



PACIFIC & ORIENT BERHAD  
(308366-H)

# 2005

## Annual Report



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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twelfth Annual General Meeting of the Company will be held at Anggerik Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 22 February 2006 at 10.00 a.m. for the following purposes:

1. To receive and consider the audited financial statements for the year ended 30 September 2005 and the Reports of the Directors and the Auditors thereon. **Resolution 1**

2. To re-elect Directors:

(a) Mr Chan Thye Seng retires by rotation pursuant to Article 82 of the Company's Articles of Association, and being eligible, offers himself for re-election. **Resolution 2**

(b) Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed retires by rotation pursuant to Article 82 of the Company's Articles of Association, and being eligible, offers himself for re-election. **Resolution 3**

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

"THAT Mr Chan Hua Eng being over the age of 70 years and retiring in accordance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 4**

4. To re-appoint Messrs Ernst & Young as auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 5**

## As 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:

5. Proposed Amendments to the Articles of Association of the Company

"THAT the additions, alterations, modifications and variations to the Articles of Association of the Company in the manner as set out in Appendix I of the Circular to Shareholders dated 26 January 2006 be and are hereby approved and adopted." **Resolution 6**

### Ordinary Resolutions:

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

"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." **Resolution 7**

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

"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: **Resolution 8**

## NOTICE OF ANNUAL GENERAL MEETING

- (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."
8. 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)  
**WONG LAY SEE** (MAICSA 7018684)  
Company Secretaries

Kuala Lumpur  
26 January 2006

### 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.

## NOTICE OF ANNUAL GENERAL MEETING

### EXPLANATORY NOTES ON SPECIAL BUSINESS

#### 1. Resolution 6 – Proposed Amendments to the Articles of Association of the Company

The Proposed Amendments to the Articles of Association of the Company are to comply with Chapter 7 of the Listing Requirements of BMSB which requires all directors, including the managing director, to retire from office at least once in each 3 years.

For further information, please refer to the Circular to Shareholders dated 26 January 2006 which is despatched together with the Company's 2005 Annual Report.

#### 2. Resolution 7 – Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

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

#### 3. Resolution 8 – 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.

For further information, please refer to the Circular to Shareholders dated 26 January 2006 which is despatched together with the Company's 2005 Annual Report.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## DIRECTORS STANDING FOR RE-ELECTION

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

- Mr Chan Hua Eng R OBE (77), Malaysian  
Non-Executive Chairman  
\*Interest in securities in the Company: 123,429 fully paid ordinary shares of RM1.00 each (Direct) and 57,932,641 fully paid ordinary shares of RM1.00 each (Indirect Interest)
- Mr Chan Thye Seng (49), Malaysian  
Managing Director/Chief Executive Officer  
\*Interest in securities in the Company: 7,867,854 fully paid ordinary shares of RM1.00 each (Direct) and 50,172,787 fully paid ordinary shares of RM1.00 each (Indirect Interest)
- Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed (61), Malaysian  
Independent Non-Executive Director, Chairman of the Nominating Committee and the Remuneration Committee, and member of the Audit Committee  
\*Interest in securities in the Company: 3,470,000 fully paid ordinary shares of RM1.00 each (Indirect Interest)

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, none of the abovenamed persons hold 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 six 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 2005, the details of which are as follows:

<b>Date</b>	<b>Board Meeting</b>	<b>Time</b>
29 November 2004	34th	11.30 a.m.
9 December 2004	Special Board Meeting	10.30 a.m.
24 February 2005	35th	4.45 p.m.
27 May 2005	36th	12.30 p.m.
27 May 2005	Special Board Meeting	1.30 p.m.
30 August 2005	37th	4.00 p.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.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr Chan Hua Eng R OBE  
Non-Executive Chairman

Mr Chan Thye Seng  
Managing Director/Chief Executive Officer

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

Y.Bhg. Dato' Abu Hanifah Bin Noordin  
Independent Non-Executive Director

Mr Michael Yee Kim Shing  
Independent Non-Executive Director

## SECRETARIES

Ms Valerie Cheah Chui Mei (LS 04944)  
Ms Wong Lay See (MAICSA 7018684)

## REGISTRARS

Mega Corporate Services Sdn Bhd  
Level 15-2, Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia  
Tel : 03-26924271  
Fax : 03-27325388

## AUDITORS

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

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
Main Board

## PROFILE OF THE BOARD OF DIRECTORS

**Mr Chan Hua Eng** R OBE (77), 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.

**Mr Chan Thye Seng** (49), Malaysian  
Managing Director and Chief Executive Officer

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.

**Mr Michael Yee Kim Shing** (67), 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 Dato' Mu'tamir Bin Tunku Tan Sri Mohamed** (61), Malaysian

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

Y.M. Tunku Dato' 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 Dato' 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.

**Y.Bhg. Dato' Abu Hanifah Bin Noordin** (54), Malaysian

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

Y.Bhg. 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 and Pacific & Orient Insurance Co. Berhad.

The interest of each Director in the shares of the Company are disclosed on page 87 [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 Listing Requirements of Bursa Malaysia Securities Berhad, 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 2005 were as follows:

		<b>Meetings Attended (Out of 6 Held)</b>
Mr Chan Hua Eng	Non-Executive Chairman	6
Mr Chan Thye Seng	Chief Executive Officer	6
Mr Michael Yee Kim Shing	Independent Non-Executive Director	6
Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed	Independent Non-Executive Director	6
Dato' Abu Hanifah Bin Noordin	Independent Non-Executive Director	6

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 Company requires that one-third of the Directors retire from office at every annual general meeting and a Director who retires shall be eligible for re-election. A retiring director remains in office until the conclusion of the meeting at which he retires.

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 Dato' 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 24 February 2005 attended by all the three members.

### 3. Remuneration

The remuneration of the executive Director is contractually set (his contract of service runs for three years, expiring in 2008) 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
• Fees	40,000	3
<b>Aggregate</b> • Fees	155,000	
<b>Executive:</b> RM600,001 to RM650,000		
• Salary and other remuneration	476,256	1
• Allowances	120,000	
• Benefits-in-kind	19,100	
	<u>615,356</u>	
<b>Aggregate</b> • Salary and other remuneration	476,256	
• Allowances	120,000	
• Benefits-in-kind	19,100	
	<u>615,356</u>	

## **CORPORATE GOVERNANCE and STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 24 February 2005 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 RM10,000.00.

# REPORT OF THE AUDIT COMMITTEE

## MEMBERS

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

Y.M. Tunku Dato' 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 years' 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.

## REPORT OF THE AUDIT COMMITTEE

- 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.

## REPORT OF THE AUDIT COMMITTEE

- (b) With the Internal Audit Department:
  - (i) The adequacy and relevance of the scope, functions and resources of internal audit and the necessary authority to carry out its work.
  - (ii) The audit plan of work program and results of internal audit processes including actions taken on recommendations.
  - (iii) The extent of cooperation and assistance rendered by employees of Auditee.
  - (iv) The appraisal of the performance of the internal audit including that of the senior staff and any matter concerning their appointment and termination.
- (c) The quarterly results and year end financial statement of accounts prior to the approval by the Board, focusing particularly on:
  - (i) Changes and implementation of major accounting policies and practices.
  - (ii) Significant and unusual issues.
  - (iii) Going concern assumption.
  - (iv) Compliance with accounting standards, regulatory and other legal requirements.
- (d) The major findings of investigations and management response.
- (e) The propriety of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raise questions of management integrity.

4.3 To report any breaches of the Listing Requirements which have not been satisfactorily resolved, to 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.

## REPORT OF THE AUDIT COMMITTEE

### 5. INTERNAL AUDIT DEPARTMENT

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

#### Attendance at Meetings

A total of four (4) Audit Committee meetings were held during the financial year ended 30 September 2005. The details of attendance of the Committee members are as follows: -

Name of Committee Member	Number of meetings attended
Mr Michael Yee Kim Shing	4/4
Y.M. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed	4/4
Dato' Abu Hanifah bin Noordin	4/4

#### Activities of the Committee

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 30 September 2005 included the following:

- (a) Reviewed with the Internal Audit Department the adequacy and relevance of the scope, functions, resources, risk-based internal audit plans and results of the internal audit processes.
- (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 with the External Auditors the draft year-end statutory accounts, the audit reports, issues and reservations arising from audits and the management letters.
- (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 Report of the Audit Committee 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 on Corporate Governance, Board's responsibility for preparing the annual audited accounts and the Statement of Internal Controls ("SIC"), the negative assurance in respect of the review on the SIC provided by the External Auditors (Para 15.24 of the Listing Requirements of BMSB) and other statements for publication in the Company's Annual Report.

## REPORT OF THE AUDIT COMMITTEE

- (j) Verified the allocations of the Employees' Share Option Scheme options and confirmed the allocations are made in compliance with the approved criteria for allocation of options.

### **Internal Audit Activities Report**

The summary of the activities of the Internal Audit Department for the year ended 30 September 2005 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.
- (g) Verified the allocations of the Employees' Share Option Scheme options and confirmed the allocations are made in compliance with the approved criteria for allocation of options.

## 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 2005.

### FINANCIAL RESULTS

The Group achieved a turnover of RM264.2 million in 2005, an increase of RM35.5 million over the RM228.7 million attained in 2004. The improved turnover, which was mainly attributable to higher premium earned by the insurance subsidiary, helped enhance the Group's pre-tax profit which increased to RM3.6 million from the RM1.2 million recorded the year before. These notwithstanding, an after-tax loss was registered in 2005 owing to additional provision for taxation as well as incurrence of certain expenditure which were not allowed for tax deduction purposes. But, the loss, which amounted to RM0.3 million, was lower when compared to the loss of RM1.2 million recorded in 2004.

At Company level, turnover improved appreciably in 2005. Supported by the receipt of a substantial dividend from its insurance subsidiary, turnover rose almost three-fold to RM25.3 million, far exceeding the preceding year's figure of RM8.7 million. Consequently, the Company achieved a pre-tax profit of RM18.0 million which was a significant turnaround when compared with the pre-tax loss of RM0.4 million recorded in the previous year. In keeping with this, a net profit of RM11.3 million was recorded as against a loss of RM0.1 million in 2004.

### ACTIVITIES AND PROSPECTS OF THE GROUP

Except for the noteworthy increase in turnover in the insurance business, the level of activity of the group was moderate in 2005.

In its World Economic Outlook report released in September 2005, the International Monetary Fund (IMF) forecasts that the economic growth in Asia would be 7.8 percent in 2005 compared to 8.2 percent the year before and will slow further to 7.2 percent in 2006. It said the persistently high oil prices will adversely affect economic activity in the region, as a number of countries have yet to pass on the full effect of past increases to domestic prices.

With regard to the global economy, the IMF said the short-term outlook is generally solid and world economic expansion remains broadly on track at the projected rate of 4.3 percent in 2005 and 2006 although high and volatile oil prices could continue to pose significant downside risk.

As for Malaysia, the momentum of economic growth is expected to moderate with the GDP for 2005/2006 forecasted to slow down to between 5.5 and 6.0 percent from 7.1 percent the year before given the Government's current emphasis on fiscal consolidation.

Notwithstanding the more challenging environment that is expected, your Board is cautiously optimistic about the Company's performance for the current year.

## CHAIRMAN'S STATEMENT

### **Financial Services**

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

### **Insurance**

During the year the mandatory e-cover note system (whereby road tax renewals at JPJ offices no longer require physical cover notes) introduced by the government was successfully implemented without any major hitches as POI had put in place the necessary infrastructure ahead of the deadline set by the authorities. Following on from this, selected authorised agents are now permitted to issue policies on behalf of POI thus shortening and speeding up the delivery process.

As a major insurer for motor vehicles, POI has developed close rapport with a number of organisations involved in the motor trade such as the Malaysian Motorcycle and Scooter Dealers Association and has consistently supported them in their road safety awareness campaigns.

