



PACIFIC & ORIENT BERHAD
(308366-H)

annual report **2006**

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held at Anggerik Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 14 March 2007 at 11.30 a.m. for the following purposes:

1. To receive and consider the audited financial statements for the year ended 30 September 2006 and the Reports of the Directors and the Auditors thereon. **Resolution 1**
2. To re-elect a Director:

Mr Michael Yee Kim Shing retires by rotation pursuant to Article 82 of the Company's Articles of Association, and being eligible, offers himself for re-election. **Resolution 2**
3. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:

"THAT Mr Chan Hua Eng being over the age of 70 years and retiring in accordance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 3**
4. To re-appoint Messrs Ernst & Young as auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 4**

As Special Business

To consider and if thought fit, with or without any modification, to pass the following which will be proposed as Ordinary Resolutions:

Ordinary Resolutions:

5. 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 5**
6. 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:

(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 2 item 5 of the Circular to Shareholders dated 30 January 2007) 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; **Resolution 6**

NOTICE OF ANNUAL GENERAL MEETING

(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."

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

By Order of the Board

VALERIE CHEAH CHUI MEI (LS 0004944)

WONG LAY SEE (MAICSA 7018684)

Company Secretaries

Kuala Lumpur
30 January 2007

NOTES:

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

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution 5 - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

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

2. Resolution 6 - Authority to Directors on purchase of the Company's own shares

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

For further information, please refer to the Circular to Shareholders dated 30 January 2007 which is despatched together with the Company's 2006 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 (78), Malaysian
Non-Executive Chairman
*Interest in securities in the Company: 130,583 fully paid ordinary shares of RM1.00 each (Direct) and 59,465,512 fully paid ordinary shares of RM1.00 each (Indirect Interest)
- Mr Michael Yee Kim Shing (68), Malaysian
Independent Non-Executive Director, Chairman of the Audit Committee, member of the Nominating Committee and the Remuneration Committee
*Interest in securities in the Company: 970,266 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 page 6 of this Annual Report.

Other than as disclosed above, none of the abovenamed persons holds any securities in the Company or its subsidiary companies nor have they been convicted of any offences, other than traffic offences in the last ten years. There are no conflicts of interest involving these persons and the Company.

BOARD MEETINGS

There were four meetings of the Board of Directors held during the financial year ended 30 September 2006. All meetings were held at 11th Floor, Wisma Bumi Raya, No. 10 Jalan Raja Laut, 50350 Kuala Lumpur except for the meeting held on 22 February 2006 which was held at the Presidential Suite, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur. Details of the meetings are as follows:

Date	Board Meeting	Time
30 November 2005	38th	12.00 noon
22 February 2006	39th	12.00 noon
29 May 2006	40th	11.40 a.m.
30 August 2006	41st	12.00 noon

The details of attendance of the Directors are set out in the Corporate Governance and Statement of Directors' Responsibilities on page 8 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 0004944)
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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board

PROFILE OF THE BOARD OF DIRECTORS

Mr Chan Hua Eng R OBE (78), 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 an independent non-executive director of 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 (50), 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 (68), 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 and chairman of the audit committees of Dataprep Holdings Berhad and Pacific & Orient Insurance Co. Berhad.

He is also an independent non-executive director and chairman of the audit committee 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 (62), 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 (55), 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 90 (Shareholdings Statistics).
None of the Directors has been convicted of any offence other than traffic offences within the last ten years.

CORPORATE GOVERNANCE and STATEMENT OF DIRECTORS' RESPONSIBILITIES

A. THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (CODE)

Pursuant to paragraph 15.26 of the 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 2006 were as follows:

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

The Board is of the view that it has the right mix of individual qualities to fulfil its role. Taken as a whole, the Board represents many years' experience in financial, legal and corporate affairs and is therefore suited to the oversight of your Company. The background of each Director is provided on pages 6 to 7 of this 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

In accordance with the Articles of Association of the Company, all directors shall retire from office once at least every three (3) years, but shall be eligible for re-election. An election of directors shall take place each year. A director over seventy years of age is required to submit himself for re-election annually in accordance with Section 129(6) of the Companies Act, 1965.

As the Board was unchanged from the previous financial year and the Group's operations remained the same, it was considered not necessary to reassess the composition of the Board or its individual 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
Non-Executive: Up to RM50,000		
• Fees	35,000	1
• Fees	40,000	3
Aggregate • Fees	155,000	
Executive: RM600,001 to RM650,000		
• Salary and other remuneration	484,800	1
• Allowances	120,000	
• Benefits-in-kind	23,974	
	<u>628,774</u>	
Aggregate • Salary and other remuneration	484,800	
• Allowances	120,000	
• Benefits-in-kind	23,974	
	<u>628,774</u>	

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

4. Responsibilities

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

CORPORATE GOVERNANCE and STATEMENT OF DIRECTORS' RESPONSIBILITIES

5. Supply of Information

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

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

6. Training

All the Directors of the Company have completed the Mandatory Accreditation Programme. During the financial year, all Directors attended a half-day training programme on Understanding Financial and Accounting Reports in the New Reporting Regime and Corporate Governance organised by the Company. In addition, Directors continuously receive briefings and updates on the Group's businesses and operations, risk management activities and new developments in the business environment. The Directors are also encouraged to attend external seminars.

7. Board Committees

The Board delegates specific responsibilities to three committees; namely, Audit Committee, Nominating Committee and Remuneration Committee. All the committees have written terms of reference and the Board receives reports of their proceedings and deliberations.

7.1 Audit Committee

The Audit Committee plays an active role in assisting the Board in discharging its governance responsibilities which include maintaining a sound system of internal control. The Report of the Audit Committee is set out separately on pages 14 to 18 of this Annual Report.

7.2 Nominating Committee

The Nominating Committee is primarily responsible for recommending suitable appointments to the Board taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It evaluates the contribution of each Director and the effectiveness of the Board and the committees of the Board.

The Nominating Committee comprises Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed (Chairman), Mr. Michael Yee Kim Shing and Y.B. Dato' Abu Hanifah Bin Noordin. All three members are Independent Non-Executive Directors. During the financial year under review, no meeting was held by the Nominating Committee but a meeting was held in November 2006 in the current financial year attended by all three members.

7.3 Remuneration Committee

The Remuneration Committee is primarily responsible for determining and recommending to the Board the remuneration packages of the Executive Director of the Company. It is also responsible for reviewing and recommending to the Board, the remuneration of the Non-Executive Directors.

Membership of the Remuneration Committee is the same as that of the Nominating Committee. During the financial year under review, no meeting was held by the Remuneration Committee but a meeting was held in November 2006 in the current financial year attended by all three members.

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.

CORPORATE GOVERNANCE and STATEMENT OF DIRECTORS' RESPONSIBILITIES

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, inter alia, setting up of a Risk Management Committee (the majority of whose members are independent directors) by the insurance subsidiary to oversee the company's procedures in identifying and mitigating 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 RM14,500.00.

REPORT OF THE AUDIT COMMITTEE

MEMBERS

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 Committee's 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 Report of the Audit Committee 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 2006. The details of attendance of the Committee members are as follows:

Name of Committee Member	Number of meetings attended
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 2006 included the following:

- (a) Reviewed the adequacy and relevance of the scope, functions, resources, risk-based internal audit plans and results of the internal audit processes, with the Internal Audit Department.
- (b) Reviewed the audit activities carried out by the Internal Audit Department and the audit reports to ensure corrective actions were taken in addressing the risk issues reported.
- (c) Reviewed with the assistance of the Internal Audit Department and management, all related party transactions entered into by the Company and the Group to ensure that the transactions entered into were at arm's length basis and on normal commercial terms and the adequacy, appropriateness and compliance of the procedures established to monitor related party transactions.
- (d) Reviewed with the External Auditors the audit plan of the Company and of the Group for the year (inclusive of audit approach, system evaluation, audit fees, issues raised and management responses) prior to the commencement of the annual audit.
- (e) Reviewed the extent of assistance rendered by management and issues and reservations arising from audits with the External Auditors without the presence of management staff.
- (f) Reviewed the financial statements, the audit report, issues and reservations arising from statutory audit with the External Auditors.
- (g) Reviewed the quarterly results and financial statements with management for recommendation to the Board of Directors for approval and release to BMSB.
- (h) Reported to the Board on significant issues and concerns discussed during the Audit Committee's meetings together with applicable recommendations. Minutes of meetings were made available to all Board members.
- (i) Reviewed and approved the Report of the Audit Committee for inclusion in the Company's Annual Report.
- (j) Reviewed the disclosure statements on compliance of the Malaysian Code of Corporate Governance and the Statement of Internal Controls for inclusion in the Company's Annual Report.

REPORT OF THE AUDIT COMMITTEE

- (k) Discussed the implications of any latest changes and pronouncements on the Company and the Group, which were issued by the accountancy, statutory and regulatory bodies.
- (l) 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 2006 is as follows:

- (a) Prepared the annual Audit Plan for the approval of the Audit Committee.
- (b) Regularly performed risk-based audits on strategic business units of the Company and of the Group, which covered reviews of the internal control system, accounting and management information systems and risk management.
- (c) Issued audit reports to the Audit Committee and management identifying weaknesses and issues as well as highlighting 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 internal auditors and external auditors. Determined whether corrective actions taken had achieved the desired results.
- (f) Reviewed the quarterly results and financial statements with management and the Audit Committee.
- (g) Reported to the Audit Committee on review of the adequacy, appropriateness and compliance with the procedures established to monitor related party transactions.
- (h) Reviewed on the appropriateness of the disclosure statements in regard to compliance with the Malaysian Code on Corporate Governance and the Statement on Internal Control as well as the Report of the Audit Committee.
- (i) Attended Audit Committee meetings to table and discuss the audit reports and follow up on matters raised.
- (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.

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 2006.

FINANCIAL RESULTS

The Group achieved a turnover of RM266.2 million in 2006, a marginal increase of RM2.0 million over the RM264.2 million attained in 2005. The slight improvement was primarily due to an increase in investment income offset against a lower premium income at the insurance subsidiary company.

The Group registered a pre-tax loss of RM7.4 million as compared to a pre-tax profit of RM3.6 million recorded the year before. The loss was mainly attributable to a lower underwriting result recorded at the insurance subsidiary company and the writing off of interest from negotiated settlement at the money lending subsidiary. The result at after-tax level was a loss of RM11.4 million as against a loss of RM0.3 million incurred in 2005.

The 2006 results did not take into account a substantial surplus on return of capital from an investment made in prior years by our insurance subsidiary company although the resolution to wind up the investee company was approved on 26 September 2006. Details of this transaction are laid out below.

If the aforementioned transaction had been included in the accounts, the Group would have recorded a pre-tax profit of RM13.5 million.

At Company level, turnover decreased appreciably in 2006 when compared to the year before as dividend received from the insurance subsidiary was substantially reduced. Consequently, the Company's pre-tax profit declined to RM2.2 million from the RM18.0 million recorded in 2005 and net profit decreased from RM11.3 million to RM3.4 million.

SURPLUS ON RETURN OF CAPITAL FROM AN INVESTMENT

The investee company, Killinghall (Malaysia) Bhd ("KMB") was delisted from the Official List of Bursa Malaysia Securities Berhad on 29 August 2006. At an Extraordinary General Meeting on 26 September 2006, the shareholders of KMB approved a special resolution to wind up KMB under a members' voluntary liquidation pursuant to Section 254(1)(b) of the Malaysian Companies' Act 1965. The Statement of Assets at Estimated Realisable Values and Liabilities Expected to Rank as at 28 August 2006 attached to the Declaration of Solvency (Form 66) filed by KMB with the Companies' Commission of Malaysia on 1 September 2006 showed a surplus of RM1,018.0 million after deducting the net dividend of RM120.3 million paid on 22 September 2006. The amount receivable by your Group from the liquidators is estimated at RM43.7 million. This amount will result in full recovery of the cost of RM22.7 million and the balance represents surplus on return of capital of RM21.0 million.

Your Management is of the view that this transaction should be reflected in the accounts for the year ended 30 September 2006 so that the accounts will show a true and fair view of the results and the state of affairs of the Group. On 26 September 2006, the date of liquidation of KMB, the nature of the asset was changed from an investment to a right to receive future cash from the liquidators. Legally, KMB shareholders are now the contributories in the liquidation process and will be entitled to receive its share of the return of surplus assets. The amount receivable from the liquidators can be reliably measured based on the surplus assets shown in the Statement of Assets at Estimated Realisable Values and Liabilities Expected To Rank statutorily prepared by the KMB directors. In view of the aforementioned facts, the liquidation of KMB should be included in the accounts.

