

# [ ANNUAL REPORT 2004 ]



**PACIFIC & ORIENT BERHAD**  
(308366-H)

# CONTENTS

---

2	Notice of Annual General Meeting
5	Statement Accompanying Notice of Annual General Meeting
6	Corporate Information
7	Profile of the Board of Directors
9	Corporate Governance and Statement of Directors' Responsibilities
12	Statement of Internal Controls
13	Additional Compliance Statement
14	Report of the Audit Committee
19	Chairman's Statement
22	Penyata Pengerusi
26	Financial Statements
86	List of Group's Properties
89	Shareholdings Statistics
	Form of Proxy

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Eleventh Annual General Meeting of the Company will be held at Anggerik Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Saturday, 12 March 2005 at 11.30 a.m. for the following purposes:

1. To receive and consider the audited financial statements for the year ended 30 September 2004 and the Reports of the Directors and the Auditors thereon. **Resolution 1**
  
2. To re-elect a Director: **Resolution 2**  
  
Y.Bhg. Dato' Abu Hanifah Bin Noordin retires by rotation pursuant to Article 82 of the Company's Articles of Association, and being eligible, offers himself for re-election.
  
3. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965: **Resolution 3**  
  
"THAT Mr Chan Hua Eng being over the age of 70 years and retiring in accordance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
  
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 Special Resolution and Ordinary Resolutions respectively:  
  
**Special Resolution:**  
Proposed Amendment to the Articles of Association of the Company **Resolution 5**  
  
"THAT the Articles of Association of the Company be amended in the following manner:  
  
New Article 124  
  
The existing Article 124 be deleted and replaced with the following new article:  
  
124. A resolution in writing, signed by a majority of the Directors for the time being entitled to receive notice of a meeting of the Directors, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Directors. Any such document, may be accepted as sufficiently signed by a Director if transmitted to the Company by facsimile or other electrical or digital written message purporting to include a signature of such Director."

# NOTICE OF ANNUAL GENERAL MEETING

## Ordinary Resolutions:

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

**Resolution 6**

"THAT subject to Section 132D of the Companies Act, 1965 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company for the time being; AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

b) Authority to Directors on purchase of the Company's own shares

**Resolution 7**

"THAT subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, and the requirements of Bursa Malaysia Securities Berhad ("BMSB") and any other relevant authorities, the Directors of the Company be and are hereby unconditionally and generally authorised to:

- i) purchase shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, provided that the aggregate number of shares bought pursuant to this Resolution does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company for the time being and the total funds allocated shall not exceed the total retained earnings and share premium of the Company (re: page 3 item 6 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);
- ii) retain the shares so purchased as treasury shares or cancel them or both, with an appropriate announcement to be made to BMSB 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 BMSB 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."

## NOTICE OF ANNUAL GENERAL MEETING

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  
18 February 2005

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 - Proposed Amendment to the Articles of Association of the Company

The proposed amendment to Article 124 is to accommodate the acceptance of a resolution signed by a Director and transmitted to the Company by way of facsimile or other electrical or digital written message purporting to include a signature of such Director.

#### 2. Resolution 6 - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

The effect of the resolution under item 5 of the agenda, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot shares in the Company up to and not exceeding in total ten per cent (10%) of the issued and paid-up share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

#### 3. Resolution 7 - Authority to Directors on purchase of the Company's own shares

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

Further information on the Proposed Share Buy Back are set out in the Circular to shareholders of the Company which is despatched together with the Company's 2004 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 (76), Malaysian  
Non-Executive Chairman  
\*Interest in securities in the Company: 76,000 fully paid ordinary shares of RM1.00 each (direct) and 56,323,400 fully paid ordinary shares of RM1.00 each (indirect)
- Dato' Abu Hanifah Bin Noordin (53), Malaysian  
Independent Non-Executive Director, member of the Audit Committee, the Nominating Committee and the Remuneration Committee  
\*Interest in securities in the Company: 2,400,000 fully paid ordinary shares of RM1.00 each (indirect)

The details of the above Directors who are standing for re-election are set out in the Directors' Profile on pages 7 to 8 of this Annual Report.

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

## BOARD MEETINGS

There were five meetings of the Board of Directors held at the Company's registered office (11th Floor, Wisma Bumi Raya, No.10, Jalan Raja Laut, 50350 Kuala Lumpur) during the financial year ended 30 September 2004, the details of which are as follows:

Date	Board Meeting	Time
28 November 2003	30th	3.30 p.m.
20 February 2004	31st	4.00 p.m.
6 May 2004	Special Board Meeting	11.30 a.m.
31 May 2004	32nd	11.30 a.m.
30 August 2004	33rd	11.30 a.m.

The details of attendance of the Directors are set out in the Corporate Governance and Statement of Directors' Responsibilities on pages 9 to 11 of this Annual Report.

\* Correct as at 7 January 2005

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Chan Hua Eng R OBE  
Chairman

Chan Thye Seng  
Chief Executive Officer

Michael Yee Kim Shing  
Independent Non-Executive Director

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

Dato' Abu Hanifah Bin Noordin  
Independent Non-Executive Director

## SECRETARIES

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

## REGISTRARS

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

## AUDITORS

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

## PRINCIPAL BANKERS

Malayan Banking Berhad  
RHB Bank Berhad

## REGISTERED OFFICE

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

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
Main Board

# PROFILE OF THE BOARD OF DIRECTORS

**Chan Hua Eng** R OBE (76), Malaysian  
Non-Executive Chairman

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

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

**Chan Thye Seng** (48), Malaysian  
Chief Executive Officer and Managing Director

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

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

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

**Michael Yee Kim Shing** (66), Malaysian  
Independent Non-Executive Director, Chairman of the Audit Committee, member of the Nominating Committee and the Remuneration Committee

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

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

He is also an independent non-executive director of VXL Capital Limited, a public company listed and quoted on the Stock Exchange of Hong Kong Limited.



## PROFILE OF THE BOARD OF DIRECTORS

**Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed** (60), 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.

**Dato' Abu Hanifah Bin Noordin** (53), Malaysian

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

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

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

The interest of each Director in the shares of the Company are disclosed on pages 89 to 90 [Shareholdings Statistics].  
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)

Pursuant to paragraph 15.26 of the Bursa Malaysia Securities Berhad Listing Requirements, a public listed company is required to disclose in its annual report narrative statements on application of the principles of Corporate Governance set out in the Malaysian Code on Corporate Governance

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

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

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

## B. BOARD OF DIRECTORS

### 1. Composition and Attendance

The composition of the Board, and the individual Directors' attendance of meetings during the financial year ended 30 September 2004 were as follows:

		Meetings Attended (Out of 5 Held)
Mr Chan Hua Eng	Non-Executive Chairman	5
Mr Chan Thye Seng	Chief Executive Officer	5
Mr Michael Yee Kim Shing	Independent Non-Executive Director	5
Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	Independent Non-Executive Director	5
Dato' Abu Hanifah Bin Noordin	Independent Non-Executive Director	5

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 7 to 8 of this Annual Report.

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

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

# CORPORATE GOVERNANCE AND STATEMENT OF DIRECTORS' RESPONSIBILITIES

## 2. Appointment, Re-election and Assessment

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

As mentioned in 1 above, the Board is of the view that it has the right mix of individual qualities to fulfil its role. Further, as the Board was unchanged from the previous financial year, 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.

During the financial year under review the Nominating Committee held a meeting on 30 August 2004 attended by all the three members.

## 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	35,000	1
▪ Benefits-in kind	<u>2,100</u>	
	<u>37,100</u>	
▪ Fees	40,000	3
<i>Aggregate</i>		
▪ Fees	155,000	
▪ Benefits-in-kind	<u>2,100</u>	
<b>Executive:</b> RM600,001 to RM650,000		
▪ Salary and other remuneration	464,840	1
▪ Allowances	120,000	
▪ Benefits-in-kind	<u>19,100</u>	
	<u>603,940</u>	
<i>Aggregate</i>		
▪ Salary and other remuneration	464,840	
▪ Allowances	120,000	
▪ Benefits-in-kind	<u>19,100</u>	

The above disclosure is in full compliance with the Listing Requirements of Bursa Malaysia Securities Berhad. 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.

During the financial year under review, the Remuneration Committee held a meeting on 30 August 2004 attended by all the three members.

#### **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 14 to 18 of this Annual Report.

#### **2. Responsibility For Annual Audited Financial Statements**

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

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

# STATEMENT OF INTERNAL CONTROLS

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

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

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

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

# ADDITIONAL COMPLIANCE STATEMENT

During the financial year under review:

- a. there were no
  - warrants or convertible securities exercised
  - American Depository Receipt or Global Depository Receipt programmes sponsored by the Company
  - sanctions and/or penalties imposed on the Company or its subsidiaries, directors or management by any relevant authority
  - profit estimates, forecasts or projections or unaudited results released which differ by 10 per cent or more from the audited results
  - profit guarantees given in respect of the Company
  - material contracts between the Company and its subsidiaries that involve directors' or major shareholders' interests
  - loans between the Company and its subsidiaries that involve directors' or major shareholders' interests
- b. the Company did not have a policy on revaluation of landed properties.
- c. non-audit fees paid to the external auditors during the financial year amounted to RM13,500.

# REPORT OF THE AUDIT COMMITTEE

## MEMBERS

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

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

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

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

#### 2. MEETINGS

- 2.1 The quorum for a Committee meeting shall be at least two (2) members; the majority present must be Independent Directors.
- 2.2 The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.
- 2.3 Notwithstanding paragraph 2.2 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.
- 2.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.
- 2.5 The Committee may invite any non-member Directors or employee of the company and of the Group who the Committee thinks fit and proper to attend its meetings to assist in its deliberations and resolutions of matters raised.

- 2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters and the recommendations relating thereto and to follow up on all relevant decisions made.
- 2.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- 2.8 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.
- 2.9 In addition to the availability of detailed minutes of the Committees' meetings to all Board members, the Committee at each Board meeting will report a summary of significant matters and resolutions.

### 3. RIGHTS AND AUTHORITY

The Committee is authorised to:

- 3.1 Investigate any matter within its terms of reference.
- 3.2 Have adequate resources required to perform its duties.
- 3.3 Have full and unrestricted access to information, records and documents relevant to its activities.
- 3.4 Have direct communication channels with the External and Internal Auditors.
- 3.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.

### 4. FUNCTIONS AND DUTIES

- 4.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independence, purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.
- 4.2 To review the following and report to the Board:
  - (a) With the External Auditors:
    - (i) The audit plan and audit report and the extent of assistance rendered by employees of the Auditee.
    - (ii) Their evaluation of the system of internal controls.
    - (iii) The audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as Auditors.
    - (iv) The management letter and management's response.
    - (v) Issues and reservations arising from audits.
  - (b) With the Internal Audit Department:
    - (i) The adequacy and relevance of the scope, functions and resources of internal audit and the necessary authority to carry out its work.
    - (ii) The audit plan of work programme and results of internal audit processes including actions taken on recommendations.
    - (iii) The extent of co-operation and assistance rendered by employees of 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.



## REPORT OF THE AUDIT COMMITTEE

- (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 BMSB.
- 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 BMSB.

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

### 5. INTERNAL AUDIT DEPARTMENT

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

**Attendance at Meetings**

A total of four (4) Audit Committee meetings were held during the financial year ended 30 September 2004. The details of attendance of the Committee members are as follows: -

<b>Name of Committee Member</b>	<b>Number of meetings held</b>	<b>Number of meetings attended</b>
Michael Yee Kim Shing	4	4
Y.M. Tunku Mu'tamir bin Tunku Tan Sri Mohamed	4	3
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 2004 included the following:

- (a) Reviewed the adequacy and relevance of the scope, functions, resources, risk-based internal audit plans and results of the internal audit processes, with the Internal Audit Department.
- (b) Reviewed with the External Auditors their audit plans (inclusive of system evaluation, audit fees, issues raised and management response) prior to the commencement of the annual audit.
- (c) Reviewed the draft year-end statutory accounts, the audit reports, issues and reservations arising from audits and the management letters, with the External Auditors.
- (d) Reviewed the draft quarterly and year-end statutory accounts with management and the respective draft quarterly reports for announcement to BMSB.
- (e) 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.
- (f) Updated and advised the Board with any latest changes and pronouncements that may have been issued by the accountancy, statutory and regulatory bodies.
- (g) 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.
- (h) Prepared the Audit Committee Report for inclusion in the Company's Annual Report.
- (i) 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 BMSB) and other statements for publication in the Company's Annual Report.
- (j) Considered the appointment of the new Head of Internal Audit.

# REPORT OF THE AUDIT COMMITTEE

## Internal Audit Activities Report

The summary of the activities of the Internal Audit Department for the year ended 30 September 2004 is as follows:

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

# CHAIRMAN'S STATEMENT

On behalf of your Board of Directors, I have the pleasure of presenting the Annual Report and Audited Financial Statements of your Company for the year ended 30 September 2004.

## FINANCIAL RESULTS

Turnover at Group level was RM228.7 million, a reduction of RM35.8 million from the RM264.5 million achieved in 2003. Lower premium was written at the insurance subsidiary company and this substantially accounted for the decrease. However, despite this, pre-tax profit of RM1.2 million was recorded, a marginal increase on the corresponding RM0.7 million of 2003 primarily because of a reduction in claims incurred by the insurance subsidiary company. Due to certain expenses not being deductible for tax purposes, a loss after tax was recorded. On a positive note, after tax loss was reduced to RM1.2 million from RM2.2 million in 2003.

At Company level, turnover declined to RM8.7 million from RM11.1 million in 2003 mainly due to a drop in dividend income. However, a lower pre-tax loss of RM0.4 million was posted compared to a pre-tax loss of RM2.1 million in 2003. This improvement was due to the absence of impairment loss in respect of long term investments as compared to 2003 and also because of an increase in management fees received from subsidiary companies. Consequently, your Company recorded a reduced after tax loss of RM0.1 million compared to the after tax loss amounting to RM3.0 million in 2003.

## ACTIVITIES AND PROSPECTS OF THE GROUP

The level of business activity for the Group declined in 2004 after four successive years of growth in turnover. The main reason for this was a reduction in the contribution from the Financial Services Division.