The extensive damage caused by natural calamities around the world recently is likely to raise reinsurance premiums as reinsurers seek to recover losses. Although the impact on POI was minimal in FY2005, future margins are likely to be put under pressure as treaty costs are expected to increase.

Despite the competitive environment in the general insurance industry, POI managed to secure an increase in gross premium due to effective marketing strategies and having the right mix of products. As a result of the higher volume of premium earned in 2005, profit before tax reached RM20.1 million compared to the profit before tax of RM18.6 million recorded in 2004.

### **Money Lending**

Turnover at POC fell to RM1.0 million from RM1.8 million in 2004 due to a reduction in interest income and minimal contribution from new loans committed. Consequently, a higher pre-tax loss of RM3.2 million was recorded as compared to RM2.1 million for 2004.

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

Efforts to market wireless surveillance camera systems continued to make good progress with an increasing number of prospects showing keen interest in the systems. After several months of testing, a statutory body agreed to employ our surveillance system for the main stadium at a major sports complex and a 3-year rental contract was firmed up in October 2005 thus securing a modest but steady source of revenue to the company. Other sales included contracts with a multinational company involved in oil exploration and a leading local institution of higher learning.

During the past year we joined a mainstream political party in providing wireless surveillance cameras to the Royal Malaysian Police for installation at various locations in the tourist belt of Kuala Lumpur. We are now looking forward to have more of such linkages with other prominent organisations as they provide a good avenue for the company to enhance its public profile.

After using our GBS workflow solution for over a year, one of our clients, which is an international bank, has decided to sign up for an extension to the existing system in order that more solicitors on their panel have the appropriate connectivity. We are optimistic such a progressive step taken by this prominent bank will serve to draw more users to our GBS system in the coming months.

## CHAIRMAN'S STATEMENT

The overseas operations were relatively quiet. The outfit in Thailand saw some increase in sales as a few customers sought to upgrade their existing systems. In the USA a change of marketing approach made it necessary to effect a reorganisation of the management team. The marketing strategy to promote our surveillance cameras that is practised in Malaysia (by working closely with the police) is being applied in the USA. We are hopeful that the operations in both the USA and Thailand will improve during the current financial year.

Turnover at the IT division was lower at RM9.9 million as compared to RM13.8 million in 2004. Notwithstanding the lower turnover, the result at pre-tax level showed a small improvement with a slightly lower loss of RM12.3 million as compared to a loss of RM13.6 million in 2004.

### **Consumer and Distribution Services**

This Division which comprises Pacific & Orient Distribution Sdn. Bhd. (a distributor of consumer goods) and Dynamic Network Distributions Sdn. Bhd. (a provider of motoring assistance services) is not expected to contribute effectively to the bottom-line of the Group as its primary role is to support other companies within the Group. However, its operations are continuously being reviewed to determine how its performance can be improved to contribute to the Group's results in future.

For the year under review, the amount of turnover recorded by this Division was RM0.05 million and a pre-tax loss of RM0.59 million was registered.

### **DIVIDEND**

In respect of the financial year ended 30 September 2005, a special dividend of 2.00 sen less tax and the first interim dividend of 3.75 sen less tax, were paid on 23 March 2005 and 30 June 2005 respectively.

Also, on 30 June 2005, a total of 2,933,611 treasury shares valued at RM5,515,000 were distributed as share dividends to shareholders on the basis of 1 treasury share for every 35 existing fully paid ordinary shares of RM1.00 each held on 16 June 2005.

The Directors had on 22 November 2005 declared a second interim dividend of 3.75 sen per share less tax in respect of the financial year ended 30 September 2005, which was paid on 22 December 2005. This dividend has not been reflected in the financial statements but it will be accounted for in the financial year ending 30 September 2006. 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  
January 2006

## PENYATA Pengerusi

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat bagi tahun kewangan berakhir 30 September 2005.

### KEPUTUSAN KEWANGAN

Kumpulan telah memperolehi jumlah dagangan sebanyak RM264.2 juta pada tahun 2005, peningkatan sebanyak RM35.5 juta berbanding RM228.7 juta yang diperolehi pada tahun 2004. Peningkatan jumlah dagangan, yang disebabkan terutamanya oleh pendapatan premium yang lebih tinggi oleh anak syarikat insurans, telah membantu menambah keuntungan sebelum cukai Kumpulan yang meningkat kepada RM3.6 juta daripada RM1.2 juta yang dicatatkan dalam tahun kewangan sebelumnya. Di sebalik semua ini, Kumpulan telah mencatatkan kerugian selepas cukai pada tahun 2005 disebabkan oleh peruntukan tambahan bagi cukai serta penanggungjawab perbelanjaan tertentu yang tidak dibenarkan bagi tujuan penolakan cukai. Tetapi, kerugian yang berjumlah RM0.3 juta, adalah lebih rendah berbanding kerugian sebanyak RM1.2 juta yang dicatatkan pada tahun 2004.

Di peringkat Syarikat, jumlah dagangan telah meningkat dengan ketara pada tahun 2005. Disokong oleh penerimaan dividen yang banyak daripada anak syarikat insuransnya, jumlah dagangan telah meningkat hampir tiga kali ganda kepada RM25.3 juta, jauh melebihi jumlah tahun sebelumnya sebanyak RM8.7 juta. Akibatnya, Syarikat telah mencapai keuntungan sebelum cukai sebanyak RM18.0 juta yang merupakan pemulihan ketara berbanding kerugian sebelum cukai sebanyak RM0.4 juta yang telah dicatatkan dalam tahun sebelumnya. Seajar dengan ini, keuntungan bersih sebanyak RM11.3 juta telah dicatatkan berbanding dengan kerugian sebanyak RM0.1 juta pada tahun 2004.

### KEGIATAN DAN PROSPEK KUMPULAN

Kecuali bagi peningkatan jumlah dagangan yang diperhatikan dalam perniagaan insurans, tahap kegiatan Kumpulan adalah sederhana pada tahun 2005.

Dalam laporan Tinjauan Ekonomi Dunia yang dikeluarkan pada September 2005, Kumpulan Wang Antarabangsa (IMF) meramalkan bahawa pertumbuhan ekonomi di Asia akan mencapai 7.8 peratus pada tahun 2005 berbanding dengan 8.2 peratus pada tahun sebelumnya dan akan menjadi perlahan selanjutnya kepada 7.2 peratus pada tahun 2006. Laporan menyatakan bahawa kenaikan harga minyak yang berterusan akan menjejaskan kegiatan ekonomi di rantau ini, memandangkan beberapa buah negara belum lagi memindah kesan penuh kenaikan yang lepas kepada harga dalam negeri.

Berhubung dengan ekonomi global, IMF menyatakan harapan jangka pendek pada keseluruhannya teguh dan perkembangan ekonomi dunia secara keseluruhannya kekal pada kadar unjuran sebanyak 4.3 peratus pada tahun 2005 dan 2006 walaupun harga minyak yang tinggi dan cepat berubah mungkin terus menimbulkan risiko kurang baik yang ketara.

Bagi Malaysia, momentum pertumbuhan ekonomi dijangka akan menjadi sederhana dengan KDNK bagi tahun 2005/2006 diramal akan menurun kepada antara 5.5 dan 6.0 peratus daripada 7.1 peratus tahun sebelumnya dengan mengambil kira penekanan semasa Kerajaan ke atas pengukuhan fiskal.

Walaupun persekitaran yang lebih mencabar dijangkakan, Lembaga tuan dengan berhati-hati optimistik mengenai prestasi Syarikat bagi tahun semasa.

## **PENYATA Pengerusi**

### **Perkhidmatan Kewangan**

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

### **Insurans**

Sepanjang tahun ini, sistem e-nota perlindungan mandatori (di mana pembaharuan cukai jalan di pejabat-pejabat JPJ tidak lagi memerlukan nota perlindungan fizikal) yang diperkenalkan oleh kerajaan telah berjaya dilaksanakan tanpa sebarang halangan utama memandangkan POI telah menyediakan infrastruktur yang diperlukan lebih awal dari tarikh akhir yang ditetapkan oleh pihak berkuasa. Berikutan daripada ini, ejen-ejen bertauliah terpilih kini dibenarkan untuk mengeluarkan polisi-polisi bagi pihak POI dengan itu mempercepatkan proses penghantaran.

Sebagai penginsurans bagi kenderaan bermotor, POI telah mewujudkan hubungan rapat dengan beberapa organisasi yang terlibat dalam perdagangan motor seperti Persatuan Wakil-wakil Penjual Motosikal dan Skuter Malaysia dan telah menyokong mereka secara konsisten dalam kempen-kempen kesedaran keselamatan jalan raya.

Kerugian besar yang disebabkan oleh bencana alam di seluruh dunia baru-baru ini berkemungkinan akan meningkatkan premium reinsurans apabila syarikat reinsurans cuba untuk menimbusi kerugian. Walaupun kesan ke atas POI adalah minimum pada tahun kewangan 2005, margin masa hadapan berkemungkinan akan menghadapi penekanan memandangkan kos triti dijangka akan meningkat.

Di sebalik persekitaran yang berdaya saing dalam industri insurans am, POI berjaya mendapat peningkatan dalam premium kasar disebabkan strategi-strategi pemasaran yang berkesan dan mempunyai campuran produk yang betul. Akibat daripada volum pendapatan premium yang lebih tinggi dalam tahun 2005, keuntungan sebelum cukai telah mencecah RM20.1 juta berbanding dengan keuntungan sebelum cukai sebanyak RM18.6 juta yang dicatatkan pada tahun 2004.

### **Pemberi Pinjaman Wang**

Jumlah dagangan di POC telah merosot kepada RM1.0 juta daripada RM1.8 juta dalam tahun 2004 disebabkan oleh penurunan dalam pendapatan faedah dan sumbangan yang kecil daripada pinjaman baru yang dijanjikan. Oleh yang demikian, kerugian sebelum cukai yang lebih tinggi sebanyak RM3.2 juta telah dicatat berbanding dengan RM2.1 juta bagi tahun 2004.

### **Teknologi Maklumat (IT)**

Usaha-usaha untuk memasarkan sistem kamera pengawasan tanpa wayar terus mencapai kemajuan yang baik dengan semakin banyak prospek yang menunjukkan minat mendalam dalam sistem. Selepas pengujian selama beberapa bulan, sebuah badan berkanun telah bersetuju untuk mengguna sistem pengawasan kami untuk stadium utama di sebuah kompleks sukan utama dan kontrak penyewaan selama 3 tahun telah dimeterai pada Oktober 2005 dengan itu menjaminkan sumber hasil syarikat yang sederhana tetapi stabil. Lain-lain jualan termasuklah kontrak dengan sebuah syarikat multinasional yang terlibat dalam cari gali minyak dan sebuah institusi pengajian tinggi tempatan terkemuka.

Pada tahun lepas kami telah bersama-sama dengan sebuah parti politik utama menyediakan sistem kamera pengawasan tanpa wayar kepada Polis Diraja Malaysia bagi pemasangan di beberapa lokasi pelancongan sekitar Kuala Lumpur. Kami kini menunggu lebih banyak jalinan sedemikian dengan organisasi-organisasi utama lain memandangkan mereka menyediakan landasan yang baik bagi syarikat untuk meningkatkan profil awamnya.

Selepas menggunakan penyelesaian aliran kerja GBS selama lebih daripada satu tahun, salah satu daripada pelanggan kami, yang merupakan sebuah bank antarabangsa, telah memutuskan untuk menyambung kontrak sistem sedia ada agar lebih ramai penguamcara pada panel mereka mempunyai perkaitan yang sewajarnya. Kami optimistik bahawa langkah progresif sedemikian yang diambil oleh bank utama ini akan bertindak untuk menarik lebih ramai pengguna kepada sistem GBS kami dalam beberapa bulan akan datang.