CHAIRMAN'S STATEMENT

However, the Auditors are of the view that this transaction does not qualify for derecognition of the Group's investment in KMB of RM22.7 million and accordingly the recognition of the corresponding gain for the financial year ended 30 September 2006 of RM21.0 million and receivable of RM43.7 million as at 30 September 2006 would not be appropriate. As stated earlier, your Group has an indisputable right in law to the assets held by the liquidators which are substantially in the form of cash. Your Management also feels that to classify this indisputable right as an investment is wrong in law as that particular investment (shares in KMB) technically no longer exists as at the date of the winding-up resolution.

Arguments in favour of your Management's view have been substantiated by the liquidators having already declared on 23rd November 2006 a first distribution of surplus assets of RM3.30 per share which was received by your Group on 24th November 2006. The receipt of the RM39.7 million from the distribution resulted in full recovery of the costs totalling RM22.7 million and a surplus of RM17.0 million.

This amount was received before the date the accounts were approved on 30 November 2006 and signed thereafter. It is a very substantial portion of the amount expected to be received from the liquidators. As such, it is a significant event that could be looked upon as an adjusting event after the balance sheet date to present a more accurate financial position as at 30 September 2006.

Although for the reasons above your Group strongly disagrees with the Auditors, in the face of their adamant stand, your Group regrets that it has to reluctantly accept the Auditors' view.

ACTIVITIES AND PROSPECTS OF THE GROUP

In its September 2006 issue of "World Economic Outlook", the International Monetary Fund (IMF) has forecast that the world economy will grow by 5.1 percent in 2006 and 4.8 percent in 2007, both of which are slightly higher than its forecasts six months earlier. This optimism was brought about by strong performances of the economies of China and India. The IMF further predicted growth in Asia to be 7.3 percent in 2006 and 7.1 percent in 2007. However, it also noted that "the balance of risks is slanted towards the downside"; identifying the notable risks as inflationary pressures, higher oil prices and a slow-down of the US economy.

Against this backdrop and after a year characterised by price increases in fuel and basic raw materials during 2005, Malaysia saw a more stable first half in 2006. The expectations for the second half of 2006 are high, driven primarily by the anticipated rollout of the Ninth Malaysia Plan. Official forecasts for growth are 5.8 percent in 2006 and 6 percent in 2007, up from the latest official estimates for 2005 of 5.3 percent.

Your Board is encouraged by developments in the global and Malaysian economies and looks forward to an improved performance in the current year. However, the ever-present risks and the speed at which they can impact economies across the globe make it necessary to temper optimism with caution and good sense.

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

In what was a relatively uneventful year, Management directed most of its attention to two perennial tasks - improving delivery channels for POI's insurance products as well as developing and maintaining closer ties with the motoring community. Thus, following on from the implementation of the e-cover note system last year, Management has increased the number of agents who are authorised to issue insurance policies. This has led to increased speed and efficiency which should translate into better customer service and cost savings.

Whereas within the industry a number of insurers have given varying emphasis to non-motor classes of business depending on their perception of market conditions, POI is committed to continue being primarily a provider of motor insurance. This focus on motor business allows POI to leverage off the infrastructure it has developed over the years and also to broaden working relationships with motoring associations, transport-related businesses and concerned authorities. During the year, POI cooperated with such parties as part of an on-going commitment to promote motoring safety.

As previously announced by Bank Negara Malaysia, a new approach to insurance regulation and supervision will be adopted in 2008 with the implementation of a risk-based supervisory framework. The impact of this is likely to be significant for all insurers and POI is preparing for this by identifying strategies to manage such impact whether financial or otherwise.

In 2006, despite achieving a higher earned premium income, POI recorded a marginally lower pre-tax profit of RM18.5 million due to an increase in net claims incurred. The 2006 results did not take into account a substantial surplus amounting to nearly RM21.0 million derived from return of capital on an investment as mentioned earlier. If the transaction had been included, the pre-tax profit of POI would increase to RM39.5 million.

Money Lending

Turnover at POC increased marginally to RM1.2 million in 2006 from RM1.0 million the year before owing to a slight increase in interest income. However, a higher pre-tax loss of RM9.5 million was posted as compared to RM3.2 million in 2005 because the company had to assume a one-off financial charge amounting to RM9.7 million being partial forgiveness of accrued interest owed by an unrelated corporation as negotiated settlement of an outstanding loan. Despite the aforementioned financial charge, POC had more than fully recovered the loan amount originally granted and had also earned a significant return which is well above prevailing lending rates. Other than this, the company's portfolio had been relatively stable.

Information Technology (IT)

The marketing of wireless surveillance camera systems continues to be an increasingly important part of the activities of the IT division. During the year under review, the scope of our co-operation with the Royal Malaysian Police moved a step closer when the headquarters of a state contingent signed up as a user of one of the above-said systems.

Marketing efforts to other potential users have resulted in one town council and an international school signing up. The revenue stream from camera systems is still relatively modest but we are hopeful that these successes will be extended to other areas.

GBS workflow solutions, one of the division's staple products, continued to record steady progress with more legal firms signing up. Significant growth in this area is largely dependent on our success in getting large organisations such as banks to be our clients because they tend to bring with them a number of associates, for example, their panel legal firms. For this reason, marketing resources are mainly directed at such larger organisations and although larger value contracts may be less frequent, they are able to lead on to a steady but smaller stream of income over a longer period. At present, a local financial institution is evaluating the system and thus far the response appears favourable.

CHAIRMAN'S STATEMENT

Overseas operations have generally been quiet. The Thai subsidiary continues to record steady income from existing clients/projects while the US subsidiary has kept up its marketing efforts - primarily on camera systems.

Turnover was slightly higher at RM10.1 million when compared to the RM9.9 million recorded in 2005. The bottom-line also improved with a smaller pre-tax loss of RM9.5 million as against RM12.3 million incurred in 2005.

Consumer and Distribution Services

As in the previous year, 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 RM0.04 million whilst a pre-tax loss of RM0.55 million was registered.

DIVIDEND

In respect of the financial year ended 30 September 2006, the first interim dividend of 3.75 sen per share less tax and second interim dividend of 1.75 sen per share less tax, were paid on 29 June 2006 and 28 August 2006 respectively.

On 16 January 2006, a total of 2,920,033 treasury shares valued at RM5,427,000 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 4 January 2006.

On 29 June 2006, a total of 2,928,218 treasury shares valued at RM5,385,000 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 2006.

The Directors had on 23 November 2006 declared a third interim dividend of 3.75 sen per share less tax in respect of the financial year ended 30 September 2006, which was paid on 22 December 2006. This dividend has not been reflected in the financial statements but it will be accounted for in the financial year ending 30 September 2007. 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 2007

PENYATA Pengerusi

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat bagi tahun kewangan berakhir 30 September 2006.

PENYATA KEWANGAN

Kumpulan telah memperolehi jumlah dagangan sebanyak RM266.2 juta pada 2006, peningkatan marginal sebanyak RM2.0 juta berbanding dengan RM264.2 juta yang diperolehi pada 2005. Peningkatan kecil ini adalah terutamanya disebabkan oleh peningkatan dalam pendapatan pelaburan diseimbangkan terhadap pendapatan premium yang lebih rendah oleh anak syarikat insurans.

Kumpulan mencatatkan kerugian pra cukai sebanyak RM7.4 juta berbanding dengan keuntungan pra cukai sebanyak RM3.6 juta yang direkodkan pada tahun sebelumnya. Kerugian terutamanya berpunca daripada hasil pengunderaitan lebih rendah direkodkan oleh anak syarikat insurans dan penghapusan faedah daripada penyelesaian yang telah dirundingkan oleh anak syarikat pemberi pinjaman wang. Keputusan pada tahap selepas cukai adalah kerugian sebanyak RM11.4 juta berbanding dengan kerugian RM0.3 juta yang bertanggung pada 2005.

Keputusan 2006 tidak mengambil kira lebihan besar ke atas pulangan modal daripada pelaburan yang dibuat dalam tahun-tahun terdahulu oleh anak syarikat insurans kami walaupun resolusi untuk menggulung syarikat penerima pelaburan telah diluluskan pada 26 September 2006. Butir-butir urusan ini dibentangkan di bawah.

Sekiranya urusan tersebut di atas telah diambil kira dalam penyata akaun, Kumpulan akan merekodkan keuntungan pra cukai sebanyak RM13.5 juta.

Pada peringkat Syarikat, jumlah dagangan berkurangan secara ketara pada 2006 apabila dibandingkan dengan tahun sebelumnya memandangkan dividen diterima daripada anak syarikat insurans telah berkurangan dengan banyaknya. Selaras dengan itu, keuntungan pra cukai syarikat merosot kepada RM2.2 juta daripada RM18.0 juta yang direkodkan pada 2005 dan keuntungan bersih berkurangan daripada RM11.3 juta kepada RM3.4 juta .

LEBIHAN KE ATAS PULANGAN MODAL DARIPADA PELABURAN

Syarikat penerima pelaburan, Killingham (Malaysia) Bhd ("KMB") telah dinyahsenaraikan daripada Senarai Rasmi Bursa Malaysia Securities Berhad pada 29 Ogos 2006. Di Mesyuarat Agung Luar Biasa pada 26 September 2006, pemegang-pemegang saham KMB meluluskan resolusi khas untuk menggulung KMB di bawah pembubaran sukarela ahli selaras dengan Seksyen 254(1)(b) Akta Syarikat Malaysia 1965. Penyata Aset pada Anggaran Nilai Boleh Diperolehi dan Liabiliti Dijangka Untuk Bertarafan setakat 28 Ogos 2006 dilampirkan kepada Perisytiharan Kesolvenan (Borang 66) difailkan oleh KMB dengan Suruhanjaya Syarikat Malaysia pada 1 September 2006 menunjukkan lebihan sebanyak RM1,018.0 juta selepas menolak dividen bersih sebanyak RM120.3 juta dibayar pada 22 September 2006. Jumlah boleh diterima oleh Kumpulan daripada pembubar dianggarkan sebanyak RM43.7 juta. Jumlah ini akan mengakibatkan penerimaan balik sepenuhnya kos sebanyak RM22.7 juta dan baki merupakan lebihan ke atas pulangan modal sebanyak RM21.0 juta.

Pihak Pengurusan berpendapat bahawa urusan ini harus diambil kira dalam akaun bagi tahun berakhir 30 September 2006 agar penyata akaun akan menunjukkan gambaran yang benar dan saksama keputusan dan kedudukan kewangan Kumpulan. Pada 26 September 2006, tarikh pembubaran KMB, sifat aset telah diubah daripada pelaburan kepada hak untuk menerima tunai masa hadapan daripada pembubar. Dari segi undang-undang, pemegang saham KMB sekarang adalah penyumbang dalam proses pembubaran dan berhak untuk menerima sebahagiannya daripada pulangan aset lebihan yang akan diterima daripada pembubar boleh dikira dengan agak tepat berdasarkan aset lebihan yang ditunjukkan dalam Penyata Aset pada Anggaran Nilai Boleh Diperolehi dan Liabiliti Dijangka Untuk Bertarafan disediakan secara berkanun oleh para pengarah KMB. Memandangkan fakta tersebut di atas, pembubaran KMB seharusnya dimasukkan dalam akaun.

PENYATA PENERUS

Walau bagaimanapun, Juruaudit berpendapat bahawa urusan ini tidak layak bagi penyahiktirafan pelaburan Kumpulan dalam KMB sebanyak RM22.7 juta dan selaras dengan itu pengiktirafan laba sepadan bagi tahun kewangan berakhir 30 September 2006 sebanyak RM21.0 juta dan jumlah boleh diterima sebanyak RM43.7 juta pada 30 September 2006 adalah tidak wajar. Sebagaimana dinyatakan sebelum ini, Kumpulan mempunyai hak tidak boleh dipertikaikan dari segi undang-undang kepada aset yang dipegang oleh pembubar yang sebahagian besarnya adalah dalam bentuk tunai. Pihak Pengurusan juga merasakan bahawa untuk mengelaskan hak tidak boleh dipertikaikan ini sebagai pelaburan adalah salah dari segi undang-undang memandangkan bahawa pelaburan tersebut (saham-saham dalam KMB) dari segi teknikal tidak lagi wujud pada tarikh resolusi penggulungan.

