PACIFIC & ORIENT BERHAD
(308366-H)

ANNUAL REPORT 2008

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held at the Anggerik Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 25 March 2009 at 11.00 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 30 September 2008 and the Reports of the Directors and the Auditors thereon. **Resolution 1**

2. To re-elect Directors:

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

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

3. To consider and if thought fit, to pass the following resolutions pursuant to Section 129(6) of the Companies Act 1965:

   (a) "THAT Mr Chan Hua Eng who retires pursuant to Section 129 of the Companies Act 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 4**

   (b) "THAT Mr Michael Yee Kim Shing who retires pursuant to 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 5**

4. To re-appoint Messrs Ernst & Young as Auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 6**

5. **As Special Business**

   To consider and if thought fit, with or without any modification, to pass the following Ordinary Resolutions:

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

   "THAT subject to Section 132D of the Companies Act 1965 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company for the time being AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 7**

(b) Proposed Renewal of Authority for the Purchase by the Company of its Own Shares

"THAT subject to the Companies Act 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, and the requirements of Bursa Malaysia Securities Berhad ("BMSB") and any other relevant authorities, the Directors of the Company be and are hereby unconditionally and generally authorised to: **Resolution 8**

(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 Share Buy-back Statement dated 23 January 2009) which would otherwise be available for dividends AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever occurs first);

(ii) retain the shares so purchased as treasury shares or cancel them or both, with an appropriate announcement to be made to BMSB in respect of the intention of the Directors whether to retain the shares so purchased as treasury shares or cancel them or both together with the rationale of the decision so made;

(iii) deal with the shares purchased in the manner prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of BMSB and any other relevant authorities for the time being in force; and

(iv) take all such steps as are necessary or expedient to implement or to effect the purchase of the shares."

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

By Order of the Board

VALERIE CHEAH CHUI MEI (LS 0004944)
Company Secretary

Kuala Lumpur
23 January 2009

NOTICE OF ANNUAL GENERAL MEETING

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 7 - Authority under Section 132D of the Companies Act 1965, to issue shares

This resolution 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 8 - Proposed Renewal of Authority for the Purchase by the Company of its 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 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 Share Buy-back Statement dated 23 January 2009 which is despatched together with the Company's 2008 Annual Report.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors who are standing for re-election at this Annual General Meeting, as required under Appendix 8A of the Listing Requirements of Bursa Malaysia Securities Berhad, can be found on pages 6 and 7 - Profile of the Board of Directors in this Annual Report.

Corporate Information

BOARD OF DIRECTORS	Mr Chan Hua Eng Non-Executive Chairman Mr Chan Thye Seng Managing Director and 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
SECRETARY	Ms Valerie Cheah Chui Mei (LS 0004944)
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	CIMB Bank Berhad Malayan Banking Berhad EON Bank 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 (80), 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 an independent non-executive director of Lingui Developments Berhad, Lafarge Malayan Cement Berhad and Glenealy Plantations (Malaya) Berhad.

Mr Chan Thye Seng (52), 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 (70), 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 Pacific & Orient Insurance Co. Berhad and Dataprep Holdings Berhad.

Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed (64), 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 (57), 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 interests of each Director in the shares of the Company are disclosed on page 103 (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 2008 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.

2. Appointment, Re-election and Size of Board

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.

The size of the Company's Board was unchanged from the previous financial year and since the Group's operations remained the same, it was considered not necessary to reassess or vary the composition and size of the Board.

3. Remuneration

The remuneration of the Executive Director is contractually set (his contract of service runs for three years, expiring on 31 March 2011) 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:		
RM800,001 to RM850,000		
• Salary and other remuneration	686,400	1
• Allowances	120,000	
• Benefits-in-kind	34,173	
	840,573	
Aggregate		
• Salary and other remuneration	686,400	
• Allowances	120,000	
• Benefits-in-kind	34,173	
	840,573	

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, the Board of Directors is of the view that 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.

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 Company Secretarial Department. 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 attended and successfully completed the Mandatory Accreditation Programme. 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, new regulations and statutory requirements. The Directors are mindful of the need for continuous training to keep abreast of new developments and are encouraged to attend forums and seminars facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors. Towards this end, a Directors Training Programme entitled "The Inside Story of the Annual Report: What You Need to Know" was held on 27th November 2008 and participated by the Directors and senior management of the Group. The Board will continue to evaluate and determine the training needs of its Directors to enhance their skills and knowledge.

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 risk management, internal control and governance system.

The Audit Committee Report is set out separately on pages 14 to 19 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 assesses the effectiveness of the Board as a whole, the committees of the Board and the contribution of each Director, including non-executive directors, as well as the chief executive officer.

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 the Nominating Committee held a meeting on 29 November 2007.

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 the Remuneration Committee held a meeting on 29 November 2007.

C. SHAREHOLDERS

The Board recognises the value of good investor relations and the importance of disseminating information in a fair and equitable manner. The participation of shareholders, both individual and institutional, at general meetings is encouraged whilst requests for briefings from the press and investment analysts are usually met as a matter of course.

In addition, the Company maintains a website with links to announcements of results and annual reports.

D. ACCOUNTABILITY AND AUDIT

1. Internal Audit Function

The internal audit function of the Group is performed in-house by the Group Internal Audit Department ("IAD") which reports directly to the Audit Committee.

2. 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 19 of this Annual Report.

3. 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 Financial Reporting 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 and reviewing the regular risk assessment reports.

The Audit Committee, together with Group IAD and senior management, reviews the effectiveness of the system of internal controls of the Group, which includes amongst others, financial, management information system, operational and compliance controls. 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 Group has a policy on revaluing its investment properties once every three years.

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 All the Committee members shall be non-executive directors with a majority of the members, including the Chairman of the Committee, being Independent Directors as defined in Chapter 1 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("BMSB").

1.3 All members of the Committee shall be financially literate. 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 Director shall be appointed as a member of the Committee.

1.5 The members of the Committee shall elect a Chairman from amongst their number.

1.6 If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three months appoint such number of new members as may be required to make up the minimum of three (3) members.

1.7 The terms of office and performance of the Committee and each of its members shall be reviewed by the Board no less than once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

2. Meetings

2.1 The quorum for a Committee meeting shall be at least two (2) members; the majority present must be Independent Directors.

2.2 The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.

2.3 Notwithstanding paragraph 2.2 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.

2.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so. However, the Committee should meet with the External Auditors without executive board members present at least twice a year.

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. However, the Committee should meet with the Internal Auditors without other directors and employees present, whenever deemed necessary.

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.

In this respect, the Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Group General Manager - Finance, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Company.

3.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.

4. Functions and Duties

4.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independence, purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.

4.2 To review the following and report to the Board:

(a) With the External Auditors:

(i) The audit plan and audit report and the extent of assistance rendered by employees of the Auditee.
(ii) Their evaluation of the system of internal controls.
(iii) The audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as Auditors.
(iv) The management letter and management's response.
(v) Issues and reservations arising from audits.

(b) With the Internal Audit Department:

(i) Fulfillment of Internal Audit Department's role in evaluating and contributing to the improvement of risk management, control and governance systems as spelled out in the Standards for the Professional Practice of Internal Auditing contained in The Professional Practices Framework.
(ii) The adequacy and relevance of the scope, functions, competency and resources of internal audit and the necessary authority to carry out its work.
(iii) The audit plan of work program and results of internal audit processes including actions taken on recommendations.
(iv) The extent of cooperation and assistance rendered by employees of Auditee.
(v) The appraisal of the performance of the internal audit including that of the senior staff and any matter concerning their appointment, resignation 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 verify allocation of options pursuant to a share scheme for employees is in compliance with the criteria for the allocation of options.

4.5 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering:

(a) The composition of the Committee including the name, designation and directorship of the members.
(b) The terms of reference of the Committee.
(c) The number of meetings held and details of attendance and relevant training attended by 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.

4.6 To review the following for publication in the Company's Annual Report:

(a) The disclosure statement of the Board on:

(i) The Company's applications of the principles set out in Part I of the Malaysian Code on Corporate Governance.
(ii) The extent of compliance with the best practices set out in Part II of the Malaysian Code on Corporate Governance, specifying reasons for any area of non-compliance and the alternative measures adopted in such areas.

(b) The statement on the Board's responsibility for the preparation of the annual audited financial statements.

(c) The disclosure statement on the state of the system of internal controls of the Company and of the Group.

(d) Other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of the Listing Requirements of BMSB.

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

5. Internal Audit Department

5.1 The Head of the Internal Audit Department shall have unrestricted access to the Committee members and report to the Committee whose scope of responsibility includes overseeing the development and the establishment of the internal audit function.

5.2 In respect of the routine administrative matters, the Head of the Internal Audit Department shall report to the Group Chief Executive.

Attendance at Meetings

A total of four (4) Audit Committee meetings were held during the financial year ended 30 September 2008. 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	3/4

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 2008 included the following:

Financial Reporting

(a) Reviewed the unaudited quarterly financial results with management before submission to the Board of Directors for consideration and approval and release to BMSB.

(b) Reviewed the Company's annual report, issues and reservations arising from the statutory audit with the External Auditors.

(c) 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.

(d) Reviewed and approved the Audit Committee Report for inclusion in the Company's Annual Report.

Internal Audit

(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; and that it has the necessary authority to carry out its work.

(b) Assessed the performance of key Internal Audit staff including that of the Head of the Internal Audit Department.

(c) Reviewed the audit activities (comprising internal control, risk management and governance processes) carried out by the Internal Audit Department and the audit reports to ensure corrective actions were taken by management to address the governance and risk issues reported.

External Audit

(a) Reviewed with the External Auditors the audit plan of the Company and of the Group for the year (inclusive of audit approach and scope of work) prior to the commencement of the annual audit.

(b) Reviewed the results of the annual audit, the External Auditor's audit report and management letter together with management's response to the findings of the External Auditors.

(c) Met with the External Auditors without the presence of management.

(d) Evaluated the performance of the External Auditors and made recommendations to the Board of Directors on their re-appointment and remuneration.

Related Party Transactions

(a) 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.

Others

(a) Reviewed and updated the Terms of Reference of the Committee for recommendation to the Board of Directors.

(b) 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.

(c) 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 as well as publications on matters of significance, which may be of interest to the Audit Committee and the Board.

(d) Reviewed key procedures established by management prior to adoption by the Board of Directors.

In respect of the Company's Employees' Share Option Scheme, there was no allocation of options during the year for the Audit Committee to review.

Internal Audit Activities Report

The primary responsibility of the Company's Internal Audit Department is to undertake regular and systematic reviews of the risk management, internal controls and governance processes of the Company and the Group so as to provide reasonable assurance that the controls are operating satisfactorily and effectively and are in line with the Group's goals and objectives.

The summary of the activities of the Internal Audit Department for the year ended 30 September 2008 is as follows:

(a) Assisted the Audit Committee to revise and update its Terms of Reference.

(b) Prepared the annual Audit Plan for the approval of the Audit Committee.

(c) Regularly performed risk-based audits on strategic business units of the Company and of the Group, which covered reviews of the internal control, accounting and management information systems and risk management and governance processes.