## **PENYATA Pengerusi**

Operasi di luar negeri adalah agak lembap. Cawangan di negeri Thai menyaksikan beberapa peningkatan dalam jualan apabila beberapa pelanggan cuba untuk menaiktaraf sistem sedia ada mereka. Di USA perubahan pendekatan pemasaran menjadikannya perlu untuk melaksanakan penyusunan semula pasukan pengurusan. Strategi pemasaran untuk mempromosi kamera pengawasan kami yang diamalkan di Malaysia (dengan bekerja rapat dengan polis) sedang diguna pakai di USA. Kami berharap agar operasi di USA dan negeri Thai akan bertambah baik dalam tahun kewangan semasa.

Jumlah dagangan di bahagian IT adalah lebih rendah pada RM9.9 juta berbanding RM13.8 juta pada tahun 2004. Di sebalik jumlah dagangan lebih rendah, keputusan di peringkat sebelum cukai menunjukkan peningkatan kecil dengan kerugian lebih rendah sebanyak RM12.3 juta berbanding dengan kerugian sebanyak RM13.6 juta pada tahun 2004.

### **Perkhidmatan Pengguna dan Pengeedaran**

Bahagian ini yang terdiri daripada Pacific & Orient Distribution Sdn. Bhd. (pengedar barangan pengguna) dan Dynamic Network Distributions Sdn. Bhd. (penyedia perkhidmatan bantuan pemotoran) dijangka tidak akan menyumbang secara berkesan kepada untung rugi Kumpulan memandangkan peranan utamanya adalah untuk menyokong syarikat-syarikat lain dalam Kumpulan. Walau bagaimanapun, operasinya dikaji secara berterusan untuk menentukan bagaimana prestasinya boleh ditingkatkan untuk menyumbang kepada hasil masa hadapan Kumpulan.

Bagi tahun di bawah kajian, amaun jumlah dagangan yang direkodkan oleh Bahagian ini adalah sebanyak RM0.05 juta dan kerugian sebelum cukai sebanyak RM0.59 juta telah dicatatkan.

### **DIVIDEN**

Berhubung dengan tahun kewangan berakhir 30 September 2005, dividen khas sebanyak 2.00 sen tolak cukai dan dividen interim pertama sebanyak 3.75 sen tolak cukai, masing-masing telah dibayar pada 23 Mac 2005 dan 30 Jun 2005.

Juga, pada 30 Jun 2005, sejumlah 2,933,611 saham perbendaharaan bernilai RM5,515,000 telah diagihkan sebagai dividen saham kepada pemegang-pemegang saham berasaskan 1 saham perbendaharaan bagi setiap 35 saham biasa berbayar penuh sedia ada bernilai RM1.00 sesaham yang dipegang pada 16 Jun 2005.

Para Pengarah telah pada 22 November 2005 mengisytiharkan dividen interim kedua sebanyak 3.75 sen setiap saham tolak cukai berhubung dengan tahun kewangan berakhir 30 September 2005, yang telah dibayar pada 22 Disember 2005. Dividen ini tidak dinyatakan dalam penyata kewangan tetapi ia akan diakaunkan bagi tahun kewangan akan berakhir 30 September 2006. Para Pengarah tidak mengesyorkan pembayaran sebarang dividen akhir bagi tahun kewangan semasa.

### **PENGHARGAAN**

Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kepada usaha yang dilaksanakan oleh pihak pengurusan dan kakitangan bagi tempoh sepanjang tahun dan mengucapkan terima kasih kepada rakan-rakan perniagaan di atas kerjasama dan sokongan mereka yang berterusan.

**CHAN HUA ENG** R OBE

Pengerusi  
Kuala Lumpur  
Januari 2006

# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2005.

## PRINCIPAL ACTIVITIES

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

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

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

## RESULTS

	Group RM'000	Company RM'000
Net (loss)/profit for the year	(313)	11,347
Accumulated profits brought forward	48,318	46,321
Profits available for appropriation	48,005	57,668
Dividends	(7,152)	(7,152)
Accumulated profits carried forward	40,853	50,516

## DIVIDENDS

The amount of dividends paid or declared by the Company since 30 September 2004 were as follows:

	RM'000
In respect of the financial year ended 30 September 2004	
2 <sup>nd</sup> interim dividend of 3.75 sen per share less tax at 28% paid on 22 December 2004	2,875
In respect of the financial year ended 30 September 2005	
Special dividend of 2.00 sen per share less tax at 28% paid on 23 March 2005	1,505
1 <sup>st</sup> interim dividend of 3.75 sen per share less tax at 28% paid on 30 June 2005	2,772
	7,152

In respect of the financial year ended 30 September 2005, the Directors had on 22 November 2005 declared a 2<sup>nd</sup> interim dividend of 3.75 sen per share less tax at 28%, amounting to RM2,779,000 based on the issued and paid-up share capital (net of treasury shares) as at 30 September 2005. The dividend will be paid on 22 December 2005 to depositors whose names appear in the Record of Depositors on 9 December 2005. 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 2006. The Directors do not recommend the payment of any final dividend for the current financial year.

## DIRECTORS' REPORT

### 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.

### ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM109,581,000 to RM110,189,000 by way of the issuance of 608,000 new ordinary shares of RM1.00 each fully paid pursuant to the Company's Employee Share Option Scheme (ESOS) at exercise prices of between RM1.27 and RM1.66 per ordinary share for cash.

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

### TREASURY SHARES

During the financial year, the Company purchased 6,999,000 of its issued ordinary shares of RM1.00 each fully paid from the open market at an average price of RM1.87 per share for a total consideration of RM13,058,000. The purchase transactions were financed by internally generated funds. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965. On 30 June 2005, a total of 2,933,611 treasury shares valued at RM5,515,000 were distributed as share dividends to the shareholders on the basis of 1 treasury share for every 35 existing fully paid ordinary shares of RM1.00 each, held on 16 June 2005. 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 as of 30 September 2005 who have been granted options of 100,000 shares or more are disclosed as follows:

<b>Names of option holders</b>	<b>Number of Share Options Under ESOS of RM1.00 Each</b>
Mr. Chan Thye Seng	900,000
Mr. Ong Eng Soon	850,000
En. Abdul Rahman Bin Talib	850,000
Mr. Wong Thean Yew	500,000
Mr. Sim Swee Huat	480,000
Mr. Khong Yuen Piaw	480,000

## DIRECTORS' REPORT

### SHARE OPTIONS (Cont'd.)

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

	Number of Share Options
At 1 October 2004	6,998,000
Granted	-
Exercised*	(671,000)
Forfeited/lapsed	(181,000)
At 30 September 2005	6,146,000

\* Includes 63,000 share options exercised on 30 September 2005 but allotted on 4 October 2005.

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

Exercise Date	Exercise Price RM	Fair Value of Ordinary Shares RM	Number of Share Options '000	Considerations Received RM'000
October 2004 – September 2005	1.27	1.68-1.95	627	796
October 2004 – September 2005	1.66	1.68-1.95	44	73
				869
Less Par value of ordinary shares				(671)
Share premium				198

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

Exercise Period	Exercise Price RM	Number of Share Options
5.4.2003 – 16.1.2008	1.27	4,382,000
12.7.2003 – 16.1.2008	1.76	800,000
23.9.2004 – 16.1.2008	1.66	964,000
		6,146,000

### 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 proper 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.

### SIGNIFICANT EVENTS

- (a) During the financial year, the wholly-owned subsidiary company, P & O Global Technologies Sdn. Bhd. increased its authorised share capital from RM25,000,000 to RM40,000,000 by way of creation of 15,000,000 new shares of RM1.00 each. It also increased its issued and paid-up share capital from RM18,000,000 to RM33,000,000 by way of issuance of 15,000,000 new ordinary shares of RM1.00 each at par, via the capitalisation of amounts due to the Company.

## DIRECTORS' REPORT

### SIGNIFICANT EVENTS (Cont'd.)

- (b) On 15 September 2005, the wholly-owned subsidiary company, P & O Resources Sdn. Bhd. entered into a sale and purchase agreement with a third party for the disposal of its freehold land and building for a total consideration of RM1,580,000. A non-refundable earnest deposit of RM31,600 was received as part consideration. This transaction has yet to be completed at the date of this report.

### DIRECTORS

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

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

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

In accordance with Article 82 of the Company's Articles of Association, Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed and Mr. Chan Thye Seng retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves 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 1 October 2004	Bought	Share dividend*	Sold	At 30 September 2005
Mr. Chan Hua Eng					
- Direct interest	-	120,000	3,429	-	123,429
- Indirect interest	57,023,400	-	1,609,241	700,000	57,932,641
Mr. Chan Thye Seng					
- Direct interest	8,349,302	-	218,552	700,000	7,867,854
- Indirect interest	48,659,098	120,000	1,393,689	-	50,172,787

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS (Cont'd.)

The Company (Cont'd.)	Number of Ordinary Shares of RM1.00 Each				At 30 September 2005
	At 1 October 2004	Bought	Share dividend*	Sold	
Mr. Michael Yee Kim Shing - Indirect interest	1,155,000	-	33,000	-	1,188,000
Dato' Abu Hanifah Bin Noordin - Indirect interest	2,400,000	-	68,571	-	2,468,571
Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed - Indirect interest	3,500,000	-	100,000	-	3,600,000

\* This represents treasury shares distributed by the Company as share dividends to the shareholders on the basis of 1 treasury share for every 35 existing fully paid ordinary shares of RM1.00 each, held on 16 June 2005.

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

The Company	Number of Share Options Under ESOS of RM1.00 Each				At 30 September 2005
	Exercise Price RM	At 1 October 2004	Granted	Exercised	
Mr. Chan Thye Seng	1.27	900,000	-	-	900,000

Mr. Chan Hua Eng and Mr. Chan Thye Seng, by virtue of their interests in the Company, are 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: 30 November 2005

## STATEMENT BY DIRECTORS

We, CHAN THYE SENG and MICHAEL YEE KIM SHING, being two of the Directors of PACIFIC & ORIENT BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 34 to 83 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2005 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: 30 November 2005

## STATUTORY DECLARATION

I, ENG LIAN GEOK the Officer primarily responsible for the financial management of PACIFIC & ORIENT BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 34 to 83 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 ENG LIAN GEOK )  
at Kuala Lumpur in Wilayah ) **ENG LIAN GEOK**  
Persekutuan on 30 November 2005 )

Before me:

**Mohd Radzi Bin Yasin**  
Commissioner for Oaths  
Kuala Lumpur

# REPORT OF THE AUDITORS

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

We have audited the financial statements set out on pages 34 to 83. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of 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 MASB 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 2005 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**  
**1056/03/07(J/PH)**  
Partner

Kuala Lumpur, Malaysia  
Dated: 30 November 2005

# BALANCE SHEETS

## AS AT 30 SEPTEMBER 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>ASSETS</b>					
Property, plant and equipment	3	23,446	24,747	478	538
Intangible assets	4	2,384	3,103	-	-
Deferred taxation	5	26,419	22,194	724	618
Investments	6	508,886	519,490	18,592	37,452
Investment in subsidiary companies	7	-	-	116,641	101,641
Inventories - goods for resale	8	2,855	2,832	-	-
Loans	9	48,644	49,428	-	-
Trade receivables	10	11,009	12,413	-	-
Other receivables	10	10,220	16,152	1,064	1,248
Due from subsidiary companies	11	-	-	82,733	82,108
Deposits and placements with financial institutions	12	446	1,019	-	-
Cash and bank balances	13	4,646	5,144	209	190
<b>TOTAL ASSETS</b>		<b>638,955</b>	656,522	<b>220,441</b>	223,795
<b>LIABILITIES</b>					
Provision for outstanding claims	14	260,982	280,775	-	-
Trade payables	15	6,265	5,382	-	-
Other payables	15	6,461	7,278	990	659
Hire purchase and lease creditors	16	1,399	1,125	109	97
Bank borrowings	17	35,959	31,857	29,100	24,700
Provision for taxation		2,558	855	-	-
<b>TOTAL LIABILITIES</b>		<b>313,624</b>	327,272	<b>30,199</b>	25,456
<b>Unearned premium reserves</b>	18	<b>104,306</b>	88,528	-	-
<b>SHAREHOLDERS' FUNDS</b>					
Share capital	19	110,189	109,581	110,189	109,581
Treasury shares	19	(13,523)	(5,980)	(13,523)	(5,980)
Reserves	20	124,359	137,121	93,576	94,738
		<b>221,025</b>	240,722	<b>190,242</b>	198,339
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>638,955</b>	656,522	<b>220,441</b>	223,795