Alasan-alasan menyokong pendapat pihak Pengurusan telah dibuktikan apabila pembubar pada 23 November 2006 mengisytiharkan pengagihan pertama lebih asset sebanyak RM3.30 setiap saham yang telah diterima oleh Kumpulan pada 24 November 2006. Penerimaan sebanyak RM39.7 juta daripada pengagihan mengakibatkan penerimaan balik sepenuhnya kos berjumlah RM22.7 juta dan lebih sebanyak RM17.0 juta.

Jumlah ini telah diterima sebelum tarikh penyata akaun tersebut telah diluluskan pada 30 November 2006 dan ditandatangani selepas tarikh itu. Ia adalah bahagian yang amat besar daripada jumlah yang dijangka akan diterima daripada pembubar. Oleh yang demikian, ia merupakan peristiwa penting yang boleh dianggap sebagai peristiwa pelaras selepas tarikh lembaran imbalan untuk mengemukakan kedudukan kewangan yang lebih tepat pada 30 September 2006.

Walaupun berikut alasan-alasan di atas Kumpulan tidak bersetuju sekerasnya dengan Juruaudit-juruaudit, memandangkan pendirian tegas mereka, Kumpulan dengan dukacitanya menerima pandangan Juruaudit.

KEGIATAN-KEGIATAN DAN PROSPEK-PROSPEK KUMPULAN

Dalam keluaran September 2006 "World Economic Outlook", Tabung Kewangan Antarabangsa (IMF) telah meramalkan bahawa ekonomi dunia akan tumbuh sebanyak 5.1 peratus pada 2006 dan 4.8 peratus pada 2007, kedua-dua yang mana adalah tinggi sedikit daripada ramalan enam bulan sebelum ini. Keyakinan ini adalah hasil prestasi kukuh ekonomi China dan India. IMF selanjutnya meramalkan pertumbuhan di Asia akan menjadi 7.3 peratus pada 2006 dan 7.1 peratus pada 2007. Walau bagaimanapun, adalah juga diperhatikan bahawa "imbangan risiko condong ke arah penurunan"; mengenalpasti risiko-risiko utama sebagai tekanan inflasi, harga minyak lebih tinggi dan kemelesetan ekonomi Amerika Syarikat.

Berdasarkan latar belakang ini dan selepas setahun dicirikan dengan kenaikan demi kenaikan dalam harga minyak dan bahan mentah asas dalam 2005, Malaysia menyaksikan separuh pertama 2006 yang lebih stabil. Jangkaan bagi separuh kedua 2006 adalah tinggi, didorong terutamanya oleh jangkaan pelaksanaan Rancangan Malaysia Kesembilan. Ramalan rasmi bagi pertumbuhan adalah 5.8 peratus pada 2006 dan 6 peratus pada 2007, meningkat daripada anggaran rasmi terkini bagi 2005 sebanyak 5.3 peratus.

Lembaga memperolehi keyakinan daripada perkembangan dalam ekonomi global dan Malaysia dan menunggu prestasi bertambah baik dalam tahun semasa. Walau bagaimanapun, risiko yang sentiasa ada dan kelajuan pada mana ia boleh memberi kesan ke atas ekonomi seluruh dunia menjadikannya perlu untuk berhati-hati dan berwaspada terhadap perasaan optimistik.

PENYATA Pengerusi

Perkhidmatan Kewangan

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

Insurans

Dalam tahun yang boleh dikatakan agak sepi, Pengurusan menumpu kebanyakan perhatiannya kepada dua tugas yang tidak ada penamatnya - mempertingkatkan saluran penghantaran bagi produk-produk insurans POI serta membangun dan mengekalkan hubungan rapat dengan komuniti pemotoran. Dengan yang demikian lanjutan daripada pelaksanaan sistem e-nota perlindungan tahun lepas, Pengurusan telah menambah bilangan ejen yang dibenarkan untuk mengeluarkan polisi insurans. Ini telah membawa peningkatan kepada kelajuan dan kecekapan yang seharusnya bermakna khidmat pelanggan yang lebih baik dan penjimatan kos.

Manakala dalam industri beberapa syarikat insurans telah memberi penekanan yang berbeza kepada kelas perniagaan bukan motor bergantung pada tanggapan mereka terhadap keadaan-keadaan pasaran, POI adalah komited untuk meneruskan sebagai penyedia utama insurans motor. Tumpuan ke atas perniagaan motor ini membolehkan POI mengumpul daripada infrastruktur yang ia telah bina sejak sekian lama dan juga untuk meluaskan hubungan kerja dengan persatuan pemotoran, perniagaan berhubung kait pengangkutan dan pihak-pihak berkuasa berkenaan. Dalam tahun di bawah kajian, POI telah bekerja sama dengan pihak-pihak tersebut sebagai sebahagian daripada komitmen berterusan untuk menggalakkan keselamatan pemotoran.

Sebagaimana diumumkan sebelum ini oleh Bank Negara Malaysia, pendekatan baru kepada peraturan dan penyeliaan insurans akan diterima pakai pada 2008 dengan pelaksanaan rangka kerja penyeliaan berdasarkan risiko. Kesan pendekatan ini berkemungkinan penting bagi semua syarikat insurans dan POI bersedia menghadapinya dengan mengenal pasti strategi untuk mengurus impak sedemikian sama ada kewangan atau sebaliknya.

Pada 2006, sungguhpun mencapai pendapatan premium yang lebih tinggi, POI mencatat keuntungan pra cukai yang rendah sedikit berjumlah RM18.5 juta disebabkan peningkatan dalam tuntutan bersih kena dibayar. Keputusan 2006 tidak mengambil kira lebihan yang banyak berjumlah hampir RM21.0 juta yang diperolehi daripada pulangan modal ke atas pelaburan sebagaimana dinyatakan sebelum ini. Sekiranya urusan tersebut diambil kira, keuntungan pra cukai POI akan meningkat kepada RM39.5 juta.

Pemberi Pinjaman Wang

Jumlah dagangan di POC meningkat sedikit kepada RM1.2 juta pada 2006 daripada RM1.0 juta pada tahun sebelumnya disebabkan oleh peningkatan kecil dalam pendapatan faedah. Walau bagaimanapun, kerugian pra cukai yang lebih tinggi sebanyak RM9.5 juta dicatatkan berbanding dengan RM3.2 juta pada 2005 oleh sebab syarikat terpaksa memikul caj kewangan sekali sahaja berjumlah RM9.7 juta merupakan faedah terakru yang dihutang oleh perbadanan yang tidak berkaitan sebagai penyelesaian yang telah dirundingkan daripada pinjaman yang belum dijelaskan. Di sebalik caj kewangan tersebut di atas, POC telah memperolehi lebih daripada jumlah pinjaman yang diberikan pada asalnya dan telah juga memperolehi pulangan yang jauh melebihi kadar pemberian pinjaman semasa. Selain daripada ini, portfolio syarikat adalah agak stabil.

Teknologi Maklumat (IT)

Pemasaran sistem kamera pengawasan tanpa wayar terus menjadi bahagian penting kegiatan bahagian IT. Dalam tahun di bawah kajian, ruang lingkup kerjasama kami dengan Polis Diraja Malaysia semakin rapat apabila ibu pejabat kontigen sebuah negeri mendaftar sebagai pengguna sistem tersebut di atas.

Usaha-usaha pemasaran kepada pengguna berpotensi lain telah mengakibatkan sebuah majlis perbandaran dan sebuah sekolah antarabangsa mendaftar sebagai pengguna. Aliran hasil daripada sistem kamera masih lagi sederhana tetapi kami berharap agar kejayaan ini akan dilanjutkan ke kawasan-kawasan lain.

Penyelesaian aliran kerja GBS, satu daripada produk utama bahagian, terus mencatat kemajuan teguh dengan lebih banyak firma guaman mendaftar sebagai pengguna. Pertumbuhan ketara dalam bidang ini bergantung sebahagian besarnya atas kejayaan kami dalam mendapatkan pertubuhan besar seperti bank untuk menjadi klien kami kerana mereka cenderung untuk membawa bersama-sama mereka beberapa rakan perniagaan, contohnya, panel firma guaman mereka. Atas alasan ini, sumber pemasaran terutamanya ditujukan kepada pertubuhan lebih besar dan

PENYATA PENERUSI

walaupun kontrak lebih bernilai mungkin lebih jarang tetapi mereka boleh membawa kepada aliran pendapatan yang kukuh sungguhpun kecil bagi tempoh jangka masa panjang. Pada masa ini, sebuah institusi kewangan tempatan sedang menilai sistem ini dan setakatnya sambutan kelihatan memberansangkan.

Operasi luar negara secara umumnya adalah perlahan. Anak syarikat negara Thai terus mencatatkan pendapatan kukuh daripada klien/projek sedia ada manakala anak syarikat Amerika Syarikat masih meneruskan usaha pemasaran terutamanya ke atas sistem kamera.

Jumlah dagangan adalah tinggi sedikit pada RM10.1 juta berbanding dengan RM9.9 juta yang direkodkan pada 2005. Angka untung rugi juga bertambah baik dengan kerugian pra cukai yang lebih kecil sebanyak RM9.5juta berbanding dengan RM12.3juta yang ditanggung pada 2005.

Perkhidmatan Pengguna dan Penedaran

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

Bagi tahun di bawah kajian, jumlah dagangan yang dicatat oleh Bahagian ini adalah RM0.04 juta manakala kerugian pra cukai sebanyak RM0.55 juta telah dicatatkan.

DIVIDEN

Berhubung dengan tahun kewangan berakhir 30 September 2006, dividen interim pertama sebanyak 3.75 sen setiap saham tolak cukai dan dividen interim kedua sebanyak 1.75 sen setiap saham tolak cukai, telah dibayar masing-masing pada 29 Jun 2006 dan 28 Ogos 2006.

Pada 16 Januari 2006, sejumlah 2,920,033 saham perbendaharaan dinilai pada RM5,427,000 telah diagihkan sebagai dividen saham kepada pemegang saham berasaskan 1 saham bagi setiap 35 saham biasa berbayar penuh sedia ada bernilai RM1.00 sesaham yang dipegang pada 4 Januari 2006.

Pada 29 Jun 2006, sejumlah 2,928,218 saham perbendaharaan dinilai pada RM5,385,000 telah diagihkan sebagai dividen saham kepada pemegang saham berasaskan 1 saham perbendaharaan bagi setiap 35 saham biasa berbayar penuh sedia ada bernilai RM1.00 sesaham dipegang pada 16 Jun 2006.

Para Pengarah telah pada 23 November 2006 mengisytiharkan dividen interim ketiga sebanyak 3.75 sen setiap saham tolak cukai berhubung dengan tahun kewangan berakhir 30 September 2006, yang telah dibayar pada 22 Disember 2006. Dividen ini tidak ditunjukkan dalam penyata kewangan tetapi ia akan diakaunkan dalam tahun kewangan akan berakhir 30 September 2007. Para Pengarah tidak mengesyorkan pembayaran sebarang dividen akhir bagi tahun kewangan semasa.

PENGHARGAAN

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

CHAN HUA ENG R OBE

Pengerusi
Kuala Lumpur
Januari 2007

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 2006.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	Group RM'000	Company RM'000
Net (loss)/profit for the year	(11,414)	3,405
Accumulated profits brought forward	40,853	50,516
Profits available for appropriation	29,439	53,921
Dividends	(6,852)	(6,852)
Accumulated profits carried forward	22,587	47,069

DIVIDENDS

The amount of dividends paid or declared by the Company since 30 September 2005 were as follows:

	RM'000
In respect of the financial year ended 30 September 2005	
2 nd interim dividend of 3.75 sen per share less tax at 28% paid on 22 December 2005	2,767
In respect of the financial year ended 30 September 2006	
1 st interim dividend of 3.75 sen per share less tax at 28% paid on 29 June 2006	2,768
2 nd interim dividend of 1.75 sen per share less tax at 28% paid on 28 August 2006	1,317
	6,852

In respect of the financial year ended 30 September 2006, the Directors had on 23 November 2006 declared a 3rd interim dividend of 3.75 sen per share less tax at 27%, estimated at RM2,798,000 based on the issued and paid-up share capital (net of treasury shares) as at 30 September 2006. The dividend will be paid on 22 December 2006 to depositors whose names appear in the Record of Depositors on 13 December 2006. 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 for the financial year ending 30 September 2007. 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 RM110,189,000 to RM110,457,000 by way of the issuance of 268,000 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 5,431,000 of its issued ordinary shares of RM1.00 each fully paid from the open market at an average price of RM1.76 per share for a total consideration of RM9,557,000. 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 16 January 2006, a total of 2,920,033 treasury shares valued at RM5,427,000 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 4 January 2006.