(d) Issued audit reports to the Audit Committee and management identifying weaknesses and issues as well as highlighting recommendations for improvement.

(e) Acted on suggestions made by the Audit Committee members and/or senior management on concerns over operations or control.

(f) 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.

(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 the quarterly financial results with management and the Audit Committee.

(i) Reviewed the Company's annual report, issues and reservations arising from the statutory audit with the Audit Committee and the External Auditors.

(j) 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 Audit Committee Report.

(k) Attended Audit Committee meetings to table and discuss the audit reports and follow up on matters raised.

CHAIRMAN'S STATEMENT

On behalf of your Board of Directors, I have the pleasure of presenting the Annual Report and Audited Financial Statements of your Company for the year ended 30 September 2008.

FINANCIAL RESULTS

The Group registered a higher turnover of RM337.2 million in 2008 when compared to the amount of RM256.9 million attained in 2007. The increase was mainly attributed to higher gross premium at the insurance subsidiary company.

Notwithstanding the increase in turnover, the Group incurred a pre-tax loss of RM37.2 million as compared to a pre-tax profit of RM10.8 million the year before. The loss was primarily due to the substantial increase in allowance for diminution in value of investments at the insurance subsidiary company in line with the prevailing unfavourable conditions of the stock market and strict adherence to the accounting practice of mark-to-market. Furthermore, the full benefit of the increase in turnover at the insurance subsidiary company had not been reflected in the Group's results yet because the locked-in gross premium is being held as Unearned Premium Reserve in the Group's balance sheet, but will be released and taken up as income in 2009 and future years in accordance with the Insurance Act 1996.

At Company level, turnover decreased to RM15.7 million in 2008 as against RM22.3 million the year before due to lower dividend received from the insurance subsidiary. Consequently, the pre-tax profit slipped to RM4.1million from the RM8.9 million recorded in 2007.

ACTIVITIES AND PROSPECTS OF THE GROUP

In its latest annual World Economic Outlook (WEO) released in October 2008, the International Monetary Fund (IMF) said that the world economy would be heading for a major downturn. In the face of the most severe financial shock in mature financial markets since the 1930s, the IMF had marked down its forecast for global economic growth next year to 3.0 percent - almost a full percentage point lower than the forecast made in the July 2008 WEO update.

The world body anticipated recovery later in 2009 but it would be exceptionally gradual by past standards because financial conditions are expected to remain very difficult, even assuming that actions by the U.S. and European authorities succeed in stabilising such conditions and in avoiding further unfavourable systemic events.

The Malaysian Institute of Economic Research, in its third quarter "Malaysia Economic Outlook" released in October 2008, lowered the 2009 growth forecast for Malaysia to 3.4 percent as the global financial turmoil is expected to trigger a worldwide economic slowdown.

In response to the gloomy economic outlook, Bank Negara Malaysia (BNM) said it is ready to shift focus to boosting economic growth as inflationary pressures are receding due to the faster than expected decline in commodity and fuel prices. According to BNM, Malaysia's inflation rate may fall below 4 percent before the second half of 2009, and the balance of risks are tilted towards growth.

According to the Finance Minister, Malaysia is not likely to slide into recession. Though weighed down by the current global financial turmoil, the country's economy is expected to continue to grow, albeit at a lower rate than originally projected. To reinforce economic growth and help cushion the adverse impact of a severe global economic crisis, the Government announced a RM7 billion stimulus package in early November 2008 which placed focus on encouraging domestic economic activities.

Against a background of unsettling global financial and economic upheavals, your Board is cautious about the Company's prospects for the current year. Nevertheless, shareholders should be assured that efforts shall continue to be made to improve operational efficiency and thus contribute to the financial well being of the Group.

Financial Services

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

Insurance

During the year under review, business faced a multitude of challenges. The mortgage crisis and credit crunch in the U.S. have negatively impacted stock markets globally and pushed several countries into recession.

The impact of these systemic events had affected POI on two fronts. Firstly, the value of investments in equities declined substantially, the effect of which contributed significantly to the large loss suffered by the Group and secondly, as business confidence wanes POI encounters greater credit risk.

Owing to these uncertainties, POI took preemptive measures to soften any adverse impact. Credit control procedures were tightened and review of profitability of agents as well as individual branch performance were more frequent. All operating expenses, including management expenses, were closely monitored.

Though motor underwriting continued to be POI's staple, it also expanded into other income avenues wherever opportunities arise. Because economic conditions are expected to weaken in the coming year, POI believes that having a rebalanced risk portfolio and a more conservative underwriting approach should be the appropriate policies at the moment.

For 2008, POI achieved a higher total revenue of RM329.0 million as compared to RM248.8 million the year before. Despite the increase in premium growth in 2008, POI recorded a pre-tax loss of RM23.1 million primarily due to the substantial provision made for the declining value in investment in stocks and shares. Furthermore, as previously stated, the full benefit of increased business in 2008 had not been reflected in POI's income statement because the locked-in gross premium is being held as Unearned Premium Reserve in the balance sheet, but will be released and taken up as income in 2009 and future years.

In spite of the market environment, POI will be looking towards premium growth in the coming year, primarily due to the better underwriting conditions for 2009.

Money Lending

No major commitments were made during the year under review. The money lending unit has taken steps to reduce borrowings and conserve resources for the coming year as the level of business activity is expected to be subdued in the face of a slower economy.

Turnover for the year which totalled RM1.19 million was almost the same as the previous year (RM1.22 million) whilst pre-tax profit improved to RM0.49 million as against a pre-tax profit of RM0.02 million the year before. The increase was partly brought about by the absence of bad debts written off (RM0.24 million in 2007).

Information Technology

In Malaysia, the IT division made progress in software sales with new clients who are from the financial sector signing up for our customised business solution services. The sales of surveillance and security systems continued to be encouraging and a number of existing clients sought to increase the scope of their current requirements. Sales to the government and government-linked organizations were promising though progress had been slowed down by the approval processes.

Operations in Thailand progressed with more clients signing up during the year. Two internationally renowned Asian-based banks are currently using our customized business solution services. In the U.S. uncertain economic conditions has created a challenging business environment and progress in 2008 had been slow.

In 2008 total turnover of the division grew moderately to RM13.7 million as compared to RM11.7 million the year before. Owing to improved sales and better margins, the bottom line was healthier and pre-tax loss decreased to RM7.5 million as against RM9.9 million the previous year.

Turnover for the division is expected to grow in 2009 in spite of a tougher operating environment. As we enter into recessionary times, financial institutions are expected to focus on more efficient methods of debt collection. This augurs well for our customised business solutions which facilitate efficiency in collection processes. Our new products include facial recognition and license plate recognition software which will be implemented as complementary software to our existing security camera system. In view of the financial turmoil, we expect security to be a primary concern in the coming year. This might result in a higher demand for security products and services such as security camera systems.

DIVIDEND

In respect of the financial year ended 30 September 2008, the first interim dividend of 1.875 sen per share less tax amounting to RM1.48 million was paid on 19 June 2008.

On 21 January 2008, a total of 3,008,646 treasury shares valued at RM5,011,000 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 7 January 2008.

The Directors do not recommend the payment of any final dividend for the current financial year.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises that its activities have an impact on the environment in which it operates and the people with whom it interacts. Therefore, the Group endeavours to behave in a responsible and equitable manner in its day-to-day operations.

Although there is no specific Group policy on Corporate Social Responsibility, the Group does undertake activities consistent with good corporate citizenry. For example, various member companies of the Group:

- Provide financial and other support to organisations concerned with safety, charitable, welfare and sports activities
- Train, develop and provide health education to employees
- Informally encourage employees to minimise the wastage of energy and products with significant environmental costs.

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
Chairman
Kuala Lumpur
January 2009

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat bagi tahun berakhir 30 September 2008.

KEPUTUSAN KEWANGAN

Kumpulan mencatatkan jumlah dagangan yang lebih tinggi sebanyak RM337.2 juta pada tahun 2008 berbanding dengan jumlah sebanyak RM256.9 juta yang dicatatkan pada tahun 2007. Peningkatan ini terutamanya berpunca daripada premium kasar yang lebih tinggi daripada anak syarikat insurans.

Walaupun mencatatkan peningkatan dalam jumlah dagangan, Kumpulan telah menanggung kerugian pra cukai sebanyak RM37.2 juta berbanding dengan keuntungan pra cukai sebanyak RM10.8 juta pada tahun sebelumnya. Kerugian terutamanya disebabkan oleh peningkatan besar dalam peruntukan bagi pengurangan dalam nilai pelaburan anak syarikat insurans yang mana adalah selaras dengan pasaran saham semasa yang kurang baik dan pematuhan ketat kepada amalan perakaunan penandaan-kepada-pasaran. Tambahan pula, manfaat penuh peningkatan dalam jumlah dagangan anak syarikat insurans belum lagi diambilkira dalam keputusan Kumpulan kerana premium kasar terkunci yang dipegang sebagai Rizab Premium Tidak Terperoleh dalam kunci kira-kira Kumpulan, yang mana akan dilepaskan dan dikira sebagai pendapatan pada tahun 2009 dan tahun-tahun hadapan selaras dengan Akta Insurans 1996.

Di tahap Syarikat, jumlah dagangan telah merosot kepada RM15.7 juta pada tahun 2008 berbanding dengan RM22.3 juta pada tahun sebelumnya disebabkan oleh dividen lebih rendah yang diterima daripada anak syarikat insurans. Akibat daripadanya, keuntungan pra cukai telah merosot kepada RM4.1 juta daripada RM8.9 juta yang dicatatkan pada tahun 2007.

KEGIATAN DAN PROSPEK KUMPULAN

Dalam Tinjauan Ekonomi Dunia (WEO) tahun terkini yang dikeluarkan pada Oktober 2008, Tabung Kewangan Antarabangsa (IMF) menyatakan bahawa ekonomi dunia akan menuju ke arah penurunan ketara. Berhadapan dengan kejutan kewangan paling teruk dalam pasaran kewangan matang sejak tahun 1930-an, IMF telah menurunkan ramalannya bagi pertumbuhan ekonomi global tahun hadapan kepada 3.0 peratus - hampir satu peratus lebih rendah daripada ramalan yang dibuat dalam laporan terkini WEO Julai 2008.

Badan ekonomi dunia itu menjangkakan pemulihan pada tahun 2009 nanti tetapi pada kadar yang perlahan berbanding dengan standard-standard yang lepas kerana keadaan kewangan yang dijangka akan terus menjadi amat sukar, walaupun mengandaikan bahawa tindakan yang diambil oleh pihak berkuasa U.S. dan Eropah berjaya dalam menstabilkan keadaan sedemikian dan menghindari peristiwa-peristiwa sistemik yang kurang menggalakkan.

Institut Penyelidikan Ekonomi Malaysia, dalam "Tinjauan Ekonomi Malaysia" suku ketiganya yang dikeluarkan pada Oktober 2008, telah menurunkan ramalan pertumbuhan 2009 bagi Malaysia kepada 3.4 peratus memandangkan ketidaktentuan kewangan global yang dijangka akan mencetuskan kelembapan ekonomi seluruh dunia.

