
<b>Insurance fund</b>			
Gross premium	20	<b>214,733</b>	202,307
Reinsurance		<b>(30,478)</b>	(22,805)
Net premium		<b>184,255</b>	179,502
Increase in unearned premium reserves	16	<b>(5,344)</b>	(16,624)
Earned premium		<b>178,911</b>	162,878
Net claims incurred	22	<b>(174,250)</b>	(123,457)
Net commission		<b>(18,303)</b>	(17,732)
		<b>(192,553)</b>	(141,189)
Underwriting (deficit)/surplus before management expenses		<b>(13,642)</b>	21,689
Management expenses	29	<b>(28,659)</b>	(27,137)
Underwriting deficit		<b>(42,301)</b>	(5,448)
Investment income	28	<b>17,632</b>	17,895
Net other operating income/(expenditure)	30	<b>11,598</b>	(13,292)
Loss from operations		<b>(13,071)</b>	(845)
Finance costs		<b>(20)</b>	(10)
Deficit from insurance fund		<b>(13,091)</b>	(855)
<b>Shareholder's fund</b>			
Investment income	28	<b>1,121</b>	1,593
Management expenses	29	<b>(7)</b>	(9)
		<b>(11,977)</b>	729

**28. INVESTMENT INCOME**

	Group	
	2002	2001
	RM'000	RM'000
<b>Insurance fund</b>		
Gross dividends:		
– shares quoted in Malaysia	1,452	1,267
Interest income:		
– Malaysian Government Securities	999	2,396
– Malaysian Semi-Government Securities	–	6
– Cagamas bonds	4,372	4,212
– Islamic and other corporate bonds	1,041	387
– deposits and placements with financial institutions	9,969	9,876
– secured loans	–	160
Rental of properties	306	306
MMIP investment income	114	87
Amortisation of premium, net of accretion of discount	(621)	(802)
	<b>17,632</b>	<b>17,895</b>
<b>Shareholder's fund</b>		
Interest income:		
– deposits and placements with financial institutions	1,121	1,593

**29. MANAGEMENT EXPENSES**

	Group	
	2002	2001
	RM'000	RM'000
<b>Insurance fund</b>		
Directors' salaries and emoluments*	509	290
Staff salaries and bonus	10,289	9,652
Other staff benefits	2,395	2,416
	<b>13,193</b>	<b>12,358</b>
Depreciation	1,838	1,965
Auditors' remuneration	80	80
Directors' fees	120	120
Bad and doubtful debts	747	581
Office rental	245	233
IGSF levy	488	1,563
Call centre service charges	531	435
Rental of equipment	637	332
Printing and EDP expenses	3,754	3,689
Business development	1,286	1,166
Bank charges	1,206	805
Office administration and utilities	1,405	1,145
Other expenses	3,129	2,665
	<b>28,659</b>	<b>27,137</b>

## 29. MANAGEMENT EXPENSES (Cont'd.)

Shareholder's fund	Group	
	2002 RM'000	2001 RM'000
Staff salaries and bonus	5	7
Other staff benefits	1	1
	<b>6</b>	<b>8</b>
Others	1	1
	<b>7</b>	<b>9</b>

\* The estimated monetary value of other benefits not included in the above received by the Directors was RM17,000 (2001 : RM10,000).

## 30. NET OTHER OPERATING INCOME/(EXPENDITURE)

Insurance fund	Group	
	2002 RM'000	2001 RM'000
Gain/(loss) on disposal of:		
– investments	<b>10,293</b>	699
– property, plant and equipment	<b>(1)</b>	740
Realised gain/(loss) on foreign exchange	<b>16</b>	(3)
Sundry income	<b>650</b>	221
Write back of/(allowance for) diminution in value of investments	<b>681</b>	(14,918)
Property, plant and equipment written off	<b>(27)</b>	(19)
Others	<b>(14)</b>	(12)
	<b>11,598</b>	<b>(13,292)</b>