On 29 June 2006, a total of 2,928,218 treasury shares valued at RM5,385,000 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 2006.

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 2006 who have been granted options of 100,000 shares or more are disclosed as follows:

Names of option holders	Number of Share Options Under ESOS of RM1.00 Each
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. Khong Yuen Piau	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 2005	6,146,000
Granted	-
Exercised*	(205,000)
Forfeited/lapsed	(55,000)
At 30 September 2006	5,886,000

* Exclude 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 2005 – September 2006	1.27	1.68-1.95	203	258
October 2005 – September 2006	1.66	1.68-1.95	2	3
				261
Less Par value of ordinary shares				(205)
Share premium				56

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 – 15.1.2008	1.27	4,140,000
12.7.2003 – 15.1.2008	1.76	800,000
23.9.2004 – 15.1.2008	1.66	946,000
		5,886,000

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 other than those disclosed in the financial statements.

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

DIRECTORS' REPORT

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
Y.Bhg. 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, Mr. Michael Yee Kim Shing retires from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

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

The Company	Number of Ordinary Shares of RM1.00 Each				At 30 September 2006
	At 1 October 2005	Bought	Share dividend*	Sold	
Mr. Chan Hua Eng					
- Direct interest	123,429	-	7,154	-	130,583
- Indirect interest	57,932,641	-	3,334,871	1,502,000	59,765,512
Mr. Chan Thye Seng					
- Direct interest	7,867,854	-	452,871	110,000	8,210,725
- Indirect interest	50,172,787	-	2,888,260	1,392,000	51,669,047
Mr. Michael Yee Kim Shing					
- Indirect interest	1,188,000	-	57,466	275,200	970,266
Y.Bhg. Dato' Abu Hanifah Bin Noordin					
- Indirect interest	2,468,571	-	131,566	300,000	2,300,137

DIRECTORS' REPORT

DIRECTORS' INTERESTS (Cont'd.)

The Company (Cont'd.)	Number of Ordinary Shares of RM1.00 Each				
	At 1 October 2005	Bought	Share dividend*	Sold	At 30 September 2006
Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed - Indirect interest	3,600,000	-	195,376	331,000	3,464,376

* This represents two distributions of treasury shares by the Company as share dividends on the basis of 1 treasury share for every 35 existing fully paid ordinary shares of RM1.00 each, held on 4 January 2006 and 16 June 2006.

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				
	Exercise Price RM	At 1 October 2005	Granted	Exercised	At 30 September 2006
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 2006

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 36 to 86 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 2006 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 2006

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 36 to 86 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) **ENG LIAN GEOK**
at Kuala Lumpur in Wilayah)
Persekutuan on 30 November 2006)

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 36 to 86. 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 2006 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

Habibah bte Abdul
1210/05/08(J)
Partner

Kuala Lumpur, Malaysia
Dated: 30 November 2006

BALANCE SHEETS

AS AT 30 SEPTEMBER 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
ASSETS					
Property, plant and equipment	3	20,843	23,446	597	478
Intangible assets	4	1,935	2,384	-	-
Deferred taxation	5	27,503	26,419	1,725	724
Investments	6	522,774	508,886	19,185	18,592
Investment in subsidiary companies	7	-	-	116,641	116,641
Inventories - goods for resale	8	2,842	2,855	-	-
Loans	9	22,252	48,644	-	-
Trade receivables	10	7,124	11,009	-	-
Other receivables	10	13,477	10,220	1,273	1,064
Due from subsidiary companies	11	-	-	76,583	82,733
Deposits and placements with financial institutions	12	4,407	446	3,560	-
Cash and bank balances	13	4,478	4,646	208	209
TOTAL ASSETS		627,635	638,955	219,772	220,441
LIABILITIES					
Provision for outstanding claims	14	276,933	260,982	-	-
Trade payables	15	6,725	6,265	-	-
Other payables	15	5,767	6,461	1,047	990
Hire purchase and lease creditors	16	1,285	1,399	290	109
Bank borrowings	17	46,961	35,959	40,900	29,100
Provision for taxation		-	2,558	-	-
TOTAL LIABILITIES		337,671	313,624	42,237	30,199
Unearned premium reserves	18	96,757	104,306	-	-
SHAREHOLDERS' FUNDS					
Share capital	19	110,457	110,189	110,457	110,189
Treasury shares	19	(12,268)	(13,523)	(12,268)	(13,523)
Reserves	20	95,018	124,359	79,346	93,576
		193,207	221,025	177,535	190,242
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		627,635	638,955	219,772	220,441

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2006

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 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	110,189	(13,523)	43,060	40,769	(323)	40,853	221,025
Currency translation differences	-	-	-	-	(292)	-	(292)
Net loss not recognised in the income statement	-	-	-	-	(292)	-	(292)
Issue of shares	268	-	73	-	-	-	341
Purchase of treasury shares (Note 19)	-	(9,557)	-	-	-	-	(9,557)
Treasury share transfer fees	-	-	(44)	-	-	-	(44)
Distribution as share dividends	-	10,812	(10,812)	-	-	-	-
Net loss for the year	-	-	-	-	-	(11,414)	(11,414)
Dividends (Note 21)	-	-	-	-	-	(6,852)	(6,852)
At 30 September 2006	110,457	(12,268)	32,277	40,769	(615)	22,587	193,207
Company							
At 1 October 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	110,189	(13,523)	43,060	-	-	50,516	190,242
Issue of shares	268	-	73	-	-	-	341
Purchase of treasury shares (Note 19)	-	(9,557)	-	-	-	-	(9,557)
Treasury share transfer fees	-	-	(44)	-	-	-	(44)
Distribution as share dividends	-	10,812	(10,812)	-	-	-	-
Net profit for the year	-	-	-	-	-	3,405	3,405
Dividends (Note 21)	-	-	-	-	-	(6,852)	(6,852)
At 30 September 2006	110,457	(12,268)	32,277	-	-	47,069	177,535

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

INCOME STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	22	266,201	264,216	12,594	25,354
Other operating income	23	11,046	6,834	22	1,705
		277,247	271,050	12,616	27,059
Changes in inventories	24	(1,133)	(743)	-	-
Reinsurance		(45,768)	(43,968)	-	-
Net claims incurred	25	(155,751)	(131,850)	-	-
Net commission		(18,614)	(20,013)	-	-
Decrease/(increase) in unearned premium reserves	18	7,549	(15,778)	-	-
Staff costs	26	(25,429)	(25,193)	(3,675)	(3,667)
Depreciation		(3,084)	(2,960)	(184)	(138)
Amortisation	28	(454)	(729)	-	-
Other operating expenses	29	(38,994)	(24,168)	(4,114)	(3,772)
(Loss)/profit from operations		(4,431)	5,648	4,643	19,482
Finance costs	30	(3,003)	(1,999)	(2,454)	(1,512)
(Loss)/profit before taxation	31	(7,434)	3,649	2,189	17,970
Income tax expense	37	(3,980)	(3,962)	1,216	(6,623)
Net (loss)/profit for the year		(11,414)	(313)	3,405	11,347
Basic loss per share (sen)	38	(11.01)	(0.30)		
Dividend per share (sen)					
9.25 sen (2005 : 9.50 sen) less 28% tax	21	6.7	6.8		

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	2006 RM'000	2005 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(7,434)	3,649
Adjustments for:			
Depreciation		3,084	2,960
Amortisation of premiums, net of accretion of discounts		746	244
Amortisation of goodwill		379	379
Amortisation of software distribution licence		75	350
Loss/(gain) on disposal of property, plant and equipment		386	(120)
Property, plant and equipment written off		36	63
Write back of allowance for diminution in value of investments		(1,800)	-
Impairment loss on investments		6,865	1,308
Inventories of consumables written off		-	51
Inventories of goods for resale written off		12	8
Allowance for inventory obsolescence		-	66
Gain on disposal of investments		(8,323)	(6,203)
Dividend income		(11,191)	(3,508)
Income from Islamic corporate bonds		(1,284)	(1,181)
Interest income		(15,992)	(14,637)
Bad debts written off		93	5
Interest written off	29	9,684	-
Allowance for doubtful debts		426	1,194
Short term accumulating compensated absences		3	(30)
(Decrease)/increase in unearned premium reserves		(7,549)	15,778
Interest expense		2,857	1,737
Unrealised (gain)/loss on foreign exchange		(420)	162
Transfer from/(to) property, plant and equipment to/from inventories		32	(18)
Operating (loss)/profit before working capital changes		(29,315)	2,257
Changes in working capital:			
Proceeds from disposal of investments		20,574	83,616
Purchase of investments		(5,029)	(49,578)
Increase in bankers acceptances		(89,628)	(77,081)
Decrease in deposits and placements of the insurance subsidiary company with financial institutions		64,281	56,981
Decrease in loans		15,563	784
Decrease in receivables		2,864	1,125
Decrease/(increase) in inventories - goods for resale		1	(97)
Increase/(decrease) in outstanding claims		15,951	(19,793)
Decrease in payables		(410)	(184)
Cash used in operations		(5,148)	(1,970)
Tax paid, net of recoveries		(7,588)	(1,296)
Dividends received		7,569	2,906
Income received from Islamic corporate bonds		1,218	1,413
Interest received		16,525	14,445
Interest paid		(2,655)	(1,550)
Net cash generated from operating activities		9,921	13,948

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

CONSOLIDATED CASH FLOW STATEMENT (Cont'd.) FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	2006 RM'000	2005 RM'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3 (d)	(739)	(1,231)
Proceeds from capital repayment on quoted investments		-	1,600
Proceeds from disposal of property, plant and equipment		85	259
Net cash (used in)/generated from investing activities		(654)	628
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		341	789
Acquisition of treasury shares		(9,584)	(12,967)
Payment of transfer fee for treasury shares		(44)	(23)
Dividends paid		(6,852)	(7,152)
Decrease in hire purchase and lease creditors		(389)	(343)
Drawdown of bank borrowings		10,800	4,150
Net cash used in financing activities		(5,728)	(15,546)
Effects of exchange rate changes on cash and cash equivalents		12	(44)
Net increase/(decrease) in cash and cash equivalents		3,551	(1,014)
Cash and cash equivalents at beginning of year		4,023	4,997
Cash and cash equivalents at end of year		7,574	3,983
Cash and cash equivalents comprise the following:			
Cash and bank balances		4,478	4,646
Bank overdraft		(1,311)	(1,109)
Deposits and placements with financial institutions *		4,407	446
Cash and cash equivalents as previously reported		7,574	3,983
Effect of exchange rate changes		-	40
Cash and cash equivalents as restated		7,574	4,023

* 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 2006

	Note	2006 RM'000	2005 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		2,189	17,970
Adjustments for:			
Depreciation		184	138
Gain on disposal of investments		-	(1,705)
(Gain)/loss on disposal of property, plant and equipment		(18)	3
Unrealised loss on foreign exchange		221	75
Property, plant and equipment written off		6	-
Short term accumulating compensated absences		(9)	18
Dividend income		(8,824)	(18,573)
Interest income		(670)	(3,881)
Interest expense		2,321	1,266
Operating loss before working capital changes		(4,600)	(4,689)
Changes in working capital:			
Decrease/(increase) in receivables		31	(77)
Increase in due from subsidiary companies		(2,386)	(12,613)
(Decrease)/increase in payables		(121)	56
Cash used in operations		(7,076)	(17,323)
Dividends received		8,000	13,631
Interest received		8,983	794
Interest paid		(2,107)	(1,101)
Tax paid, net of recoveries		209	(1,525)
Net cash generated from/(used in) operating activities		8,009	(5,524)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3 (d)	(88)	(50)
Proceeds from disposal of investments		-	20,737
Purchase of investments		-	(172)
Proceeds from disposal of property, plant and equipment		36	3
Net cash (used in)/generated from investing activities		(52)	20,518
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		341	789
Acquisition of treasury shares		(9,584)	(12,967)
Payment of transfer fee for treasury shares		(44)	(23)
Dividends paid		(6,852)	(7,152)
Decrease in hire purchase creditors		(59)	(22)
Drawdown of bank borrowings		11,800	4,400
Net cash used in financing activities		(4,398)	(14,975)
Net increase in cash and cash equivalents		3,559	19
Cash and cash equivalents at beginning of year		209	190
Cash and cash equivalents at end of year		3,768	209
Cash and cash equivalents comprise the following:			
Cash and bank balances		208	209
Deposits and placements with financial institutions		3,560	-
		3,768	209

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

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

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

The average number of employees during the financial year in the Group and in the Company were 610 (2005 : 607) and 46 (2005 :46) respectively.