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 SEPTEMBER 2005

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 2003	100,896	-	44,671	40,769	(602)	55,107	240,841
Currency translation differences	-	-	-	-	219	-	219
Net gain 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	109,581	(5,980)	48,417	40,769	(383)	48,318	240,722
Currency translation differences	-	-	-	-	60	-	60
Net gain not recognised in the income statement	-	-	-	-	60	-	60
Issue of shares	608	-	181	-	-	-	789
Purchase of treasury shares (Note 19)	-	(13,058)	-	-	-	-	(13,058)
Treasury share transfer fee	-	-	(23)	-	-	-	(23)
Distribution as share dividends	-	5,515	(5,515)	-	-	-	-
Net loss for the year	-	-	-	-	-	(313)	(313)
Dividends (Note 21)	-	-	-	-	-	(7,152)	(7,152)
At 30 September 2005	<b>110,189</b>	<b>(13,523)</b>	<b>43,060</b>	<b>40,769</b>	<b>(323)</b>	<b>40,853</b>	<b>221,025</b>
<b>Company</b>							
At 1 October 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	109,581	(5,980)	48,417	-	-	46,321	198,339
Issue of shares	608	-	181	-	-	-	789
Purchase of treasury shares (Note 19)	-	(13,058)	-	-	-	-	(13,058)
Treasury share transfer fee	-	-	(23)	-	-	-	(23)
Distribution as share dividends	-	5,515	(5,515)	-	-	-	-
Net profit for the year	-	-	-	-	-	11,347	11,347
Dividends (Note 21)	-	-	-	-	-	(7,152)	(7,152)
At 30 September 2005	<b>110,189</b>	<b>(13,523)</b>	<b>43,060</b>	<b>-</b>	<b>-</b>	<b>50,516</b>	<b>190,242</b>

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

# INCOME STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	22	<b>264,216</b>	228,700	<b>25,354</b>	8,706
Other operating income	23	<b>6,834</b>	4,930	<b>1,705</b>	54
		<b>271,050</b>	233,630	<b>27,059</b>	8,760
Changes in inventories	24	<b>(743)</b>	(701)	-	-
Reinsurance		<b>(43,968)</b>	(33,030)	-	-
Net claims incurred	25	<b>(131,850)</b>	(129,941)	-	-
Net commission		<b>(20,013)</b>	(15,956)	-	-
(Increase)/decrease in unearned premium reserves	18	<b>(15,778)</b>	2,366	-	-
Staff costs	26	<b>(25,193)</b>	(25,919)	<b>(3,667)</b>	(3,597)
Depreciation		<b>(2,960)</b>	(2,972)	<b>(138)</b>	(110)
Amortisation	28	<b>(729)</b>	(729)	-	-
Other operating expenses	29	<b>(24,168)</b>	(24,044)	<b>(3,772)</b>	(4,323)
Profit from operations		<b>5,648</b>	2,704	<b>19,482</b>	730
Finance costs	30	<b>(1,999)</b>	(1,544)	<b>(1,512)</b>	(1,113)
Profit/(loss) before taxation	31	<b>3,649</b>	1,160	<b>17,970</b>	(383)
Income tax expense	37	<b>(3,962)</b>	(2,318)	<b>(6,623)</b>	265
Net (loss)/profit for the year		<b>(313)</b>	(1,158)	<b>11,347</b>	(118)
Basic loss per share (sen)	38	<b>(0.30)</b>	(1.09)		
Dividend per share (sen)					
9.50 sen (2004 : 7.50 sen) less 28% tax	21	<b>6.8</b>	5.4		

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

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 SEPTEMBER 2005

	2005 RM'000	2004 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	3,649	1,160
Adjustments for:		
Depreciation	2,960	2,972
Amortisation of premiums, net of accretion of discounts	244	270
Amortisation of goodwill	379	379
Amortisation of software distribution licence	350	350
Gain on disposal of property, plant and equipment	(120)	(175)
Property, plant and equipment written off	63	17
Write back of diminution in value of investments	-	(3,506)
Impairment loss on investments	1,308	1,400
Inventories written off	59	-
Allowance for inventory obsolescence	66	-
Gain on disposal of investments	(6,203)	(815)
Dividend income	(3,508)	(5,654)
Income from Islamic corporate bonds	(1,181)	(1,154)
Interest income	(14,637)	(16,035)
Bad debts written off	5	1
Allowance for/(write back of) doubtful debts	1,194	(277)
Short term accumulating compensated absences	(30)	624
Increase/(decrease) in unearned premium reserves	15,778	(2,366)
Interest expense	1,737	1,239
Unrealised loss on foreign exchange	162	395
Transfer to property, plant and equipment from inventories	(18)	(200)
Operating profit/(loss) before working capital changes	2,257	(21,375)
Changes in working capital:		
Proceeds from disposal of investments/investment properties	83,616	45,072
Purchase of investments	(49,578)	(41,346)
Increase in bankers acceptances	(77,081)	(35,266)
Decrease in deposits and placements of the insurance subsidiary company with financial institutions	56,981	57,902
Decrease/(increase) in loans	784	(1,189)
Decrease in receivables	1,125	90
Increase in inventories - goods for resale	(97)	(2,076)
Decrease in outstanding claims	(19,793)	(37,683)
(Decrease)/increase in payables	(184)	775
Cash used in operations	(1,970)	(35,096)
Tax paid, net of recoveries	(1,296)	(449)
Dividends received	2,906	4,168
Income received from Islamic corporate bonds	1,413	890
Interest received	14,445	15,982
Interest paid	(1,550)	(1,245)
Net cash generated from/(used in) operating activities	13,948	(15,750)

**CONSOLIDATED CASH FLOW STATEMENT (Cont'd.)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2005**

	Note	2005 RM'000	2004 RM'000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	3 (d)	<b>(1,231)</b>	(1,338)
Proceeds from capital repayment on quoted investments		<b>1,600</b>	5,173
Proceeds from disposal of property, plant and equipment		<b>259</b>	223
Net cash generated from investing activities		<b>628</b>	4,058
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		<b>789</b>	12,431
Acquisition of treasury shares		<b>(12,967)</b>	(5,980)
Payment of transfer fee for treasury shares		<b>(23)</b>	-
Dividends paid		<b>(7,152)</b>	(5,631)
Decrease in hire purchase and lease creditors		<b>(343)</b>	(196)
Drawdown of bank borrowings		<b>4,150</b>	8,500
Net cash (used in)/generated from financing activities		<b>(15,546)</b>	9,124
Effects of exchange rate changes on cash and cash equivalents		<b>(44)</b>	(158)
Net decrease in cash and cash equivalents		<b>(1,014)</b>	(2,726)
Cash and cash equivalents at beginning of year		<b>4,997</b>	7,732
Cash and cash equivalents at end of year		<b>3,983</b>	5,006

Cash and cash equivalents comprise the following:

Cash and bank balances	<b>4,646</b>	5,144
Bank overdraft	<b>(1,109)</b>	(1,157)
Deposits and placements with financial institutions *	<b>446</b>	1,019
Cash and cash equivalents as previously reported	<b>3,983</b>	5,006
Effect of exchange rate changes	<b>-</b>	(9)
Cash and cash equivalents as restated	<b>3,983</b>	4,997

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

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

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 SEPTEMBER 2005

	Note	2005 RM'000	2004 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before taxation		17,970	(383)
Adjustments for:			
Depreciation		138	110
Gain on disposal of investments		(1,705)	-
Loss/(gain) on disposal of property, plant and equipment		3	(51)
Unrealised loss on foreign exchange		75	-
Property, plant and equipment written off		-	1
Impairment loss on investments		-	74
Short term accumulating compensated absences		18	117
Dividend income		(18,573)	(2,127)
Interest income		(3,881)	(3,751)
Interest expense		1,266	819
Operating loss before working capital changes		(4,689)	(5,191)
Changes in working capital:			
Increase in receivables		(77)	(23)
Increase in due from subsidiary companies		(12,613)	(12,733)
Increase/(decrease) in payables		56	(133)
Cash used in operations		(17,323)	(18,080)
Dividends received		13,631	1,740
Interest received		794	383
Interest paid		(1,101)	(826)
Tax paid, net of recoveries		(1,525)	(70)
Net cash used in operating activities		(5,524)	(16,853)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	3 (d)	(50)	(76)
Proceeds from disposal of investments		20,737	-
Purchase of investments		(172)	-
Proceeds from capital repayment on quoted investments		-	5,173
Proceeds from disposal of property, plant and equipment		3	73
Net cash generated from investing activities		20,518	5,170
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		789	12,431
Acquisition of treasury shares		(12,967)	(5,980)
Payment of transfer fee for treasury shares		(23)	-
Dividends paid		(7,152)	(5,631)
Decrease in hire purchase creditors		(22)	(3)
Drawdown of bank borrowings		4,400	8,500
Net cash (used in)/generated from financing activities		(14,975)	9,317
Net increase/(decrease) in cash and cash equivalents		19	(2,366)
Cash and cash equivalents at beginning of year		190	2,556
Cash and cash equivalents at end of year		209	190
Cash and cash equivalents comprise the following:			
Cash and bank balances		209	190

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

# NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

## 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 the 11<sup>th</sup> 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 607 (2004 : 605) and 46 (2004 : 45) respectively.

The financial statements were authorised for issue on 30 November 2005 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 MASB 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.

### (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, which was the accounting standard prevailing at that time.

- (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.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

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

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

The cost of investment in the Company's books 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 Financial Reporting Standard (FRS) 122 : 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 a 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.

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

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

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

**(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.

Other investments are stated at cost.

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

**(g) Receivables**

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

For 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.

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

**(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.

**(l) 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.

**(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.

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2005

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

#### (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 :

	2005 RM	2004 RM
United States Dollar	3.7690	3.8000
Thai Baht	0.0914	0.0915

#### (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.

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

**(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.

**(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 FRS 132 : Financial Instruments - Disclosure and Presentation.

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2005**

**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	378	1,477	12,972	21,537	4,010	5,465	5,143	53,762
Additions	-	-	-	-	320	938	257	333	1,848
Disposals	-	-	-	-	-	(592)	(26)	-	(618)
Write offs	-	-	-	-	(29)	-	(34)	(132)	(195)
Transfer from inventories	-	-	-	-	-	-	18	-	18
Translation differences	-	-	-	-	(16)	1	(5)	(1)	(21)
Reclassification	-	-	-	-	(43)	-	43	-	-
<b>At end of year</b>	<b>2,780</b>	<b>378</b>	<b>1,477</b>	<b>12,972</b>	<b>21,769</b>	<b>4,357</b>	<b>5,718</b>	<b>5,343</b>	<b>54,794</b>
<b>Accumulated Depreciation :</b>									
At beginning of year	-	27	212	3,046	15,966	2,366	3,414	3,984	29,015
Charge for the year	-	4	30	302	1,400	501	375	348	2,960
Disposals	-	-	-	-	-	(460)	(19)	-	(479)
Write offs	-	-	-	-	(15)	-	(27)	(90)	(132)
Translation differences	-	-	-	-	(10)	-	(4)	(2)	(16)
Reclassification	-	-	-	-	(1)	-	1	-	-
<b>At end of year</b>	<b>-</b>	<b>31</b>	<b>242</b>	<b>3,348</b>	<b>17,340</b>	<b>2,407</b>	<b>3,740</b>	<b>4,240</b>	<b>31,348</b>
<b>Net Book Value :</b>									
At end of year	<b>2,780</b>	<b>347</b>	<b>1,235</b>	<b>9,624</b>	<b>4,429</b>	<b>1,950</b>	<b>1,978</b>	<b>1,103</b>	<b>23,446</b>
At beginning of year	2,780	351	1,265	9,926	5,571	1,644	2,051	1,159	24,747
<b>Details at 1 October 2003</b>									
Cost	2,780	350	1,477	12,972	21,827	3,505	4,901	5,072	52,884
Accumulated depreciation	-	23	182	2,744	15,146	2,913	2,911	3,679	27,598
Depreciation charge for the year ended 30 September 2004									
	-	4	30	302	1,513	275	536	312	2,972