## 31. INCOME TAX EXPENSE

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Current year's provision				
– Malaysian tax	<b>719</b>	2,044	<b>335</b>	3,421
Tax recoveries	<b>(50)</b>	(19)	–	–
Transfer from deferred taxation	<b>(2,897)</b>	(1,434)	–	(34)
	<b>(2,228)</b>	591	<b>335</b>	3,387
Under provision in prior years	<b>51</b>	12	–	–
	<b>(2,177)</b>	603	<b>335</b>	3,387

**31. INCOME TAX EXPENSE (Cont'd.)**

The effective rates of taxation of the Group for both the current and previous financial years are 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 rates of taxation of the Company for both the current and previous financial years are 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 2002, the Company has:

- tax exempt account balance of approximately RM2,864,000 (2001 : RM2,125,000), subject to agreement with the Inland Revenue Board, which is available for distribution.
- unabsorbed capital allowances of approximately RM1,685,000 (2001 : RM1,714,000), subject to agreement with the Inland Revenue Board, which can be used to offset future taxable profits arising from business income.
- sufficient tax credit under Section 108 of the Income Tax Act, 1967 and sufficient balance in the exempt account to frank the payment of net dividends out of its entire accumulated profits.

**32. BASIC LOSS PER SHARE (SEN)**

The basic loss per ordinary share is calculated by dividing the Group's net loss of RM11,107,000 (2001 : RM12,795,000) by the share capital of 99,200,000 (2001 : 99,200,000) ordinary shares in issue during the financial year.

**33. RELATED PARTY TRANSACTIONS**

	Group	
	2002 RM'000	2001 RM'000
Insurance revenue from a group of companies in which a Director, Mr Chan Thye Seng, has a substantial indirect interest :		
– Ancom Berhad group of companies	<b>886</b>	825
Insurance revenue from a Director, Mr Chan Hua Eng and persons connected to him	<b>18</b>	–
Insurance revenue from a Director, Mr Chan Thye Seng and persons connected to him	<b>19</b>	–
	<hr/>	<hr/>

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.

**34. COMMITMENTS AND CONTINGENCIES**

- (a) Contingent liabilities

	Company	
	2002 RM'000	2001 RM'000
Guarantees given to financial institutions for facilities extended to subsidiary companies – unsecured	<b>7,117</b>	5,904
	<hr/>	<hr/>

# Notes to the Financial Statements

30 September 2002

## 34. COMMITMENTS AND CONTINGENCIES (Cont'd.)

(b) Non cancellable operating lease commitments

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Future minimum lease payments are as follows:				
Not later than one year	756	132	25	11
Later than one year and not later than five years	1,099	310	36	30
	<b>1,855</b>	<b>442</b>	<b>61</b>	<b>41</b>

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

(c) Other commitments and contingencies

The Group may be required to contribute up to a maximum amount of RM522,000 (2001 : RM1,951,000) in the following financial year to the Insurance Guarantee Scheme Fund.

## 35. 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>2002</b>					
General insurance business	233,486	261	233,225	(11,977)	553,509
Investment holding	7,376	6,112	1,264	1,007	218,620
Information technology	14,446	8,468	5,978	(7,367)	35,300
Others	11,353	356	10,997	5,285	59,268
	<b>266,661</b>	<b>15,197</b>	<b>251,464</b>	<b>(13,052)</b>	<b>866,697</b>
Consolidation adjustments	(15,197)	(15,197)	-	(232)	(182,939)
	<b>251,464</b>	<b>-</b>	<b>251,464</b>	<b>(13,284)</b>	<b>683,758</b>
<b>2001</b>					
General insurance business	221,795	255	221,540	729	539,657
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
	254,713	26,772	227,941	(301)	837,357
Consolidation adjustments	(26,772)	(26,772)	-	(11,891)	(170,565)
	227,941	-	227,941	(12,192)	666,792