The financial statements were authorised for issue on 30 November 2006 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 2006

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.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

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.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

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.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

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 25% or actual commission incurred, whichever is lower
- 1/8th method for overseas inward treaty business with a deduction of 20% for acquisition costs
- 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 2006

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 :

	2006 RM	2005 RM
United States Dollar	3.6875	3.7690
Thai Baht	0.0987	0.0914

(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 stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the hire purchase and finance lease, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum payments, the discount factor used is the interest rate implicit in the hire purchase and finance lease, when it is practicable to determine; otherwise, the incremental borrowing rate is used.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(q) Hire Purchase and Leases (Cont'd.)

Hire purchase and finance lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase and finance leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant hire purchase and finance lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

The depreciation policy for hire purchase and finance lease assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

(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 2006

3. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
Cost :									
At beginning of year	2,780	378	1,477	12,972	21,769	4,357	5,718	5,343	54,794
Additions	-	-	-	-	122	402	431	59	1,014
Disposals	-	-	-	-	(1,103)	(205)	(79)	(2)	(1,389)
Write offs	-	-	-	-	(3,024)	(6)	(130)	(11)	(3,171)
Transfer to inventories	-	-	-	-	-	-	(32)	-	(32)
Translation differences	-	-	-	-	(11)	27	9	18	43
At end of year	2,780	378	1,477	12,972	17,753	4,575	5,917	5,407	51,259
Accumulated Depreciation :									
At beginning of year	-	31	242	3,348	17,340	2,407	3,740	4,240	31,348
Charge for the year	-	4	30	302	1,230	532	689	297	3,084
Disposals	-	-	-	-	(682)	(187)	(49)	(1)	(919)
Write offs	-	-	-	-	(3,006)	(2)	(123)	(4)	(3,135)
Translation differences	-	-	-	-	(6)	12	15	17	38
At end of year	-	35	272	3,650	14,876	2,762	4,272	4,549	30,416
Net Book Value :									
At end of year	2,780	343	1,205	9,322	2,877	1,813	1,645	858	20,843
At beginning of year	2,780	347	1,235	9,624	4,429	1,950	1,978	1,103	23,446
Details at 1 October 2004									
Cost	2,780	378	1,477	12,972	21,537	4,010	5,465	5,143	53,762
Accumulated depreciation	-	27	212	3,046	15,966	2,366	3,414	3,984	29,015
Depreciation charge for the year ended 30 September 2005	-	4	30	302	1,400	501	375	348	2,960

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

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

Company	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
Cost :					
At beginning of year	483	1,440	152	394	2,469
Additions	7	318	3	-	328
Disposals	(49)	(52)	-	-	(101)
Write offs	(4)	(6)	(7)	-	(17)
At end of year	437	1,700	148	394	2,679
Accumulated Depreciation :					
At beginning of year	300	1,270	102	319	1,991
Charge for the year	45	90	12	37	184
Disposals	(23)	(52)	(7)	-	(82)
Write offs	(2)	(2)	(7)	-	(11)
At end of year	320	1,306	100	356	2,082
Net Book Value :					
At end of year	117	394	48	38	597
At beginning of year	183	170	50	75	478
Details at 1 October 2004					
Cost	480	1,384	141	393	2,398
Accumulated depreciation	252	1,234	94	280	1,860
Depreciation charge for the year ended 30 September 2005					
	48	37	14	39	138

(a) Certain freehold land and buildings of two subsidiary companies with net book value amounting to RM3,366,000 (2005 : RM3,390,000) 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	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Computer equipment	4,941	7,531	45	25
Motor vehicles	1,648	1,680	1,176	1,228
Office equipment	3,240	2,994	19	26
Furniture, fixtures and fittings	2,928	2,605	31	21
	12,757	14,810	1,271	1,300

NOTES TO THE FINANCIAL STATEMENTS

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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	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Motor vehicles	1,671	1,948	391	161

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash	739	1,231	88	50
Hire purchase and lease	275	617	240	35
	1,014	1,848	328	85

4. INTANGIBLE ASSETS

	Group	
	2006 RM'000	2005 RM'000
Goodwill on consolidation:		
At beginning of year	2,314	2,693
Amortisation	(379)	(379)
At end of year	1,935	2,314
Software distribution licence:		
At beginning of year	70	410
Amortisation	(75)	(350)
Translation differences	5	10
At end of year	-	70
	1,935	2,384

NOTES TO THE FINANCIAL STATEMENTS

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5. DEFERRED TAXATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At beginning of year	26,419	22,194	724	618
Transfer to income statements (Note 37)	1,017	4,278	1,001	106
Translation differences	67	(53)	-	-
At end of year	27,503	26,419	1,725	724

Presented after appropriate offsetting as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax assets	28,581	27,720	1,777	795
Deferred tax liabilities	(1,078)	(1,301)	(52)	(71)
At end of year	27,503	26,419	1,725	724

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:

2006	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	11	5,320	387	22,002	27,720
Recognised in the income statements	3	937	(98)	(48)	794
Arising during the year	4	1,317	(90)	1,127	2,358
Arising due to change in tax rate	(1)	(380)	(8)	(1,175)	(1,564)
Translation differences	-	-	20	47	67
At end of year	14	6,257	309	22,001	28,581

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

NOTES TO THE FINANCIAL STATEMENTS
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5. DEFERRED TAXATION (Cont'd.)

Deferred Tax Liabilities of the Group:

2006	Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
At beginning of year	(1,125)	(176)	(1,301)
Recognised in the income statements	210	13	223
Arising during the year	130	-	130
Arising due to change in tax rate	80	13	93
At end of year	(915)	(163)	(1,078)

2005	Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
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)

Deferred Tax Assets of the Company:

2006	Tax Losses and Unabsorbed Capital Allowances RM'000	Total RM'000
At beginning of year	795	795
Recognised in the income statements	982	982
Arising during the year	1,039	1,039
Arising due to change in tax rate	(57)	(57)
At end of year	1,777	1,777

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

NOTES TO THE FINANCIAL STATEMENTS

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5. DEFERRED TAXATION (Cont'd.)

Deferred Tax Liabilities of the Company:

2006	Accelerated Capital Allowances RM'000	Total RM'000
At beginning of year	(71)	(71)
Recognised in the income statements	19	19
Arising during the year	14	14
Arising due to change in tax rate	5	5
At end of year	(52)	(52)

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

As at 30 September 2006, deferred tax assets have not been recognised in respect of the following temporary differences:

	Group	
	2006 RM'000	2005 RM'000
Depreciation and capital allowances on property, plant and equipment	(10)	(14)
Unabsorbed capital allowances and losses	4,433	4,215
	4,423	4,201

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cost				
Investment properties				
Freehold buildings	706	706	-	-
Leasehold land and building	730	730	-	-
	1,436	1,436	-	-

NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2006

6. INVESTMENTS (Cont'd.)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Long term investment in quoted securities				
Shares in Malaysia	19,895	18,732	19,053	18,460
Warrant in Malaysia	132	132	132	132
Club membership	55	55	-	-
Investment securities				
Money market instruments:				
Malaysian Government Securities	56,976	56,976	-	-
Amortisation of premiums	(867)	(152)	-	-
	56,109	56,824	-	-
Islamic corporate bonds	20,420	15,391	-	-
Amortisation of premiums	(227)	(146)	-	-
	20,193	15,245	-	-
Bankers acceptances	256,177	166,549	-	-
Quoted securities :				
Shares in Malaysia	23,882	49,895	-	-
Allowance for diminution in value	-	(965)	-	-
	23,882	48,930	-	-
Warrants in Malaysia	983	2,127	-	-
Allowance for diminution in value	(95)	(930)	-	-
	888	1,197	-	-
Irredeemable convertible unsecured loan stock	-	9,453	-	-
Unit trusts	6,573	6,340	-	-
Unquoted securities:				
Shares in Malaysia *	22,696	24	-	-
Corporate bonds	4,700	9,959	-	-
Accretion of discount/(amortisation of premiums, net of accretion of discounts)	156	(153)	-	-
	4,856	9,806	-	-
Total investment securities	391,374	314,368	-	-

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENTS (Cont'd.)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits and placements of the insurance subsidiary company with financial institutions				
Licensed banks	109,882	164,176	-	-
Licensed finance companies	-	9,987	-	-
	109,882	174,163	-	-
Total investments	522,774	508,886	19,185	18,592
Market value				
Club membership	60	60	-	-
Malaysian Government Securities	56,062	57,749	-	-
Islamic corporate bonds	20,800	16,008	-	-
Shares quoted in Malaysia:				
Long term investments	12,151	10,867	11,591	10,867
Investment securities	24,592	48,930	-	-
Shares unquoted in Malaysia:				
Investment securities	43,671	-	-	-
Warrants quoted in Malaysia				
Long term investments	530	563	530	563
Investment securities	888	1,197	-	-
Unit trusts	6,624	6,455	-	-
Unquoted corporate bonds	4,907	9,672	-	-
Irredeemable convertible unsecured loan stock	-	11,627	-	-

The total indicative market value of the investment properties of the Group by a firm of professional valuers during the financial year was RM1,215,000 (2005 : RM1,220,000). 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 RM232,000 (2005 : RM384,000) represent deposits given by the insureds as collateral for bond guarantees granted by the insurance subsidiary company to third parties.

* This relates to shares in Killinghall (Malaysia) Bhd ("KMB"), which was delisted from the Official List of Bursa Malaysia Securities Berhad on 29 August 2006. At an Extraordinary General Meeting on 26 September 2006, the shareholders of KMB approved a special resolution to wind up KMB under a members' voluntary liquidation pursuant to Section 254(1)(b) of the Malaysian Companies Act 1965. The Statement of Assets at Estimated Realisable Values and Liabilities Expected To Rank as at 28 August 2006 attached to the Declaration of Solvency (Form 66) filed by KMB with the Companies Commission of Malaysia on 1 September 2006 showed a surplus of RM1,017,935,000 after deducting the net dividend of RM120,388,000 paid on 22 September 2006. The amount receivable by the Group from the liquidators is estimated at RM43,671,000. This amount will result in full recovery of the cost of RM22,696,000 and the balance represents surplus on return of capital of RM20,975,000.

The Group is of the view that this transaction should be reflected in the financial statements for the financial year ended 30 September 2006 so that the financial statements will show a true and fair view of the results and the state of affairs of the Group. On 26 September 2006, the date of liquidation of KMB, the nature of the asset was changed from an investment to a right to receive future cash from the liquidators. Legally, KMB shareholders are now the contributories in the liquidation process and will be entitled to receive its share of the return of surplus assets. The amount receivable from the liquidators can be reliably measured based on the surplus assets shown in the Statement of Assets at Estimated Realisable Values and Liabilities Expected To Rank statutorily prepared by the KMB directors. In view of the aforementioned facts, the liquidation of KMB should be included in the

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

6. INVESTMENTS (Cont'd.)

financial statements. If the transaction had been included, the Group profit before tax would be RM13,541,000 instead of a pre-tax loss of RM7,434,000.

However, the Auditors are of the view that this transaction does not qualify for derecognition of the Group's investment in KMB of RM22,696,000 and accordingly the recognition of the corresponding surplus for the financial year ended 30 September 2006 of RM20,975,000, and receivable of RM43,671,000 as at 30 September 2006 would not be appropriate.

As stated earlier, the Group has an indisputable right in law to the assets held by the liquidators which are substantially in the form of cash. The Group also feels that to classify this indisputable right as an investment is wrong in law as that particular investment (shares in KMB) technically no longer exists as at the date of the winding-up resolution.

Arguments in favour of the Group's view have been substantiated by the liquidators having already declared on 23 November 2006 a first distribution of surplus assets of RM3.30 per share which was received by the Group on 24 November 2006. The receipt of the RM39,701,000 from the distribution resulted in full recovery of the cost totalling RM22,696,000 and a surplus of RM17,005,000.

This amount was received before the date the financial statements were approved on 30 November 2006 and signed thereafter. It is a very substantial portion of the amount expected to be received from the liquidators. As such, it is a significant event that could be looked upon as an adjusting event after the balance sheet date to present a more accurate financial position as at 30 September 2006.

Although for the reasons above the Group strongly disagrees with the Auditors, in the face of their adamant stand, the Group regrets that it has to reluctantly accept the Auditors' view.