The IMF in its World Economic Outlook survey of September 2004 noted that "the global recovery remains solid, with economic growth in 2004 projected to reach its highest rate in nearly 30 years". However, the sharp increase in oil prices occasioned by "strong global demand and, increasingly, supply-side concerns" may adversely impact upon the potentially robust scenario. To quote further, "Overall, while Directors [of the IMF] generally expected a continued solid expansion of the world economy, they considered that the balance of risks has shifted to the downside, with further oil price volatility and geopolitical risks becoming the central short-term concerns".

The current year will be challenging as the economic volatility of recent times makes it injudicious to exclude the possibility of negative impact on the Group from external sources. Against a backdrop of intense competition notwithstanding, the Group remains financially sound while sustainable growth and profitability continue to be sought by your Board on behalf of shareholders.

As was announced previously, your Company undertook a Private Placement of eight million new ordinary shares of RM1.00 each to identified Independent Non-Executive Directors. During the year under review, the issue price of the placement shares was set at RM1.45 per share and the said shares were issued on 7 January 2004. The proceeds were utilised for repayment of borrowings and for use as working capital.

Also during the year under review, your Company bought back its shares in the open market, further details of which are provided in the accompanying Financial Statements. The depressed price of the Company's shares at the time of the purchases represented an opportunity for the Company to enhance the value of the Company's shares by raising NTA, Return on Equity and all "per share" data in respect of the Company's financial position and performance.

### **Financial Services**

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

### **Insurance**

In keeping with the efforts of recent years to improve access to its products and services, POI opened a branch in Kota Kinabalu. With this, POI hopes to broaden its reach in East Malaysia.

In other developments, POI has

- Joined in the official launch of the e-cover note project which took place on 5 October 2004. With effect from 1 January 2005, road tax renewals at JPJ offices will no longer require physical cover notes as confirmation of insurance cover and all relevant information will be transmitted directly from insurance companies to the JPJ's servers
- Launched the InsQuote system which provides on-line insurance quotations via POI's Website ([www.PNO-INS.com](http://www.PNO-INS.com))
- Introduced a panel of approved motor workshops

Premium income was notably lower than in 2003, a reflection of the strong competition that has been a feature of the insurance industry for several years now. Of late this has been evidenced by the overall increase in competitive marketing initiatives by insurance companies. Your Board notes the resultant benefit to consumers but cautions that going forward, the consequent increase in operating costs, coupled with a motor tariff that has remained unchanged for more than 20 years, will place insurers under financial pressure.

POI recorded a turnover of RM222.6 million, a reduction of 11.6 percent on the RM251.7 million of 2003. Profit before tax amounted to RM18.6 million compared to a profit before tax of RM13.3 million in 2003.

### **Money Lending**

Turnover at POC eased to RM1.8 million from RM4.7 million in 2003 as interest income from a major borrower had not been recognised from 1 January 2004 onwards for reasons of prudence. Also, contributions from new loans committed were minimal. Following on from this, a pre-tax loss of RM2.1 million was recorded compared to a pre-tax profit of the RM0.2 million in 2003.

### **Information Technology (IT)**

As mentioned in last year's report, solutions centred on high-speed wireless Internet access and IP (Internet protocol) surveillance cameras were introduced during 2003. This Digital Surveillance service allows customers to monitor remote locations in real time from any location on an IP network. Cameras on the system can be panned, tilted and zoomed while images remain sharp even in low-light conditions. Viewing and control are possible with any networked computing device including personal digital assistants (PDAs) and wi-fi notebook computers.

Substantial progress has been achieved in our sales of surveillance systems which use equipment from Sony Electronics and Cisco Systems. These systems have been installed in a chain of McDonald's restaurants and the Holy Cross Hospital in Fort Lauderdale, Florida. Efforts are underway to promote these solutions in Malaysia and Thailand.

In Malaysia, Workflow GBS, a customised workflow solution, is currently used by HSBC Bank Malaysia and OCBC Bank (Malaysia). Further expansion is expected as three other banks are evaluating the system which links banks with their panel solicitors to facilitate the monitoring of debt recovery. Sales of insurance solutions remained slow, however, but development work continued in expectation of a better year in 2005.

The subsidiary company in Thailand had a quiet year but 2005 is likely to return better results if marketing of the Digital Surveillance service bears fruit. As in Malaysia, there was slow demand for insurance-related solutions but sales efforts will continue in order to yield improved results in the current year.

Turnover at the IT division was RM13.8 million as compared to RM11.6 million in 2003. However, the pre-tax loss of RM13.6 million was higher than the RM8.0 million in 2003 due to an increase in management expenses.

### **Consumer and Distribution Services**

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

This Division is currently being reviewed to determine how to turn around the general trend towards decline in both sales and profitability. It should be appreciated that the activities of this Division are skewed towards complementing and providing synergistic support to companies within the Group and are not expected to contribute effectively to the bottom-line of the Group until such time this Division is able to increase its activities independent of the Group.

### **Distribution**

Sales at POD of RM0.05 million were lower than the RM0.10 million posted in 2003. This notwithstanding, the company recorded a lower pre-tax loss of RM0.14 million compared to RM0.17 million in 2003. The slightly better result was primarily attributable to the decrease in management expenses.

### **Motoring Assistance**

Due to slow take-up of Wizard Card, a motoring assistance service, DND's turnover slipped to RM0.03 million compared to RM0.05 million in 2003. A marginally lower pre-tax loss of RM0.6 million was posted against a pre-tax loss of RM0.7 million in 2003.

### **DIVIDEND**

A first interim dividend of 3.75 sen less tax, in respect of the financial year ended 30 September 2004, was paid on 30 June 2004.

The Directors had on 22 November 2004 declared a second interim dividend of 3.75 sen per share less tax in respect of the financial year ended 30 September 2004, which was paid on 22 December 2004. This dividend has not been reflected in the financial statements but it will be accounted for in the financial year ending 30 September 2005. 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

8 January 2005

# PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat tuan bagi tahun berakhir 30 September 2004.

## **KEPUTUSAN KEWANGAN**

Jumlah dagangan pada peringkat Kumpulan adalah RM228.7 juta, pengurangan sebanyak RM35.8 juta daripada RM264.5 juta yang diperolehi pada tahun 2003. Jumlah premium yang lebih rendah telah diunderait oleh anak syarikat insurans dan ini mengakibatkan sebahagian besar penurunan tersebut. Namun demikian, keuntungan sebelum cukai sebanyak RM1.2 juta telah direkodkan, peningkatan kecil berbanding RM0.7 juta bagi tempoh yang sama dalam tahun 2003 terutamanya disebabkan oleh pengurangan dalam tuntutan kena dibayar oleh anak syarikat insurans. Disebabkan oleh perbelanjaan tertentu yang tidak boleh ditolak untuk tujuan cukai, kerugian selepas cukai telah direkodkan. Yang positifnya, kerugian selepas cukai telah dikurangkan kepada RM1.2 juta daripada RM2.2 juta pada tahun 2003.

Pada peringkat Syarikat, jumlah dagangan menurun kepada RM8.7 juta daripada RM11.1 juta pada tahun 2003 terutamanya disebabkan oleh penurunan dalam pendapatan dividen. Walau bagaimanapun, kerugian sebelum cukai yang lebih rendah sebanyak RM0.4 juta telah dicatatkan berbanding dengan kerugian sebelum cukai sebanyak RM2.1 juta pada tahun 2003. Peningkatan ini disebabkan ketiadaan rosot nilai berhubung dengan pelaburan jangka panjang berbanding dengan tahun 2003 dan juga disebabkan oleh penambahan yuran pengurusan yang diterima daripada anak-anak syarikat. Akibatnya, Syarikat tuan merekodkan kerugian selepas cukai yang berkurangan, iaitu sebanyak RM0.1 juta berbanding dengan kerugian selepas cukai sebanyak RM3.0 juta pada tahun 2003.

## **KEGIATAN DAN PROSPEK KUMPULAN**

Tahap kegiatan perniagaan pada peringkat Kumpulan menurun pada tahun 2004 selepas pertumbuhan empat tahun berturut-turut dalam jumlah dagangan. Alasan utamanya adalah pengurangan dalam sumbangan daripada Bahagian Perkhidmatan Kewangan.

IMF dalam kajian Tinjauan Ekonomi Dunia pada bulan September 2004 memerhatikan bahawa "pemulihan global kekal kukuh, dengan pertumbuhan ekonomi pada tahun 2004 diunjurkan mencecah kadar paling tinggi sejak hampir 30 tahun". Walau bagaimanapun, peningkatan mendadak dalam harga minyak disebabkan oleh "permintaan global yang kukuh dan juga kebimbangan bahagian bekalan" mungkin akan menjejaskan senario yang berpotensi kukuh. IMF dalam kajiannya juga menyatakan bahawa "Pada keseluruhannya, para Pengarah IMF pada umumnya menjangkakan pertumbuhan ekonomi dunia yang kukuh akan berterusan, dan menganggap bahawaimbangan risiko telah menganjak ke arah kelembapan, dengan kemeruapan harga minyak selanjutnya dan risiko geopolitik menjadi kebimbangan utama dalam jangka masa pendek".

Tahun semasa akan mencabar memandangkan kemeruapan ekonomi baru-baru ini membuatnya kurang bijak untuk mengecualikan kemungkinan kesan negatif daripada sumber luar ke atas Kumpulan. Meskipun berlatar belakangkan persaingan sengit, Kumpulan masih kukuh dari segi kewangan manakala Lembaga Pengarah bagi pihak pemegang-pemegang saham akan terus berusaha mencari peluang pertumbuhan dan keberuntungan yang boleh dipertahankan.

Sebagaimana yang telah diumumkan sebelum ini, Syarikat tuan melaksanakan Tawaran Persendirian sebanyak lapan juta saham biasa baru bernilai RM1.00 sesaham kepada Pengarah-Pengarah Bebas Bukan Eksekutif. Dalam tahun di bawah kajian, harga terbitan saham-saham tawaran telah ditetapkan pada RM1.45 setiap saham dan saham-saham tersebut telah diterbitkan pada 7 Januari 2004. Perolehannya digunakan untuk pembayaran balik pinjaman dan untuk penggunaan sebagai modal kerja.

Juga dalam tahun di bawah kajian, Syarikat tuan telah membeli balik saham-sahamnya dalam pasaran terbuka, butir-butir lanjut boleh didapati dalam Penyata Kewangan yang disertakan. Harga rendah saham-saham Syarikat pada masa pembelian memberi peluang untuk Syarikat meningkatkan nilai saham-saham Syarikat dengan menaikkan NTA, Pulangan ke atas Ekuiti dan semua data atas "setiap saham" berhubung dengan kedudukan dan prestasi kewangan Syarikat.

#### **Perkhidmatan Kewangan**

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

#### **Insurans**

Sejajar dengan usaha-usaha dalam beberapa tahun kebelakangan ini untuk memudahkan akses kepada produk dan perkhidmatannya, POI telah membuka sebuah cawangan di Kota Kinabalu. Dengan ini, POI berharap untuk meluaskan kecapaiannya di Malaysia Timur.

Dalam perkembangan lain, POI telah

- Menyertai pelancaran rasmi projek nota perlindungan-e yang diadakan pada 5 Oktober 2004. Mulai 1 Januari 2005, pembaharuan cukai jalan di pejabat JPJ tidak lagi memerlukan nota perlindungan fizikal sebagai pengesahan nota perlindungan dan semua maklumat berkenaan akan dihantar secara langsung daripada syarikat-syarikat insurans ke "server" JPJ
- Melancarkan sistem InsQuote yang menyediakan sebut harga insurans secara "on-line" melalui Laman web POI ([www.PNO-INS.com](http://www.PNO-INS.com))
- Memperkenalkan panel bengkel motor yang diluluskan

Pendapatan premium adalah lebih rendah berbanding dengan tahun 2003, memberikan gambaran persaingan kuat yang telah menjadi ciri industri insurans sejak beberapa tahun ini. Ini telah dibuktikan melalui peningkatan keseluruhan dalam persaingan inisiatif pemasaran di kalangan syarikat-syarikat insurans sejak kebelakangan ini. Lembaga Pengarah tuan memberikan tumpuan ke atas keberkesanan faedahnya kepada pengguna tetapi berhati-hati juga kerana jika berterusan, peningkatan kos kendalian, disertai dengan tarif motor yang kekal tidak berubah untuk lebih daripada 20 tahun akan mengakibatkan syarikat insurans menghadapi tekanan kewangan.

POI merekodkan jumlah dagangan sebanyak RM222.6 juta, pengurangan sebanyak 11.6 peratus daripada RM251.7 juta pada tahun 2003. Keuntungan sebelum cukai berjumlah RM18.6 juta berbanding dengan keuntungan sebelum cukai sebanyak RM13.3 juta pada tahun 2003.

#### **Pemberi Pinjaman Wang**

Jumlah dagangan POC turun kepada RM1.8 juta daripada RM4.7 juta pada tahun 2003 memandangkan pendapatan faedah daripada satu peminjam besar tidak diiktiraf mulai dari 1 Januari 2004 atas alasan berhemat. Tambahan pula, sumbangan daripada pinjaman baru yang diluluskan adalah kecil. Berikutan daripada ini, kerugian sebelum cukai sebanyak RM2.1 juta telah direkodkan berbanding dengan keuntungan sebelum cukai sebanyak RM0.2 juta pada tahun 2003.



## Teknologi Maklumat (IT)

Sebagaimana yang disebut dalam laporan tahun lepas, penyelesaian yang tertumpu ke atas akses Internet tanpa wayar berkelajuan tinggi dan kamera pengawasan IP (Internet Protokol) telah diperkenalkan semasa tahun 2003. Khidmat Pengawasan Digital ini membolehkan pelanggan-pelanggan mengawasi lokasi jauh pada masa nyata dari mana-mana lokasi dalam rangkaian IP. Kamera dalam sistem boleh disorot, disenget dan dizum manakala imej kekal tajam walaupun dalam keadaan kurang cahaya. Penayangan dan pengawalan boleh dilaksanakan dengan sebarang rangkaian peranti perkomputeran termasuk pembantu digital peribadi (PDAs) dan komputer mudah alih wi-fi.