Sebagai respons kepada harapan ekonomi yang suram, Bank Negara Malaysia (BNM) menyatakan ia bersedia untuk mengalihkan tumpuan kepada merangsang pertumbuhan ekonomi memandangkan tekanan inflasi semakin berkurangan disebabkan oleh penurunan dalam harga komoditi dan bahan api yang lebih pantas daripada yang dijangkakan. Menurut BNM, kadar inflasi Malaysia dijangka jatuh di bawah 4 peratus sebelum separuh kedua 2009, dan baki risiko-risiko adalah cenderung ke arah pertumbuhan.

PENYATA PENGERUSI

Menurut Menteri Kewangan, Malaysia berkemungkinan tidak akan terjerumus ke dalam kemelesetan. Walaupun dibebani oleh ketidaktentuan kewangan global semasa, ekonomi negara dijangka akan terus berkembang, meskipun pada kadar yang lebih rendah daripada unjuran asal. Untuk mengukuhkan pertumbuhan ekonomi yang membantu menyerap kesan teruk krisis ekonomi global, Kerajaan telah mengumumkan satu pakej rangsangan bernilai RM7 bilion pada awal November 2008 yang akan memberi tumpuan dalam menggalakkan kegiatan ekonomi dalam negeri.

Berhadapan dengan keadaan kewangan global yang tidak menentu dan pergolakan ekonomi, Lembaga berwaspada dengan prospek Syarikat bagi tahun semasa. Namun demikian, pemegang-pemegang saham harus mendapat jaminan bahawa usaha-usaha akan terus dibuat untuk meningkatkan kecekapan operasi yang boleh membawa kepada kesejahteraan kewangan Kumpulan.

Perkhidmatan Kewangan

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

Insurans

Dalam tahun di bawah kajian, perniagaan telah menghadapi pelbagai bentuk cabaran. Krisis gadai janji dan kerapuhan kredit di U.S. secara negatif telah menjejaskan pasaran-pasaran saham di peringkat global dan menjerumuskan beberapa buah negara kepada kemelesetan.

Kesan peristiwa sistemik ini telah menjejaskan POI dalam dua aspek. Pertama, nilai pelaburan dalam ekuiti telah merosot dengan ketara, kesan yang mana secara ketara menyumbang kepada kerugian besar yang ditanggung oleh Kumpulan dan keduanya, apabila keyakinan perniagaan semakin berkurangan POI berhadapan dengan risiko kredit yang lebih besar.

Berikutan dengan ketidaktentuan ini, POI telah mengambil langkah-langkah preemptif untuk menyerap sebarang kesan teruk. Prosedur-prosedur kawalan kredit telah diperketatkan dan kajian keberuntungan ejen-ejen serta prestasi cawangan individu telah dibuat dengan lebih kerap. Semua perbelanjaan operasi, termasuk perbelanjaan pengurusan, telah dipantau dengan teliti.

Walaupun pengunderaitan motor terus menjadi hasil utama POI, ia juga telah berkembang kepada pencarian pendapatan-pendapatan lain sekiranya mendapat peluang. Disebabkan keadaan ekonomi yang dijangka akan bertambah lemah dalam tahun-tahun yang akan datang, POI percaya bahawa dengan mempunyai portfolio risiko yang terimbang dan pendekatan pengunderaitan yang lebih konservatif haruslah menjadi polisi yang sesuai buat masa ini.

Bagi tahun 2008, POI mencapai jumlah hasil yang lebih tinggi sebanyak RM329.0 juta berbanding dengan RM248.8 juta pada tahun sebelumnya. Di sebalik peningkatan dalam pertumbuhan premium pada tahun 2008, POI telah mencatatkan kerugian pra cukai sebanyak RM23.1 juta terutamanya disebabkan oleh peruntukan besar yang dibuat bagi pengurangan nilai pelaburan dalam stok dan saham. Tambahan pula, sebagaimana yang dinyatakan sebelum ini, manfaat penuh peningkatan perniagaan pada tahun 2008 tidak diambilkira dalam penyata pendapatan POI kerana premium kasar terkunci telah dipegang sebagai Rizab Premium Tidak Terperoleh dalam kunci kira-kira, tetapi akan dilepaskan dan dikira sebagai pendapatan pada tahun 2009 dan tahun-tahun hadapan.

Di sebalik persekitaran pasaran, POI akan menyaksikan pertumbuhan premium dalam tahun-tahun yang akan datang, terutamanya disebabkan oleh keadaan pengunderaitan yang lebih baik bagi tahun 2009.

Pemberian Pinjaman Wang

Tidak ada komitmen utama telah dibuat dalam tahun di bawah kajian. Unit pemberian pinjaman telah mengambil langkah-langkah untuk mengurangkan pinjaman dan menjimatkan sumber-sumber bagi tahun-tahun akan datang memandangkan tahap kegiatan perniagaan dijangka akan lembap berhadapan dengan ekonomi yang lebih perlahan.

Jumlah dagangan bagi tahun yang berjumlah RM1.19 juta adalah hampir sama seperti tahun sebelum ini (RM1.22 juta) manakala keuntungan pra cukai telah meningkat kepada RM0.49 juta berbanding keuntungan pra cukai sebanyak RM0.02 juta pada tahun sebelumnya. Peningkatan ini adalah terutamanya disebabkan oleh ketiadaan hutang lapuk dihapus kira (RM0.24 juta pada tahun 2007).

Teknologi Maklumat

Di Malaysia, bahagian IT telah membawa kemajuan dalam jualan perisian dengan klien-klien baru yang terdiri daripada sektor kewangan bagi perkhidmatan penyelesaian perniagaan kami. Jualan sistem pemantauan dan keselamatan terus menggalakkan dan beberapa klien sedia ada berusaha untuk meningkatkan skop keperluan semasa mereka. Jualan kepada kerajaan dan organisasi berkaitan kerajaan adalah cerah walaupun kemajuan adalah diperlahankan oleh proses-proses kelulusan.

Operasi di Thailand bertambah maju dengan lebih ramai klien mendaftar pada tahun ini. Dua buah bank berpangkalan di Asia yang terkenal di peringkat antarabangsa pada masa ini menggunakan perkhidmatan penyelesaian perniagaan kami. Di U.S. keadaan ekonomi yang tidak menentu telah menimbulkan persekitaran perniagaan yang mencabar dan kemajuan pada tahun 2008 telah menjadi perlahan.

Pada tahun 2008, jumlah dagangan keseluruhan bahagian ini telah meningkat secara sederhana kepada RM13.7 juta berbanding dengan RM11.7 juta pada tahun sebelumnya. Disebabkan peningkatan jualan dan margin yang lebih baik, kerugian pra cukai telah menurun kepada RM7.5 juta berbanding dengan RM9.9 juta pada tahun sebelumnya.

Jumlah dagangan bagi bahagian ini dijangka akan meningkat pada tahun 2009 walaupun dalam keadaan operasi yang lebih sukar. Memandangkan kita sedang menghadapi kemelesetan, institusi-institusi kewangan dijangka akan menumpu kepada kaedah-kaedah pengutipan hutang yang lebih cekap. Ini merupakan petanda baik bagi perkhidmatan penyelesaian perniagaan kami yang akan memudahkan kecekapan dalam proses-proses pengutipan. Produk-produk baru kami termasuk perisian pengecaman muka dan pengecaman plat lesen yang akan dilaksanakan sebagai perisian pelengkap kepada sistem kamera keselamatan sedia ada kami. Berikutan dengan ketidaktentuan kewangan, kami menjangkakan keselamatan akan menjadi kebimbangan utama dalam tahun-tahun yang akan datang. Keadaan ini boleh mengakibatkan permintaan yang lebih tinggi bagi produk dan perkhidmatan keselamatan seperti sistem kamera keselamatan.

DIVIDEN

Berhubung dengan tahun kewangan berakhir 30 September 2008, dividen interim pertama sebanyak 1.875 sen setiap saham tolak cukai berjumlah RM1.48 juta telah dibayar pada 19 Jun 2008.

Pada 21 Januari 2008, sejumlah 3,008,646 saham perbendaharaan yang bernilai RM5,011,000 telah diagihkan sebagai dividen-dividen saham kepada pemegang-pemegang saham berasaskan 1 saham perbendaharaan bagi setiap 35 saham biasa berbayar penuh sedia ada yang bernilai RM1.00 sesaham yang dipegang pada 7 Januari 2008.

Pengarah-pengarah tidak mengesyorkan pembayaran sebarang dividen akhir bagi tahun kewangan semasa.

TANGGUNGJAWAB SOSIAL KORPORAT

Kumpulan menyedari bahawa kegiatan-kegiatannya mempunyai kesan ke atas alam sekitar di mana ia beroperasi dan dengan orang yang berinteraksi dengannya. Justeru itu, Kumpulan berusaha untuk bertindak dalam cara yang bertanggungjawab dan saksama dalam operasi hariannya.

Walaupun tidak ada dasar khusus Kumpulan mengenai Tanggungjawab Sosial Korporat, Kumpulan telah melaksanakan kegiatan-kegiatan yang konsisten dengan warga korporat yang baik. Sebagai contoh, pelbagai syarikat ahli Kumpulan:

- Menyediakan bantuan kewangan dan lain-lain sokongan kepada organisasi-organisasi berkaitan dengan keselamatan, kegiatan amal, kebajikan dan kegiatan-kegiatan sukan
- Melatih, membangun dan menyediakan pendidikan kesihatan kepada para kakitangan
- Menggalakkan kakitangan secara tidak langsung untuk meminimumkan pembaziran tenaga dan produk dengan kos-kos alam sekitar yang besar.

PENGHARGAAN

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

CHAN HUA ENG
Pengerusi
Kuala Lumpur
Januari 2009

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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 2008.

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 12 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 attributable to equity holders of the Company	(32,617)	2,562

DIVIDENDS

The amount of dividends paid or declared by the Company since 30 September 2007 were as follows:

	RM'000
In respect of the financial year ended 30 September 2007	
3rd interim dividend of 3.75 sen per share less tax at 26% paid on 19 December 2007	2,935
In respect of the financial year ended 30 September 2008	
1st interim dividend of 1.875 sen per share less tax at 26% paid on 19 June 2008	1,480
	4,415

The Directors do not recommend the payment of any final dividend for the current financial year.

RESERVES AND PROVISIONS

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

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

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM110,647,000 to RM110,680,000 by way of the issuance of 33,000 new ordinary shares of RM1.00 each fully paid pursuant to the Company's Employee Share Option Scheme (ESOS) at an exercise price of RM1.27 per ordinary share for cash.

The new ordinary shares of RM1.00 each 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 2,430,000 of its issued ordinary shares of RM1.00 each fully paid from the open market at an average price of RM1.43 per share for a total consideration of RM3,477,000. 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 21 January 2008, a total of 3,008,646 treasury shares valued at RM5,011,000 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 7 January 2008.

Further relevant details are disclosed in Note 24 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.