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2005**

**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	480	1,384	141	393	2,398
Additions	3	57	24	1	85
Transfer to subsidiary company	-	-	(5)	-	(5)
Disposals	-	(1)	(8)	-	(9)
At end of year	<b>483</b>	<b>1,440</b>	<b>152</b>	<b>394</b>	<b>2,469</b>
<b>Accumulated Depreciation :</b>					
At beginning of year	252	1,234	94	280	1,860
Charge for the year	48	37	14	39	138
Transfer to subsidiary company	-	-	(2)	-	(2)
Disposals	-	(1)	(4)	-	(5)
At end of year	<b>300</b>	<b>1,270</b>	<b>102</b>	<b>319</b>	<b>1,991</b>
<b>Net Book Value :</b>					
At end of year	<b>183</b>	<b>170</b>	<b>50</b>	<b>75</b>	<b>478</b>
At beginning of year	228	150	47	113	538
<b>Details at 1 October 2003</b>					
Cost	484	1,507	157	393	2,541
Accumulated depreciation	210	1,503	92	241	2,046
Depreciation charge for the year ended 30 September 2004	48	8	15	39	110

- (a) Certain freehold land and buildings of two subsidiary companies with net book value amounting to RM3,390,000 (2004 : RM3,414,000) 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 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	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Computer equipment	7,531	6,018	25	-
Motor vehicles	1,680	1,724	1,228	1,228
Office equipment	2,994	1,000	26	-
Furniture, fixtures and fittings	2,605	2,470	21	-
	<b>14,810</b>	11,212	<b>1,300</b>	1,228

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2005**

**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	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Motor vehicles	1,948	1,594	161	149
Computer equipment	-	31	-	-
	<b>1,948</b>	<b>1,625</b>	<b>161</b>	<b>149</b>

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash	1,231	1,338	50	76
Hire purchase and lease	617	970	35	100
	<b>1,848</b>	<b>2,308</b>	<b>85</b>	<b>176</b>

**4. INTANGIBLE ASSETS**

	Group	
	2005 RM'000	2004 RM'000
Goodwill on consolidation:		
At beginning of year	2,693	3,072
Amortisation	(379)	(379)
At end of year	<b>2,314</b>	<b>2,693</b>
Software distribution licence:		
At beginning of year	410	777
Amortisation	(350)	(350)
Translation differences	10	(17)
At end of year	<b>70</b>	<b>410</b>
	<b>2,384</b>	<b>3,103</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2005**

**5. DEFERRED TAXATION**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At beginning of year	22,194	20,439	618	479
Transfer to income statements (Note 37)	4,278	1,822	106	139
Translation differences	(53)	(67)	-	-
At end of year	26,419	22,194	724	618

Presented after appropriate offsetting as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deferred tax assets	27,720	23,710	795	705
Deferred tax liabilities	(1,301)	(1,516)	(71)	(87)
At end of year	26,419	22,194	724	618

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:

2005	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	4,953	281	18,466	23,710
Recognised in the income statements	1	367	108	3,587	4,063
Translation differences	-	-	(2)	(51)	(53)
At end of year	11	5,320	387	22,002	27,720

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2005**

**5. DEFERRED TAXATION (Cont'd.)**

Deferred Tax Liabilities of the Group:

<b>2005</b>	<b>Accelerated Capital Allowances RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
At beginning of year	(1,286)	(230)	(1,516)
Recognised in the income statements	161	54	215
At end of year	(1,125)	(176)	(1,301)

<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	(1,286)	(230)	(1,516)

Deferred Tax Assets of the Company:

<b>2005</b>	<b>Tax Losses and Unabsorbed Capital Allowances RM'000</b>	<b>Total RM'000</b>
At beginning of year	705	705
Recognised in the income statements	90	90
At end of year	795	795

<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	705	705

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2005**

**5. DEFERRED TAXATION (Cont'd.)**

Deferred Tax Liabilities of the Company:

<b>2005</b>	<b>Accelerated Capital Allowances RM'000</b>	<b>Total RM'000</b>
At beginning of year	(87)	(87)
Recognised in the income statements	16	16
At end of year	(71)	(71)

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

As at 30 September 2005, deferred tax assets have not been recognised in respect of the following temporary differences:

	<b>Group</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>
Depreciation and capital allowances on property, plant and equipment	(14)	(18)
Unabsorbed capital allowances and losses	4,215	4,020
	<b>4,201</b>	<b>4,002</b>

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**

	<b>Group</b>		<b>Company</b>	
	<b>2005 RM'000</b>	<b>2004 RM'000</b>	<b>2005 RM'000</b>	<b>2004 RM'000</b>
<b>Cost</b>				
<b>Investment properties</b>				
Freehold buildings	706	706	-	-
Leasehold land and building	730	730	-	-
	<b>1,436</b>	<b>1,436</b>	<b>-</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2005**

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Long term investment in quoted securities</b>				
Shares in Malaysia	18,732	37,728	18,460	37,452
Warrant in Malaysia	132	-	132	-
Club membership	55	55	-	-
<b>Investment securities</b>				
Money market instruments:				
Malaysian Government Securities	56,976	19,592	-	-
Amortisation of premiums	(152)	(48)	-	-
	56,824	19,544	-	-
Cagamas bonds	-	35,171	-	-
Amortisation of premiums, net of accretion of discounts	-	(140)	-	-
	-	35,031	-	-
Islamic corporate bonds	15,391	20,530	-	-
Amortisation of premiums	(146)	(171)	-	-
	15,245	20,359	-	-
Bankers acceptances	166,549	89,468	-	-
Quoted securities :				
Shares in Malaysia	49,895	63,238	-	-
Allowance for diminution in value	(965)	-	-	-
	48,930	63,238	-	-
Warrants in Malaysia	2,127	2,127	-	-
Allowance for diminution in value	(930)	(999)	-	-
	1,197	1,128	-	-
Irredeemable convertible unsecured loan stock	9,453	9,453	-	-
Unit trusts	6,340	1,057	-	-
Unquoted securities:				
Shares in Malaysia	24	-	-	-
Corporate bonds	9,959	9,959	-	-
Amortisation of premiums, net of accretion of discounts	(153)	(110)	-	-
	9,806	9,849	-	-
<b>Total investment securities</b>	<b>314,368</b>	<b>249,127</b>	<b>-</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. INVESTMENTS (Cont'd.)**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Deposits and placements of the insurance subsidiary company with financial institutions</b>				
Licensed banks	164,176	165,090	-	-
Licensed finance companies	9,987	64,024	-	-
Other licensed financial institutions	-	2,030	-	-
	<b>174,163</b>	231,144	-	-
Total investments	<b>508,886</b>	519,490	<b>18,592</b>	37,452
<b>Market value</b>				
Club membership	60	60	-	-
Malaysian Government Securities	57,749	20,015	-	-
Cagamas bonds	-	36,068	-	-
Islamic corporate bonds	16,008	20,916	-	-
Shares quoted in Malaysia:				
Long term investments	10,867	31,887	10,867	31,880
Investment securities	48,930	63,423	-	-
Warrants quoted in Malaysia				
Long term investments	563	-	563	-
Investment securities	1,197	1,128	-	-
Unit trusts	6,455	1,353	-	-
Unquoted corporate bonds	9,672	9,832	-	-
Irredeemable convertible unsecured loan stock	11,627	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 RM1,220,000 (2004 : RM1,023,000). 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 RM384,000 (2004 : RM448,000) 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 :

2005	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		
<b>Group</b>				
Malaysian Government Securities	-	56,824	56,824	3.15-6.51
Bankers acceptances	166,549	-	166,549	2.80-2.91
Irredeemable convertible unsecured loan stock	-	9,453	9,453	5.00
Unquoted corporate bonds	5,008	4,798	9,806	6.40-6.42
Deposits and placements of the insurance subsidiary company with financial institutions	174,163	-	174,163	2.50-3.70
	<b>345,720</b>	<b>71,075</b>	<b>416,795</b>	

**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. INVESTMENTS (Cont'd.)**

2004 Group	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		
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	

The effective profit rate of the Islamic corporate bonds as at balance sheet date was between 5.42% and 8.15% (2004 : 6.30% and 8.15%) per annum.

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

	Group	
	2005 RM'000	2004 RM'000
1 year to 5 years	15,245	15,290
More than 5 years	-	5,069
	15,245	20,359

**7. INVESTMENT IN SUBSIDIARY COMPANIES**

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares - at cost	121,366	106,366
Impairment losses	(4,725)	(4,725)
	116,641	101,641

**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd.)**

The subsidiary companies are:

<b>Incorporated in Malaysia</b>	<b>Effective Interests</b>		<b>Principal Activities</b>
	<b>2005 %</b>	<b>2004 %</b>	
Pacific & Orient Insurance Co. Berhad	<b>100</b>	100	General insurance business
P & O Technologies Sdn. Bhd.	<b>100</b>	100	Provision of information technology services and sale of information technology equipment
Pacific & Orient Distribution Sdn. Bhd.	<b>100</b>	100	Distribution of consumer goods and provision of sales and administrative services
P & O Capital Sdn. Bhd.	<b>100</b>	100	Money lending
P & O Global Technologies Sdn. Bhd.	<b>100</b>	100	Dealing in computer hardware, software and systems
P & O Resources Sdn. Bhd.	<b>100</b>	100	Dealing in computer hardware, software and systems
Dynamic Network Distributions Sdn. Bhd. #	<b>100</b>	64	Provision of management and privilege card programme services and sale of consumer goods
P & O Nominees Services (Tempatan) Sdn. Bhd.	<b>100</b>	100	Dormant
Pacific Global Technologies Sdn. Bhd.	<b>100</b>	100	Dormant
Seni Perkasa Sdn. Bhd.	<b>100</b>	100	Dormant
Seni Bayu Sdn. Bhd.	<b>100</b>	100	Dormant
Pacific & Orient - F.I.H. Sdn. Bhd.	<b>100</b>	100	Dormant
DND Consulting Services Sdn. Bhd.	<b>100</b>	100	Dormant

# During the financial year, 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.

**Incorporated in the United States of America**

P & O Global Technologies, Inc. *	<b>100</b>	100	Information technology services, research and development and trading activities
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**Subsidiary company of P & O Global Technologies Sdn. Bhd. - Incorporated in Thailand**

P & O Global Technologies (Thailand) Co. Ltd.*	<b>100</b>	100	Dealing in computer software and systems
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\* Subsidiary companies not audited by Ernst & Young.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. INVENTORIES – GOODS FOR RESALE**

	Group	
	2005 RM'000	2004 RM'000
Inventories - at cost	2,921	2,846
Allowance for inventory obsolescence	(66)	(14)
	<b>2,855</b>	<b>2,832</b>

**9. LOANS**

	Group	
	2005 RM'000	2004 RM'000
Loans:		
- secured loans	48,623	49,403
- unsecured loans	21	25
	<b>48,644</b>	<b>49,428</b>
Due within one year	48,002	48,803
Due after one year	642	625
	<b>48,644</b>	<b>49,428</b>

The interest rates were between 6.80% and 9.75% (2004: 6.65% and 9.50%) per annum.