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 :

2006	Contractual repricing or maturity dates (whichever is earlier)			Range of effective interest rates per annum %
	Less than 1 year RM'000	1 year to 5 years RM'000	Total carrying amount RM'000	
Group				
Malaysian Government Securities	5,002	51,107	56,109	3.15-6.51
Bankers acceptances	256,177	-	256,177	3.70-4.10
Unquoted corporate bonds	-	4,856	4,856	6.42
Deposits and placements of the insurance subsidiary company with financial institutions	109,882	-	109,882	2.55-4.42
	371,061	55,963	427,024	

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENTS (Cont'd.)

2005 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	-	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
	345,720	71,075	416,795	

The effective profit rate of the Islamic corporate bonds as at balance sheet date was between 4.45% and 8.15% (2005 : 5.42% and 8.15%) per annum.

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

	Group	
	2006 RM'000	2005 RM'000
1 year to 5 years	20,193	15,245

7. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2006 RM'000	2005 RM'000
Unquoted shares - at cost	121,366	121,366
Impairment losses	(4,725)	(4,725)
	116,641	116,641

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

The subsidiary companies are:

Incorporated in Malaysia	Effective Interests		Principal Activities
	2006 %	2005 %	
Pacific & Orient Insurance Co. Berhad	100	100	General insurance business
P & O Technologies Sdn. Bhd.	100	100	Provision of information technology services and sale of information technology equipment
Pacific & Orient Distribution Sdn. Bhd.	100	100	Distribution of consumer goods and provision of sales and administrative services
P & O Capital Sdn. Bhd.	100	100	Money lending
P & O Global Technologies Sdn. Bhd.	100	100	Dealing in computer hardware, software and systems
P & O Resources Sdn. Bhd.	100	100	Dealing in computer hardware, software and systems
Dynamic Network Distributions Sdn. Bhd.	100	100	Provision of management and privilege card programme services and sale of consumer goods
P & O Nominees Services (Tempatan) Sdn. Bhd.	100	100	Dormant
Pacific Global Technologies Sdn. Bhd.	100	100	Dormant
Seni Perkasa Sdn. Bhd.	100	100	Dormant
Seni Bayu Sdn. Bhd.	100	100	Dormant
Pacific & Orient - F.I.H. Sdn. Bhd.	100	100	Dormant
DND Consulting Services Sdn. Bhd.	100	100	Dormant
Incorporated in the United States of America			
P & O Global Technologies, Inc. *	100	100	Information technology services, research and development and trading activities
Subsidiary company of P & O Global Technologies Sdn. Bhd. - Incorporated in Thailand			
P & O Global Technologies (Thailand) Co. Ltd.*	100	100	Dealing in computer software and systems

* Subsidiary companies not audited by Ernst & Young.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

8. INVENTORIES – GOODS FOR RESALE

	Group	
	2006 RM'000	2005 RM'000
Inventories - at cost	2,868	2,921
Allowance for inventory obsolescence	(26)	(66)
	2,842	2,855

9. LOANS

	Group	
	2006 RM'000	2005 RM'000
Loans:		
- secured loans	22,236	48,623
- unsecured loans	16	21
	22,252	48,644
Due within one year	21,959	48,002
Due after one year	293	642
	22,252	48,644

The interest rates on loans were between 6.80% and 9.75% (2005: 6.80% and 9.75%) per annum.

10. RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables:				
Outstanding premiums including agents', brokers' and co-insurers' balances	6,280	7,408	-	-
Due from reinsurers and ceding companies	3,249	5,864	-	-
Others	1,823	2,209	-	-
	11,352	15,481	-	-
Allowance for doubtful debts	(4,228)	(4,472)	-	-
	7,124	11,009	-	-
Other receivables:				
Accrued income	3,697	3,493	3	-
Share of assets held by Malaysian Motor Insurance Pool (MMIP)	2,455	2,615	-	-
Deposits and prepayments	2,140	1,395	62	108
Tax recoverable	4,476	1,664	1,008	771
Others	709	1,053	200	185
	13,477	10,220	1,273	1,064

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

10. RECEIVABLES (Cont'd.)

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ringgit Malaysia	19,604	20,262	1,273	1,064
United States Dollars	134	263	-	-
Thai Baht	863	704	-	-
	20,601	21,229	1,273	1,064

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 RM16,196,000 (2005 : RM22,878,000) which bears interest at between 6.00% and 10.00% (2005 : 6.00% and 16.08%) per annum.

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

	Company	
	2006 RM'000	2005 RM'000
Ringgit Malaysia	65,019	73,270
United States Dollars	11,564	9,463
	76,583	82,733

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Licensed banks	847	446	-	-
Other licensed finance companies	3,560	-	3,560	-
	4,407	446	3,560	-

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 2006

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

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ringgit Malaysia	3,573	255	3,560	-
United States Dollars	87	90	-	-
Thai Baht	747	101	-	-
	4,407	446	3,560	-

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

	Group		Company	
	2006 %	2005 %	2006 %	2005 %
Licensed banks	0.25 – 4.42	0.25 – 1.75	-	-
Licensed finance companies	-	3.00	-	-
Other licensed finance companies	3.25 – 3.41	-	3.25 – 3.41	-

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

	Group		Company	
	2006 Days	2005 Days	2006 Days	2005 Days
Licensed banks	1 – 365	1 – 365	-	-
Other licensed finance companies	30	-	30	-

13. CASH AND BANK BALANCES

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ringgit Malaysia	4,273	4,222	208	209
United States Dollars	90	35	-	-
Thai Baht	115	389	-	-
	4,478	4,646	208	209

NOTES TO THE FINANCIAL STATEMENTS

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14. PROVISION FOR OUTSTANDING CLAIMS

	Group	
	2006 RM'000	2005 RM'000
Provision for outstanding claims	314,186	298,000
Recoverable from reinsurers	(37,253)	(37,018)
Net outstanding claims	276,933	260,982

Included in the provision for outstanding claims is an amount of RM98,837,000 (2005 : RM94,200,000) in respect of net provision for Incurred But Not Reported (IBNR) claims as determined by an independent professional actuary.

15. PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables:				
Due to reinsurers and ceding companies	5,452	5,165	-	-
Due to agents, brokers, co-insurers and insureds	1,172	1,051	-	-
Others	101	49	-	-
	6,725	6,265	-	-
Other payables:				
Accruals	1,210	1,581	77	103
Short term accumulating compensated absences	585	588	126	135
Collateral deposits	247	402	-	-
Insurance Guarantee Scheme Fund (IGSF) levy	601	503	-	-
Stamp duty payable	685	821	-	-
Unearned income	421	452	-	-
Due to directors	360	360	215	215
Unclaimed monies	177	224	-	-
Refund premiums	170	193	-	-
Others	1,311	1,337	629	537
	5,767	6,461	1,047	990

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	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ringgit Malaysia	12,092	12,327	1,047	990
United States Dollars	49	44	-	-
Thai Baht	351	355	-	-
	12,492	12,726	1,047	990

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

16. HIRE PURCHASE AND LEASE CREDITORS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Future minimum payments are as follows:				
Payable within one year	485	434	90	36
Payable between one and five years	922	1,131	228	85
Finance charges	1,407 (122)	1,565 (166)	318 (28)	121 (12)
	1,285	1,399	290	109

Representing hire purchase and lease creditors:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Due within one year	421	364	77	30
Due after one year	864	1,035	213	79
	1,285	1,399	290	109

The hire purchase and finance lease arrangements at the balance sheet date bore interest between 2.62% and 5.21% (2005 : 2.62% and 6.34%) per annum.

17. BANK BORROWINGS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Bank overdraft	1,311	1,109	-	-
Revolving credits	45,650	34,850	40,900	29,100
	46,961	35,959	40,900	29,100

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 4.48% and 6.30% (2005 : 4.44% and 5.25%) 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 8.75% (2005 : 5.45% and 8.00%) 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 8.50% (2005 : 7.75%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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18. UNEARNED PREMIUM RESERVES

	Group	
	2006 RM'000	2005 RM'000
At beginning of year	104,306	88,528
(Decrease)/increase in unearned premium reserves (Note 32)	(7,549)	15,778
At end of year	96,757	104,306

19. SHARE CAPITAL

	Number of shares		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Authorised shares of RM1.00 each	200,000	200,000	200,000	200,000
Issued and fully paid ordinary shares of RM1.00 each				
At beginning of year	110,189	109,581	110,189	109,581
Issue of shares: - ESOS (Note (a))	268	608	268	608
At end of year	110,457	110,189	110,457	110,189

(a) 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:

- 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.
- 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.
- 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.
- No option shall be granted for less than 1,000 Shares nor more than 900,000 Shares to any eligible employee.
- 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.
- An eligible employee can only participate in one ESOS implemented by any company within the Group.

NOTES TO THE FINANCIAL STATEMENTS

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19. SHARE CAPITAL (Cont'd.)

(b) Treasury Shares

	Number of shares		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
At beginning of year	7,245	3,180	13,523	5,980
Purchased	5,431	6,999	9,557	13,058
Distributed as share dividends	(5,848)	(2,934)	(10,812)	(5,515)
At end of year	6,828	7,245	12,268	13,523

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 22 February 2006, renewed their approval of the Company's plan to purchase its own ordinary shares.

During the financial year, the Company purchased 5,431,000 (2005: 6,999,000) of its issued ordinary shares of RM1.00 each fully paid from the open market at an average price of RM1.76 (2005: RM1.87) per share for a total consideration of RM9,557,000 (2005: 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 16 January 2006, a total of 2,920,033 treasury shares valued at RM5,427,000 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 4 January 2006.

On 29 June 2006, a total of 2,928,218 treasury shares valued at RM5,385,000 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 2006.

Of the total 110,457,000 (2005: 110,189,000) issued and fully paid ordinary shares as at 30 September 2006, 6,828,000 (2005: 7,245,000) are held as treasury shares by the Company. As at 30 September 2006, the number of outstanding ordinary shares in issue and fully paid are therefore 103,629,000 (2005: 102,944,000) ordinary shares of RM1.00 each.

NOTES TO THE FINANCIAL STATEMENTS

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19. SHARE CAPITAL (Cont'd.)

(b) 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		
October 2005	1.74	1.84	1.79	412	740
November 2005	1.73	1.83	1.78	156	277
December 2005	1.75	1.80	1.79	316	565
January 2006	1.76	1.79	1.79	361	646
February 2006	1.74	1.83	1.81	297	536
March 2006	1.75	1.86	1.82	850	1,550
April 2006	1.72	1.81	1.78	188	335
May 2006	1.63	1.83	1.80	811	1,456
June 2006	1.65	1.79	1.77	561	990
July 2006	1.63	1.70	1.69	494	833
August 2006	1.60	1.68	1.66	232	384
September 2006	1.60	1.67	1.65	753	1,245
				5,431	9,557
January 2006			1.86	(2,920)	(5,427)
June 2006			1.84	(2,928)	(5,385)
				(417)	(1,255)

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

20. RESERVES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-distributable:				
Translation reserve	(615)	(323)	-	-
Share premium	32,277	43,060	32,277	43,060
Merger reserve	40,769	40,769	-	-
	72,431	83,506	32,277	43,060
Distributable:				
Accumulated profits	22,587	40,853	47,069	50,516
	95,018	124,359	79,346	93,576

NOTES TO THE FINANCIAL STATEMENTS

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21. DIVIDENDS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
2 nd interim dividend of 3.75 sen per share less tax at 28% in respect of previous year, declared on 22 November 2005 and paid on 22 December 2005 (2004 : 3.75 sen per share less tax at 28%)	2,767	2,875	2,767	2,875
Special interim dividend of Nil sen per share less tax at 28% in respect of current financial year (2005 : 2.00 sen per share less tax at 28%)	-	1,505	-	1,505
1 st interim dividend of 3.75 sen per share less tax at 28% in respect of current financial year, declared on 29 May 2006 and paid on 29 June 2006 (2005 : 3.75 sen per share less tax at 28%)	2,768	2,772	2,768	2,772
2 nd interim dividend of 1.75 sen per share less tax at 28% in respect of current financial year, declared on 12 July 2006 and paid on 28 August 2006	1,317	-	1,317	-
	6,852	7,152	6,852	7,152

All dividends of the Company are paid on the issued shares (net of treasury shares).

In respect of the financial year ended 30 September 2006, the Directors had on 23 November 2006 declared a 3rd interim dividend of 3.75 sen per share less tax at 27%, estimated at RM2,798,000 based on the issued and paid-up share capital (net of treasury shares) as at 30 September 2006. The dividend will be paid on 22 December 2006 to depositors whose names appear in the Record of Depositors on 13 December 2006. 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 for the financial year ending 30 September 2007.