The Board of Directors had, on 27 August 2007, approved the extension of the ESOS for another three (3) years to expire on 15 January 2011.

The main features of the ESOS are disclosed in Note 24.

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 400,000 shares. The names of the option holders as of 30 September 2008 who have been granted options of 400,000 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 Piaw	480,000
Mr. Sim Swee Huat	420,000

SHARE OPTIONS (Cont'd.)

The movement in the options of unissued new ordinary share of RM1.00 each and those that have lapsed/forfeited during the financial year were as follows:

	Number of Share Options
At 1 October 2007	5,659,000
Granted	-
Exercised*	(31,000)
Forfeited/lapsed	(141,000)
At 30 September 2008	5,487,000

* Exclude 2,000 share options exercised on 28 September 2007 but alloted on 4 October 2007.

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

Exercise Date	Exercise Price RM	Fair Value of Ordinary Shares RM	Number of Share Options '000	Considerations Received RM'000
October 2007 – September 2008	1.27	1.02 - 1.55	31	39
Less : Par value of ordinary shares				(31)
Share premium				8

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

Exercise Period	Exercise Price RM	Number of Share Options
5.4.2003 – 15.1.2011	1.27	3,800,000
12.7.2003 – 15.1.2011	1.76	800,000
23.9.2004 – 15.1.2011	1.66	887,000
		5,487,000

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 require any amount to be written off as bad debts or render the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business at 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(6) of the Companies Act, 1965, Mr. Chan Hua Eng and Mr. Michael Yee Kim Shing retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

In accordance with Article 82 of the Company's Articles of Association, Mr. Chan Thye Seng and Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary as a full-time employee of the Company as shown in Note 31 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1.00 Each				
The Company	**At 1 October 2007**	**Bought**	**Share dividend***	**Sold**	**At 30 September 2008**
Mr. Chan Hua Eng					
- Direct interest	138,152	-	3,947	-	142,099
- Indirect interest	1,917,815 **	607,000	64,946	-	2,589,761
Mr. Chan Thye Seng					
- Direct interest	10,213,413	908,000	317,755	-	11,439,168
- Indirect interest	54,238,090 **	631,200	1,529,840	2,027,000	54,372,130
Mr. Michael Yee Kim Shing					
- Indirect interest	963,098	-	25,803	60,000	928,901
Y.Bhg. Dato' Abu Hanifah Bin Noordin					
- Indirect interest	2,283,279	-	65,237	-	2,348,516

DIRECTORS' INTERESTS (Cont'd.)

The Company (Cont'd.)	Number of Ordinary Shares of RM1.00 Each				
	At 1 October 2007	Bought	Share dividend*	Sold	At 30 September 2008
Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed - Indirect interest	3,533,511	-	93,815	250,000	3,377,326

* This represents a distribution 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 7 January 2008.

** These represent adjustments pursuant to Section 134 (12)(c) of the Companies Act, 1965.

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	Exercise Price RM	Number of Share Options Under ESOS of RM1.00 Each			
		At 1 October 2007	Granted	Exercised	At 30 September 2008
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 dated 27 November 2008

CHAN THYE SENG **MICHAEL YEE KIM SHING**

Kuala Lumpur

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 37 to 99 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting 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 2008 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 dated 27 November 2008

CHAN THYE SENG **MICHAEL YEE KIM SHING**

Kuala Lumpur

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 37 to 99 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, l960.

Subscribed and solemnly declared by)
the abovenamed ENG LIAN GEOK) **ENG LIAN GEOK**
at Kuala Lumpur in Wilayah)
Persekutuan on 27 November 2008)

Before me:

Mohd Radzi Bin Yasin
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PACIFIC & ORIENT BERHAD
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Pacific & Orient Berhad, which comprise the balance sheets as at 30 September 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 99.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2008 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts 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.

(c) The auditors' reports on the accounts 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 Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Habibah bte Abdul
No. 1210/05/10(J)
Chartered Accountant

Kuala Lumpur, Malaysia

BALANCE SHEETS
AS AT 30 SEPTEMBER 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
ASSETS					
Property, plant and equipment	5	**14,765**	15,235	**918**	561
Investment properties	6	**595**	585	**-**	-
Prepaid land lease payments	7	**334**	338	**-**	-
Goodwill on consolidation	8	**1,935**	1,935	**-**	-
Intangible assets	9	**993**	967	**23**	31
Deferred tax assets	10	**25,293**	18,495	**524**	510
Investments	11	**588,919**	561,042	**19,674**	19,806
Investment in subsidiary companies	12	**-**	-	**132,062**	132,062
Inventories - goods for resale	13	**2,251**	2,826	**-**	-
Loans	14	**395**	13,416	**-**	-
Trade receivables	15	**28,030**	10,752	**-**	-
Other receivables	15	**17,730**	17,323	**3,866**	2,673
Due from subsidiary companies	16	**-**	-	**58,681**	60,355
Deposits and placements with financial institutions	17	**6,468**	2,215	**-**	-
Cash and bank balances	18	**7,060**	5,014	**123**	203
TOTAL ASSETS		**694,768**	650,143	**215,871**	216,201
LIABILITIES					
Provision for outstanding claims	19	**306,972**	292,583	**-**	-
Trade payables	20	**15,033**	5,602	**-**	-
Other payables	20	**9,078**	7,369	**1,024**	1,194
Hire purchase creditors	21	**1,542**	1,059	**518**	268
Borrowings	22	**51,550**	47,650	**49,300**	44,400
Provision for taxation		**942**	-	**-**	-
TOTAL LIABILITIES		**385,117**	354,263	**50,842**	45,862
Unearned premium reserves	23	**168,226**	113,141	**-**	-
EQUITY					
Share capital	24	**110,680**	110,647	**110,680**	110,647
Treasury shares	24	**(6,659)**	(8,193)	**(6,659)**	(8,193)
Share premium		**16,823**	21,847	**16,823**	21,847
Merger reserve		**40,769**	40,769	**-**	-
Translation reserve		**(324)**	501	**-**	-
(Accumulated loss)/retained profits	25	**(19,864)**	17,168	**44,185**	46,038
		141,425	182,739	**165,029**	170,339
TOTAL LIABILITIES, UNEARNED PREMIUM RESERVES AND EQUITY		**694,768**	650,143	**215,871**	216,201

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2008

Group	<------------------------Attributable to equity holders of the Company----------------------->							
	Issued and fully paid ordinary shares of <----RM1.00 each---->		<--------Non-Distributable-------->				Distributable	
	Number of Shares '000	Nominal Value RM'000	Treasury Shares RM'000	Share Premium RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Retained Profits/ (Accumulated Loss) RM'000	Total RM'000
At 1 October 2006	110,457	110,457	(12,268)	32,277	40,769	(615)	22,494	193,114
Currency translation loss not recognised in the income statement	-	-	-	-	-	1,116	-	1,116
Issue of shares - ESOS	190	190	-	51	-	-	-	241
Purchase of treasury shares (Note 24)	-	-	(6,362)	-	-	-	-	(6,362)
Treasury share transfer fees	-	-	-	(44)	-	-	-	(44)
Distribution as share dividends	-	-	10,437	(10,437)	-	-	-	-
Net profit for the year	-	-	-	-	-	-	3,236	3,236
Dividends (Note 26)	-	-	-	-	-	-	(8,562)	(8,562)
At 30 September 2007	110,647	110,647	(8,193)	21,847	40,769	501	17,168	182,739
Currency translation loss not recognised in the income statement	-	-	-	-	-	(825)	-	(825)
Issue of shares - ESOS	33	33	-	9	-	-	-	42
Purchase of treasury shares (Note 24)	-	-	(3,477)	-	-	-	-	(3,477)
Treasury share transfer fees	-	-	-	(22)	-	-	-	(22)
Distribution as share dividends	-	-	5,011	(5,011)	-	-	-	-
Net loss for the year	-	-	-	-	-	-	(32,617)	(32,617)
Dividends (Note 26)	-	-	-	-	-	-	(4,415)	(4,415)
At 30 September 2008	**110,680**	**110,680**	**(6,659)**	**16,823**	**40,769**	**(324)**	**(19,864)**	**141,425**

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D.)
FOR THE YEAR ENDED 30 SEPTEMBER 2008

Company	<-----------Attributable to equity holders of the Company------------>					
	Issued and fully paid ordinary shares of <----RM1.00 each---->		Non-Distributable		Distributable	
	Number of Shares '000	Nominal Value RM'000	Treasury Shares RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000
At 1 October 2006	110,457	110,457	(12,268)	32,277	47,069	177,535
Issue of shares - ESOS	190	190	-	51	-	241
Purchase of treasury shares (Note 24)	-	-	(6,362)	-	-	(6,362)
Treasury share transfer fees	-	-	-	(44)	-	(44)
Distribution as share dividends	-	-	10,437	(10,437)	-	-
Net profit for the year	-	-	-	-	7,531	7,531
Dividends (Note 26)	-	-	-	-	(8,562)	(8,562)
At 30 September 2007	110,647	110,647	(8,193)	21,847	46,038	170,339
Issue of shares - ESOS	33	33	-	9	-	42
Purchase of treasury shares (Note 24)	-	-	(3,477)	-	-	(3,477)
Treasury share transfer fees	-	-	-	(22)	-	(22)
Distribution as share dividends	-	-	5,011	(5,011)	-	-
Net profit for the year	-	-	-	-	2,562	2,562
Dividends (Note 26)	-	-	-	-	(4,415)	(4,415)
At 30 September 2008	**110,680**	**110,680**	**(6,659)**	**16,823**	**44,185**	**165,029**

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

INCOME STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Revenue	27	**337,212**	256,872	**15,465**	22,321
Other operating income	28	**3,594**	39,885	**279**	19
		340,806	296,757	**15,744**	22,340
Changes in inventories		**(1,941)**	(2,222)	**-**	-
Reinsurance		**(36,452)**	(26,340)	**-**	-
Net claims incurred	29	**(154,899)**	(161,375)	**-**	-
Net commission		**(31,349)**	(22,808)	**-**	-
Increase in unearned premium reserves	23	**(55,085)**	(16,384)	**-**	-
Staff costs	30	**(27,023)**	(26,671)	**(4,092)**	(3,964)
Depreciation		**(2,186)**	(2,362)	**(96)**	(95)
Amortisation	32	**(220)**	(213)	**(8)**	(9)
Other operating expenses	33	**(65,501)**	(24,556)	**(4,361)**	(6,764)
Operating (loss)/profit		**(33,850)**	13,826	**7,187**	11,508
Finance costs	34	**(3,314)**	(3,035)	**(3,048)**	(2,591)
(Loss)/profit before taxation	35	**(37,164)**	10,791	**4,139**	8,917
Income tax expense	41	**4,547**	(7,555)	**(1,577)**	(1,386)
Net (loss)/profit for the year attributable to equity holders of the Company		**(32,617)**	3,236	**2,562**	7,531

	Note	Group 2008	Group 2007
(Loss)/earnings per share attributable to equity holders of the Company (sen)			
Basic	42	**(30.57)**	3.09
Diluted	42	**-**	3.07
Dividend per share (sen) 5.625 sen (2007 : 11.25 sen) less tax	26	**4.17**	8.22