Kemajuan besar telah dicapai dalam jualan sistem pengawasan ini yang menggunakan peralatan daripada Sony Electronics dan Cisco Systems. Sistem-sistem ini telah dipasang dalam rangkaian restoran McDonald dan Hospital Holy Cross di Fort Lauderdale, Florida. Usaha-usaha sedang diteruskan untuk mempromosi penyelesaian ini di Malaysia dan Thailand.

Di Malaysia, Workflow GBS, iaitu penyelesaian fungsi aliran kerja mengikut pesanan, pada masa kini telah digunakan oleh HSBC Bank Malaysia dan OCBC Bank (Malaysia). Perkembangan selanjutnya dijangkakan memandangkan tiga bank yang lain sedang menilai sistem ini yang dapat merangkaikan bank dengan penguamcara panel mereka untuk memudahkan pengawasan mendapatkan balik hutang. Jualan penyelesaian insurans masih lembap, namun demikian, kerja pembangunan diteruskan dengan jangkaan tahun 2005 akan menjadi lebih baik.

Anak syarikat di Thailand agak lembap tetapi tahun 2005 berkemungkinan akan memberikan hasil yang lebih baik jika pemasaran khidmat Pengawasan Digital mendatangkan hasil. Sebagaimana di Malaysia, terdapat permintaan lembap untuk penyelesaian berkaitan insurans tetapi usaha jualan akan diteruskan untuk menghasilkan keputusan yang lebih baik dalam tahun semasa.

Jumlah dagangan dalam bahagian IT adalah RM13.8 juta berbanding dengan RM11.6 juta pada tahun 2003. Walau bagaimanapun, kerugian sebelum cukai sebanyak RM13.6 juta adalah lebih tinggi daripada RM8.0 juta pada tahun 2003 disebabkan peningkatan dalam perbelanjaan pengurusan.

## Perkhidmatan Pengguna dan Penedaran

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

Pada masa kini, bahagian ini sedang dikaji untuk menentukan bagaimana untuk memulihkan trend umumnya yang mengalami penurunan dalam aspek jualan dan keuntungan. Perlu difahami bahawa kegiatan Bahagian ini adalah tertumpu ke arah melengkapi dan menyediakan sokongan sinergistik kepada syarikat-syarikat dalam Kumpulan dan tidak dijangka akan menyumbang secara berkesan kepada keuntungan Kumpulan, sehinggalah Bahagian ini berupaya meningkatkan kegiatannya tanpa perlu bergantung kepada Kumpulan.

## Penedaran

Jualan oleh POD sebanyak RM0.05 juta adalah lebih rendah daripada RM0.10 juta yang dicatatkan pada tahun 2003. Namun begitu, syarikat merekodkan kerugian sebelum cukai yang lebih rendah sebanyak RM0.14 juta berbanding dengan RM0.17 juta pada tahun 2003. Keputusan yang meningkat sedikit ini terutamanya disebabkan oleh pengurangan dalam perbelanjaan pengurusan.

**Bantuan Pemotoran**

Disebabkan kurang sambutan terhadap Wizard Card, khidmat bantuan pemotoran, jumlah dagangan DND jatuh kepada RM0.03 juta berbanding dengan RM0.05 juta pada tahun 2003. Kerugian sebelum cukai yang lebih rendah sebanyak RM0.6 juta dicatatkan berbanding dengan kerugian sebelum cukai sebanyak RM0.7 juta pada tahun 2003.

**DIVIDEN**

Dividen interim pertama sebanyak 3.75 sen ditolak cukai berhubung dengan tahun kewangan berakhir 30 September 2004 telah dibayar pada 30 Jun 2004.

Para Pengarah telah pada 22 November 2004, mengisytiharkan dividen interim kedua sebanyak 3.75 sen setiap saham ditolak cukai berhubung dengan tahun kewangan berakhir 30 September 2004, dibayar pada 22 Disember 2004. Dividen ini tidak dinyatakan dalam penyata kewangan tetapi ia akan diakaunkan dalam tahun kewangan berakhir 30 September 2005. Para Pengarah tidak mengesyorkan apa-apa dividen terakhir bagi tahun kewangan semasa.

**PENGHARGAAN**

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

**CHAN HUA ENG** R OBE  
Pengerusi  
Kuala Lumpur  
8 January 2005

# Financial Statements

27 - 32	Directors' Report
33	Statement by Directors
33	Statutory Declaration
34	Report of the Auditors
35	Balance Sheets
36	Statements of Changes in Equity
37	Income Statements
38 - 39	Consolidated Cash Flow Statement
40	Cash Flow Statement
41 - 85	Notes to the Financial Statements

# DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2004.

## PRINCIPAL ACTIVITIES

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

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

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

## RESULTS

	Group RM'000	Company RM'000
Net loss for the year	(1,158)	(118)
Accumulated profits brought forward	55,107	52,070
<hr/>		
Profits available for appropriation	53,949	51,952
Dividends	(5,631)	(5,631)
<hr/>		
Accumulated profits carried forward	48,318	46,321

## DIVIDENDS

The amount of dividends paid or declared by the Company since 30 September 2003 were as follows:

	RM'000
In respect of the financial year ended 30 September 2003	
2nd interim dividend of 3.75 sen per share less tax at 28% paid on 22 December 2003	2,729
In respect of the financial year ended 30 September 2004	
1st interim dividend of 3.75 sen per share less tax at 28% paid on 30 June 2004	2,902
<hr/>	
	5,631

In respect of the financial year ended 30 September 2004, the Directors had on 22 November 2004 declared a 2nd interim dividend of 3.75 sen per share less tax at 28%, amounting to RM2,873,000, based on the issued and paid-up share capital (net of treasury shares) as at 30 September 2004. The dividend will be paid on 22 December 2004 to shareholders whose names appear in the Register of Members and the Record of Depositors on 9 December 2004. This dividend has not been reflected in the financial statements for the current financial year but it will be accounted for in shareholders' equity as an appropriation of accumulated profits in the financial year ending 30 September 2005. The Directors do not recommend the payment of any final dividend for the current financial year.

## RESERVES AND PROVISIONS

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

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

## DIRECTORS' REPORT

### ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM100,896,000 to RM109,581,000 by way of:

- (i) the issuance of 8,000,000 new ordinary shares of RM1.00 each fully paid to certain Independent, Non-Executive Directors of the Company pursuant to an approved private placement scheme at an issue price of RM1.45 per ordinary share for cash;
- (ii) the issuance of 685,000 new ordinary shares of RM1.00 each fully paid pursuant to the Company's Employee Share Option Scheme (ESOS) at an exercise price of RM1.27 per ordinary share for cash.

The new ordinary shares of RM1.00 each fully paid issued during the financial year rank pari passu in all respects with the existing Company's ordinary shares of RM1.00 each fully paid.

### TREASURY SHARES

During the financial year, the Company purchased 3,180,000 of its issued ordinary shares of RM1.00 each fully paid from the open market at an average price of RM1.88 per share for a total consideration of RM5,980,000. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965. Further relevant details are disclosed in Note 19 to the financial statements.

### SHARE OPTIONS

On 5 December 2002, the shareholders of the Company at an Extraordinary General Meeting approved the establishment of an ESOS of up to 10% of the issued and paid-up share capital of the Company. Further details are shown in Note 19 to the financial statements.

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

#### Number of Share Options Under ESOS of RM1.00 Each

Names of option holders	At	Granted	Exercised	At
	1 October 2003			30 September 2004
Chan Thye Seng	900,000	-	-	900,000
Ong Eng Soon	850,000	-	-	850,000
Abdul Rahman Bin Talib	850,000	-	-	850,000
Wong Thean Yew	-	500,000	-	500,000
Sim Swee Huat	480,000	-	-	480,000
Khong Yuen Piaw	480,000	-	-	480,000
Siew Chee Choong	100,000	-	-	100,000

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

	<b>Number of Share Options</b>
At 1 October 2003*	6,696,000
Granted	1,129,000
Exercised	(648,000)
Forfeited/lapsed	(179,000)
<hr/>	
At 30 September 2004	6,998,000

\* Includes 37,000 share options exercised on 26 September 2003 but allotted on 1 October 2003.

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

<b>Exercise Period</b>	<b>Exercise Price RM</b>	<b>Number of Share Options Granted</b>
23.9.2004 - 16.1.2008	1.66	1,129,000

Details of share options exercised during the financial year and the fair value, at exercise date, of ordinary shares issued are as follows:

<b>Exercise Date</b>	<b>Exercise Price RM</b>	<b>Fair Value of Ordinary Shares RM</b>	<b>Number of Share Options '000</b>	<b>Considerations Received RM'000</b>
October 2003 - September 2004	1.27	1.72-2.50	648	823
Less Par value of ordinary shares				(648)
<hr/>				
Share premium				175

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

<b>Exercise Period</b>	<b>Exercise Price RM</b>	<b>Number of Share Options</b>
5.4.2003 - 16.1.2008	1.27	5,069,000
12.7.2003 - 16.1.2008	1.76	800,000
23.9.2004 - 16.1.2008	1.66	1,129,000
<hr/>		6,998,000

#### **BAD AND DOUBTFUL DEBTS**

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

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

# DIRECTORS' REPORT

## 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.

## SUBSEQUENT EVENT

The subsequent event is as disclosed in Note 43 to the financial statements.

**DIRECTORS**

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

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

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, Dato' Abu Hanifah Bin Noordin retires from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

**DIRECTORS' BENEFITS**

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 27 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 2004
	At 1 October 2003	Bought	Sold	
Chan Hua Eng - Indirect interest*	57,020,000	120,000	116,600	57,023,400
Chan Thye Seng - Direct interest	8,465,902	-	116,600	8,349,302
- Indirect interest	48,554,098	105,000	-	48,659,098
Michael Yee Kim Shing - Indirect interest	155,000	1,000,000	-	1,155,000
Dato' Abu Hanifah Bin Noordin - Indirect interest	-	3,500,000	1,100,000	2,400,000
Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed - Indirect interest	-	3,500,000	-	3,500,000

\* Includes the deemed interest of his children



## DIRECTORS' REPORT

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

### Number of Share Options Under ESOS of RM1.00 Each

<b>The Company</b>	<b>Excercise Price RM</b>	<b>At 1 October 2003</b>	<b>Granted</b>	<b>Exercised</b>	<b>At 30 September 2004</b>
Chan Thye Seng	1.27	900,000	-	-	900,000

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

Other than as stated above, none of the Directors who were in office at the end of the financial year had any interest in the shares of the subsidiary companies 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  
Dated: 29 November 2004

# 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 35 to 85 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 2004 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  
Dated: 29 November 2004

## 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 35 to 85 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 ) **SIEW CHEE CHOONG**  
Persekutuan on 29 November 2004 )

Before me:

**Maisharah Binti Abu Hasan**  
Commissioner for Oaths  
Kuala Lumpur

# REPORT OF THE AUDITORS

TO THE MEMBERS OF PACIFIC & ORIENT BERHAD  
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 35 to 85. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of :
  - (i) the financial position of the Group and of the Company as at 30 September 2004 and of the results and cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

**Ernst & Young**  
**AF: 0039**  
Chartered Accountants

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

Kuala Lumpur, Malaysia  
Dated: 29 November 2004

# BALANCE SHEETS

AS AT 30 SEPTEMBER 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>ASSETS</b>					
Property, plant and equipment	3	24,747	25,286	538	495
Intangible assets	4	3,103	3,849	-	-
Deferred taxation	5	22,194	20,439	618	479
Investments	6	519,490	548,318	37,452	42,699
Investment in subsidiary companies	7	-	-	101,641	101,641
Inventories - goods for resale	8	2,832	756	-	-
Loans	9	49,428	48,239	-	-
Receivables	10	28,565	29,473	1,248	643
Due from subsidiary companies	11	-	-	82,108	66,007
Deposits and placements with financial institutions	12	1,019	3,153	-	790
Cash and bank balances	13	5,144	5,723	190	1,766
<b>TOTAL ASSETS</b>		<b>656,522</b>	<b>685,236</b>	<b>223,795</b>	<b>214,520</b>
<b>LIABILITIES</b>					
Provision for outstanding claims	14	280,775	318,458	-	-
Payables	15	12,660	11,312	659	683
Hire purchase and lease creditors	16	1,125	351	97	-
Bank borrowings	17	31,857	23,380	24,700	16,200
Provision for taxation		855	-	-	-
<b>TOTAL LIABILITIES</b>		<b>327,272</b>	<b>353,501</b>	<b>25,456</b>	<b>16,883</b>
<b>Unearned premium reserves</b>	18	<b>88,528</b>	90,894	-	-
<b>SHAREHOLDERS' FUNDS</b>					
Share capital	19	109,581	100,896	109,581	100,896
Treasury shares	19	(5,980)	-	(5,980)	-
Reserves	20	137,121	139,945	94,738	96,741
		<b>240,722</b>	240,841	<b>198,339</b>	197,637
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>656,522</b>	<b>685,236</b>	<b>223,795</b>	<b>214,520</b>

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2004

Group	←----- Non-distributable ----->					Distributable	
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Accumulated Profits RM'000	Total RM'000
At 1 October 2002	99,200	-	44,215	40,769	(364)	62,642	246,462
Currency translation differences	-	-	-	-	(238)	-	(238)
Net loss not recognised in the income statement	-	-	-	-	(238)	-	(238)
Issue of shares	1,696	-	456	-	-	-	2,152
Net loss for the year	-	-	-	-	-	(2,178)	(2,178)
Dividends (Note 21)	-	-	-	-	-	(5,357)	(5,357)
At 30 September 2003	100,896	-	44,671	40,769	(602)	55,107	240,841
Currency translation differences	-	-	-	-	219	-	219
Net loss not recognised in the income statement	-	-	-	-	219	-	219
Issue of shares	8,685	-	3,746	-	-	-	12,431
Purchase of treasury shares (Note 19)	-	(5,980)	-	-	-	-	(5,980)
Net loss for the year	-	-	-	-	-	(1,158)	(1,158)
Dividends (Note 21)	-	-	-	-	-	(5,631)	(5,631)
At 30 September 2004	<b>109,581</b>	<b>(5,980)</b>	<b>48,417</b>	<b>40,769</b>	<b>(383)</b>	<b>48,318</b>	<b>240,722</b>
<b>Company</b>							
At 1 October 2002	99,200	-	44,215	-	-	60,436	203,851
Issue of shares	1,696	-	456	-	-	-	2,152
Net loss for the year	-	-	-	-	-	(3,009)	(3,009)
Dividends (Note 21)	-	-	-	-	-	(5,357)	(5,357)
At 30 September 2003	100,896	-	44,671	-	-	52,070	197,637
Issue of shares	8,685	-	3,746	-	-	-	12,431
Purchase of treasury shares (Note 19)	-	(5,980)	-	-	-	-	(5,980)
Net loss for the year	-	-	-	-	-	(118)	(118)
Dividends (Note 21)	-	-	-	-	-	(5,631)	(5,631)
At 30 September 2004	<b>109,581</b>	<b>(5,980)</b>	<b>48,417</b>	<b>-</b>	<b>-</b>	<b>46,321</b>	<b>198,339</b>