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	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Gross premium (Note 32)	234,372	242,232	-	-
Gross dividends :				
- shares quoted in Malaysia	4,093	3,210	824	517
- shares unquoted in Malaysia *	6,857	-	-	-
- unit trusts	241	298	-	-
- subsidiary company	-	-	8,000	18,056
Interest income :				
- subsidiary companies	-	-	654	3,835
- others	15,976	14,632	16	46
Income from Islamic corporate bonds	1,284	1,181	-	-
Rental income	12	36	-	-
MMIP investment income	91	90	-	-
Other investment income	-	13	-	-
Amortisation of premiums, net of accretion of discounts	(746)	(244)	-	-
Sale of goods and services	4,021	2,768	3,100	2,900
	266,201	264,216	12,594	25,354

* This is in respect of the dividend received from KMB after it was delisted from Bursa Malaysia Securities Berhad on 29 August 2006 prior to commencement of liquidation on 26 September 2006.

23. OTHER OPERATING INCOME

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest income	16	5	-	-
Rental income:				
- subsidiary companies	-	-	-	-
- others	77	90	-	-
Write back of allowance for diminution in value of investments	1,800	-	-	-
Gain on disposal of property, plant and equipment	-	120	18	-
Gain on disposal of investments	8,323	6,203	-	1,705
Gain on foreign exchange:				
- unrealised	420	-	-	-
Others	410	416	4	-
	11,046	6,834	22	1,705

24. CHANGES IN INVENTORIES

Included in changes in inventories are allowance for inventory obsolescence and inventories written off amounting to RM Nil (2005: RM66,000) and RM Nil (2005: RM8,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

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25. NET CLAIMS INCURRED

	Group	
	2006 RM'000	2005 RM'000
Gross claims paid less salvage	152,043	170,291
Reinsurance recoveries	(12,243)	(18,648)
Net claims paid	139,800	151,643
Net outstanding claims:		
At end of year	276,933	260,982
At beginning of year	(260,982)	(280,775)
	155,751	131,850

26. STAFF COSTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Salaries, wages and bonus	21,012	20,616	2,959	2,957
Short term accumulating compensated absences	3	(30)	(9)	18
Pension cost – defined contribution plan	2,364	2,263	368	349
Other staff related expenses	2,050	2,344	357	343
	25,429	25,193	3,675	3,667

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,706,000 (2005: RM1,779,000) and RM605,000 (2005: RM596,000) respectively.

27. DIRECTORS' REMUNERATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Directors of the Company				
Executive:				
Salaries and other remuneration	380	372	360	352
Bonus	60	60	60	60
Pension cost – defined contribution plan	65	64	65	64
Benefits-in-kind	24	19	24	19
Allowance	120	120	120	120
	649	635	629	615
Non-Executive:				
Fees	245	245	155	155
Benefits-in-kind	-	2	-	2
	245	247	155	157

NOTES TO THE FINANCIAL STATEMENTS
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27. DIRECTORS' REMUNERATION (Cont'd.)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Directors of Subsidiary Companies				
Executive:				
Salaries and other remuneration	849	961	-	-
Bonus	83	73	-	-
Short term accumulating compensated absences	1	(14)	-	-
Pension cost – defined contribution plan	94	89	-	-
Benefits-in-kind	56	48	-	-
Allowances	54	54	-	-
	1,137	1,211	-	-
Non-Executive:				
Fees	59	59	-	-
Total	2,090	2,152	784	772
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 26)	1,706	1,779	605	596
Total non-executive directors' remuneration (Note 29)	304	304	155	155
Total directors' remuneration excluding benefits-in-kind	2,010	2,083	760	751

28. AMORTISATION

	Group	
	2006 RM'000	2005 RM'000
Amortisation of:		
- goodwill on consolidation	379	379
- software distribution licence	75	350
	454	729

NOTES TO THE FINANCIAL STATEMENTS

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29. OTHER OPERATING EXPENSES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other operating expenses include:				
Auditors' remuneration	169	168	21	21
Non-executive directors' remuneration (Note 27)	304	304	155	155
Property, plant and equipment written off	36	63	6	-
Inventories written off:				
- consumables	-	51	-	-
- goods for resale	12	-	-	-
Impairment loss on investments	6,865	1,308	-	-
Rental of office equipment	2,192	1,752	149	141
Bad debts:				
- recovered	(242)	(54)	-	-
- written off	93	5	-	-
Interest written off *	9,684	-	-	-
Office rental:				
- subsidiary company	-	-	264	264
- others	1,446	1,713	-	-
Loss on foreign exchange:				
- unrealised	-	162	221	75
- realised	21	4	-	1
Loss on disposal of property, plant and equipment	386	-	-	3
Allowance for doubtful debts	426	1,194	-	-

* This represents interest written off from a negotiated settlement of an amount due from an unrelated corporation.

30. FINANCE COSTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest expense	2,857	1,737	2,321	1,266
Others	146	262	133	246
	3,003	1,999	2,454	1,512

31. (LOSS)/PROFIT BEFORE TAXATION

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Determined as follows:					
Insurance subsidiary company	32	18,500	20,104	-	-
Others		(17,426)	1,805	2,189	17,970
Before consolidation		1,074	21,909	2,189	17,970
Consolidation adjustments		(8,508)	(18,260)	-	-
After consolidation		(7,434)	3,649	2,189	17,970

NOTES TO THE FINANCIAL STATEMENTS

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32. PROFIT BEFORE TAXATION - INSURANCE SUBSIDIARY COMPANY

Revenue Account	Note	Group	
		2006 RM'000	2005 RM'000
Insurance fund			
Gross premium	22	234,372	242,232
Reinsurance		(45,768)	(43,968)
Net premium		188,604	198,264
Decrease/(increase) in unearned premium reserves	18	7,549	(15,778)
Earned premium		196,153	182,486
Net claims incurred	25	(155,751)	(131,850)
Net commission		(18,614)	(20,013)
		(174,365)	(151,863)
Underwriting surplus before management expenses		21,788	30,623
Management expenses	34	(33,028)	(32,169)
Underwriting deficit		(11,240)	(1,546)
Investment income	33	25,700	17,476
Other operating income - net	36	3,575	3,657
Profit from operations		18,035	19,587
Finance costs		(59)	(71)
Surplus from insurance fund		17,976	19,516
Shareholder's fund			
Investment income	33	529	594
Management expenses	34	(5)	(6)
		18,500	20,104

NOTES TO THE FINANCIAL STATEMENTS

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33. INVESTMENT INCOME

	Group	
	2006 RM'000	2005 RM'000
Insurance fund		
Gross dividends:		
- shares quoted in Malaysia	3,269	2,693
- shares unquoted in Malaysia *	6,857	-
- unit trusts	241	298
Interest income:		
- Malaysian Government Securities	2,875	1,336
- Cagamas bonds	-	1,556
- bankers acceptances	6,843	3,034
- corporate bonds	420	1,145
- deposits and placements with financial institutions	4,285	6,069
Income from Islamic corporate bonds	1,284	1,181
Rental of properties	281	305
MMIP investment income	91	90
Other investment income	-	13
Amortisation of premiums, net of accretion of discounts	(746)	(244)
	25,700	17,476
Shareholder's fund		
Interest income:		
- bankers acceptances	396	447
- deposits and placements with financial institutions	133	147
	529	594

* This is in respect of the dividend received from KMB after it was delisted from Bursa Malaysia Securities Berhad on 29 August 2006 prior to commencement of liquidation on 26 September 2006.

34. MANAGEMENT EXPENSES

	Group	
	2006 RM'000	2005 RM'000
Insurance fund		
Executive directors' remuneration (Note 35)	878	822
Staff salaries and bonus	12,032	11,565
Staff short term accumulating compensated absences	9	10
Staff pension cost – defined contribution plan	1,438	1,382
Other staff benefits	1,137	1,266
	15,494	15,045

NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2006

34. MANAGEMENT EXPENSES (Cont'd.)

	Group	
	2006 RM'000	2005 RM'000
Insurance fund (Cont'd.)		
Depreciation	1,363	1,377
Auditors' remuneration	90	90
Non-executive directors' remuneration (Note 35)	115	115
Allowance for doubtful debts	149	630
Office rental	414	411
IGSF levy	601	503
Call centre service charges	558	552
Rental of equipment	1,149	1,169
Printing and EDP expenses	4,703	4,388
Business development	1,563	1,180
Bank charges	2,042	2,116
Office administration and utilities	1,634	1,687
Other expenses	3,153	2,906
	33,028	32,169
Shareholder's fund		
Staff salaries and bonus	3	4
Staff pension cost – defined contribution plan	1	1
	4	5
Other expenses	1	1
	5	6

35. DIRECTORS' REMUNERATION

	Group	
	2006 RM'000	2005 RM'000
Insurance fund		
Executive directors:		
- salaries	646	607
- bonus	82	73
- defined contribution plan	94	88
- benefits-in-kind	56	49
- short term accumulating compensated absences	2	-
- allowances	54	54
	934	871
Non-executive directors:		
- fee (Note 34)	115	115
Total directors' remuneration	1,049	986
Total executive directors' remuneration excluding benefits-in-kind (Note 34)	878	822

NOTES TO THE FINANCIAL STATEMENTS

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36. OTHER OPERATING INCOME - NET

	Group	
	2006 RM'000	2005 RM'000
Insurance fund		
Gain on disposal of:		
- investments	8,323	4,495
- property, plant and equipment	2	117
Realised (loss)/gain on foreign exchange	(3)	1
Sundry income	324	353
Write back of/(allowance for) diminution in value of investments	1,800	(896)
Permanent diminution in value of investments	(6,865)	(412)
Property, plant and equipment written off	(6)	(1)
	3,575	3,657

37. INCOME TAX EXPENSE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Income tax:				
Current year's provision				
- Malaysian tax	4,970	6,145	-	4,800
- foreign tax	-	-	-	-
Tax recoveries	-	-	-	-
Under/(over) provision in prior years	27	2,095	(215)	1,929
	4,997	8,240	(215)	6,729
Deferred tax (Note 5):				
Relating to timing differences	(1,353)	(4,272)	(1,001)	(106)
Under/(over) provision in prior years	336	(6)	-	-
Transfer from deferred taxation	(1,017)	(4,278)	(1,001)	(106)
	3,980	3,962	(1,216)	6,623

NOTES TO THE FINANCIAL STATEMENTS

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37. INCOME TAX EXPENSE (Cont'd.)

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

	Group	
	2006 RM'000	2005 RM'000
(Loss)/profit before taxation	(7,434)	3,649
Taxation at Malaysian statutory tax rate of 28% (2005 : 28%)	(2,082)	1,022
Effect of different tax rates in other countries	(180)	96
Income not subject to tax	(480)	(775)
Expenses not deductible for tax purposes	1,762	1,487
Deferred tax asset not recognised during the year	3,065	38
Underprovision of tax expense in prior years	27	2,095
Effect of change in tax rate on deferred tax assets	1,531	-
Under/(over) provision of deferred tax in prior years	336	(6)
Translation differences	67	(53)
Consolidation adjustments	142	58
Others	(208)	-
Tax expense for the year	3,980	3,962

	Company	
	2006 RM'000	2005 RM'000
Profit before taxation	2,189	17,970
Taxation at Malaysian statutory tax rate of 28% (2005 : 28%)	613	5,032
Income not subject to tax	(2,318)	(553)
Expenses not deductible for tax purposes	572	215
(Over)/under provision of tax expense in prior years	(215)	1,929
Effect of change in tax rate on deferred tax assets	132	-
Tax expense for the year	(1,216)	6,623

As at 30 September 2006, the Company has:

- unabsorbed capital allowances of approximately RM2,230,000 (2005 : RM2,163,000), 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 RM10,864,000 (2005 : 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.

NOTES TO THE FINANCIAL STATEMENTS

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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	
		2006	2005
Net loss for the year	(RM'000)	(11,414)	(313)
Weighted average number of ordinary shares in issue	('000)	103,658	104,408
Basic loss per share	(sen)	(11.01)	(0.30)

- (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	
		2006 RM'000	2005 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		395	730

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

40. COMMITMENTS AND CONTINGENCIES

- (a) Contingent liabilities

		Company	
		2006 RM'000	2005 RM'000
Guarantees given to financial institutions for facilities extended to subsidiary companies – secured		9,808	10,174

- (b) Non cancellable operating lease commitments

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Future minimum lease payments are as follows:				
Not later than one year	2,143	1,782	51	47
Later than one year and not later than five years	2,035	2,060	72	59
	4,178	3,842	123	106

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

NOTES TO THE FINANCIAL STATEMENTS

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40. COMMITMENTS AND CONTINGENCIES (Cont'd.)