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Note	2008 RM'000	2007 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(37,164)**	10,791
Adjustments for:			
Depreciation of property, plant and equipment		**2,186**	2,362
Amortisation of premiums, net of accretion of discounts		**688**	784
Amortisation of prepaid land lease payments		**4**	4
Amortisation of computer software and other licences		**216**	209
Gain on disposal of property, plant and equipment		**(147)**	(52)
Gain on fair value adjustment		**(10)**	-
Property, plant and equipment written off		**30**	83
Quoted warants written off		**543**	-
Allowance for diminution in value of investments		**38,672**	473
Permanent diminution in value of investments		**-**	677
Inventories of consumables written off		**-**	12
Inventories of goods for resale written off		**287**	12
Allowance for inventory obsolescence		**336**	-
Gain on disposal of investments		**(1,181)**	(18,049)
Surplus on return of capital from Killinghall (Malaysia) Berhad ("KMB")	28	**-**	(21,095)
Dividend income		**(4,465)**	(4,345)
Income from Islamic corporate bonds		**(1,834)**	(1,547)
Interest income		**(17,693)**	(18,082)
Interest written off		**-**	239
Allowance for/(write back of) doubtful debts		**416**	(1,312)
Short term accumulating compensated absences		**35**	106
Increase in unearned premium reserves		**55,085**	16,384
Interest expense		**3,215**	2,852
Unrealised (gain)/loss on foreign exchange		**(606)**	1,214
Transfer to property, plant and equipment from inventories		**(193)**	(213)
Operating loss before working capital changes		**38,420**	(28,493)
Changes in working capital:			
Proceeds from disposal of investments		**42,726**	115,870
Purchase of investments		**(58,756)**	(125,726)
(Increase)/decrease in bankers acceptances		**(54,974)**	9,630
Decrease/(increase) in deposits and placements of the insurance subsidiary company with financial institutions		**4,783**	(1,304)
Decrease in loans		**13,022**	8,664
Increase in receivables		**(19,489)**	(1,695)
(Increase)/decrease in inventories - goods for resale		**(48)**	16
Increase in outstanding claims		**14,389**	15,650
Increase in payables		**11,370**	368
Cash used in operations		**(8,557)**	(7,020)
Tax (paid)/refunded		**(538)**	2
Dividends received		**2,555**	2,357
Income received from Islamic corporate bonds		**1,903**	1,314
Interest received		**19,664**	16,151
Interest paid		**(3,484)**	(2,786)
Net cash generated from operating activities		**11,543**	10,018

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

CONSOLIDATED CASH FLOW STATEMENT (CONT'D.)
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Note	2008 RM'000	2007 RM'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5(b)	**(618)**	(395)
Purchase of intangible assets	9	**(226)**	(240)
Proceeds from disposal of property, plant and equipment		**237**	3,513
Net cash (used in)/generated from investing activities		**(607)**	2,878
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		**42**	241
Acquisition of treasury shares		**(3,477)**	(6,427)
Payment of transfer fee for treasury shares		**(22)**	(43)
Dividends paid		**(4,415)**	(8,562)
Decrease in hire purchase creditors		**(573)**	(466)
Drawdown of borrowings		**3,900**	2,000
Net cash used in financing activities		**(4,545)**	(13,257)
Effects of exchange rate changes on cash and cash equivalents		**(44)**	(50)
Net increase/(decrease) in cash and cash equivalents		**6,347**	(411)
Cash and cash equivalents at beginning of year		**7,181**	7,640
Cash and cash equivalents at end of year		**13,528**	7,229
Cash and cash equivalents comprise the following:			
Cash and bank balances		**7,060**	5,014
Deposits and placements with financial institutions *		**6,468**	2,215
Cash and cash equivalents as previously reported		**13,528**	7,229
Effect of exchange rate changes		**-**	(48)
Cash and cash equivalents as restated		**13,528**	7,181

* The deposits and placements with financial institutions relate to those of the non-insurance subsidiary companies as disclosed in Note 17.

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Note	2008 RM'000	2007 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**4,139**	8,917
Adjustments for:			
Depreciation of property, plant and equipment		**96**	95
Allowance for impairment in investment in subsidiary companies		**-**	1,579
Amortisation of computer software and other licences		**8**	9
Gain on disposal of property, plant and equipment		**(53)**	(12)
Unrealised (gain)/loss on foreign exchange		**(226)**	908
Quoted warrants written off		**132**	-
Short term accumulating compensated absences		**46**	33
Dividend income		**(11,761)**	(18,239)
Interest income		**(732)**	(729)
Interest expense		**2,955**	2,422
Operating loss before working capital changes		**(5,396)**	(5,017)
Changes in working capital:			
Decrease/(increase) in receivables		**60**	(10)
Decrease/(increase) in due from subsidiary companies		**2,255**	(2,592)
Increase in payables		**32**	89
Cash used in operations		**(3,049)**	(7,530)
Dividends received		**8,703**	12,694
Interest received		**377**	1,644
Interest paid		**(3,204)**	(2,332)
Tax refunded, net of tax paid		**214**	3,361
Net cash generated from operating activities		**3,041**	7,837
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5(b)	**(103)**	(39)
Proceeds from disposal of property, plant and equipment		**83**	11
Net cash used in investing activities		**(20)**	(28)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		**42**	241
Acquisition of treasury shares		**(3,475)**	(6,427)
Payment of transfer fee for treasury shares		**(22)**	(44)
Dividends paid		**(4,415)**	(8,562)
Decrease in hire purchase creditors		**(131)**	(82)
Drawdown of bank borrowings		**4,900**	3,500
Net cash used in financing activities		**(3,101)**	(11,374)
Net decrease in cash and cash equivalents		**(80)**	(3,565)
Cash and cash equivalents at beginning of year		**203**	3,768
Cash and cash equivalents at end of year		**123**	203
Cash and cash equivalents comprise:			
Cash and bank balances		**123**	203

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

NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2008

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is a public 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 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 12 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 financial statements of the Group and of the Company were authorised for issue on 27 November 2008 pursuant to a resolution by the Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise disclosed in the significant accounting policies. The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia.

At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs, amendments to FRSs and Issues Committee Interpretations as described fully in Note 3 to the financial statements.

The financial statements of the insurance subsidiary company also comply with the Insurance Act and Regulations, 1996 and the Guidelines/Circulars issued by Bank Negara Malaysia.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

(b) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less any impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(ii) 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. All the subsidiary companies were accounted for using the acquisition method except for Pacific & Orient Insurance Co. Berhad, which was accounted for using the merger method of accounting in accordance with Malaysian Accounting Standards No.2 "Accounting for Acquisitions and Mergers" which was the accounting standard prevailing at that time.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(b) Subsidiaries and Basis of Consolidation (Cont'd.)

(ii) Basis of Consolidation (Cont'd.)

With the introduction of MASB Standard 21 (Financial Reporting Standards - FRS 122) on Business Combinations, the Group had elected to apply the transitional provisions made under this Standard, wherein the Group will conform with the requirements of the Standard prospectively.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Under the merger method of accounting, the results of the subsidiaries are included in the consolidated income statements as if the merger had been effected throughout the current financial year and previous financial years. On consolidation, the difference between the carrying value of the investment and the nominal value of shares issued is transferred to a merger reserve or deficit, as applicable.

(c) Intangible Assets

(i) Goodwill

Goodwill arising on business combination represents the excess of acquisition cost over the fair value of the net assets of the subsidiary companies at the date of acquisition. Following the initial recognition, goodwill on business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(c) Intangible Assets (Cont'd.)

(ii) Other Intangible Assets (Cont'd.)

Software Distribution Licence
Software distribution licence is amortised over a period of ten years.

Computer Software and Other Licences
The useful lives of computer software and other licences are considered to be finite because computer software and licences are susceptible to technological obsolescence.

The acquired computer software and other licences are amortised using the straight line method over their estimated useful lives not exceeding 10 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

Preliminary and Pre-operating Expenses
Preliminary and pre-operating expenses are written off as and when incurred.

(d) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(h).

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property, plant and equipment is provided for 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 :

Buildings	2%
Computer equipment	10%
Motor vehicles	20%
Office equipment	10% - 20%
Furniture, fixtures and fittings	10% - 20%

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statements.

(e) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is determined by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(e) Investment Properties (Cont'd.)

Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rental or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statements in the year in which they arise.

(f) Investments

(i) Long term quoted and unquoted investments, and investments in subsidiary companies are stated at cost less impairment losses, if any.

(ii) Investment securities are securities that are acquired and held for yield or capital growth, and are usually held to maturity.

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.

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.

Unquoted investments are stated at cost less impairment losses, if any.

Other investments are stated at cost.

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(h) Impairment of Assets

The carrying amounts of assets, other than inventories, investment properties, investment securities and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

(i) 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.

(j) 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.

(k) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(k) Equity (Cont'd.)

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 statements 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.

(l) 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.

(m) Income Recognition

(i) Interest income on loans is 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) Maintenance contracts and other services are recognised upon completion of services rendered.

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(n) General Insurance Underwriting Results (Cont'd.)

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.

(o) 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 Pacific and Orient Berhad Employee Share Options Scheme ("ESOS") is an equity-settled, share-based compensation plan for the employees of the Group.

The total fair value of share options granted to employees is recognised as a compensation expense with a corresponding increase in equity over the vesting periods.

At each balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to equity over the remaining vesting period.

When the share options are exercised, equity is increased by the amount of the proceeds received.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(p) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing at the dates of transactions.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statements for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statements. Exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statements for the period. Exchange differences arising on monetary items that form part of the Company's net investment in a foreign operation, regardless of the currency of the monetary item, are recognised in the income statements in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statements for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(q) 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 tax 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. 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 enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement as income or expense, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised 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.

(r) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- A property held under an operating lease that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance Leases – the Group as Lessee

Assets acquired by way of hire purchase agreements are stated at an amount equal to the lower of their fair values and the present value of the minimum payments at the inception of the agreements, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as hire purchase creditors. In calculating the present value of the minimum payments, the discount factor used is the interest rate implicit in the agreements, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are charged to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(r) Leases (Cont'd.)

(ii) Finance Leases – the Group as Lessee (Cont'd.)

Hire purchase 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 commitments and the fair value of the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(d).

(iii) Operating Leases – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(iv) Operating Leases – the Group as Lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on an accrual basis (Note 2(m)(ii)). Initial direct costs incurred in negotiating and arranging an operating lease are charged to the income statement.

(s) 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.

(t) 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.

(u) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(u) Financial Instruments (Cont'd.)

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.

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs

(a) The significant accounting policies are consistent with those of the audited financial statements of financial year ended 30 September 2007 except for the adoption of the following new and revised FRSs, amendments to FRSs and Issues Committee ("IC") Interpretations effective for financial year beginning 1 October 2007 as follows:

FRS 6	Exploration for and Evaluation of Mineral Resources
Amendment to FRS 119_{2004}	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefit Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provision, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129_{2004} - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (Cont'd.)