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

# INCOME STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	22	<b>228,700</b>	264,454	<b>8,706</b>	11,139
Other operating income	23	<b>4,930</b>	16,796	<b>54</b>	359
		<b>233,630</b>	281,250	<b>8,760</b>	11,498
Changes in inventories	24	<b>(701)</b>	(1,055)	-	-
Reinsurance		<b>(33,030)</b>	(49,826)	-	-
Net claims incurred	25	<b>(129,941)</b>	(153,865)	-	-
Net commission		<b>(15,956)</b>	(18,796)	-	-
Decrease/(increase) in unearned premium reserves	18	<b>2,366</b>	(895)	-	-
Staff costs	26	<b>(25,919)</b>	(24,316)	<b>(3,597)</b>	(3,215)
Depreciation		<b>(2,972)</b>	(2,966)	<b>(110)</b>	(245)
Amortisation	28	<b>(729)</b>	(711)	-	-
Other operating expenses	29	<b>(24,044)</b>	(26,424)	<b>(4,323)</b>	(8,848)
Profit/(loss) from operations		<b>2,704</b>	2,396	<b>730</b>	(810)
Finance costs	30	<b>(1,544)</b>	(1,719)	<b>(1,113)</b>	(1,291)
Profit/(loss) before taxation	31	<b>1,160</b>	677	<b>(383)</b>	(2,101)
Income tax expense	37	<b>(2,318)</b>	(2,855)	<b>265</b>	(908)
Net loss for the year		<b>(1,158)</b>	(2,178)	<b>(118)</b>	(3,009)
Basic loss per share (sen)	38	<b>(1.09)</b>	(2.19)		
Dividend per share (sen)					
7.50 sen (2003 : 7.50 sen) less 28% tax	21	<b>5.4</b>	5.4		

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

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2004

	2004 RM'000	2003 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,160	677
Adjustments for:		
Depreciation	2,972	2,966
Amortisation of premiums, net of accretion of discounts	270	542
Amortisation of goodwill	379	379
Amortisation of software distribution licence	350	332
Gain on disposal of property, plant and equipment	(175)	(54)
Property, plant and equipment written off	17	818
Write back of diminution in value of investments	(3,506)	(9,518)
Impairment loss on investments	1,400	8,281
Allowance for stock obsolescence	-	14
Gain on disposal of investments	(815)	(6,191)
Dividend income	(5,654)	(7,248)
Income from Islamic corporate bonds	(1,154)	(890)
Interest income	(16,035)	(20,355)
Bad debts written off	1	1
Write back of allowance for doubtful debts	(277)	(1,431)
Short term accumulating compensated absences	624	-
(Decrease)/increase in unearned premium reserves	(2,366)	895
Interest expense	1,239	1,470
Unrealised loss/(gain) on foreign exchange	395	(671)
Transfer (to)/from property, plant and equipment from/(to) inventories	(200)	5
Operating loss before working capital changes	<b>(21,375)</b>	(29,978)
Changes in working capital:		
Proceeds from disposal of investments/investment properties	45,072	55,831
Purchase of investments	(41,346)	(25,897)
Increase in bankers acceptances	(35,266)	(54,202)
Decrease in deposits and placements of the insurance subsidiary company with financial institutions	57,902	34,459
(Increase)/decrease in loans	(1,189)	8,763
Decrease in receivables	90	4,033
Increase in inventories - goods for resale	(2,076)	(178)
Decrease in provision for outstanding claims	(37,683)	(5,651)
Increase/(decrease) in payables	775	(2,752)
Cash used in operations	<b>(35,096)</b>	(15,572)
Tax paid, net of recoveries	(449)	(6,919)
Dividends received	4,168	5,342
Income received from Islamic corporate bonds	890	890
Interest received	15,982	19,834
Interest paid	(1,245)	(1,495)
Net cash (used in)/generated from operating activities	<b>(15,750)</b>	2,080

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	2004 RM'000	2003 RM'000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	3 (d)	(1,338)	(905)
Capital repayment in respect of quoted investments		5,173	-
Proceeds from disposal of property, plant and equipment		223	1,443
<b>Net cash generated from investing activities</b>		<b>4,058</b>	<b>538</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		12,431	2,152
Acquisition of treasury shares		(5,980)	-
Dividends paid		(5,631)	(5,357)
Decrease in hire purchase and lease creditors		(196)	(144)
Drawdown of bank borrowings		8,500	1,950
<b>Net cash generated from/(used in) financing activities</b>		<b>9,124</b>	<b>(1,399)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>(158)</b>	<b>90</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,726)</b>	<b>1,309</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>7,732</b>	<b>6,387</b>
<b>Cash and cash equivalents at end of year</b>		<b>5,006</b>	<b>7,696</b>

Cash and cash equivalents comprise the following:

Cash and bank balances	5,144	5,723
Bank overdraft	(1,157)	(1,180)
Deposits and placements with financial institutions *	1,019	3,153
<b>Cash and cash equivalents as previously reported</b>	<b>5,006</b>	<b>7,696</b>
Effect of exchange rate changes	-	36
<b>Cash and cash equivalents as restated</b>	<b>5,006</b>	<b>7,732</b>

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



# CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	2004 RM'000	2003 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(383)	(2,101)
Adjustments for:			
Depreciation		110	245
(Gain)/loss on disposal of property, plant and equipment		(51)	3
Property, plant and equipment written off		1	800
Impairment loss on investments		74	4,090
Impairment loss on investment in subsidiary company		-	135
Short term accumulating compensated absences		117	-
Dividend income		(2,127)	(4,894)
Interest income		(3,751)	(4,408)
Interest expense		819	1,048
Operating loss before working capital changes		(5,191)	(5,082)
Changes in working capital:			
(Increase)/decrease in receivables		(23)	126
Increase in due from subsidiary companies		(12,733)	(8,050)
(Decrease)/increase in payables		(133)	156
Cash used in operations		(18,080)	(12,850)
Dividends received		1,740	3,524
Interest received		383	13,540
Interest paid		(826)	(1,073)
Tax paid, net of recoveries		(70)	(226)
Net cash (used in)/generated from operating activities		(16,853)	2,915
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	3 (d)	(76)	(15)
Capital repayment in respect of quoted investments		5,173	-
Proceeds from disposal of property, plant and equipment		73	31
Net cash generated from investing activities		5,170	16
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		12,431	2,152
Acquisition of treasury shares		(5,980)	-
Dividends paid		(5,631)	(5,357)
Decrease in hire purchase creditors		(3)	-
Drawdown of bank borrowings		8,500	1,950
Net cash generated from/(used in) financing activities		9,317	(1,255)
Net (decrease)/increase in cash and cash equivalents		(2,366)	1,676
Cash and cash equivalents at beginning of year		2,556	880
Cash and cash equivalents at end of year		190	2,556
Cash and cash equivalents comprise the following:			
Cash and bank balances		190	1,766
Deposits and placements with financial institutions		-	790
		190	2,556

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

# NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2004

## 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 Bursa Malaysia Securities Berhad (Bursa Malaysia). 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 605 (2003 : 603) and 45 (2003 : 43) respectively.

The financial statements were authorised for issue on 29 November 2004 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. In addition, the financial statements of the insurance subsidiary company comply with the Insurance Act, 1996 and the Guidelines/Circulars issued by Bank Negara Malaysia.

During the financial year ended 30 September 2004, the Company adopted the following Malaysian Accounting Standards Board Standards (MASB) for the first time:

MASB 28 : Discontinuing Operations

MASB 29 : Employee Benefits

MASB 30 : Accounting and Reporting by Retirement Benefit Plans

The adoption of MASB 28 and MASB 30 did not have any impact to the financial statements. The effects of adopting MASB 29 are as disclosed in Note 2(n).

### (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 and has 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 costs cannot be recovered.

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

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

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

**(b) Basis of Consolidation (Cont'd.)**

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

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

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

**(c) Impairment of Assets**

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

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

**(d) Intangible Assets**

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

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

**(e) Property, Plant and Equipment and Depreciation**

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

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

The principal annual rates of depreciation are :

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

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

**(f) Investments**

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

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

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

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

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

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

**(g) Receivables**

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

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

**(h) Payables**

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

**(i) Borrowings**

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

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

**(j) Equity**

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

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

The consideration paid, including attributable transaction costs on purchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

**(k) Provisions**

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

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

**(I) Income Recognition**

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

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

**(m) General Insurance Underwriting Results**

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

**Premium Income**

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

**Unearned Premium Reserves (UPR)**

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

- 25% method for marine cargo, aviation cargo and transit
- 1/24th method for fire, engineering and marine hull with a deduction of 15%, motor and bonds with a deduction of 10%, medical with a deduction of 10%-15% 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 risks.

**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.)

(n) Employee Benefits

- (i) Short term benefits  
Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.
- (ii) Defined contribution plans  
As required by law, the Company and its subsidiary companies in Malaysia make contributions to the Employees Provident Fund (EPF). Such contributions are recognised as an expense in the income statement as incurred.
- (iii) Equity compensation benefits  
The Company's ESOS allows the Group's employees to acquire ordinary shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

Prior to the adoption of MASB 29 : Employee Benefits on 1 October 2003, no liability was recognised for the obligations in respect of short-term employee benefits in the form of accumulating compensated absences. This change in accounting policy has not been accounted for retrospectively and accordingly, comparatives have not been restated, as the effects relating to periods prior to the financial year ended 30 September 2004 cannot be reasonably determined. For the same reason, pro forma comparative information has not been presented. The effect on the financial statements of the above change in accounting policy is an increase in employee benefits payable for the year and a corresponding decrease/increase in current year profits/losses of the Group and of the Company of approximately RM624,000 and RM117,000 respectively.

(o) 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 :

	2004 RM	2003 RM
United States Dollar	3.8000	3.8000
Thai Baht	0.0915	0.0948



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

**(p) Income Tax**

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

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

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

**(q) Hire Purchase and Leases**

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

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

**(r) 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.

**(s) 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.

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

**(t) Financial Instruments**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

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	2,780	350	1,477	12,972	21,827	3,505	4,901	5,072	52,884
Additions	-	28	-	-	423	1,361	417	79	2,308
Disposals	-	-	-	-	-	(850)	(36)	(1)	(887)
Write offs	-	-	-	-	(701)	-	(9)	-	(710)
Transfer from inventories	-	-	-	-	-	-	200	-	200
Translation differences	-	-	-	-	(12)	(6)	(8)	(7)	(33)
At end of year	<b>2,780</b>	<b>378</b>	<b>1,477</b>	<b>12,972</b>	<b>21,537</b>	<b>4,010</b>	<b>5,465</b>	<b>5,143</b>	<b>53,762</b>
<b>Accumulated Depreciation :</b>									
At beginning of year	-	23	182	2,744	15,146	2,913	2,911	3,679	27,598
Charge for the year	-	4	30	302	1,513	275	536	312	2,972
Disposals	-	-	-	-	-	(817)	(21)	(1)	(839)
Write offs	-	-	-	-	(687)	-	(6)	-	(693)
Translation differences	-	-	-	-	(6)	(5)	(6)	(6)	(23)
At end of year	-	<b>27</b>	<b>212</b>	<b>3,046</b>	<b>15,966</b>	<b>2,366</b>	<b>3,414</b>	<b>3,984</b>	<b>29,015</b>
<b>Net Book Value :</b>									
At end of year	<b>2,780</b>	<b>351</b>	<b>1,265</b>	<b>9,926</b>	<b>5,571</b>	<b>1,644</b>	<b>2,051</b>	<b>1,159</b>	<b>24,747</b>
At beginning of year	2,780	327	1,295	10,228	6,681	592	1,990	1,393	25,286
<b>Details at 1 October 2002</b>									
Cost	3,243	350	2,314	12,972	21,845	3,620	4,766	5,987	55,097
Accumulated depreciation	-	19	153	2,442	13,693	3,095	2,620	3,785	25,807
Depreciation charge for the year ended									
30 September 2003	-	4	29	302	1,587	234	396	414	2,966

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	484	1,507	157	393	2,541
Additions	11	154	11	-	176
Transfer to subsidiary company	(15)	-	(1)	-	(16)
Disposals	-	(277)	(25)	-	(302)
Write offs	-	-	(1)	-	(1)
At end of year	<b>480</b>	<b>1,384</b>	<b>141</b>	<b>393</b>	<b>2,398</b>
<b>Accumulated Depreciation :</b>					
At beginning of year	210	1,503	92	241	2,046
Charge for the year	48	8	15	39	110
Transfer to subsidiary company	(6)	-	-	-	(6)
Disposals	-	(277)	(12)	-	(289)
Write offs	-	-	(1)	-	(1)
At end of year	<b>252</b>	<b>1,234</b>	<b>94</b>	<b>280</b>	<b>1,860</b>
<b>Net Book Value :</b>					
At end of year	<b>228</b>	<b>150</b>	<b>47</b>	<b>113</b>	<b>538</b>
At beginning of year	274	4	65	152	495
<b>Details at 1 October 2002</b>					
Cost	510	1,507	281	1,981	4,279
Accumulated depreciation	175	1,492	117	712	2,496
Depreciation charge for the year ended 30 September 2003					
	51	11	25	158	245