**10. RECEIVABLES**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables:				
Outstanding premiums including agents', brokers' and co-insurers' balances	7,408	8,249	-	-
Due from reinsurers and ceding companies	5,864	6,055	-	-
Others	2,209	1,517	-	-
	<b>15,481</b>	15,821	-	-
Allowance for doubtful debts	(4,472)	(3,408)	-	-
	<b>11,009</b>	12,413	-	-
Other receivables:				
Accrued income	3,493	4,673	-	259
Share of assets held by Malaysian Motor Insurance Pool (MMIP)	2,615	2,751	-	-
Deposits and prepayments	1,395	1,553	108	44
Tax recoverable	1,664	6,087	771	774
Others	1,053	1,088	185	171
	<b>10,220</b>	16,152	<b>1,064</b>	1,248

**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. RECEIVABLES (Cont'd.)**

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	20,262	25,745	1,064	1,248
United States Dollars	263	2,462	-	-
Thai Baht	704	358	-	-
	<b>21,229</b>	<b>28,565</b>	<b>1,064</b>	<b>1,248</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 RM22,878,000 (2004 : RM24,082,000) which bears interest at between 6.00% and 16.08% (2004 : 6.00% and 16.08%) per annum.

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

	Company	
	2005 RM'000	2004 RM'000
Ringgit Malaysia	73,270	75,009
United States Dollars	9,463	7,099
	<b>82,733</b>	<b>82,108</b>

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

	Group	
	2005 RM'000	2004 RM'000
Licensed banks	446	965
Licensed finance companies	-	54
	<b>446</b>	<b>1,019</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 2005**

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

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

	Group	
	2005 RM'000	2004 RM'000
Ringgit Malaysia	255	70
United States Dollars	90	339
Thai Baht	101	610
	<b>446</b>	<b>1,019</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	
	2005 %	2004 %
Licensed banks	0.25 - 1.75	0.25 - 1.90
Licensed finance companies	3.00	3.00

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

	Group	
	2005 Days	2004 Days
Licensed banks	1 - 365	1 - 365
Licensed finance companies	30	30

**13. CASH AND BANK BALANCES**

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	4,222	4,514	209	190
United States Dollars	35	187	-	-
Thai Baht	389	443	-	-
	<b>4,646</b>	<b>5,144</b>	<b>209</b>	<b>190</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. PROVISION FOR OUTSTANDING CLAIMS**

	Group	
	2005 RM'000	2004 RM'000
Provision for outstanding claims	298,000	311,878
Recoverable from reinsurers	(37,018)	(31,103)
<b>Net outstanding claims</b>	<b>260,982</b>	<b>280,775</b>

Included in the provision for outstanding claims is an amount of RM94,200,000 (2004 : RM106,719,000) in respect of net provision for Incurred But Not Reported (IBNR) claims as determined by an independent professional actuary.

**15. PAYABLES**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables:				
Due to reinsurers and ceding companies	5,165	3,670	-	-
Due to agents, brokers, co-insurers and insureds	1,051	1,038	-	-
Others	49	674	-	-
	<b>6,265</b>	<b>5,382</b>	<b>-</b>	<b>-</b>
Other payables:				
Accruals	1,581	2,939	103	138
Short term accumulating compensated absences	588	624	135	117
Collateral deposits	402	477	-	-
Insurance Guarantee Scheme Fund (IGSF) levy	503	570	-	-
Stamp duty payable	821	556	-	-
Unearned income	452	540	-	-
Due to directors	360	366	215	212
Unclaimed monies	224	234	-	-
Refund premiums	193	191	-	-
Others	1,337	781	537	192
	<b>6,461</b>	<b>7,278</b>	<b>990</b>	<b>659</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	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	12,327	11,545	990	659
United States Dollars	44	835	-	-
Thai Baht	355	280	-	-
	<b>12,726</b>	<b>12,660</b>	<b>990</b>	<b>659</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. HIRE PURCHASE AND LEASE CREDITORS**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Future minimum payments are as follows:				
Payable within one year	434	341	36	23
Payable between one and five years	1,131	964	85	88
	<b>1,565</b>	1,305	<b>121</b>	111
Finance charges	(166)	(180)	(12)	(14)
	<b>1,399</b>	1,125	<b>109</b>	97

Representing hire purchase and lease creditors:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due within one year	364	270	30	18
Due after one year	1,035	855	79	79
	<b>1,399</b>	1,125	<b>109</b>	97

The hire purchase and lease arrangements at the balance sheet date bore interest between 2.62% and 6.34% (2004 : 4.76% and 7.18%) per annum.

**17. BANK BORROWINGS**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Bank overdraft	1,109	1,157	-	-
Revolving credits	34,850	30,700	29,100	24,700
	<b>35,959</b>	31,857	<b>29,100</b>	24,700

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 4.44% and 5.25% (2004 : 4.50% and 5.45%) per annum. The revolving credit facilities of subsidiary companies are secured by corporate guarantees from the holding company and bear interest at between 5.45% and 8.00% (2004 : 5.15% and 5.60%) 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% (2004 : 7.75%) per annum.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**18. UNEARNED PREMIUM RESERVES**

	Group	
	2005 RM'000	2004 RM'000
At beginning of year	88,528	90,894
Increase/(decrease) in unearned premium reserves (Note 32)	15,778	(2,366)
At end of year	<b>104,306</b>	88,528

**19. SHARE CAPITAL**

	Number of shares		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
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>109,581</b>	100,896	<b>109,581</b>	100,896
Issue of shares:				
- private placement (Note (a))	-	8,000	-	8,000
- ESOS (Note (b))	<b>608</b>	685	<b>608</b>	685
	<b>608</b>	8,685	<b>608</b>	8,685
At end of year	<b>110,189</b>	109,581	<b>110,189</b>	109,581

**(a) Private Placement**

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

**(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.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. SHARE CAPITAL (Cont'd.)**

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

- (c) The Executive Directors involved in the day-to-day management and/or employees who are on the payroll of the Company and its subsidiary companies and have completed at least one year of continuous employment and who fulfil the conditions set out in the Bye-Laws of the ESOS shall be eligible to participate in the ESOS.
- (d) No option shall be granted for less than 1,000 Shares nor more than 900,000 Shares to any eligible employee.
- (e) The subscription price for each new Share issued under the ESOS shall be based on the weighted average market price of the Shares as shown in the daily official list issued by 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**

	Number of shares		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
At beginning of year	3,180	-	5,980	-
Purchased	6,999	3,180	13,058	5,980
Distribution as share dividends	(2,934)	-	(5,515)	-
At end of year	7,245	3,180	13,523	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 12 March 2005, renewed their approval of the Company's plan to purchase its own ordinary shares.

During the financial year, the Company purchased 6,999,000 (2004: 3,180,000) of its issued ordinary shares of RM1.00 each fully paid from the open market at an average price of RM1.87 (2004: RM1.88) per share for a total consideration of RM13,058,000 (2004: RM5,980,000). The purchase transactions were financed by internally generated funds. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965. On 30 June 2005, a total of 2,933,611 treasury shares valued at RM5,515,000 were distributed as share dividends to the shareholders on the basis of 1 treasury share for every 35 existing fully paid ordinary shares of RM1.00 each, held on 16 June 2005.

Of the total 110,189,000 (2004: 109,581,000) issued and fully paid ordinary shares as at 30 September 2005, 7,245,000 (2004: 3,180,000) are held as treasury shares by the Company. As at 30 September 2005, the number of outstanding ordinary shares in issue and fully paid is therefore 102,944,000 (2004: 106,401,000) ordinary shares of RM1.00 each.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. SHARE CAPITAL (Cont'd.)**

(c) Treasury Shares (Cont'd.)

The details of the shares purchased/(distributed) during the financial year are as follows:

Month	Price per share (RM)			Number of shares purchased/ (distributed) ('000)	Total consideration RM'000
	Lowest	Highest	Average		
December 2004	1.68	2.03	1.89	1,511	2,861
January 2005	1.85	1.90	1.89	281	531
February 2005	1.83	1.89	1.88	475	895
March 2005	1.84	1.90	1.89	1,097	2,073
April 2005	1.82	1.87	1.86	492	915
May 2005	1.77	1.83	1.80	196	353
June 2005	1.77	1.90	1.86	751	1,396
July 2005	1.80	1.88	1.87	665	1,241
August 2005	1.78	1.87	1.84	422	778
September 2005	1.76	1.88	1.82	1,109	2,015
				6,999	13,058
June 2005			1.88	(2,934)	(5,515)
				4,065	7,543

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

**20. RESERVES**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Non-distributable:				
Translation reserve	(323)	(383)	-	-
Share premium	43,060	48,417	43,060	48,417
Merger reserve	40,769	40,769	-	-
	83,506	88,803	43,060	48,417
Distributable:				
Accumulated profits	40,853	48,318	50,516	46,321
	124,359	137,121	93,576	94,738

**NOTES TO THE FINANCIAL STATEMENTS**  
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**21. DIVIDENDS**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
2 <sup>nd</sup> interim dividend of 3.75 sen per share less tax at 28% in respect of previous year, declared on 22 November 2004 and paid on 22 December 2004 (2003 : 3.75 sen per share less tax at 28%)	2,875	2,729*	2,875	2,729*
Special interim dividend of 2.00 sen per share less tax at 28% in respect of current financial year, declared on 21 February 2005 and paid on 23 March 2005 (2004 : Nil sen per share less tax at 28%)	1,505	-	1,505	-
1 <sup>st</sup> interim dividend of 3.75 sen per share less tax at 28% in respect of current financial year, declared on 27 May 2005 and paid on 30 June 2005 (2004 : 3.75 sen per share less tax at 28%)	2,772	2,902	2,772	2,902
	<b>7,152</b>	<b>5,631</b>	<b>7,152</b>	<b>5,631</b>

\* All dividends of the Company are paid on the issued shares (net of treasury shares), except for the 2<sup>nd</sup> interim dividend for the financial year ended 30 September 2003 which was not affected by the treasury shares.

In respect of the financial year ended 30 September 2005, the Directors had on 22 November 2005 declared a 2<sup>nd</sup> interim dividend of 3.75 sen per share less tax at 28%, amounting to RM2,779,000 based on the issued and paid-up share capital (net of treasury shares) as at 30 September 2005. The dividend will be paid on 22 December 2005 to depositors whose names appear in the Record of Depositors on 9 December 2005. 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 2006.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**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	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Gross premium (Note 32)	242,232	203,443	-	-
Gross dividends :				
- shares quoted in Malaysia	3,210	5,587	517	2,127
- unit trusts	298	67	-	-
- subsidiary company	-	-	18,056	-
Interest income :				
- subsidiary companies	-	-	3,835	3,669
- others	14,632	16,011	46	82
Income from Islamic corporate bonds	1,181	1,154	-	-
Rental income	36	50	-	-
MMIP investment income	90	107	-	-
Other investment income	13	-	-	-
Amortisation of premiums, net of accretion of discounts	(244)	(270)	-	-
Sale of goods and services	2,768	2,551	2,900	2,828
	<b>264,216</b>	<b>228,700</b>	<b>25,354</b>	<b>8,706</b>

**23. OTHER OPERATING INCOME**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest income	5	24	-	-
Rental income:				
- subsidiary companies	-	-	-	-
- others	90	136	-	-
Write back of allowance for diminution in value of investments	-	3,506	-	-
Gain on disposal of property, plant and equipment	120	175	-	51
Gain on disposal of investments	6,203	815	1,705	-
Others	416	274	-	3
	<b>6,834</b>	<b>4,930</b>	<b>1,705</b>	<b>54</b>

**24. CHANGES IN INVENTORIES**

Included in changes in inventories are allowance for inventory obsolescence and inventories written off amounting to RM66,000 (2004: RMNil) and RM8,000 (2004: RMNil) respectively.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**25. NET CLAIMS INCURRED**

	Group	
	2005 RM'000	2004 RM'000
Gross claims paid less salvage	170,291	185,473
Reinsurance recoveries	(18,648)	(17,849)
Net claims paid	151,643	167,624
Net outstanding claims:		
At end of year	260,982	280,775
At beginning of year	(280,775)	(318,458)
	<b>131,850</b>	<b>129,941</b>

**26. STAFF COSTS**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Salaries, wages and bonus	20,616	20,481	2,957	2,821
Short term accumulating compensated absences	(30)	624	18	117
Pension cost – defined contribution plan	2,263	2,209	349	334
Other staff related expenses	2,344	2,605	343	325
	<b>25,193</b>	<b>25,919</b>	<b>3,667</b>	<b>3,597</b>

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,779,000 (2004: RM1,879,000) and RM596,000 (2004: RM585,000) respectively.