**35. 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>2002</b>			
Malaysia	<b>260,149</b>	<b>(12,845)</b>	<b>857,661</b>
United States of America	<b>3,295</b>	<b>(906)</b>	<b>4,014</b>
Thailand	<b>3,217</b>	<b>699</b>	<b>5,022</b>
	<b>266,661</b>	<b>(13,052)</b>	<b>866,697</b>
Consolidation adjustments	<b>(15,197)</b>	<b>(232)</b>	<b>(182,939)</b>
	<b>251,464</b>	<b>(13,284)</b>	<b>683,758</b>
<b>2001</b>			
Malaysia	249,697	1,714	829,652
United States of America	3,583	(132)	4,685
Thailand	1,433	(1,883)	3,020
	254,713	(301)	837,357
Consolidation adjustments	(26,772)	(11,891)	(170,565)
	227,941	(12,192)	666,792

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

**36. SUBSEQUENT EVENTS**

On 5 December 2002, the shareholders of the Company at an Extraordinary General Meeting approved the establishment of an Employee Share Option Scheme (ESOS) of up to 10% of the issued and paid-up share capital of the Company. On 16 December 2002, approval of the ESOS was obtained from the Securities Commission (SC). The ESOS is now conditional on approval being obtained from the Kuala Lumpur Stock Exchange (KLSE) in respect of the listing and quotation of any new shares issued under the ESOS. As soon as practicable after receipt of such approval, the Company's advisers in respect of the ESOS shall give written confirmation to the SC that all necessary approvals have been obtained. The date of that written confirmation shall be the date upon which the ESOS is launched.

The main features of the ESOS are as follows:

- (a) The ESOS shall be in force for an initial period of five years in accordance with the requirements of the SC subject however to renewal for period(s) of up to a maximum of five years to be determined by the Board upon the recommendation by the ESOS Committee.
- (b) The maximum number of new ordinary shares of RM1.00 each (Shares) to be offered under the ESOS shall not be more than 10% of the issued and paid-up share capital or such percentage of the issued and paid-up share capital of the Company as may be permitted by the SC from time to time during the duration of the ESOS.
- (c) The Executive Directors involved in the day-to-day management and/or employees who are on the payroll of the Company and its subsidiary companies and have completed at least one year of continuous employment and who fulfil the conditions set out in the Bye-Laws of the ESOS shall be eligible to participate in the ESOS.



**36. SUBSEQUENT EVENTS (Cont'd.)**

- (d) No option shall be granted for less than 1,000 Shares nor more than 900,000 Shares to any eligible employee.
- (e) The subscription price for each new Share issued under the ESOS shall be based on the weighted average market price of the Shares as shown in the daily official list issued by the KLSE for the five market days immediately preceding the date of offer subject to a discount of not more than 10%, or at the par value of the Shares, whichever is higher.
- (f) An eligible employee can only participate in one ESOS implemented by any company within the Group.

The above events have no effect on the financial results and financial position of the Group and of the Company for the financial year ended 30 September 2002.

**37. COMPARATIVE FIGURES**

The presentation of the financial statements for the current financial year complies with the new accounting standards issued by the Malaysian Accounting Standards Board and Bank Negara Malaysia JPI/GPI 15 (Revised) : Model Insurance Financial Statements.

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

	As previously reported RM'000	As restated RM'000
Trade receivables	58,588	-
Other receivables	12,167	-
Loans	-	46,495
Receivables	-	24,260
Trade payables	309,667	-
Other payables	10,792	-
Provision for outstanding claims	-	304,484
Payables	-	15,975

The comparative figures have been audited by a firm of chartered accountants other than Ernst & Young.