- (a) Certain freehold land and buildings of two subsidiary companies with net book value amounting to RM3,414,000 (2003 : RM3,438,000) have been pledged to a licensed bank for an overdraft facility granted to one of the said subsidiary companies, as disclosed in Note 17.
- (b) Included in the 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	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Computer equipment	6,018	5,766	-	-
Motor vehicles	1,724	2,369	1,228	1,452
Office equipment	1,000	940	-	-
Furniture, fixtures and fittings	2,470	2,138	-	-
	<b>11,212</b>	<b>11,213</b>	<b>1,228</b>	<b>1,452</b>

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

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

- (c) The net book value of property, plant and equipment held under hire purchase and lease arrangements are as follows:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Motor vehicles	1,594	522	149	-
Computer equipment	31	-	-	-
	<b>1,625</b>	<b>522</b>	<b>149</b>	<b>-</b>

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash	1,338	905	76	15
Hire purchase and lease	970	240	100	-
	<b>2,308</b>	<b>1,145</b>	<b>176</b>	<b>15</b>

4. INTANGIBLE ASSETS

	Group	
	2004 RM'000	2003 RM'000
Goodwill on consolidation:		
At beginning of year	3,072	3,451
Amortisation	(379)	(379)
At end of year	<b>2,693</b>	<b>3,072</b>
Software distribution licence:		
At beginning of year	777	1,042
Amortisation	(350)	(332)
Translation differences	(17)	67
At end of year	<b>410</b>	<b>777</b>
	<b>3,103</b>	<b>3,849</b>

5. DEFERRED TAXATION

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At beginning of year	20,439	21,686	479	33
Transfer to/(from) income statements (Note 37)	1,822	(1,433)	139	446
Translation differences	(67)	186	-	-
At end of year	22,194	20,439	618	479

Presented after appropriate offsetting as follows:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deferred tax assets	23,710	22,095	705	581
Deferred tax liabilities	(1,516)	(1,656)	(87)	(102)
At end of year	22,194	20,439	618	479

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

Deferred Tax Assets of the Group:

2004	Unearned Premium Reserves RM'000	Allowance for Diminution in Value of Investments RM'000	Allowance for Doubtful Debts RM'000	Tax Losses and Unabsorbed Capital Allowances RM'000	Total RM'000
At beginning of year	13	5,564	291	16,227	22,095
Recognised in the income statements	(3)	(611)	-	2,296	1,682
Translation differences	-	-	(10)	(57)	(67)
At end of year	10	4,953	281	18,466	23,710

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

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

5. DEFERRED TAXATION (Cont'd.)

Deferred Tax Liabilities of the Group:

<b>2004</b>	<b>Accelerated Capital Allowances RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
At beginning of year	(1,417)	(239)	(1,656)
Recognised in the income statements	131	9	140
At end of year	<u>(1,286)</u>	<u>(230)</u>	<u>(1,516)</u>

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

Deferred Tax Assets of the Company:

<b>2004</b>	<b>Tax Losses and Unabsorbed Capital Allowances RM'000</b>	<b>Total RM'000</b>
At beginning of year	581	581
Recognised in the income statements	124	124
At end of year	<u>705</u>	<u>705</u>

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

5. DEFERRED TAXATION (Cont'd.)

Deferred Tax Liabilities of the Company:

2004	Accelerated Capital Allowances RM'000	Total RM'000
At beginning of year	(102)	(102)
Recognised in the income statements	15	15
At end of year	(87)	(87)

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

As at 30 September 2004, deferred tax assets have not been recognised in respect of temporary differences of the following:

	Group	
	2004 RM'000	2003 RM'000
Depreciation and capital allowances on property, plant and equipment	(18)	(22)
Unabsorbed capital allowances and losses	4,020	3,886
	4,002	3,864

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

6. INVESTMENTS

Cost	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Investment properties</b>				
Freehold buildings	706	706	-	-
Leasehold land and building	730	730	-	-
	1,436	1,436	-	-



NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

6. INVESTMENTS (Cont'd.)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Long term investment in quoted securities</b>				
Shares in Malaysia	37,728	49,052	37,452	46,789
Impairment loss	-	(5,827)	-	(4,090)
	<b>37,728</b>	<b>43,225</b>	<b>37,452</b>	<b>42,699</b>
Club membership	55	55	-	-
<b>Investment securities</b>				
Money market instruments:				
Malaysian Government Securities	19,592	5,088	-	-
Amortisation of premiums	(48)	(52)	-	-
	<b>19,544</b>	<b>5,036</b>	<b>-</b>	<b>-</b>
Cagamas bonds	35,171	70,761	-	-
Amortisation of premiums, net of accretion of discounts	(140)	(564)	-	-
	<b>35,031</b>	<b>70,197</b>	<b>-</b>	<b>-</b>
Islamic corporate bonds	20,530	10,394	-	-
Amortisation of premiums	(171)	(111)	-	-
	<b>20,359</b>	<b>10,283</b>	<b>-</b>	<b>-</b>
Bankers acceptances	89,468	54,202	-	-
Quoted securities :				
Shares in Malaysia	63,238	68,778	-	-
Allowance for diminution in value	-	(3,815)	-	-
	<b>63,238</b>	<b>64,963</b>	<b>-</b>	<b>-</b>
Warrants in Malaysia	2,127	1,756	-	-
Allowance for diminution in value	(999)	(647)	-	-
	<b>1,128</b>	<b>1,109</b>	<b>-</b>	<b>-</b>
Irredeemable convertible unsecured loan stock	9,453	-	-	-
Unit trusts	1,057	1,000	-	-
Unquoted securities:				
Shares in Malaysia	-	391	-	-
Corporate bonds	9,959	7,433	-	-
Amortisation of premiums, net of accretion of discounts	(110)	(58)	-	-
	<b>9,849</b>	<b>7,375</b>	<b>-</b>	<b>-</b>
Total investment securities	<b>249,127</b>	<b>214,556</b>	<b>-</b>	<b>-</b>

6. INVESTMENTS (Cont'd.)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Deposits and placements of the insurance subsidiary company with financial institutions</b>				
Licensed banks	165,090	180,381	-	-
Licensed finance companies	64,024	108,665	-	-
Other licensed financial institutions	2,030	-	-	-
	231,144	289,046	-	-
Total investments	519,490	548,318	37,452	42,699
<b>Market value</b>				
Club membership	60	60	-	-
Malaysian Government Securities	20,015	5,507	-	-
Cagamas bonds	36,068	71,717	-	-
Islamic corporate bonds	20,916	10,532	-	-
Shares quoted in Malaysia:				
Long term investments	31,887	38,432	31,880	38,187
Investment securities	63,423	64,963	-	-
Warrants quoted in Malaysia	1,128	1,109	-	-
Unit trusts	1,353	1,298	-	-
Unquoted corporate bonds	9,832	7,385	-	-
Irredeemable convertible unsecured loan stock	10,776	-	-	-

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 by a firm of professional valuers during the financial year was RM1,023,000 (2003 : RM1,013,000). No allowance for impairment loss has been made as the rental yields from these properties are supportive of the carrying value of the investment.

Deposits and placements of the Group amounting to RM448,000 (2003 : RM815,000) represent deposits given by the insureds as collateral for bond guarantees granted by the insurance subsidiary company to third parties.

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

2004	Contractual repricing or maturity dates (whichever is earlier)			Total carrying amount RM'000	Range of effective interest rates per annum %
	Less than 1 year RM'000	1 year to 5 years RM'000			
Group					
Malaysian Government Securities	-	19,544	19,544	4.31-6.51	
Cagamas bonds	35,031	-	35,031	5.18	
Bankers acceptances	89,468	-	89,468	2.78-2.89	
Irredeemable convertible unsecured loan stock	-	9,453	9,453	5.00	
Unquoted corporate bonds	-	9,849	9,849	6.40-6.42	
Deposits and placements of the insurance subsidiary company with financial institutions	231,144	-	231,144	1.00-3.70	
	355,643	38,846	394,489		

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

6. INVESTMENTS (Cont'd.)

2003 Group	Less than 1 year RM'000	1 year to 5 years RM'000	Total carrying amount RM'000	Range of effective interest rates per annum %
Malaysian Government Securities	-	5,036	5,036	6.51
Cagamas bonds	35,130	35,067	70,197	3.53-5.18
Bankers acceptances	54,202	-	54,202	2.88-2.92
Unquoted corporate bonds	-	7,375	7,375	4.00-6.40
Deposits and placements of the insurance subsidiary company with financial institutions	289,046	-	289,046	1.00-4.00
	378,378	47,478	425,856	

The effective profit rate of the Islamic corporate bonds as at balance sheet date was between 6.30% and 8.15% (2003 : 8.15%) per annum.

The maturity of the Islamic corporate bonds of the Group are as follows:

	Group	
	2004 RM'000	2003 RM'000
1 year to 5 years	15,290	10,283
More than 5 years	5,069	-
	20,359	10,283

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2004 RM'000	2003 RM'000
Unquoted shares - at cost	106,366	106,366
Impairment losses	(4,725)	(4,725)
	101,641	101,641

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

The subsidiary companies are:

	Effective Interests		Principal Activities
	2004 %	2003 %	
<b>Incorporated in Malaysia</b>			
Pacific & Orient Insurance Co. Berhad	100	100	General insurance business
P & O Technologies Sdn. Bhd.	100	100	Provision of information technology services and sale of information technology equipment
Pacific & Orient Distribution Sdn. Bhd.	100	100	Distribution of consumer goods and provision of sales and administrative services
P & O Capital Sdn. Bhd.	100	100	Money lending
P & O Global Technologies Sdn. Bhd.	100	100	Dealing in computer hardware, software and systems
P & O Resources Sdn. Bhd.	100	100	Dealing in computer hardware, software and systems
Dynamic Network Distributions Sdn. Bhd.	64	64	Provision of management and privilege card programme services and sale of consumer goods
P & O Nominees Services (Tempatan) Sdn. Bhd.	100	100	Dormant
Pacific Global Technologies Sdn. Bhd.	100	100	Dormant
Seni Perkasa Sdn. Bhd.	100	100	Dormant
Seni Bayu Sdn. Bhd.	100	100	Dormant
Pacific & Orient - F.I.H. Sdn. Bhd.	100	100	Dormant
DND Consulting Services Sdn. Bhd.	100	100	Dormant
<b>Incorporated in the United States of America</b>			
P & O Global Technologies, Inc. *	100	100	Information technology services, research and development and trading activities
<b>Subsidiary company of P &amp; O Global Technologies Sdn. Bhd. - Incorporated in Thailand</b>			
P & O Global Technologies (Thailand) Co. Ltd.*	100	100	Dealing in computer software and systems

\* Subsidiary companies not audited by Ernst & Young.

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

8. INVENTORIES - GOODS FOR RESALE

	Group	
	2004 RM'000	2003 RM'000
Inventories - at cost	2,846	770
Allowance for stock obsolescence	(14)	(14)
	<b>2,832</b>	<b>756</b>

9. LOANS

	Group	
	2004 RM'000	2003 RM'000
Loans:		
- secured loans	49,403	48,205
- unsecured loans	25	34
	<b>49,428</b>	<b>48,239</b>
Due within one year	48,803	48,215
Due after one year	625	24
	<b>49,428</b>	<b>48,239</b>

The interest rates were between 6.65% and 9.50% (2003: 6.00% and 9.50%) per annum.

10. RECEIVABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade receivables:				
Outstanding premiums including agents', brokers' and co-insurers' balances	8,249	8,648	-	-
Due from reinsurers and ceding companies	6,055	6,014	-	-
Others	1,517	1,550	-	-
	<b>15,821</b>	<b>16,212</b>	-	-
Allowance for doubtful debts	(3,408)	(3,867)	-	-
	<b>12,413</b>	<b>12,345</b>	-	-
Other receivables:				
Accrued income	4,673	3,497	259	-
Share of assets held by Malaysian Motor Insurance Pool (MMIP)	2,751	2,888	-	-
Deposits and prepayments	1,553	1,728	44	98
Tax recoverable	6,087	8,028	774	451
Others	1,088	987	171	94
	<b>16,152</b>	<b>17,128</b>	<b>1,248</b>	<b>643</b>
	<b>28,565</b>	<b>29,473</b>	<b>1,248</b>	<b>643</b>

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

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Ringgit Malaysia	25,745	28,737	1,248	643
United States Dollars	2,462	179	-	-
Thai Bahts	358	557	-	-
	<b>28,565</b>	<b>29,473</b>	<b>1,248</b>	<b>643</b>

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

**11. DUE FROM SUBSIDIARY COMPANIES**

The amounts due from subsidiary companies are interest-free, unsecured and have no fixed terms of repayment, except for an amount of RM24,082,000 (2003 : RM23,213,000) which bears interest at between 6.00% and 16.08% (2003 : 6.15% and 16.08%) per annum.

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

	Company	
	2004 RM'000	2003 RM'000
Ringgit Malaysia	75,009	59,370
United States Dollars	7,099	6,637
	<b>82,108</b>	<b>66,007</b>

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Licensed banks	965	2,298	-	-
Licensed finance companies	54	65	-	-
Other licensed financial institutions	-	790	-	790
	<b>1,019</b>	<b>3,153</b>	<b>-</b>	<b>790</b>

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.

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS (Cont'd.)

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Ringgit Malaysia	70	855	-	790
United States Dollars	339	1,229	-	-
Thai Bahts	610	1,069	-	-
	<b>1,019</b>	<b>3,153</b>	<b>-</b>	<b>790</b>

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

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Licensed banks	0.25 - 1.90	0.50 - 2.50	-	-
Licensed finance companies	3.00	3.00	-	-
Other licensed financial institutions	-	2.75 -2.76	-	2.75 -2.76

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

	Group		Company	
	2004 Days	2003 Days	2004 Days	2003 Days
Licensed banks	1 - 365	7 - 257	-	-
Licensed finance companies	30	30	-	-
Other licensed financial institutions	-	8 - 11	-	8 - 11

13. CASH AND BANK BALANCES

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Ringgit Malaysia	4,514	5,464	190	1,766
United States Dollars	187	104	-	-
Thai Bahts	443	155	-	-
	<b>5,144</b>	<b>5,723</b>	<b>190</b>	<b>1,766</b>

**14. PROVISION FOR OUTSTANDING CLAIMS**

	Group	
	2004 RM'000	2003 RM'000
Provision for outstanding claims	311,878	355,237
Recoverable from reinsurers	(31,103)	(36,779)
<b>Net outstanding claims</b>	<b>280,775</b>	<b>318,458</b>

Included in the provision for outstanding claims is an amount of RM106,719,000 (2003 : RM121,739,000) in respect of net provision for Incurred But Not Reported (IBNR) claims as determined by an independent professional actuary.