**27. DIRECTORS' REMUNERATION**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Directors of the Company				
<b>Executive:</b>				
Salaries and other remuneration	372	365	352	345
Bonus	60	57	60	57
Pension cost – defined contribution plan	64	63	64	63
Benefits-in-kind	19	19	19	19
Allowance	120	120	120	120
	<b>635</b>	<b>624</b>	<b>615</b>	<b>604</b>
<b>Non-Executive:</b>				
Fees	245	269	155	155
Benefits-in-kind	2	2	2	2
	<b>247</b>	<b>271</b>	<b>157</b>	<b>157</b>

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**27. DIRECTORS' REMUNERATION (Cont'd)**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Directors of Subsidiary Companies				
<b>Executive:</b>				
Salaries and other remuneration	961	1,013	-	-
Bonus	73	79	-	-
Short term accumulating compensated absences	(14)	43	-	-
Pension cost – defined contribution plan	89	85	-	-
Benefits-in-kind	48	30	-	-
Allowances	54	54	-	-
	<b>1,211</b>	<b>1,304</b>	<b>-</b>	<b>-</b>
<b>Non-Executive:</b>				
Fees	59	44	-	-
Total	<b>2,152</b>	<b>2,243</b>	<b>772</b>	<b>761</b>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 26)	<b>1,779</b>	1,879	<b>596</b>	585
Total non-executive directors' remuneration (Note 29)	<b>304</b>	313	<b>155</b>	155
Total directors' remuneration excluding benefits-in-kind	<b>2,083</b>	2,192	<b>751</b>	740

**28. AMORTISATION**

	Group	
	2005 RM'000	2004 RM'000
Amortisation of:		
- goodwill on consolidation	379	379
- software distribution licence	350	350
	<b>729</b>	<b>729</b>

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**29. OTHER OPERATING EXPENSES**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other operating expenses include:				
Auditors' remuneration	168	161	21	21
Non-executive directors' remuneration (Note 27)	304	313	155	155
Property, plant and equipment written off	63	17	-	1
Inventories of consumables written off	51	-	-	-
Impairment loss on investments	1,308	1,400	-	74
Rental of office equipment	1,752	1,482	141	142
Bad debts:				
- recovered	(54)	(21)	-	-
- written off	5	1	-	-
Office rental:				
- subsidiary company	-	-	264	264
- others	1,713	1,727	-	-
Loss on foreign exchange:				
- unrealised	162	395	75	-
- realised	4	14	1	-
Loss on disposal of property, plant and equipment	-	-	3	-
Allowance for/(write back of) doubtful debts	1,194	(277)	-	-

**30. FINANCE COSTS**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest expense	1,737	1,236	1,266	819
Others	262	308	246	294
	1,999	1,544	1,512	1,113

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

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Determined as follows:					
Insurance subsidiary company	32	20,104	18,553	-	-
Others		1,805	(16,866)	17,970	(383)
Before consolidation		21,909	1,687	17,970	(383)
Consolidation adjustments		(18,260)	(527)	-	-
After consolidation		3,649	1,160	17,970	(383)

**NOTES TO THE FINANCIAL STATEMENTS**  
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**32. PROFIT BEFORE TAXATION - INSURANCE SUBSIDIARY COMPANY**

Revenue Account	Note	Group	
		2005 RM'000	2004 RM'000
<b>Insurance fund</b>			
Gross premium	22	<b>242,232</b>	203,443
Reinsurance		<b>(43,968)</b>	(33,030)
Net premium (Increase)/decrease in unearned premium reserves	18	<b>198,264</b> <b>(15,778)</b>	170,413 2,366
Earned premium		<b>182,486</b>	172,779
Net claims incurred	25	<b>(131,850)</b>	(129,941)
Net commission		<b>(20,013)</b>	(15,956)
		<b>(151,863)</b>	(145,897)
Underwriting surplus before management expenses		<b>30,623</b>	26,882
Management expenses	34	<b>(32,169)</b>	(30,734)
Underwriting deficit		<b>(1,546)</b>	(3,852)
Investment income	33	<b>17,476</b>	18,098
Other operating income - net	36	<b>3,657</b>	3,304
Profit from operations		<b>19,587</b>	17,550
Finance costs		<b>(71)</b>	(34)
Surplus from insurance fund		<b>19,516</b>	17,516
<b>Shareholder's fund</b>			
Investment income	33	<b>594</b>	1,044
Management expenses	34	<b>(6)</b>	(7)
		<b>20,104</b>	18,553

**NOTES TO THE FINANCIAL STATEMENTS**  
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**33. INVESTMENT INCOME**

	Group	
	2005 RM'000	2004 RM'000
<b>Insurance fund</b>		
Gross dividends:		
- shares quoted in Malaysia	2,693	3,459
- unit trusts	298	67
Interest income:		
- Malaysian Government Securities	1,336	471
- Cagamas bonds	1,556	2,908
- bankers acceptances	3,034	2,094
- corporate bonds	1,145	668
- deposits and placements with financial institutions	6,069	7,120
Income from Islamic corporate bonds	1,181	1,154
Rental of properties	305	319
MMIP investment income	90	108
Other investment income	13	-
Amortisation of premiums, net of accretion of discounts	(244)	(270)
	<b>17,476</b>	<b>18,098</b>
<b>Shareholder's fund</b>		
Interest income:		
- bankers acceptances	447	903
- deposits and placements with financial institutions	147	141
	<b>594</b>	<b>1,044</b>

**34. MANAGEMENT EXPENSES**

	Group	
	2005 RM'000	2004 RM'000
<b>Insurance fund</b>		
Executive directors' remuneration (Note 35)	822	815
Staff salaries and bonus	11,565	11,295
Staff short term accumulating compensated absences	10	298
Staff pension cost – defined contribution plan	1,382	1,349
Other staff benefits	1,266	1,260
	<b>15,045</b>	<b>15,017</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**34. MANAGEMENT EXPENSES (Cont'd)**

	Group	
	2005 RM'000	2004 RM'000
<b>Insurance fund (Cont'd)</b>		
Depreciation	1,377	1,378
Auditors' remuneration	90	85
Non-executive directors' remuneration (Note 35)	115	118
Allowance for/(write back of) doubtful debts	630	(312)
Office rental	411	418
IGSF levy	503	570
Call centre service charges	552	552
Rental of equipment	1,169	1,265
Printing and EDP expenses	4,388	3,862
Business development	1,180	1,451
Bank charges	2,116	1,561
Office administration and utilities	1,687	1,814
Other expenses	2,906	2,955
	<b>32,169</b>	<b>30,734</b>
<b>Shareholder's fund</b>		
Staff salaries and bonus	4	5
Staff pension cost – defined contribution plan	1	1
	<b>5</b>	<b>6</b>
Other expenses	1	1
	<b>6</b>	<b>7</b>

**35. DIRECTORS' REMUNERATION**

	Group	
	2005 RM'000	2004 RM'000
<b>Insurance fund</b>		
Executive directors:		
- salaries	607	573
- bonus	73	78
- defined contribution plan	88	85
- benefits-in-kind	49	30
- short term accumulating compensated absences	-	25
- allowances	54	54
	<b>871</b>	<b>845</b>
Non-executive directors:		
- fee (Note 34)	115	118
Total directors' remuneration	<b>986</b>	<b>963</b>
Total executive directors' remuneration excluding benefits-in-kind (Note 34)	<b>822</b>	<b>815</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**36. OTHER OPERATING INCOME - NET**

	Group	
	2005 RM'000	2004 RM'000
<b>Insurance fund</b>		
Gain on disposal of:		
- investments	4,495	815
- property, plant and equipment	117	125
Realised gain/(loss) on foreign exchange	1	(4)
Sundry income	353	207
(Allowance for)/write back of diminution in value of investments	(896)	3,506
Permanent diminution in value of investments	(412)	(1,327)
Property, plant and equipment written off	(1)	(15)
Others	-	(3)
	<b>3,657</b>	<b>3,304</b>

**37. INCOME TAX EXPENSE**

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income tax:				
Current year's provision				
- Malaysian tax	6,145	4,266	4,800	-
- foreign tax	-	2	-	-
Tax recoveries	-	(2)	-	-
Under/(over) provision in prior years	2,095	(126)	1,929	(126)
	<b>8,240</b>	4,140	<b>6,729</b>	(126)
Deferred tax (Note 5):				
Relating to timing differences	(4,272)	(2,110)	(106)	(139)
(Over)/under provision in prior years	(6)	288	-	-
Transfer from deferred taxation	(4,278)	(1,822)	(106)	(139)
	<b>3,962</b>	2,318	<b>6,623</b>	(265)

**NOTES TO THE FINANCIAL STATEMENTS**  
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**37. INCOME TAX EXPENSE (Cont'd.)**

A reconciliation of income tax expense applicable to profit/(loss) 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	
	2005 RM'000	2004 RM'000
Profit before taxation	3,649	1,160
Taxation at Malaysian statutory tax rate of 28% (2004 : 28%)	1,022	325
Effect of different tax rates in other countries	96	60
Income not subject to tax	(775)	(871)
Expenses not deductible for tax purposes	1,487	2,522
Effect of utilisation of previously unrecognised tax losses	-	(3)
Deferred tax asset not recognised during the year	38	43
Tax recoveries	-	(2)
Foreign tax	-	2
Under/(over) provision of tax expense in prior years	2,095	(126)
(Over)/under provision of deferred tax in prior years	(6)	288
Translation differences	(53)	(67)
Consolidation adjustments	58	147
<b>Tax expense for the year</b>	<b>3,962</b>	<b>2,318</b>

	Company	
	2005 RM'000	2004 RM'000
Profit/(loss) before taxation	17,970	(383)
Taxation at Malaysian statutory tax rate of 28% (2004 : 28%)	5,032	(107)
Income not subject to tax	(553)	(480)
Expenses not deductible for tax purposes	215	448
Under/(over) provision of tax expense in prior years	1,929	(126)
<b>Tax expense for the year</b>	<b>6,623</b>	<b>(265)</b>

As at 30 September 2005, the Company has:

- unabsorbed capital allowances of approximately RM2,163,000 (2004 : RM2,112,000), subject to agreement with the Inland Revenue Board, which can be used to offset future taxable profits arising from business income.
- a tax exempt account balance of approximately RM4,531,000 (2004 : RM4,531,000), 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.

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**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.

		Group	
		2005	2004
Net loss for the year	(RM'000)	<b>(313)</b>	(1,158)
Weighted average number of ordinary shares in issue	('000)	<b>104,408</b>	106,268
Basic loss per share	(sen)	<b>(0.30)</b>	(1.09)

- (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**

		Group	
		2005 RM'000	2004 RM'000
Insurance revenue from a group of companies in which a Director, Mr Chan Thye Seng, is deemed interested :			
- Ancom Berhad group of companies		<b>730</b>	892

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. SIGNIFICANT EVENTS**

- (a) During the financial year, the wholly-owned subsidiary company, P & O Global Technologies Sdn. Bhd. increased its authorised share capital from RM25,000,000 to RM40,000,000 by way of creation of 15,000,000 new shares of RM1.00 each. It also increased its issued and paid-up share capital from RM18,000,000 to RM33,000,000 by way of issuance of 15,000,000 new ordinary shares of RM1.00 each at par, via the capitalisation of amounts due to the Company.
- (b) On 15 September 2005, the wholly-owned subsidiary company, P & O Resources Sdn. Bhd. entered into a sale and purchase agreement with a third party for the disposal of its freehold land and building for a total consideration of RM1,580,000. A non-refundable earnest deposit of RM31,600 was received as part consideration. This transaction has yet to be completed at the date of this report.