- (c) Other commitments and contingencies

The Group may be required to contribute up to a maximum amount of RM582,000 (2005 : RM601,000) in the following financial year to the Insurance Guarantee Scheme Fund.

- (d) Capital commitments

	Group	
	2006 RM'000	2005 RM'000
Approved but not contracted for	3	12

41. SUBSEQUENT EVENT

As mentioned in Note 6 to the financial statements, on 24 November 2006, the Group received RM39,701,000 from the distribution of assets by the liquidators of KMB which has resulted in full recovery of the cost of investment totalling RM22,696,000 and a surplus of RM17,005,000 in respect of the Group's investment in KMB. This distribution has not been reflected in the financial statements of the current financial year but it will be accounted for in the financial year ending 30 September 2007.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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42. FINANCIAL INSTRUMENTS (Cont'd.)

(c) Credit Risk (Cont'd.)

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 RM10,000,000 (2005: RM36,254,000) at the balance sheet date.

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

	Group	
	2006 RM'000	2005 RM'000
Rating of corporate bonds on market value basis :		
AA3	5,412	5,472
AA-	10,204	5,236
A3	4,907	4,650
A	5,184	10,322
	25,707	25,680

Analysis of corporate bonds by industry segments :

Properties	5,184	5,300
Power	5,412	5,472
Trading/services	10,078	9,886
Oil and gas	5,033	-
Plantation	-	5,022
	25,707	25,680

(d) Interest Rate Risk

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

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

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

(e) Market Risk

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

NOTES TO THE FINANCIAL STATEMENTS

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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 2006, 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 2006:				
Financial Assets				
Club membership	55	60	-	-
Malaysian Government Securities	56,109	56,062	-	-
Islamic corporate bonds	20,193	20,800	-	-
Shares quoted in Malaysia:				
Long term investments	19,895	12,151	19,053	11,591
Warrants quoted in Malaysia:				
Long term investments	132	530	132	530
Unit trusts	6,573	6,624	-	-
Unquoted corporate bonds	4,856	4,907	-	-
Unquoted shares	22,696	43,671	-	-
Due from subsidiary companies	-	-	76,583	**
Financial Liabilities				
Hire purchase and lease creditors	1,285	1,305	290	293

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

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 2005:				
Financial Assets				
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	**
Financial Liabilities				
Hire purchase creditors	1,399	1,396	109	108

* 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.

** 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.

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
Contingent liabilities				
At 30 September 2006	-	-	9,808	*
At 30 September 2005	-	-	10,174	*

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

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

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 and lease 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

43. SEGMENT REPORTING (Cont'd.)

30 September 2006	Insurance RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Elimination RM'000	Group RM'000
REVENUE							
External sales	260,332	4,021	840	1,008	-	-	266,201
Inter-segment sales	269	6,081	11,754	151	35	(18,290)	-
Total segment revenue	260,601	10,102	12,594	1,159	35	(18,290)	266,201
RESULT							
Segment result	18,559	(8,999)	4,644	(9,167)*	(561)	(8,544)	(4,068)
Unallocated corporate expense							(379)
Operating loss							(4,447)
Finance cost							(3,003)
Interest income							16
Loss before tax							(7,434)
Income tax expense							(3,980)
Net loss for the year							(11,414)
ASSETS							
Segment assets	533,880	14,932	21,144	22,852	68		592,876
Unallocated corporate assets							34,759
Consolidated total assets							627,635
LIABILITIES							
Segment liabilities	384,423	1,593	773	3	31		386,823
Unallocated corporate liabilities							47,605
Consolidated total liabilities							434,428
OTHER INFORMATION							
Capital expenditure	177	509	328	-	-		1,014
Depreciation	1,154	1,741	176	-	13		3,084
Amortisation	-	75	379	-	-		454
Non-cash expenses	7,049	522	6	9,684	20		17,281

* This includes an amount of RM9,684,000 being interest written off from a negotiated settlement of an amount due from an unrelated corporation.

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2006

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
REVENUE							
External sales	260,033	2,762	563	852	6	-	264,216
Inter-segment sales	269	7,157	24,791	154	48	(32,419)	-
Total segment revenue	260,302	9,919	25,354	1,006	54	(32,419)	264,216
RESULT							
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)
Net loss for the year							(313)
ASSETS							
Segment assets	525,075	17,375	16,898	48,664	102		608,114
Unallocated corporate assets							30,841
Consolidated total assets							638,955
LIABILITIES							
Segment liabilities	375,960	2,196	735	18	49		378,958
Unallocated corporate liabilities							38,972
Consolidated total liabilities							417,930
OTHER INFORMATION							
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 2006

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	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Malaysia	264,139	262,121	589,618	603,771	951	1,461
Thailand	1,810	1,145	1,316	1,052	37	279
United States of America	252	950	1,942	3,291	26	108
	266,201	264,216	592,876	608,114	1,014	1,848

LIST OF GROUP'S PROPERTIES

AS AT 30 SEPTEMBER 2006

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2006 RM'000	Approximate age of building Years	Date of acquisition
MALAYSIA							
1.	P.N. 7383 Lot 1703 Section 46 and P.N. 7382 Lot 1700 Section 46	10,590	Leasehold expiring 8.4.2074	Office	3,403	21	Unit 10-A 1.7.1993
	10th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan						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 Floor 10,589 12th Floor 10,589	Leasehold expiring 8.4.2074	Office	4,941	21	21.12.1982
	11th and 12th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan						
3.	Lot No. 262 Mukim of Ampang District and State of Wilayah Persekutuan	1,596	Freehold	Condominium/ Residential	398	21	14.4.1986
	Unit 15-A, 15th Floor GCB Court No. 63, Jalan Ampang 50450 Kuala Lumpur Wilayah Persekutuan						
4.	Grant Nos. 7486, 7491, 1362 and C.T. 1226 1438, 323, 322 & 2145 Town of Seremban	312.5	Freehold	Shop-lot	158	27	1.12.1986
	Shoplot No. G.07 Ground Floor Wisma Punca Emas Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus						

LIST OF GROUP'S PROPERTIES AS AT 30 SEPTEMBER 2006

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2006 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	22	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	23	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	23	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	1,321	8	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	15	4.1.1996

LIST OF GROUP'S PROPERTIES
AS AT 30 SEPTEMBER 2006

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2006 RM'000	Approximate age of building Years	Date of acquisition
10.	H.S.(D) 128978 P.T. No. 43545 Mukim of Petaling No. 40, Jalan BP 5/8 Bandar Bukit Puchong Puchong 47100 Kuala Lumpur	5,099 (3,477)	Freehold	1 ½ storey factory corner unit/ office	410	7	3.12.1999
11.	H.S.(D) 128977 P.T. No. 43544 Mukim of Petaling No. 38, Jalan BP 5/8 Bandar Bukit Puchong Puchong 47100 Kuala Lumpur	2,875 (2,002)	Freehold	1 ½ storey intermediate unit/office	210	7	3.12.1999
12.	Lot No. P.T. 6147 Title No. H.S. (D) 41601 Mukim Of Sungai Buloh District Of Petaling Jaya No. 29, Jalan SS21/37 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	(1,650)	Freehold	3 ½ storey mid-terraced shop-office	1,783	26	24.1.1997
13.	Lot No. P.T. 5972 Title No. H.S. (D) 80192 Mukim Of Sungai Buloh District Of Petaling Jaya No. 21, Jalan SS21/56B Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	(1,650)	Freehold	3 ½ storey mid-terraced shop-office	1,583	26	24.1.1997

SHAREHOLDINGS STATISTICS

AS AT 29 DECEMBER 2006

Authorised capital	:	RM200,000,000.00
Issued and fully paid-up capital	:	RM110,539,000.00
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	239	11,167	0.01
100 to 1,000	112	53,871	0.05
1,001 to 10,000	3,560	9,112,212	8.24
10,001 to 100,000	488	10,520,665	9.52
100,001 to less than 5% of issued shares	48	40,764,484	36.88
5% and above of issued shares	4	50,076,601	45.30
Total	4,451	110,539,000*	100.00

* The number of 110,539,000 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 29 December 2006 were as follows:

Name	No. of RM1.00 Shares			
	Direct Interest	%	Indirect Interest	%
Chan Hua Eng R OBE	130,583	0.13	59,465,512 ⁽¹⁾	57.84
Chan Thye Seng	8,210,725	7.99	51,369,047 ⁽²⁾	49.97
Mah Wing Investments Limited	24,949,749	24.27	-	-
Mah Wing Holdings Sdn Bhd	24,944,804	24.26	-	-

DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings, the Directors' shareholdings as at 29 December 2006 were as follows:

Name	No. of RM1.00 Shares			
	Direct Interest	%	Indirect Interest	%
Chan Hua Eng R OBE	130,583	0.13	59,465,512 ⁽¹⁾	57.84
Chan Thye Seng	8,210,725	7.99	51,369,047 ⁽²⁾	49.97
Michael Yee Kim Shing	-	-	970,266 ⁽³⁾	0.94
Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed	-	-	3,464,376 ⁽⁴⁾	3.37
Dato' Abu Hanifah Bin Noordin	-	-	2,300,137 ⁽⁵⁾	2.24

Notes:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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".
- (5) 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 29 DECEMBER 2006

THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

Name	No. of RM1.00 Shares	% of Issued Capital
1. Mah Wing Holdings Sdn Bhd	17,747,114	17.26
2. HDM Nominees (Asing) Sdn Bhd For Mah Wing Investments Limited	16,806,115	16.35
3. Mah Wing Investments Limited	8,143,634	7.92
4. Employees Provident Fund Board	4,128,929	4.02
5. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	3,933,131	3.83
6. EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Chan Thye Seng (Jln Hang Lekiu)	3,699,834	3.60
7. HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	3,464,376	3.37
8. EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mah Wing Holdings Sdn Bhd (HQB)	3,264,559	3.18
9. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chan Thye Seng (5065 CBD)	2,720,467	2.65
10. HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Abu Hanifah Bin Noordin	2,300,137	2.24
11. ECM Libra Avenue Nominees (Asing) Sdn. Bhd. United Forest Limited	2,121,963	2.06
12. Permodalan Nasional Berhad	1,870,593	1.82
13. CIMSEC Nominees (Tempatan) Sdn Bhd ING Asia Private Bank Limited For Chan Thye Seng	1,754,157	1.71
14. Chan Kok Tien Realty Sdn Bhd	1,229,651	1.20
15. Alliancegroup Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd For Employees Provident Fund	1,182,858	1.15
16. Amanah Saham Mara Berhad	987,429	0.96
17. HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Michael Yee Kim Shing	801,597	0.78
18. Yeoh Kean Hua	785,161	0.76
19. Yayasan Sarawak	544,094	0.53
20. Yayasan Kedah Berhad	464,656	0.45
21. Ancom Berhad	377,601	0.37
22. Ng Sim Hooi	329,000	0.32
23. SBB Nominees (Tempatan) Sdn. Bhd. Bank of Commerce Retirement Benefit Scheme	272,047	0.26
24. Southern Investment Bank Berhad Employee's Provident Fund	264,948	0.26
25. Citigroup Nominees (Asing) Sdn Bhd CBNY For DFA Emerging Markets Fund	260,402	0.25
26. Ong Joo Hock	255,500	0.25
27. Lembaga Pemegang-pemegang Amanah Yayasan Negeri Sembilan	247,376	0.24
28. Mercsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chong Han Wah	237,160	0.23
29. DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore PBD For Peabody Ventures Limited	217,637	0.21
30. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For National Land Finance Co-operative Society Limited (REM 154)	210,437	0.20
Total	80,622,563	78.43



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 Thirteenth Annual General Meeting of the Company, to be held at Anggerik Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 14 March 2007 at 11.30 a.m., and at any adjournment thereof.

As witness my hand this _____ day of _____ 2007

Signature/Common Seal of
Member(s)

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

Notes:

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

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STAMP

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

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www.pacific-orient.com

PACIFIC & ORIENT BERHAD

11th Floor, Wisma Bumi Raya

No. 10, Jalan Raja Laut

50350 Kuala Lumpur

Malaysia

Tel : 03 2698 5033

Fax : 03 2694 4209