**15. PAYABLES**

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade payables:				
Due to reinsurers and ceding companies	3,670	3,724	-	-
Due to agents, brokers, co-insurers and insureds	1,038	894	-	-
Others	674	155	-	-
	<b>5,382</b>	<b>4,773</b>	<b>-</b>	<b>-</b>
Other payables:				
Accruals	2,939	2,264	138	171
Short term accumulating compensated absences	624	-	117	-
Collateral deposits	477	849	-	-
Insurance Guarantee Scheme Fund (IGSF) levy	570	522	-	-
Stamp duty payable	556	459	-	-
Unearned income	540	316	-	-
Due to directors	366	460	212	252
Unclaimed monies	234	273	-	-
Refund premiums	191	511	-	-
Others	781	885	192	260
	<b>7,278</b>	<b>6,539</b>	<b>659</b>	<b>683</b>
	<b>12,660</b>	<b>11,312</b>	<b>659</b>	<b>683</b>

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

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Ringgit Malaysia	11,545	10,959	659	683
United States Dollars	835	180	-	-
Thai Bahts	280	173	-	-
	<b>12,660</b>	<b>11,312</b>	<b>659</b>	<b>683</b>



NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

16. HIRE PURCHASE AND LEASE CREDITORS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Future minimum payments are as follows:				
Payable within one year	341	162	23	-
Payable between one and five years	964	260	88	-
	1,305	422	111	-
Finance charges	(180)	(71)	(14)	-
	1,125	351	97	-

Representing hire purchase and lease creditors:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Due within one year	270	135	18	-
Due after one year	855	216	79	-
	1,125	351	97	-

The hire purchase and lease arrangements at the balance sheet date bore interest between 4.76% and 7.18% (2003 : 4.00% and 7.93%) per annum.

17. BANK BORROWINGS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Bank overdraft	1,157	1,180	-	-
Revolving credits	30,700	22,200	24,700	16,200
	31,857	23,380	24,700	16,200

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

The revolving credit facilities of the Company are unsecured and bear interest at between 4.50% and 5.45% (2003 : 5.05% and 5.50%) per annum. The revolving credit facilities of subsidiary companies are secured by corporate guarantees from the holding company and bear interest at between 5.15% and 5.60% (2003 : 5.25% and 5.50%) per annum.

The bank overdraft is secured over certain freehold land and buildings of two subsidiary companies as disclosed in Note 3(a) and bears interest at 7.75% (2003 : 7.75% and 8.15%) per annum.

**18. UNEARNED PREMIUM RESERVES**

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of year	<b>90,894</b>	89,999
(Decrease)/increase in unearned premium reserves (Note 32)	<b>(2,366)</b>	895
At end of year	<b>88,528</b>	90,894

**19. SHARE CAPITAL**

	<b>Number of shares</b>		<b>Amount</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>'000</b>	<b>'000</b>	<b>RM'000</b>	<b>RM'000</b>
Authorised shares of RM1.00 each	<b>200,000</b>	200,000	<b>200,000</b>	200,000
Issued and fully paid ordinary shares of RM1.00 each				
At beginning of year	<b>100,896</b>	99,200	<b>100,896</b>	99,200
Issue of shares:				
- private placement (Note (a))	<b>8,000</b>	-	<b>8,000</b>	-
- ESOS (Note (b))	<b>685</b>	1,696	<b>685</b>	1,696
	<b>8,685</b>	1,696	<b>8,685</b>	1,696
At end of year	<b>109,581</b>	100,896	<b>109,581</b>	100,896

**(a) Private Placement**

During the financial year, 8,000,000 new ordinary shares of RM1.00 each fully paid were issued to certain Independent, Non-Executive Directors of the Company pursuant to an approved private placement scheme at an issue price of RM1.45 per ordinary share for cash. The new ordinary shares of RM1.00 each fully paid rank pari passu in all respect with the existing ordinary shares of RM1.00 each fully paid of the Company.

**(b) ESOS**

On 16 December 2002, approval of the ESOS was obtained from the Securities Commission (SC). The ESOS was implemented on 16 January 2003.

The main features of the ESOS are as follows:

- (a) The ESOS shall be in force for an initial period of five years in accordance with the requirements of the SC subject however to renewal for period(s) of up to a maximum of five years to be determined by the Board upon the recommendation by the ESOS Committee.
- (b) The maximum number of new ordinary shares of RM1.00 each (Shares) to be offered under the ESOS shall not be more than 10% of the issued and paid-up share capital or such percentage of the issued and paid-up share capital of the Company as may be permitted by the SC from time to time during the duration of the ESOS.
- (c) The Executive Directors involved in the day-to-day management and/or employees who are on the payroll of the Company and its subsidiary companies and have completed at least one year of continuous employment and who fulfil the conditions set out in the Bye-Laws of the ESOS shall be eligible to participate in the ESOS.
- (d) No option shall be granted for less than 1,000 Shares nor more than 900,000 Shares to any eligible employee.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2004

### 19. SHARE CAPITAL (Cont'd.)

#### (b) ESOS (Cont'd.)

(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 Bursa Malaysia 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.

#### (c) Treasury Shares

	Company			
	Number of shares		Amount	
	2004 '000	2003 '000	2004 RM'000	2003 RM'000
At beginning of year	-	-	-	-
Purchased	3,180	-	5,980	-
At end of year	3,180	-	5,980	-

This amount relates to the acquisition cost of treasury shares.

The shareholders of the Company, by a special resolution passed at a general meeting held on 20 February 2004, renewed their approval of the Company's plan to purchase its own ordinary shares.

During the financial year, the Company purchased 3,180,000 of its issued ordinary shares of RM1.00 each fully paid from the open market at an average price of RM1.88 per share for a total consideration of RM5,980,000. The purchase transactions were financed by internally generated funds and bank borrowings. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 109,581,000 issued and fully paid ordinary shares as at 30 September 2004, 3,180,000 are held as treasury shares by the Company. As at 30 September 2004, the number of outstanding ordinary shares in issue and fully paid is therefore 106,401,000 ordinary shares of RM1.00 each.

The details of the shares purchased during the financial year are as follows:

Month	Price per share (RM)			Number of shares '000)	Total consideration RM'000
	Lowest	Highest	Average		
	May 2004	1.73	1.95		
June 2004	1.87	1.97	1.94	795	1,544
July 2004	1.90	1.95	1.94	408	793
August 2004	1.89	1.94	1.93	462	893
				3,180	5,980

There was no sale, cancellation or distribution of treasury shares during the financial year.

20. RESERVES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non-distributable:				
Translation reserve	(383)	(602)	-	-
Share premium	48,417	44,671	48,417	44,671
Merger reserve	40,769	40,769	-	-
	<b>88,803</b>	84,838	<b>48,417</b>	44,671
Distributable:				
Accumulated profits	48,318	55,107	46,321	52,070
	<b>137,121</b>	139,945	<b>94,738</b>	96,741

21. DIVIDENDS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
2nd interim dividend of 3.75 sen per share less tax at 28% in respect of previous year, declared on 10 November 2003 and paid on 22 December 2003 (2002 : 3.75 sen per share less tax at 28%)	2,729	2,678	2,729	2,678
*1st interim dividend of 3.75 sen per share less tax at 28% in respect of current financial year, declared on 24 May 2004 and paid on 30 June 2004 (2003 : 3.75 sen per share less tax at 28%)	2,902	2,679	2,902	2,679
	<b>5,631</b>	5,357	<b>5,631</b>	5,357

\*The dividend was paid on issued shares net of treasury shares.

In respect of the financial year ended 30 September 2004, the Directors had on 22 November 2004 declared a 2nd interim dividend of 3.75 sen per share less tax at 28%, amounting to RM2,873,000, based on the issued and paid-up share capital (net of treasury shares) as at 30 September 2004. The dividend will be paid on 22 December 2004 to shareholders whose names appear in the Register of Members and the Record of Depositors on 9 December 2004. This dividend has not been reflected in the financial statements for the current financial year but it will be accounted for in shareholders' equity as an appropriation of accumulated profits in the financial year ending 30 September 2005.

# NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2004

### 22. REVENUE

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

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Gross premium (Note 32)	203,443	232,840	-	-
Gross dividends :				
- shares quoted in Malaysia	5,587	7,248	2,127	4,894
- unit trusts	67	-	-	-
Interest income :				
- subsidiary companies	-	-	3,669	4,332
- others	16,011	20,330	82	76
Income from Islamic corporate bonds	1,154	890	-	-
Rental income	50	44	-	-
MMIP investment income	107	116	-	-
Amortisation of premiums, net of accretion of discounts	(270)	(542)	-	-
Sale of goods and services	2,551	3,528	2,828	1,837
	<b>228,700</b>	<b>264,454</b>	<b>8,706</b>	<b>11,139</b>

### 23. OTHER OPERATING INCOME

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest income	24	25	-	-
Rental income:				
- subsidiary companies	-	-	-	253
- others	136	69	-	-
Write back of allowance for diminution in value of investments	3,506	9,518	-	-
Gain on disposal of property, plant and equipment	175	54	51	-
Gain on disposal of investments	815	6,191	-	-
Gain on foreign exchange:				
- unrealised	-	671	-	-
- realised	-	8	-	-
Others	274	260	3	106
	<b>4,930</b>	<b>16,796</b>	<b>54</b>	<b>359</b>

### 24. CHANGES IN INVENTORIES

Included in changes in inventories is an amount of RMNil (2003 : RM14,000) being allowance for stock obsolescence.

25. NET CLAIMS INCURRED

	Group	
	2004 RM'000	2003 RM'000
Gross claims paid less salvage	185,473	180,199
Reinsurance recoveries	(17,849)	(20,683)
Net claims paid	167,624	159,516
Net outstanding claims:		
At end of year	280,775	318,458
At beginning of year	(318,458)	(324,109)
	129,941	153,865

26. STAFF COSTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Salaries, wages and bonus	20,481	20,025	2,821	2,575
Short term accumulating compensated absences	624	-	117	-
Pension cost - defined contribution plans	2,209	2,146	334	311
Other staff related expenses	2,605	2,145	325	329
	25,919	24,316	3,597	3,215

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,879,000 (2003: RM1,868,000) and RM585,000 (2003: RM569,000) respectively.

27. DIRECTORS' REMUNERATION

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Directors of the Company				
<b>Executive:</b>				
Salaries and other remuneration	365	365	345	345
Bonus	57	43	57	43
Pension costs - defined contribution plans	63	61	63	61
Benefits-in-kind	19	19	19	19
Allowance	120	120	120	120
	624	608	604	588
<b>Non-Executive:</b>				
Fees	269	354	155	195
Benefits-in-kind	2	2	2	2
	271	356	157	197

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

27. DIRECTORS' REMUNERATION (Cont'd.)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Directors of Subsidiary Companies				
<b>Executive:</b>				
Salaries and other remuneration	1,013	1,063	-	-
Bonus	79	75	-	-
Short term accumulating compensated absences	43	-	-	-
Pension costs - defined contribution plans	85	87	-	-
Benefits-in-kind	30	21	-	-
Allowances	54	54	-	-
	<b>1,304</b>	<b>1,300</b>	<b>-</b>	<b>-</b>
<b>Non-Executive:</b>				
Fees	44	59	-	-
Total	<b>2,243</b>	<b>2,323</b>	<b>761</b>	<b>785</b>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 26)	1,879	1,868	585	569
Total non-executive directors' remuneration (Note 29)	313	413	155	195
Total directors' remuneration excluding benefits-in-kind	<b>2,192</b>	<b>2,281</b>	<b>740</b>	<b>764</b>

28. AMORTISATION

	Group	
	2004 RM'000	2003 RM'000
Amortisation of:		
- goodwill on consolidation	379	379
- software distribution licence	350	332
	<b>729</b>	<b>711</b>

29. OTHER OPERATING EXPENSES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Other operating expenses include:				
Auditors' remuneration	161	155	21	21
Non-executive directors' remuneration (Note 27)	313	413	155	195
Property, plant and equipment written off	17	818	1	800
Impairment loss on investments:				
- subsidiary company	-	-	-	135
- others	1,400	8,281	74	4,090
Rental of office equipment	1,482	1,026	142	112
Bad debts:				
- recovered	(21)	(10)	-	-
- written off	1	1	-	-
Office rental:				
- subsidiary company	-	-	264	264
- others	1,727	1,820	-	468
Loss on foreign exchange:				
- unrealised	395	-	-	-
- realised	14	-	-	-
Loss on disposal of property, plant and equipment	-	-	-	3
Write back of allowance for doubtful debts	(277)	(1,431)	-	-

30. FINANCE COSTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest expense	1,236	1,462	819	1,048
Others	308	257	294	243
	1,544	1,719	1,113	1,291

31. PROFIT/(LOSS) BEFORE TAXATION

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Determined as follows:					
Insurance subsidiary company	32	18,553	13,259	-	-
Others		(16,866)	(10,799)	(383)	(2,101)
Before consolidation		1,687	2,460	(383)	(2,101)
Consolidation adjustments		(527)	(1,783)	-	-
After consolidation		1,160	677	(383)	(2,101)



NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

32. PROFIT BEFORE TAXATION - INSURANCE SUBSIDIARY COMPANY

Revenue Account

		Group	
	Note	2004 RM'000	2003 RM'000
<b>Insurance fund</b>			
Gross premium	22	203,443	232,840
Reinsurance		(33,030)	(49,826)
Net premium		170,413	183,014
Decrease/(increase) in unearned premium reserves	18	2,366	(895)
Earned premium		172,779	182,119
Net claims incurred	25	(129,941)	(153,865)
Net commission		(15,956)	(18,796)
		(145,897)	(172,661)
Underwriting surplus before management expenses		26,882	9,458
Management expenses	34	(30,734)	(28,566)
Underwriting deficit		(3,852)	(19,108)
Investment income	33	18,098	17,720
Other operating income - net	36	3,304	13,586
Profit from operations		17,550	12,198
Finance costs		(34)	(29)
Surplus from insurance fund		17,516	12,169
<b>Shareholder's fund</b>			
Investment income	33	1,044	1,097
Management expenses	34	(7)	(7)
		18,553	13,259