**41. COMMITMENTS AND CONTINGENCIES**

- (a) Contingent liabilities

		Company	
		2005 RM'000	2004 RM'000
Guarantees given to financial institutions for facilities extended to subsidiary companies – secured		<b>10,174</b>	9,178

**NOTES TO THE FINANCIAL STATEMENTS**  
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**41. COMMITMENTS AND CONTINGENCIES (Cont'd)**

- (b) Non cancellable operating lease commitments

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Future minimum lease payments are as follows:				
Not later than one year	1,782	1,271	47	51
Later than one year and not later than five years	2,060	1,107	59	31
	<b>3,842</b>	<b>2,378</b>	<b>106</b>	<b>82</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 RM601,000 (2004 : RM503,000) in the following financial year to the Insurance Guarantee Scheme Fund.

- (d) Capital commitments

	Group	
	2005 RM'000	2004 RM'000
Approved but not contracted for	12	429

**42. 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**42. 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 RM36,254,000 (2004: RM36,454,000) at the balance sheet date.

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

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Rating of corporate bonds on market value basis :		
AA3	5,472	10,326
AA-	5,236	-
A3	4,650	4,700
A	10,322	15,722
	<b>25,680</b>	<b>30,748</b>

Analysis of corporate bonds by industry segments :

Properties	5,300	10,590
Power	5,472	10,326
Trading/services	9,886	4,700
Plantation	5,022	5,132
	<b>25,680</b>	<b>30,748</b>

**(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.

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**42. 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 2005, 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 the 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 2005:				
<b>Financial Assets</b>				
Club membership	55	60	-	-
Malaysian Government Securities	56,824	57,749	-	-
Islamic corporate bonds	15,245	16,008	-	-
Irredeemable convertible unsecured loan stock	9,453	11,627	-	-
Shares quoted in Malaysia:				
Long term investments	18,732	10,867	18,460	10,867
Warrants quoted in Malaysia:				
Long term investments	132	563	132	563
Unit trusts	6,340	6,455	-	-
Unquoted corporate bonds	9,806	9,672	-	-
Unquoted shares	24	*	-	-
Due from subsidiary companies	-	-	82,733	**
<b>Financial Liabilities</b>				
Hire purchase and lease creditors	1,399	1,396	109	108

**NOTES TO THE FINANCIAL STATEMENTS**  
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**42. 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 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	**

**Financial Liabilities**

Hire purchase creditors	1,125	1,109	-	-
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\* 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 the 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 2005	-	-	10,174	*
At 30 September 2004	-	-	9,178	*

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

**42. 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 bank balances, deposits and placements with financial institutions, bankers acceptances, trade and other receivables/payables, loans receivable 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 Trusts

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.

**43. 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**  
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**43. SEGMENT REPORTING (Cont'd)**

30 September 2005	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	260,033	2,762	563	852	6	-	264,216
Inter-segment sales	269	7,157	24,791	154	48	(32,419)	-
<b>Total segment revenue</b>	<b>260,302</b>	<b>9,919</b>	<b>25,354</b>	<b>1,006</b>	<b>54</b>	<b>(32,419)</b>	<b>264,216</b>
<b>RESULT</b>							
Segment result	20,174	(12,133)	19,523	(2,938)	(600)	(18,004)	6,022
Unallocated corporate expense							(379)
Operating profit							5,643
Finance cost							(1,999)
Interest income							5
Profit before tax							3,649
Income tax expense							(3,962)
<b>Net loss for the year</b>							<b>(313)</b>
<b>ASSETS</b>							
Segment assets	525,075	17,375	16,898	48,664	102		608,114
Unallocated corporate assets							30,841
<b>Consolidated total assets</b>							<b>638,955</b>
<b>LIABILITIES</b>							
Segment liabilities	375,960	2,196	735	18	49		378,958
Unallocated corporate liabilities							38,972
<b>Consolidated total liabilities</b>							<b>417,930</b>
<b>OTHER INFORMATION</b>							
Capital expenditure	748	1,019	81	-	-		1,848
Depreciation	1,270	1,543	133	-	14		2,960
Amortisation	-	350	379	-	-		729
Non-cash expenses	17,781	590	20	-	52		18,443

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2005**

**43. 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 2005**

**43. 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	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysia	<b>262,121</b>	227,426	<b>603,771</b>	619,316	<b>1,461</b>	1,893
Thailand	<b>1,145</b>	874	<b>1,052</b>	1,449	<b>279</b>	9
United States of America	<b>950</b>	400	<b>3,291</b>	3,756	<b>108</b>	406
	<b>264,216</b>	228,700	<b>608,114</b>	624,521	<b>1,848</b>	2,308

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.

# LIST OF GROUP'S PROPERTIES

## AS AT 30 SEPTEMBER 2005

No	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2005 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	3,493	20	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	5,129	20	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	20	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	26	1.12.1986

**LIST OF GROUP'S PROPERTIES**  
**AS AT 30 SEPTEMBER 2005**

No	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2005 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	21	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	22	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	22	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	1,348	7	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	14	4.1.1996

**LIST OF GROUP'S PROPERTIES**  
**AS AT 30 SEPTEMBER 2005**

No	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2005 RM'000	Approximate age of building Years	Date of acquisition
10.	H.S.(D) 128978 P.T. No. 43545 Mukim of Petaling  No. 40, Jalan BP 5/8 Bandar Bukit Puchong Puchong 47100 Kuala Lumpur	5,099 (3,477)	Freehold	1 1/2 storey factory corner unit/ office	413	6	3.12.1999
11.	H.S.(D) 128977 P.T. No. 43544 Mukim of Petaling  No. 38, Jalan BP 5/8 Bandar Bukit Puchong Puchong 47100 Kuala Lumpur	2,875 (2,002)	Freehold	1 1/2 storey intermediate unit/office	212	6	3.12.1999
12.	Lot No. P.T. 6147 Title No. H.S. (D) 41601 Mukim Of Sungai Buloh District Of Petaling Jaya  No. 29, Jalan SS21/37 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	(1,650)	Freehold	3 1/2 storey mid-terraced shop-office	1,795	25	24.1.1997
13.	Lot No. P.T. 5972 Title No. H.S. (D) 80192 Mukim Of Sungai Buloh District Of Petaling Jaya  No. 21, Jalan SS21/56B Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	(1,650)	Freehold	3 1/2 storey mid-terraced shop-office	1,595	25	24.1.1997

# SHAREHOLDINGS STATISTICS

## AS AT 30 DECEMBER 2005

Authorised capital	: RM200,000,000.00
Issued and fully paid-up capital	: RM110,305,000.00
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	111	4,424	0.00
100 to 1,000	55	27,930	0.02
1,001 to 10,000	3,775	9,194,200	8.34
10,001 to 100,000	509	10,584,545	9.60
100,001 to less than 5% of issued shares	52	39,991,068	36.26
5% and above of issued shares	4	50,502,833	45.78
<b>Total</b>	<b>4,506</b>	<b>110,305,000*</b>	<b>100.00</b>

\* The number of 110,305,000 ordinary shares is inclusive of treasury shares retained by the Company.

### SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 December 2005 were as follows:

Name	No. of RM1.00 Shares			
	Direct Interest	%	Indirect Interest	%
Chan Hua Eng R OBE	123,429	0.12	57,932,641 <sup>(1)</sup>	56.70
Chan Thye Seng	7,867,854	7.70	50,172,787 <sup>(2)</sup>	49.10
Mah Wing Investments Limited	24,530,009	24.01	—	—
Mah Wing Holdings Sdn Bhd	24,249,063	23.73	—	—

### DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings, the Directors' shareholdings as at 30 December 2005 were as follows:

Name	No. of RM1.00 Shares			
	Direct Interest	%	Indirect Interest	%
Chan Hua Eng R OBE	123,429	0.12	57,932,641 <sup>(1)</sup>	56.70
Chan Thye Seng	7,867,854	7.70	50,172,787 <sup>(2)</sup>	49.10
Michael Yee Kim Shing	—	—	1,068,000 <sup>(3)</sup>	1.05
Y.M. Tunku Dato' Mu'tamir	—	—	—	—
Bin Tunku Tan Sri Mohamed	—	—	3,470,000 <sup>(4)</sup>	3.40
Dato' Abu Hanifah Bin Noordin	—	—	2,368,571 <sup>(5)</sup>	2.32

#### Notes:

- <sup>(1)</sup> Held by virtue of Chan Hua Eng's interests in Chan Kok Tien Realty Sdn Bhd ("CKT"), Tysim Holdings Sdn Bhd ("Tysim") and deemed to have interest in shares held by his spouse and children.
- <sup>(2)</sup> Held by virtue of Chan Thye Seng's interests in Mah Wing Investments Limited, Mah Wing Holdings Sdn Bhd, CKT, Tysim and deemed to have interest in shares held by his parent.
- <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 children.
- <sup>(4)</sup> Held by virtue of Y.M. Tunku Dato' 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 30 DECEMBER 2005

## THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

Name	No. of RM1.00 Shares	% of Issued Capital
1. Mah Wing Holdings Sdn Bhd	18,077,635	17.69
2. HDM Nominees (Asing) Sdn Bhd For Mah Wing Investments Limited	15,885,409	15.55
3. Mah Wing Investments Limited	8,644,600	8.46
4. Employees Provident Fund Board	3,993,943	3.91
5. EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Chan Thye Seng (Jln Hang Lekiu)	3,497,143	3.42
6. HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	3,470,000	3.40
7. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	3,085,714	3.02
8. EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mah Wing Holdings Sdn Bhd (HQB)	3,085,714	3.02
9. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chan Thye Seng (5065 CBD)	2,571,429	2.52
10. HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Abu Hanifah Bin Noordin	2,368,571	2.32
11. ECM Libra Securities Nominees (Asing) Sdn. Bhd. ECM Libra Securities Limited For United Forest Limited	2,005,714	1.96
12. Permodalan Nasional Berhad	1,768,114	1.73
13. CIMSEC Nominees (Tempatan) Sdn Bhd ING Asia Private Bank Limited For Chan Thye Seng	1,658,057	1.62
14. Chan Kok Tien Realty Sdn Bhd	1,162,286	1.14
15. Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd For Employees Provident Fund	1,118,057	1.09
16. Amanah Saham Mara Berhad	987,429	0.97
17. AM Nominees (Tempatan) Sdn Bhd Pertubuhan Keselamatan Sosial	975,086	0.95
18. HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Michael Yee Kim Shing	908,571	0.89
19. Yeoh Kean Hua	730,286	0.72
20. Yayasan Sarawak	514,286	0.50
21. Yayasan Kedah Berhad	439,200	0.43
22. Ancom Berhad	356,914	0.35
23. HDM Nominees (Asing) Sdn Bhd Pledged Securities Account For Premier Securities Investment Limited (M12)	343,040	0.34
24. Lembaga Pemegang-pemegang Amanah Yayasan Negeri Sembilan	299,314	0.29
25. Southern Investment Bank Berhad Employee's Provident Fund	274,731	0.27
26. Alliancegroup Nominees (Tempatan) Sdn Bhd Alliance Capital Asset Management Sdn Bhd For BBMB Retirement Scheme	257,143	0.25
27. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	246,137	0.24
28. RHB Nominees (Tempatan) Sdn Bhd RHB Asset Management Sdn Bhd For Yayasan Selangor	205,714	0.20
29. DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore PBD For Peabody Ventures Limited	205,714	0.20
30. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For National Land Finance Co-operative Society Limited (REM 154)	205,714	0.20
<b>Total</b>	<b>79,341,665</b>	<b>77.65</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 Twelfth Annual General Meeting of the Company, to be held at Anggerik Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 22 February 2006 at 10.00 a.m., and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2006

\_\_\_\_\_  
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

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