The adoption of the Amendment to FRS 121, FRSs 107, 112, 118, 119, 134 and 137 and IC Interpretation 8 did not result in significant changes in the accounting policies of the Group and of the Company whilst Amendment to $FRS119_{2004,}$ FRSs 6, 111, 120, 126, 129 and IC Interpretations 1, 2, 5, 6 and 7 are not applicable.

(b) The Group and the Company have not adopted the following FRSs and Issues Committee ("IC") Interpretations which have been issued but are not yet effective:

		Effective for financial periods beginning on or after
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments -Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

The adoption of FRS 7, IC Interpretations 9 and 10 (effective for periods on or after 1 January 2010) and FRS 8 (effective for periods on or after 1 July 2009) does not have any significant impact on the financial statements.

The impact of applying FRS 4 and FRS 139 on the financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors are not required to be disclosed by virtue of exemptions provided under paragraph 41AA of FRS 4 and 103AB of FRS 139.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical Judgement Made in Applying Accounting Policies

The following is the judgement made by the management in the process of applying the Group's accounting policies that has the most significant effect on the amount recognised in the financial statements.

(i) Classification between Investment Properties and Property, Plant and Equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rental or for capital appreciation or both.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately.

If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd.)

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation and Amortisation

Depreciation and amortisation is based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors, and could impact the estimated average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses.

(ii) Impairment of Goodwill

The Group tests whether goodwill has suffered any impairment at least on an annual basis. This requires the estimation of value in use of the assets or cash generating units (CGU) to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment charges.

The carrying amount of goodwill as at 30 September 2008 was RM1,935,000 (2007: RM1,935,000).

(iii) Impairment of Other Assets

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs and future market conditions. Changes in circumstances may lead to revisions in estimates and assumptions. This may result in changes to the recoverable amounts of assets and impairment losses.

(iv) Uncertainty in Accounting Estimates for General Insurance Business

The principal uncertainty in the general insurance business arises from the claim liabilities. The claim liabilities comprise provision for outstanding claims.

Generally, claim liabilities are determined based upon previous claim experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual claim liabilities will not exactly develop as projected and may vary from the projections.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd.)

(b) Key Sources of Estimation Uncertainty (Cont'd.)

(iv) Uncertainty in Accounting Estimates for General Insurance Business (Cont'd.)

The estimates of claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of claim liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretation, legislative changes and claims handling procedures.

The provision for Incurred But Not Reported ("IBNR") claims has been computed by an external professional actuary.

(v) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances, provisions for diminution in value of investment, unearned premium reserves and provision for doubtful debts to the extent that it is probable that taxable profit will be available against which the benefits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The total carrying value of recognised unused tax losses, unabsorbed capital allowances, diminution in value of investment, unearned premium reserves and provision for doubtful debts of the Group was RM26,093,000 (2007: RM19,369,000) and the total carrying value of recognised unused tax losses and unabsorbed capital allowances of the Company was RM575,000 (2007:RM558,000).

5. PROPERTY, PLANT AND EQUIPMENT

Group

2008	Freehold 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	380	535	13,472	15,070	4,417	6,120	4,578	44,572
Additions	-	-	-	25	1,416	145	89	1,675
Disposals	-	-	-	(72)	(1,515)	(26)	-	(1,613)
Write offs	-	-	-	(182)	(4)	(19)	(4)	(209)
Transfer to inventories	-	-	-	3	-	174	-	177
Translation differences	-	-	-	-	(22)	(10)	(14)	(46)
At end of year	380	535	13,472	14,844	4,292	6,384	4,649	44,556
Accumulated Depreciation								
At beginning of year	-	51	3,970	14,058	2,589	4,743	3,926	29,337
Charge for the year	-	14	319	871	189	555	238	2,186
Disposals	-	-	-	(60)	(1,437)	(26)	-	(1,523)
Write offs	-	-	-	(161)	(4)	(10)	(4)	(179)
Translation differences	-	-	-	8	(13)	(10)	(15)	(30)
At end of year	-	65	4,289	14,716	1,324	5,252	4,145	29,791
Net Book Value								
At end of year	380	470	9,183	128	2,968	1,132	504	14,765

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

Group

2007	Freehold 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	1,477	12,972	15,216	4,575	5,903	5,407	48,330
Additions	-	-	-	84	310	164	77	635
Disposals	(2,400)	(1,200)	-	(3)	(347)	(29)	(873)	(4,852)
Write offs	-	-	-	(194)	(154)	(67)	(54)	(469)
Transfer to inventories	-	-	-	38	-	175	-	213
Transfer from investment properties (Note 6)	-	258	500	-	-	-	-	758
Reclassification	-	-	-	15	-	(15)	-	-
Translation differences	-	-	-	(86)	33	(11)	21	(43)
At end of year	380	535	13,472	15,070	4,417	6,120	4,578	44,572
Accumulated Depreciation								
At beginning of year	-	272	3,650	13,264	2,762	4,271	4,549	28,768
Charge for the year	-	25	320	1,028	165	544	280	2,362
Disposals	-	(246)	-	(2)	(257)	(13)	(873)	(1,391)
Write offs	-	-	-	(174)	(97)	(61)	(53)	(385)
Reclassification	-	-	-	2	-	(2)	-	-
Translation differences	-	-	-	(60)	16	4	23	(17)
At end of year	-	51	3,970	14,058	2,589	4,743	3,926	29,337
Net Book Value								
At end of year	380	484	9,502	1,012	1,828	1,377	652	15,235

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

Company

2008	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	353	1,729	123	394	2,599
Additions	1	482	-	-	483
Disposals	-	(980)	(10)	-	(990)
Write offs	(29)	-	-	-	(29)
At end of year	325	1,231	113	394	2,063
Accumulated Depreciation					
At beginning of year	293	1,286	78	381	2,038
Charge for the year	20	64	7	5	96
Disposals	-	(950)	(10)	-	(960)
Write offs	(29)	-	-	-	(29)
At end of year	284	400	75	386	1,145
Net Book Value					
At end of year	41	831	38	8	918

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

Company

2007	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	348	1,700	141	394	2,583
Additions	5	81	13	-	99
Disposals	-	(52)	(9)	-	(61)
Write offs	-	-	(22)	-	(22)
At end of year	353	1,729	123	394	2,599
Accumulated Depreciation					
At beginning of year	264	1,306	100	356	2,026
Charge for the year	29	32	9	25	95
Disposals	-	(52)	(9)	-	(61)
Write offs	-	-	(22)	-	(22)
At end of year	293	1,286	78	381	2,038
Net Book Value					
At end of year	60	443	45	13	561

(a) The net book value of motor vehicles held under hire purchase agreements are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Motor vehicles	**2,904**	1,647	**828**	441

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash	**618**	395	**103**	39
Hire purchase	**1,057**	240	**380**	60
	1,675	635	**483**	99

6. INVESTMENT PROPERTIES

	Group	
	2008 RM'000	2007 RM'000
At beginning of the year	**585**	1,343
Transfer to property, plant and equipment on change of use (Note 5)		
- Freehold buildings	**-**	(258)
- Leasehold buildings	**-**	(500)
	585	585
Gain on fair value adjustment (Note 28)	**10**	-
At end of the year	**595**	585
Analysed as:		
Freehold buildings	**365**	365
Leasehold buildings	**230**	220
	595	585

7. PREPAID LAND LEASE PAYMENTS

	Group	
	2008 RM'000	2007 RM'000
Long term leasehold land:		
At beginning of year	**338**	342
Amortisation (Note 32)	**(4)**	(4)
At end of year	**334**	338

8. GOODWILL ON CONSOLIDATION

	Group	
	2008 RM'000	2007 RM'000
At beginning/end of year	**1,935**	1,935

9. INTANGIBLE ASSETS

Group 2008	Software Distribution Licence RM'000	Computer Software and Other Licences RM'000	Total RM'000
Cost			
At beginning of year	**2,346**	**2,779**	**5,125**
Additions	**-**	**226**	**226**
Transfer from inventories	**-**	**16**	**16**
At end of year	**2,346**	**3,021**	**5,367**
Accumulated Amortisation			
At beginning of year	**2,346**	**1,812**	**4,158**
Amortisation (Note 32)	**-**	**216**	**216**
At end of year	**2,346**	**2,028**	**4,374**
Net Book Value			
At end of year	**-**	**993**	**993**

2007			
Cost			
At beginning of year	2,346	2,550	4,896
Additions	-	240	240
Translation differences	-	(11)	(11)
At end of year	2,346	2,779	5,125
Accumulated Amortisation			
At beginning of year	2,346	1,611	3,957
Amortisation (Note 32)	-	209	209
Translation differences	-	(8)	(8)
At end of year	2,346	1,812	4,158
Net Book Value			
At end of year	-	967	967

9. INTANGIBLE ASSETS (Cont'd.)

Company 2008	Computer Software and Other Licences RM'000
Cost	
At beginning and end of year	**96**
Accumulated Amortisation	
At beginning of year	**65**
Amortisation (Note 32)	**8**
At end of year	**73**
Net Book Value	
At end of year	**23**

2007	
Cost	
At beginning and end of year	96
Accumulated Amortisation	
At beginning of year	56
Amortisation (Note 32)	9
At end of year	65
Net Book Value	
At end of year	31

10. DEFERRED TAX

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At beginning of year	**18,495**	27,503	**510**	1,725
Transfer to/(from) income statements (Note 41)	**6,911**	(8,924)	**14**	(1,215)
Translation differences	**(113)**	(84)	**-**	-
At end of year	**25,293**	18,495	**524**	510

10. DEFERRED TAX (Cont'd.)

Presented after appropriate offsetting as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deferred tax assets	**26,093**	19,369	**575**	558
Deferred tax liabilities	**(800)**	(874)	**(51)**	(48)
At end of year	**25,293**	18,495	**524**	510

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

Deferred Tax Assets of the Group:

2008	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	**9**	**2,864**	**334**	**16,162**	**19,369**
Recognised in the income statements	**2**	**9,192**	**-**	**(2,357)**	**6,837**
Arising during the year	**2**	**9,192**	**-**	**(136)**	**9,058**
Deferred tax assets written off	**-**	**-**	**-**	**(2,221)**	**(2,221)**
Translation differences	**-**	**-**	**(17)**	**(96)**	**(113)**
At end of year	**11**	**12,056**	**317**	**13,709**	**26,093**

2007	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	14	6,257	309	22,001	28,581
Recognised in the income statements	(5)	(3,393)	(26)	(5,704)	(9,128)
Arising during the year	(5)	(3,161)	(26)	(1,188)	(4,380)
Arising due to change in tax rate	-	(232)	-	(473)	(705)
Deferred tax assets written off	-	-	-	(4,043)	(4,043)
Translation differences	-	-	51	(135)	(84)
At end of year	9	2,864	334	16,162	19,369

10. DEFERRED TAX (Cont'd.)

Deferred Tax Liabilities of the Group:

2008	**Accelerated Capital Allowances RM'000**	**Others RM'000**	**Total RM'000**
At beginning of year	**(770)**	**(104)**	**(874)**
Recognised in the income statements	**80**	**(6)**	**74**
At end of year	**(690)**	**(110)**	**(800)**

2007	**Accelerated Capital Allowances RM'000**	**Others RM'000**	**Total RM'000**
At beginning of year	(915)	(163)	(1,078)
Recognised in the income statements	145	59	204
Arising during the year	111	53	164
Arising due to change in tax rate	34	6	40
At end of year	(770)	(104)	(874)

Deferred Tax Assets of the Company:

2008	**Tax Losses and Unabsorbed Capital Allowances RM'000**	**Total RM'000**
At beginning of year	**558**	**558**
Recognised in the income statement	**17**	**17**
At end of year	**575**	**575**

2007	**Tax Losses and Unabsorbed Capital Allowances RM'000**	**Total RM'000**
At beginning of year	1,777	1,777
Recognised in the income statement	(1,219)	(1,219)
Arising during the year	(1,151)	(1,151)
Arising due to change in tax rate	(68)	(68)
At end of year	558	558

10. DEFERRED TAX (Cont'd.)

Deferred Tax Liabilities of the Company:

2008	**Accelerated Capital Allowances RM'000**	**Total RM'000**
At beginning of year	**(48)**	**(48)**
Recognised in the income statement	**(3)**	**(3)**
At end of year	**(51)**	**(51)**

2007	**Accelerated Capital Allowances RM'000**	**Total RM'000**
At beginning of year	(52)	(52)
Recognised in the income statement	4	4
Arising during the year	2	2
Arising due to change in tax rate	2	2
At end of year	(48)	(48)

As at 30 September 2008, deferred tax assets have not been recognised in respect of the following temporary differences:

	Group	
	2008 RM'000	**2007 RM'000**
Depreciation and capital allowances on property, plant and equipment	**248**	588
Unabsorbed capital allowances and losses	**51,786**	39,020
Other deductible temporary differences	**1,525**	1,324
	53,559	40,932

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

11. INVESTMENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cost				
Long term investment in quoted securities				
Shares in Malaysia	**20,235**	20,235	**19,674**	19,674
Warrants in Malaysia	**-**	132	**-**	132
Club membership	**55**	55	**-**	**-**
Investment securities				
Money market instruments:				
Malaysian Government Securities	**55,383**	63,205	**-**	-
Amortisation of premiums	**(188)**	(1,505)	**-**	-
	55,195	61,700	**-**	-
Islamic corporate bonds	**25,794**	30,800	**-**	-
Amortisation of premiums	**(252)**	(164)	**-**	-
	25,542	30,636	**-**	-
Bankers acceptances	**301,521**	246,548	**-**	-
Quoted securities :				
Shares in Malaysia	**105,477**	77,477	**-**	-
Shares outside Malaysia	**4,423**	4,423	**-**	-
Allowance for diminution in value	**(39,094)**	(383)	**-**	-
	70,806	81,517	**-**	-
Warrants in Malaysia	**-**	289	**-**	-
Allowance for diminution in value	**-**	(186)	**-**	-
	-	103	**-**	-
Unit trusts	**9,028**	8,649	**-**	-
Unquoted securities:				
Shares in Malaysia	**280**	280	**-**	-
Allowance for diminution in value	**(147)**	-	**-**	-
	133	280	**-**	-
Total investment securities	**462,225**	429,433	**-**	-
Deposits and placements of the insurance subsidiary company with financial institutions	**106,404**	111,187	**-**	-
Total investments	**588,919**	561,042	**19,674**	19,806

11. INVESTMENTS (Cont'd.)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Market value				
Club membership	**60**	60	**-**	-
Long term investment in quoted securities:				
Shares in Malaysia	**13,407**	20,866	**13,217**	20,539
Warrant in Malaysia	**-**	1,756	**-**	1,756
Investment securities:				
Malaysian Government Securities	**54,904**	62,143	**-**	-
Islamic corporate bonds	**25,339**	30,963	**-**	-
Shares quoted in Malaysia	**68,024**	79,096	**-**	-
Shares quoted outside Malaysia	**2,932**	6,895	**-**	-
Warrants quoted in Malaysia	**-**	103	**-**	-
Unit trusts	**9,158**	9,468	**-**	-

Deposits and placements of the Group amounting to RM243,000 (2007 : RM237,000) represent deposits given by the insureds as collateral for bond guarantees granted by the insurance subsidiary company to third parties.

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

	Contractual repricing or maturity dates (whichever is earlier)			
Group	**Less than 1 year RM'000**	**1 year to 5 years RM'000**	**Total carrying amount RM'000**	**Range of effective interest rates per annum %**
2008				
Malaysian Government Securities	**20,060**	**35,135**	**55,195**	**3.23 - 4.65**
Bankers acceptances	**301,521**	**-**	**301,521**	**3.58 - 3.65**
Deposits and placements of the insurance subsidiary company with financial institutions	**106,404**	**-**	**106,404**	**3.00 - 3.75**
	427,985	**35,135**	**463,120**	

11. INVESTMENTS (Cont'd.)

Group	Contractual repricing or maturity dates (whichever is earlier) Less than 1 year RM'000	1 year to 5 years RM'000	Total carrying amount RM'000	Range of effective interest rates per annum %
2007				
Malaysian Government Securities	21,494	40,206	61,700	3.15 - 4.65
Bankers acceptances	246,548	-	246,548	3.57 - 3.66
Deposits and placements of the insurance subsidiary company with financial institutions	111,187	-	111,187	3.00 - 4.10
	379,229	40,206	419,435	

The effective profit rate of the Islamic corporate bonds as at balance sheet date was between 4.40% and 8.00% (2007 : 4.45% and 8.00%) per annum.

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

	Group 2008 RM'000	2007 RM'000
1 year to 5 years	**25,542**	30,636

12. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2008 RM'000	2007 RM'000
Unquoted shares - at cost	**138,366**	138,366
Impairment losses	**(6,304)**	(6,304)
	132,062	132,062

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

The subsidiary companies are:

	Effective Interests		
Incorporated in Malaysia	**2008 %**	**2007 %**	**Principal Activities**
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.

13. INVENTORIES – GOODS FOR RESALE

	Group 2008 RM'000	Group 2007 RM'000
Inventories - at cost	**2,614**	2,852
Allowance for inventory obsolescence	**(363)**	(26)
	2,251	2,826

14. LOANS

	Group 2008 RM'000	Group 2007 RM'000
Loans:		
- secured loans	**281**	13,296
- unsecured loans	**114**	120
	395	13,416
Due within one year	**44**	12,565
Due after one year	**351**	851
	395	13,416

The interest rates on loans were between 6.80% and 10.50% (2007: 6.80% and 10.50%) per annum.

15. RECEIVABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade receivables:				
Outstanding premiums including agents', brokers' and co-insurers' balances *	**24,939**	8,581	**-**	-
Due from reinsurers and ceding companies	**2,556**	2,063	**-**	-
Others	**3,222**	2,581	**-**	-
	30,717	13,225	**-**	-
Allowance for doubtful debts	**(2,687)**	(2,473)	**-**	-
	28,030	10,752	**-**	-
Other receivables:				
Accrued income	**5,105**	5,077	**-**	-
Share of assets held by Malaysian Motor Insurance Pool (MMIP)	**2,851**	2,485	**-**	-
Deposits and prepayments	**1,837**	1,995	**28**	60
Tax recoverable	**6,879**	6,886	**3,653**	2,400
Others	**1,058**	880	**185**	213
	17,730	17,323	**3,866**	2,673

15. RECEIVABLES (Cont'd.)

* Included in the previous financial year was an amount of RM25,000 due from a company in which a director has deemed interest.

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	**43,871**	26,542	**3,866**	2,673
United States Dollars	**55**	132	**-**	-
Thai Baht	**1,834**	1,401	**-**	-
	45,760	28,075	**3,866**	2,673

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.

16. 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 RM5,231,000 (2007 : RM8,086,000) which bears interest at between 10.00% and 10.25% (2007 : 6.00% and 10.25%) per annum.

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

	Company	
	2008 RM'000	2007 RM'000
Ringgit Malaysia	**44,127**	47,546
United States Dollars	**14,554**	12,809
	58,681	60,355

17. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group	
	2008 RM'000	2007 RM'000
Licensed banks	**6,468**	2,215

The deposits of RM1,829,000 (2007:RM1,798,000) for the Group have been pledged as securities for credit facilities granted to the Group.

The deposits and placements of the insurance subsidiary company are included as investments under Note 11.

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

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

	Group	
	2008 RM'000	**2007 RM'000**
Ringgit Malaysia	**5,992**	1,706
United States Dollars	**79**	82
Thai Baht	**397**	427
	6,468	2,215

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

	Group	
	2008 %	**2007 %**
Licensed banks	**0.25 – 4.25**	0.25 – 4.88

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

	Group	
	2008 Days	**2007 Days**
Licensed banks	**1 – 365**	1 – 365

18. CASH AND BANK BALANCES

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

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Ringgit Malaysia	**6,928**	4,474	**123**	203
United States Dollars	**51**	130	**-**	-
Thai Baht	**81**	410	**-**	-
	7,060	5,014	**123**	203

19. PROVISION FOR OUTSTANDING CLAIMS

	Group	
	2008 RM'000	2007 RM'000
Provision for outstanding claims	**335,654**	327,573
Recoverable from reinsurers	**(28,682)**	(34,990)
Net outstanding claims	**306,972**	292,583

Included in the provision for outstanding claims is an amount of RM102,081,000 (2007 : RM111,906,000) in respect of net provision for Incurred But Not Reported (IBNR) claims as determined by an independent professional actuary.

20. PAYABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables:				
Due to reinsurers and ceding companies	**5,495**	2,920	**-**	-
Due to agents, brokers, co-insurers and insureds	**9,415**	2,645	**-**	-
Others	**123**	37	**-**	-
	15,033	5,602	**-**	-
Other payables:				
Accruals	**2,034**	2,202	**663**	877
Short term accumulating compensated absences	**734**	698	**206**	160
Collateral deposits	**250**	249	**-**	-
Insurance Guarantee Scheme Fund (IGSF) levy	**566**	582	**-**	-
Stamp duty payable	**1,422**	835	**-**	-
Unearned income	**552**	409	**-**	-
Accrual of directors' fees	**300**	300	**155**	155
Service tax payable	**409**	244	**-**	-
Unclaimed monies	**120**	180	**-**	-
Refund premiums	**108**	127	**-**	-
Others	**2,583**	1,543	**-**	2
	9,078	7,369	**1,024**	1,194

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

20. PAYABLES (Cont'd.)

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

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Ringgit Malaysia	**23,572**	12,551	**1,024**	1,194
United States Dollars	**47**	44	**-**	-
Thai Baht	**492**	376	**-**	-
	24,111	12,971	**1,024**	1,194

21. HIRE PURCHASE CREDITORS

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Future minimum payments are as follows:				
Not later than 1 year	**648**	482	**179**	105
Later than 1 year and not later than 2 years	**742**	586	**257**	164
Later than 2 years and not later than 5 years	**284**	71	**124**	18
Total future minimum lease payments	**1,674**	1,139	**560**	287
Less : Future finance charges	**(132)**	(80)	**(42)**	(19)
Present value of hire purchase creditors	**1,542**	1,059	**518**	268

Analysis of present value of hire purchase creditors :

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Not later than 1 year	**598**	434	**160**	94
Later than 1 year and not later than 2 years	**698**	556	**238**	156
Later than 2 years and not later than 5 years	**246**	69	**120**	18
	1,542	1,059	**518**	268
Amount due within 1 year	**(598)**	(434)	**(160)**	(94)
Amount due after 1 year	**944**	625	**358**	174

The hire purchase agreements at the balance sheet date bore interest between 2.80% and 6.35% (2007 : 2.62% and 6.32%) per annum.