33. INVESTMENT INCOME

	Group	
	2004 RM'000	2003 RM'000
<b>Insurance fund</b>		
Gross dividends:		
- shares quoted in Malaysia	3,459	2,353
- unit trusts	67	-
Interest income:		
- Malaysian Government Securities	471	998
- Cagamas bonds	2,908	3,865
- bankers acceptances	2,094	737
- corporate bonds	668	427
- deposits and placements with financial institutions	7,120	8,562
Income from Islamic corporate bonds	1,154	890
Rental of properties	319	314
MMIP investment income	108	116
Amortisation of premiums, net of accretion of discounts	(270)	(542)
	<b>18,098</b>	<b>17,720</b>
<b>Shareholder's fund</b>		
Interest income:		
- bankers acceptances	903	33
- deposits and placements with financial institutions	141	1,064
	<b>1,044</b>	<b>1,097</b>

34. MANAGEMENT EXPENSES

	Group	
	2004 RM'000	2003 RM'000
<b>Insurance fund</b>		
Executive directors' remuneration (Note 35)	815	740
Staff salaries and bonus	11,295	10,762
Staff short term accumulating compensated absences	298	-
Staff pension costs - defined contribution plans	1,349	1,283
Other staff benefits	1,260	1,226
	<b>15,017</b>	<b>14,011</b>

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

34. MANAGEMENT EXPENSES (Cont'd.)

	2004 RM'000	Group 2003 RM'000
Depreciation	1,378	1,460
Auditors' remuneration	85	85
Non-executive directors' remuneration (Note 35)	118	175
Write back of allowance for doubtful debts	(312)	(1,482)
Office rental	418	351
IGSF levy	570	522
Call centre service charges	552	552
Rental of equipment	1,265	1,101
Printing and EDP expenses	3,862	3,955
Business development	1,451	1,570
Bank charges	1,561	1,405
Office administration and utilities	1,814	1,527
Other expenses	2,955	3,334
	<b>30,734</b>	<b>28,566</b>

Shareholder's fund

Staff salaries and bonus	5	5
Staff pension costs - defined contribution plans	1	1
	<b>6</b>	<b>6</b>
Other expenses	1	1
	<b>7</b>	<b>7</b>

35. DIRECTORS' REMUNERATION

	2004 RM'000	Group 2003 RM'000
<b>Insurance fund</b>		
Executive directors:		
- salaries	573	532
- bonus	78	75
- defined contribution plans	85	79
- benefits-in-kind	30	21
- short term accumulating compensated absences	25	-
- other remuneration	54	54
	<b>845</b>	<b>761</b>
Non-executive directors:		
- fee (Note 34)	118	175
Total directors' remuneration	<b>963</b>	<b>936</b>
Total executive directors' remuneration excluding benefits-in-kind (Note 34)	<b>815</b>	<b>740</b>

36. OTHER OPERATING INCOME - NET

	Group	
	2004 RM'000	2003 RM'000
<b>Insurance fund</b>		
Gain on disposal of:		
- investments	815	6,191
- property, plant and equipment	125	103
Realised (loss)/gain on foreign exchange	(4)	7
Sundry income	207	245
Write back of diminution in value of investments	3,506	9,518
Permanent diminution in value of investments	(1,327)	(2,454)
Property, plant and equipment written off	(15)	(16)
Others	(3)	(8)
	<b>3,304</b>	<b>13,586</b>

37. INCOME TAX EXPENSE

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income tax:				
Current year's provision				
- Malaysian tax	4,266	1,348	-	1,282
- foreign tax	2	22	-	-
Tax recoveries	(2)	(20)	-	-
(Over)/under provision in prior years	(126)	72	(126)	72
	<b>4,140</b>	1,422	<b>(126)</b>	1,354
Deferred tax:				
Transfer (from)/to deferred taxation (Note 5)	(1,822)	1,433	(139)	(446)
	<b>2,318</b>	2,855	<b>(265)</b>	908

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

37. INCOME TAX EXPENSE (Cont'd.)

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

	Group	
	2004 RM'000	2003 RM'000
Profit before taxation	1,160	677
Taxation at Malaysian statutory tax rate of 28% (2003 : 28%)	325	189
Effect of different tax rates in other countries	60	29
Income not subject to tax	(871)	(342)
Expenses not deductible for tax purposes	2,522	2,163
Effect of utilisation of previously unrecognised tax losses	(3)	-
Deferred tax asset not recognised during the year	43	56
Tax recoveries	(2)	(20)
Foreign tax	2	22
(Over)/under provision of tax expense in prior years	(126)	72
Under provision of deferred tax in prior years	288	-
Translation differences	(67)	186
Consolidation adjustments	147	500
Tax expense for the year	2,318	2,855

	Company	
	2004 RM'000	2003 RM'000
Loss before taxation	(383)	(2,101)
Taxation at Malaysian statutory tax rate of 28% (2003 : 28%)	(107)	(588)
Income not subject to tax	(480)	-
Expenses not deductible for tax purposes	448	1,424
(Over)/under provision of tax expense in prior years	(126)	72
Tax expense for the year	(265)	908

As at 30 September 2004, the Company has:

- unabsorbed capital allowances of approximately RM2,112,000 (2003 : RM2,076,000), subject to agreement with the Inland Revenue Board, which can be used to offset future taxable profits arising from business income.
- tax exempt account balance of approximately RM4,531,000 (2003 : RM2,864,000), subject to agreement with the Inland Revenue Board, which is available for distribution.
- sufficient tax credit under Section 108 of the Income Tax Act, 1967 and sufficient balance in the exempt account to frank the payment of net dividends out of its entire accumulated profits.

**38. LOSS PER SHARE (sen)**

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

		<b>Group</b>	
		<b>2004</b>	<b>2003</b>
Net loss for the year	(RM'000)	<b>(1,158)</b>	(2,178)
Weighted average number of ordinary shares in issue	('000)	<b>106,268</b>	99,499
Basic loss per share	(sen)	<b>(1.09)</b>	(2.19)

- (b) The diluted loss per share for the current and previous financial years has not been presented as the effects of the issuance of shares in the current and previous financial years on the basic loss per share is anti-dilutive.

**39. SIGNIFICANT RELATED PARTY TRANSACTIONS**

		<b>Group</b>	
		<b>2004 RM'000</b>	<b>2003 RM'000</b>
Insurance revenue from a group of companies in which a Director, Mr Chan Thye Seng, is deemed interested :			
- Ancom Berhad group of companies		<b>892</b>	894

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

**40. COMMITMENTS AND CONTINGENCIES**

- (a) Contingent liabilities

		<b>Company</b>	
		<b>2004 RM'000</b>	<b>2003 RM'000</b>
Guarantees given to financial institutions for facilities extended to subsidiary companies - secured		<b>9,178</b>	8,957

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

40. COMMITMENTS AND CONTINGENCIES (Cont'd.)

(b) Non cancellable operating lease commitments

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Future minimum lease payments are as follows:				
Not later than one year	1,271	1,136	51	36
Later than one year and not later than five years	1,107	980	31	25
	<b>2,378</b>	<b>2,116</b>	<b>82</b>	<b>61</b>

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

(c) Other commitments and contingencies

The Group may be required to contribute up to a maximum amount of RM503,000 (2003 : RM570,000) in the following financial year to the Insurance Guarantee Scheme Fund.

(d) Capital commitments

	Group	
	2004 RM'000	2003 RM'000
Approved and contracted for	-	130
Approved but not contracted for	<b>429</b>	<b>65</b>

41. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Underwriting Risk

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

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

(c) Credit Risk

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

**41. FINANCIAL INSTRUMENTS (Cont'd.)**

**(c) Credit Risk (Cont'd.)**

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

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

The Group has significant concentration of credit risk related to loan receivable from a third party amounting to approximately RM36,454,000 (2003: RM36,645,000) at the balance sheet date.

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

	<b>2004</b>	<b>Group</b>	<b>2003</b>
	<b>RM'000</b>		<b>RM'000</b>
Rating of corporate bonds on market value basis :			
AAA	-		2,179
AA3	<b>10,326</b>		-
A3	<b>4,700</b>		-
A	<b>15,722</b>		15,738
	<b>30,748</b>		17,917

Analysis of corporate bonds by industry segments :

Properties	10,590		10,532
Power	10,326		-
Trading/services	4,700		-
Plantation	5,132		5,206
Others	-		2,179
	<b>30,748</b>		17,917

**(d) Interest Rate Risk**

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

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

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

**(e) Market Risk**

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



# NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2004

### 41. FINANCIAL INSTRUMENTS (Cont'd.)

#### (f) Foreign Exchange Risk

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

#### (g) Liquidity Risk

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

#### (h) Derivatives

As at 30 September 2004, the Group did not transact in any derivative instruments for hedging purposes.

#### (i) Fair Values

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

	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
At 30 September 2004:				
<b>Financial Assets</b>				
Club membership	55	60	-	-
Malaysian Government Securities	19,544	20,015	-	-
Cagamas bonds	35,031	36,068	-	-
Islamic corporate bonds	20,359	20,916	-	-
Irredeemable convertible unsecured loan stock	9,453	10,776	-	-
Shares quoted in Malaysia:				
Long term investments	37,728	31,887	37,452	31,880
Investment securities	63,238	63,423	-	-
Unit trusts	1,057	1,353	-	-
Unquoted corporate bonds	9,849	9,832	-	-
Due from subsidiary companies	-	-	82,108	**
<b>Financial Liabilities</b>				
Hire purchase and lease creditors	1,125	1,109	-	-

41. FINANCIAL INSTRUMENTS (Cont'd.)

(i) Fair Values (Cont'd)

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

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

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

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

	Group		Company	
	Nominal/ Notional Amount RM'000	Net Fair Value RM'000	Nominal/ Notional Amount RM'000	Net Fair Value RM'000
<b>Contingent liabilities</b>				
At 30 September 2004	-	-	9,178	*
At 30 September 2003	-	-	8,957	*

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

#### 41. FINANCIAL INSTRUMENTS (Cont'd.)

##### (i) Fair Values (Cont'd)

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

- (i) Cash and cash equivalents, bankers acceptances, trade and other receivables/payables, loan receivables and short term borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

- (ii) Club membership

The fair value of the club membership was obtained from the Property Market Report issued by the Valuation Department of Malaysia.

- (iii) Malaysian Government Securities, Cagamas bonds, Islamic corporate bonds and unquoted corporate bonds

The fair values of Malaysian Government Securities, Cagamas bonds, Islamic corporate bonds and unquoted corporate bonds are indicative values obtained from the secondary markets.

- (iv) Investment Securities

The fair value of quoted shares, warrants and irredeemable convertible unsecured loan stock are determined by reference to the stock exchange quoted market bid prices at the close of the business on the balance sheet date.

- (v) Unit Trust

The fair value of quoted units in the unit trust fund is determined by reference to market quotations by the manager of the unit trust funds.

- (vi) Hire Purchase and Lease Creditors

The fair value of hire purchase and lease creditors is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

#### 42. SEGMENT REPORTING

- (a) Business Segments:

The Group is organised into four major business segments:

- (i) Insurance
- (ii) Information technology
- (iii) Investment holding
- (iv) Money lending

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

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

42. SEGMENT REPORTING (Cont'd.)

30 September 2004	Insurance RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Elimination RM'000	Group RM'000
<b>REVENUE</b>							
External sales	222,316	2,518	2,209	1,624	33	-	228,700
Inter-segment sales	269	11,302	6,497	157	55	(18,280)	-
<b>Total segment revenue</b>	<b>222,585</b>	<b>13,820</b>	<b>8,706</b>	<b>1,781</b>	<b>88</b>	<b>(18,280)</b>	<b>228,700</b>
<b>RESULT</b>							
Segment result	18,588	(13,320)	730	(1,863)	(565)	(511)	3,059
Unallocated corporate expense							(379)
Operating profit							2,680
Finance cost							(1,544)
Interest income							24
Profit before tax							1,160
Income tax expense							(2,318)
<b>Net loss for the year</b>							<b>(1,158)</b>
<b>ASSETS</b>							
Segment assets	520,746	18,144	35,986	49,433	212		624,521
Unallocated corporate assets							32,001
<b>Consolidated total assets</b>							<b>656,522</b>
<b>LIABILITIES</b>							
Segment liabilities	378,125	4,032	564	21	85		382,827
Unallocated corporate liabilities							32,973
<b>Consolidated total liabilities</b>							<b>415,800</b>
<b>OTHER INFORMATION</b>							
Capital expenditure	1,321	813	174	-	-		2,308
Depreciation	1,273	1,584	102	-	13		2,972
Amortisation	-	350	379	-	-		729
Non-cash expenses	4,030	184	192	-	2		4,408

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2004

42. SEGMENT REPORTING (Cont'd.)

30 September 2003	Insurance RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Elimination RM'000	Group RM'000
<b>REVENUE</b>							
External sales	251,388	3,460	4,971	4,568	67	-	264,454
Inter-segment sales	269	8,165	6,168	164	83	(14,849)	-
<b>Total segment revenue</b>	<b>251,657</b>	<b>11,625</b>	<b>11,139</b>	<b>4,732</b>	<b>150</b>	<b>(14,849)</b>	<b>264,454</b>
<b>RESULT</b>							
Segment result	13,289	(7,709)	(810)	463	(733)	(1,750)	2,750
Unallocated corporate expense							(379)
<b>Operating profit</b>							<b>2,371</b>
Finance cost							(1,719)
Interest income							25
<b>Profit before tax</b>							<b>677</b>
Income tax expense							(2,855)
<b>Net loss for the year</b>							<b>(2,178)</b>
<b>ASSETS</b>							
Segment assets	542,764	16,451	43,343	48,261	255		651,074
Unallocated corporate assets							34,162
<b>Consolidated total assets</b>							<b>685,236</b>
<b>LIABILITIES</b>							
Segment liabilities	417,684	2,479	481	17	84		420,745
Unallocated corporate liabilities							23,650
<b>Consolidated total liabilities</b>							<b>444,395</b>
<b>OTHER INFORMATION</b>							
Capital expenditure	436	688	15	-	6		1,145
Depreciation	1,352	1,414	187	-	13		2,966
Amortisation	-	332	379	-	-		711
Non-cash expenses	3,554	31	6,622	-	1		10,208

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

(b) Geographical Segments

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

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

	Total Revenue from External Customers		Segment Assets		Capital Expenditure	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysia	227,426	263,442	619,316	647,505	1,893	933
Thailand	874	872	1,449	1,994	9	64
United States of America	400	140	3,756	1,575	406	148
	<b>228,700</b>	264,454	<b>624,521</b>	651,074	<b>2,308</b>	1,145

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.