# List of Group's Properties

as at 30 September 2002

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2002 RM'000	Approximate age of building Years	Date of acquisition
<b>MALAYSIA</b>							
1.	P.N. 7383 Lot 1703 Section 46 and P.N. 7382 Lot 1700 Section 46  10 <sup>th</sup> Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	10,590	Leasehold expiring 8.4.2074	Office	3,764	17	Unit 10-A 1.7.1993  Unit 10-B 1.4.1995
2.	Lot No. P.T. 7 Section 46 and Lot No. P.T. 8 Section 47 Title Nos. H.S.(D) 814 and H.S.(D) 815 Town and District of Kuala Lumpur  11 <sup>th</sup> and 12 <sup>th</sup> Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	11 <sup>th</sup> Floor 10,589  12 <sup>th</sup> Floor 10,589	Leasehold expiring 8.4.2074	Office	5,694	17	21.12.1982
3.	Lot No. 262 Mukim of Ampang District and State of Wilayah Persekutuan  Unit 15-A, 15 <sup>th</sup> Floor GCB Court No. 63, Jalan Ampang 50450 Kuala Lumpur Wilayah Persekutuan	1,596	Freehold	Condominium/ Residential	398	17	14.4.1986
4.	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	23	1.12.1986

# List of Group's Properties

as at 30 September 2002

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2002 RM'000	Approximate age of building Years	Date of acquisition
5.	Lot No. 36 (formerly known as Private Lot No. 33) Block E, Part of Lot No. 281, Section 48 Kuching Town Land District  Taman Sri Sarawak Mall Jalan Padungan 93100 Kuching, Sarawak	3,878	Leasehold expiring 11.8.2771	4 storey shop-house	730	18	8.12.1984
6.	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	19	13.2.1991
7.	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	19	13.2.1991
8.	Block No. AC, Lot No. 318 Mahkota Square Lot 2, P.N. 6528 Kawasan Bandar XLII Daerah Melaka Tengah Negeri Melaka  No. 2, Jalan PM7 Plaza Mahkota Bandar Hilir 75000 Melaka	8,347	Leasehold expiring 25.7.2090	4 storey shop-office	1,403	4	18.9.1998
9.	Lot No. 4328 N Held under Title No. 8385 Town of Ipoh District of Kinta Ipoh, Perak Darul Ridzuan  Parcel No. B0-26 No. 26, Ground Floor Cherry Apartment Off Jalan Maxwell 30100 Ipoh Perak Darul Ridzuan	748	Freehold	Apartment/ Residential	50	11	4.1.1996

# List of Group's Properties

as at 30 September 2002

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2002 RM'000	Approximate age of building Years	Date of acquisition
10.	H.S.(D) 128978 P.T. No. 43545 Mukim of Petaling  No. 40, Jalan BP 5/8 Bandar Bukit Puchong Puchong 47100 Kuala Lumpur	5,099 (3,477)	Freehold	1½ storey factory corner unit/office	425	3	3.12.1999
11.	H.S.(D) 128977 P.T. No. 43544 Mukim of Petaling  No. 38, Jalan BP 5/8 Bandar Bukit Puchong Puchong 47100 Kuala Lumpur	2,875 (2,002)	Freehold	1½ storey intermediate unit/office	217	3	3.12.1999
12.	Lot No. P.T. 6147 Title No. H.S.(D) 41601 Mukim Of Sungai Buloh District Of Petaling Jaya  No. 29, Jalan SS21/37 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	(1,650)	Freehold	3½ storey mid terraced shop-office	1,831	22	24.1.1997
13.	Lot No. P.T. 5972 Title No. H.S.(D) 80192 Mukim Of Sungai Buloh District Of Petaling Jaya  No. 21, Jalan SS21/56B Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	(1,650)	Freehold	3½ storey mid terraced shop-office	1,631	22	24.1.1997
<b>UNITED STATES OF AMERICA</b>							
14.	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	1,300	33	14.1.1998

# Shareholdings

## Statistics

as at 31 December 2002

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	16	1,699	0.00
1,000 to 10,000	4,497	11,541,301	11.63
10,001 to 100,000	355	8,964,000	9.04
100,001 to less than 5% of issued shares	47	21,653,000	21.83
5% and above of issued shares	3	57,040,000	57.50
<b>Total</b>	<b>4,918</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
Employees Provident Fund Board	5,470,000	5.51	–