**43. SUBSEQUENT EVENT**

On 1 October 2004, the Company acquired the remaining 180,000 ordinary shares of RM1.00 each, representing 36% of the issued and paid-up share capital of its subsidiary company, Dynamic Network Distributions Sdn Bhd (DND) for a total consideration of RM1.00. Consequently, DND becomes a wholly owned subsidiary of the Company.

**44. COMPARATIVE FIGURES**

The following income statement comparative figures as at 30 September 2003 have been reclassified to conform with the current year's presentation:

	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Group			
Income Statement:			
Staff costs	(22,448)	(1,868)	(24,316)
Other operating expenses	(28,292)	1,868	(26,424)
Company			
Income Statement:			
Staff costs	(2,646)	(569)	(3,215)
Other operating expenses	(9,417)	569	(8,848)

# LIST OF GROUP'S PROPERTIES

AS AT 30 SEPTEMBER 2004

No	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2004 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  10th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	10,590	Leasehold expiring 8.4.2074	Office	3,584	19	Unit 10-A 1.7.1993  Unit 10-B 1.4.1995
2.	Lot No. P.T. 7 Section 46 and Lot No. P.T. 8 Section 47 Title Nos. H.S.(D) 814 and H.S.(D) 815 Town and District of Kuala Lumpur  11th and 12th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	11th Floor 10,589  12th Floor 10,589	Leasehold expiring 8.4.2074	Office	5,318	19	21.12.1982
3.	Lot No. 262 Mukim of Ampang District and State of Wilayah Persekutuan  Unit 15-A, 15th Floor GCB Court No. 63, Jalan Ampang 50450 Kuala Lumpur Wilayah Persekutuan	1,596	Freehold	Condominium / Residential	398	19	14.4.1986
4.	Grant Nos. 7486, 7491, 1362 and C.T. 1226 1438, 323, 322 & 2145 Town of Seremban  Shoplot No. G.07 Ground Floor Wisma Punca Emas Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus	312.5	Freehold	Shop-lot	158	25	1.12.1986

LIST OF GROUP'S PROPERTIES  
AS AT 30 SEPTEMBER 2004

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2004 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	20	8.12.1984
6.	Lot No. 3.01 GL Nos. 20325 & 20326  Lot 3.1, 3rd Floor Wisma Kota Emas Jalan Dato' Tahwil Azhar 30300 Ipoh Perak Darul Ridzuan	787	Freehold	Office-lot	50	21	13.2.1991
7.	Lot No. 3.02 GL Nos. 20323 & 20324  Lot 3.2, 3rd Floor Wisma Kota Emas Jalan Dato' Tahwil Azhar 30300 Ipoh Perak Darul Ridzuan	743	Freehold	Office-lot	50	21	13.2.1991
8.	Block No. AC, Lot No. 318 Mahkota Square Lot 2, P.N. 6528 Kawasan Bandar XLII Daerah Melaka Tengah Negeri Melaka  No.2, Jalan PM7 Plaza Mahkota Bandar Hilir 75000 Melaka	8,347	Leasehold expiring 25.7.2090	4 storey shop-office	1,376	6	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. BO-26 No. 26, Ground Floor Cherry Apartment Off Jalan Maxwell 30100 Ipoh Perak Darul Ridzuan	748	Freehold	Apartment / Residential	50	13	4.1.1996



LIST OF GROUP'S PROPERTIES  
AS AT 30 SEPTEMBER 2004

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2004 RM'000	Approximate age of building Years	Date of acquisition
10.	H.S.(D) 128978 P.T. No. 43545 Mukim of Petaling  No. 40, Jalan BP 5/8 Bandar Bukit Puchong Puchong 47100 Kuala Lumpur	5,099 (3,477)	Freehold	1 ½ storey factory corner unit / office	417	5	3.12.1999
11.	H.S.(D) 128977 P.T. No. 43544 Mukim of Petaling  No. 38, Jalan BP 5/8 Bandar Bukit Puchong Puchong 47100 Kuala Lumpur	2,875 (2,002)	Freehold	1 ½ storey intermediate unit / office	213	5	3.12.1999
12.	Lot No. P.T. 6147 Title No. H.S. (D) 41601 Mukim Of Sungai Buloh District Of Petaling Jaya  No. 29, Jalan SS21/37 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	(1,650)	Freehold	3 ½ storey mid terraced shop-office	1,807	24	24.1.1997
13.	Lot No. P.T. 5972 Title No. H.S. (D) 80192 Mukim Of Sungai Buloh District Of Petaling Jaya  No. 21, Jalan SS21/56B Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	(1,650)	Freehold	3 ½ storey mid terraced shop-office	1,607	24	24.1.1997

# SHAREHOLDINGS STATISTICS

AS AT 7 JANUARY 2005

Authorised capital	: RM200,000,000
Issued and fully paid-up capital	: RM109,686,000
Class of shares	: Ordinary shares of RM1.00 each
Voting rights	: One vote per RM1.00 share

## BREAKDOWN OF SHAREHOLDINGS

Holdings	No. of Holders	Total Holdings	%
Less than 100	12	119	0.00
100 to 1,000	1,858	1,842,346	1.68
1,001 to 10,000	2,367	9,503,735	8.66
10,001 to 100,000	399	10,561,800	9.63
100,001 to less than 5% of issued shares	55	43,353,902	39.53
5% and above of issued shares	3	44,424,098	40.50
<b>Total</b>	<b>4,694</b>	<b>109,686,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

Name	No. of RM1.00 Shares			
	Direct Interest	%	Indirect Interest	%
Mah Wing Investments Limited	23,848,620	21.74	-	-
Mah Wing Holdings Sdn Bhd	23,575,478	21.49	-	-
Chan Hua Eng	76,000	0.07	* 56,323,400	51.35
Chan Thye Seng	7,649,302	6.97	# 48,735,098	44.43
Employees Provident Fund Board	5,470,000	4.99	-	-

Note:

\* Held by virtue of his substantial shareholding in Chan Kok Tien Realty Sdn Bhd, Tysim Holdings Sdn Bhd and deemed to have interest in shares held by his spouse, Madam Leong Mee Yoong, son, Mr Chan Thye Seng and daughter, Ms Chan Cheng Sim.

# Held by virtue of his substantial shareholding in Mah Wing Investments Limited, Mah Wing Holdings Sdn Bhd, Chan Kok Tien Realty Sdn Bhd and Tysim Holdings Sdn Bhd and deemed to have interest in shares held by his father, Mr Chan Hua Eng and mother, Madam Leong Mee Yoong.

## DIRECTORS' SHAREHOLDINGS

Name	No. of RM1.00 Shares			
	Direct Interest	%	Indirect Interest	%
Chan Hua Eng R OBE	76,000	0.07	56,323,400 <sup>(1)</sup>	51.35
Chan Thye Seng	7,649,302	6.97	48,735,098 <sup>(2)</sup>	44.43
Michael Yee Kim Shing	-	-	1,155,000 <sup>(3)</sup>	1.05
Y.M. Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	-	-	3,500,000 <sup>(4)</sup>	3.19
Dato' Abu Hanifah Bin Noordin	-	-	2,400,000 <sup>(5)</sup>	2.19

Notes:

<sup>(1)</sup> Held by virtue of his substantial shareholding in Chan Kok Tien Realty Sdn Bhd, Tysim Holdings Sdn Bhd and deemed to have interest in shares held by his spouse, Madam Leong Mee Yoong, son, Mr Chan Thye Seng and daughter, Ms Chan Cheng Sim.

<sup>(2)</sup> Held by virtue of his substantial shareholding in Mah Wing Investments Limited, Mah Wing Holdings Sdn Bhd, Chan Kok Tien Realty Sdn Bhd, Tysim Holdings Sdn Bhd and deemed to have interest in shares held by his father, Mr Chan Hua Eng and mother, Madam Leong Mee Yoong.

<sup>(3)</sup> Held by virtue of Michael Yee Kim Shing's interests in shares which are registered under the name of "HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Michael Yee Kim Shing", his spouse and his children.

<sup>(4)</sup> Held by virtue of Tunku Mu'tamir Bin Tunku Tan Sri Mohamed's interests in shares which are registered under the name of "HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Tunku Mu'tamir Bin Tunku Tan Sri Mohamed".

<sup>(5)</sup> Held by virtue of Dato' Abu Hanifah Bin Noordin's interests in shares which are registered under the name of "HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Abu Hanifah Bin Noordin".

# SHAREHOLDINGS STATISTICS

## AS AT 7 JANUARY 2005

### THIRTY LARGEST SHAREHOLDERS

Name	No. of RM1.00 Shares	% of Issued
1. Mah Wing Holdings Sdn Bhd	20,575,478	18.76
2. HDM Nominees (Asing) Sdn Bhd - for Mah Wing Investments Limited	15,444,148	14.08
3. Mah Wing Investments Limited	8,404,472	7.66
4. Employees Provident Fund Board	3,883,000	3.54
5. HDM Nominees (Tempatan) Sdn Bhd - HDM Capital Sdn Bhd for Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	3,500,000	3.19
6. EB Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Chan Thye Seng (Jln Hang Lekiu)	3,400,000	3.10
7. Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Mah Wing Holdings Sdn Bhd	3,000,000	2.73
8. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Thye Seng (5065 CBD)	2,500,000	2.28
9. HDM Nominees (Tempatan) Sdn Bhd - HDM Capital Sdn Bhd for Abu Hanifah Bin Noordin	2,400,000	2.19
10. ECM Libra Securities Nominees (Asing) Sdn Bhd - ECM Libra Securities Limited for United Forest Limited	1,950,000	1.78
11. Permodalan Nasional Berhad	1,719,000	1.57
12. Cimsec Nominees (Tempatan) Sdn Bhd - Ing Asia Private Bank Limited for Chan Thye Seng	1,612,000	1.47
13. Chan Kok Tien Realty Sdn Bhd	1,130,000	1.03
14. Alliancegroup Nominees (Tempatan) Sdn Bhd - Pheim Asset Management Sdn Bhd for Employees Provident Fund	1,087,000	0.99
15. HDM Nominees (Tempatan) Sdn Bhd - HDM Capital Sdn Bhd for Michael Yee Kim Shing	1,000,000	0.91
16. HDM Nominees (Asing) Sdn Bhd - Pledged Securities Account for Premier Securities Investment Limited (M12)	973,000	0.89
17. Amanah Saham Mara Berhad	960,000	0.87
18. AM Nominees (Tempatan) Sdn Bhd - Pertubuhan Keselamatan Sosial	948,000	0.86
19. Yeoh Kean Hua	710,000	0.65
20. Yayasan Sarawak	500,000	0.46
21. Cartaban Nominees (Tempatan) Sdn Bhd - Amanah SSCM Nominees (Tempatan) Sdn Bhd for Employees Provident Fund (JF404)	500,000	0.46
22. Perbadanan Nasional Berhad	454,000	0.41
23. Yayasan Kedah Berhad	427,000	0.39
24. Menteri Besar Incorporation	351,000	0.32
25. TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ancom Berhad	347,000	0.32
26. HDM Nominees (Tempatan) Sdn Bhd - HDM Capital Sdn Bhd for Yap Chee Keong	318,900	0.29
27. Lembaga Pemegang-Pemegang Amanah Yayasan Negeri Sembilan	291,000	0.26
28. Southern Investment Bank Berhad - Employee's Provident Fund	267,100	0.24
29. Alliancegroup Nominees (Tempatan) Sdn Bhd - Alliance Capital Asset Management Sdn Bhd for BBMB Retirement Scheme	250,000	0.23
30. Citicorp Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Fund	239,300	0.22
<b>Total</b>	<b>79,141,398</b>	<b>72.15</b>



## FORM OF PROXY

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 Eleventh Annual General Meeting of the Company, to be held at Anggerik Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Saturday, 12 March 2005 at 11.30 a.m., and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2005

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

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

### Notes:

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

Fold Here

STAMP

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

Fold Here

**Our 24-hour Policy  
comes with  
no NCB hassle**

**Q — *free***

**Teleinsurance for instant insurance cover for your motor vehicle**

Now you can cut the queue with P&O Teleinsurance. Just one call to 1 800 88 2121 anywhere in Malaysia, your vehicle insurance can be issued or renewed without wasting time queuing up. Because P&O and its agents are connected on-line direct to JPJ.

Our toll-free Call Centre also offers you these conveniences:

- 24-hour delivery of your policy by courier throughout Malaysia
- No NCB letter required
- Free road tax renewal services in the Golden Triangle (Kuala Lumpur)
- Free assistance on claims procedure
- 24-hour motorist assistance in case of emergencies

For your motor insurance quotation or renewal, please contact  
Untuk pertanyaan bayaran atau pembaharuan insurans motor anda, sila hubungi  
詢問汽車保險價目或續保，請撥

**TELEINSURANCE  
1 800 88 2121**

or visit our website  
atau melayari laman web

或瀏覽網站

**<https://www.pno-ins.com>**



**Pacific & Orient Insurance Co. Berhad**  
(Co. No. 12557W)

*A Member Of The Pacific & Orient Group*

**PACIFIC & ORIENT BERHAD**

11th Floor, Wisma Bumi Raya

No. 10, Jalan Raja Laut

50350 Kuala Lumpur

Malaysia

Tel: 03-2698 5033

Fax: 03-2694 4209

**Website: [www.pacific-orient.com](http://www.pacific-orient.com)**