**Notes:** \* 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
Lim Kheng Guan	20,000	0.02	–
Michael Yee Kim Shing	–	–	#155,000
Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	–	–	–
Dato' Abu Hanifah Bin 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 2002

## 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 Capital Markets Sendirian Berhad	1,130,000	1.14
– Libra Asia Securities Limited		
7. AllianceGroup Nominees (Tempatan) Sdn Bhd	1,087,000	1.10
– PHEIM Asset Management Sdn Bhd for Employees Provident Fund		
8. Amanah Saham Mara Berhad	960,000	0.98
9. AM Nominees (Tempatan) Sdn Bhd	948,000	0.96
– Pertubuhan Keselamatan Sosial		
10. Universal Trustee (Malaysia) Berhad	836,000	0.84
– BHLB Pacific High Growth Fund		
11. Universal Trustee (Malaysia) Berhad	667,000	0.67
– BHLB Pacific Emerging Companies Growth Fund		
12. Universal Trustee (Malaysia) Berhad	600,000	0.60
– Mayban Balanced Trust Fund		
13. Libra Capital Markets Sendirian Berhad	570,000	0.57
– Premier Securities Investment Limited		
14. Yeoh Kean Hua	542,000	0.55
15. Yayasan Sarawak	500,000	0.50
16. AMMB Nominees (Tempatan) Sdn Bhd	500,000	0.50
– MIDF Aberdeen Asset Management Sdn Bhd for Employees Provident Fund (7/836-2)		
17. Yayasan Sabah	492,000	0.50
18. Amanah Raya Berhad	484,000	0.49
– BHLB Pacific Double Growth Fund		
19. Menteri Besar Incorporation	441,000	0.45
20. Yayasan Kedah Berhad	427,000	0.43
21. Universal Trustee (Malaysia) Berhad	414,000	0.42
– BHLB Pacific Savings Fund		
22. PFM Capital Sdn Bhd	390,000	0.39
23. HDM Nominees (Tempatan) Sdn Bhd	347,000	0.35
– HDM Venture Capital Sdn Bhd for Ancom Berhad		
24. Perbadanan Nasional Berhad	346,000	0.35
25. RHB Nominees (Tempatan) Sdn Bhd	313,000	0.32
– Telekom Malaysia Berhad		
26. Lembaga Pemegang-Pemegang Amanah Yayasan Negeri Sembilan	291,000	0.29
27. Wong Thean Yew	280,000	0.28
28. AM Nominees (Tempatan) Sdn Bhd	258,000	0.26
– Tabung Amanah Warisan Negeri Johor (A/C 1)		
29. Rothputra Nominees (Tempatan) Sdn Bhd	250,000	0.25
– BBMB Retirement Scheme		
30. Lee Soon Hian	212,000	0.21
<b>Total</b>	<b>75,927,000</b>	<b>76.54</b>



# Form of Proxy



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

No. of Shares Held

\*I/We, \_\_\_\_\_

of \_\_\_\_\_

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

of \_\_\_\_\_ or failing whom,

\_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Ninth Annual General Meeting of the Company, to be held at Raya Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 18 February 2003 at 11.30 a.m. and at any adjournment thereof.

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

No.	Resolutions	For	Against
1.	To receive the audited financial statements for the year ended 30 September 2002 and the Reports of the Directors and the Auditors thereon.		
2.	To re-elect Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed 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 Ernst & Young as auditors and to authorise the Directors to fix their remuneration.		
5.	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.		
6.	To authorise the Directors to purchase shares in the Company.		

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

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2003

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

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

#### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one (1) proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the registered office of the Company situated at 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 appointed for the meeting.
3. In the case of a corporate member, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.



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STAMP

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

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