22. BORROWINGS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revolving credits	**51,550**	47,650	**49,300**	44,400

The revolving credit facilities of the Company are unsecured and bear interest at between 5.31% and 6.07% (2007 : 5.44% and 6.30%) per annum. The revolving credit facilities of subsidiary companies are secured by a deposit of a subsidiary company of RM522,000 and corporate guarantees from the holding company. The revolving credit facilities of the Group bear interest between 5.46% and 8.75% (2007 : 5.55% and 8.75%) per annum.

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

23. UNEARNED PREMIUM RESERVES

	Group	
	2008 RM'000	2007 RM'000
At beginning of year	**113,141**	96,757
Increase in unearned premium reserves (Note 36)	**55,085**	16,384
At end of year	**168,226**	113,141

24. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 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	**110,647**	110,457	**110,647**	110,457
Issue of shares:				
- ESOS (Note (a))	**33**	190	**33**	190
At end of year	**110,680**	110,647	**110,680**	110,647

(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 Board of Directors had, on 27 August 2007, approved the extension of the ESOS for another three (3) years to expire on 15 January 2011.

24. SHARE CAPITAL (Cont'd.)

(a) ESOS (Cont'd.)

The main features of the ESOS are as follows:

(a) The ESOS shall be in force for an initial period of five years in accordance with the requirements of the SC subject however to renewal for period(s) of up to a maximum of five years to be determined by the Board upon the recommendation by the ESOS Committee.

(b) The maximum number of new ordinary shares of RM1.00 each (Shares) to be offered under the ESOS shall not be more than 10% of the issued and paid-up share capital or such percentage of the issued and paid-up share capital of the Company as may be permitted by the SC from time to time during the duration of the ESOS.

(c) The Executive Directors involved in the day-to-day management and/or employees who are on the payroll of the Company and its subsidiary companies and have completed at least one year of continuous employment and who fulfil the conditions set out in the Bye-Laws of the ESOS shall be eligible to participate in the ESOS.

(d) No option shall be granted for less than 1,000 Shares nor more than 900,000 Shares to any eligible employee.

(e) The subscription price for each new Share issued under the ESOS shall be based on the weighted average market price of the Shares as shown in the daily official list issued by Bursa Malaysia for the five market days immediately preceding the date of offer subject to a discount of not more than 10%, or at the par value of the Shares, whichever is higher.

(f) An eligible employee can only participate in one ESOS implemented by any company within the Group.

(b) Treasury Shares

	Group/Company			
	Number of shares		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 RM'000
At beginning of year	**4,879**	6,828	**8,193**	12,268
Purchased	**2,430**	3,967	**3,477**	6,362
Distributed as share dividends	**(3,009)**	(5,916)	**(5,011)**	(10,437)
At end of year	**4,300**	4,879	**6,659**	8,193

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 5 March 2008, renewed their approval of the Company's plan to purchase its own ordinary shares.

During the financial year, the Company purchased 2,430,000 (2007: 3,967,000) of its issued ordinary shares of RM1.00 each fully paid from the open market at an average price of RM1.43 (2007: RM1.60) per share for a total consideration of RM3,477,000 (2007: RM6,362,000). 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 21 January 2008, a total of 3,008,646 treasury shares valued at RM5,011,000 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 7 January 2008.

24. SHARE CAPITAL (Cont'd.)

(b) Treasury Shares (Cont'd.)

Of the total 110,680,000 (2007: 110,647,000) issued and fully paid ordinary shares as at 30 September 2008, 4,300,000 (2006: 4,879,000) are held as treasury shares by the Company. As at 30 September 2008, the number of outstanding ordinary shares in issue and fully paid is therefore 106,380,000 (2007: 105,768,000) ordinary shares of RM1.00 each.

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 2007	-	-	-	-	-
November 2007	-	-	-	-	-
December 2007	1.46	1.55	1.53	482	734
January 2008	1.36	1.54	1.51	123	185
February 2008	1.37	1.50	1.45	160	231
March 2008	1.35	1.47	1.45	498	723
April 2008	1.37	1.45	1.43	815	1,163
May 2008	1.38	1.42	1.44	2	3
June 2008	1.35	1.39	1.39	41	57
July 2008	1.22	1.36	1.30	106	139
August 2008	1.22	1.25	1.24	37	46
September 2008	1.15	1.22	1.18	166	196
	Total shares purchased			2,430	3,477
January 2008	Total shares distributed		1.67	(3,009)	(5,011)

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

25. (ACCUMULATED LOSS)/RETAINED PROFITS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to their shareholders, and such dividends are not taxable in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances.

Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credits in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 30 September 2008, the Company has sufficient tax credits in the Section 108 balance to pay franked dividends out of its entire retained earnings.

26. DIVIDENDS

	Group/Company		Net Dividend Per Share	
	2008 RM'000	2007 RM'000	2008 Sen	2007 Sen
2nd interim dividend of 3.75 sen per share less tax at 27% in respect of previous year, declared on 28 May 2007 and paid on 26 June 2007	**-**	2,854	**-**	2.74
3rd interim dividend of 3.75 sen per share less tax at 26% in respect of previous year declared on 22 November 2007 and paid on 19 December 2007 (2006 : 3.75 sen per share less tax at 27%)	**2,935**	2,818	**2.78**	2.74
1st interim dividend of 1.875 sen per share less tax at 26% in respect of current financial year, declared on 15 May 2008 and paid on 19 June 2008 (2007 : 3.75 sen per share less tax at 27%)	**1,480**	2,890	**1.39**	2.74
	4,415	8,562	**4.17**	8.22

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

27. 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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Gross premium (Note 36)	**307,714**	228,122	**-**	-
Gross dividends :				
- shares quoted in Malaysia	**4,081**	4,192	**950**	1,801
- unit trusts	**384**	153	**-**	-
- subsidiary companies	**-**	-	**10,811**	16,438
Interest income :				
- subsidiary companies	**-**	-	**720**	707
- others	**17,615**	18,042	**12**	22
Income from Islamic corporate bonds	**1,834**	1,547	**-**	-
Rental income from investment properties	**17**	12	**-**	-
MMIP investment income	**123**	104	**-**	-
Other investment income	**-**	16	**-**	-
Amortisation of premiums, net of accretion of discounts	**(688)**	(784)	**-**	-
Sale of goods and services	**6,132**	5,468	**2,972**	3,353
	337,212	256,872	**15,465**	22,321

28. OTHER OPERATING INCOME

	Group		Company	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Interest income	**78**	40	**-**	-
Rental income	**-**	57	**-**	-
Gain on disposal of property, plant and equipment	**147**	52	**53**	12
Gain on disposal of investments	**1,181**	18,049	**-**	-
Gain on fair value adjustment (Note 6)	**10**	-	**-**	-
Unrealised gain on foreign exchange	**606**	-	**226**	-
Surplus on return of capital from KMB*	**-**	21,095	**-**	-
Others	**1,572**	592	**-**	7
	3,594	39,885	**279**	19

* During the previous financial year, the Group received a total amount of RM43,791,000, being proceeds from the first and second distribution of surplus assets by the liquidators of KMB resulting in a full recovery of the cost of investment totalling RM22,696,000 and a surplus on return of capital of RM21,095,000.

29. NET CLAIMS INCURRED

	Group	
	2008 RM'000	2007 RM'000
Gross claims paid less salvage	**151,345**	155,894
Reinsurance recoveries	**(10,835)**	(10,169)
Net claims paid	**140,510**	145,725
Net outstanding claims:		
At end of year	**306,972**	292,583
At beginning of year	**(292,583)**	(276,933)
Net claims incurred (Note 36)	**154,899**	161,375

30. STAFF COSTS

	Group		Company	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Salaries, wages and bonus	**22,465**	21,889	**3,328**	3,163
Short term accumulating compensated absences	**35**	106	**46**	33
Pension cost – defined contribution plan	**2,508**	2,450	**387**	372
Other staff related expenses	**2,015**	2,226	**331**	396
	27,023	26,671	**4,092**	3,964

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM2,074,000 (2007: RM1,804,000) and RM807,000 (2007: RM605,000) respectively.

31. DIRECTORS' REMUNERATION

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors of the Company				
Executive:				
Salaries and other remuneration	**515**	380	**495**	360
Bonus	**105**	60	**105**	60
Pension cost – defined contribution plan	**87**	65	**87**	65
Benefits-in-kind	**34**	33	**34**	33
Allowance	**120**	120	**120**	120
	861	658	**841**	638
Non-Executive:				
Fees	**245**	245	**155**	155
	245	245	**155**	155
Directors of Subsidiary Companies				
Executive:				
Salaries and other remuneration	**950**	916	**-**	-
Bonus	**129**	96	**-**	-
Short term accumulating compensated absences	**7**	13	**-**	-
Pension cost – defined contribution plan	**107**	100	**-**	-
Benefits-in-kind	**56**	56	**-**	-
Allowances	**54**	54	**-**	-
	1,303	1,235	**-**	-
Non-Executive:				
Fees	**35**	41	**-**	-
Total	**2,444**	2,179	**996**	793
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 30)	**2,074**	1,804	**807**	605
Total non-executive directors' remuneration (Note 33)	**280**	286	**155**	155
Total directors' remuneration excluding benefits-in-kind	**2,354**	2,090	**962**	760

32. AMORTISATION

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Amortisation of:				
- intangible assets (Note 9)	**216**	209	**8**	9
- prepaid land lease payments (Note 7)	**4**	4	**-**	-
	220	213	**8**	9

33. OTHER OPERATING EXPENSES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Other operating expenses include:				
Auditors' remuneration	**199**	208	**37**	37
Non-executive directors' remuneration (Note 31)	**280**	286	**155**	155
Property, plant and equipment written off	**30**	83	**-**	-
Inventories written off:				
- consumables	**-**	12	**-**	-
- goods for resale	**287**	12	**-**	-
Allowance for inventory obsolescence	**336**	-	**-**	-
Allowance for diminution in value of investments	**38,672**	473	**-**	-
Permanent diminution in value of investments	**-**	677	**-**	-
Rental of office equipment	**2,320**	2,424	**195**	161
Bad debts recovered	**-**	(69)	**-**	-
Interest written off	**-**	239	**-**	-
Office rental:				
- subsidiary company	**-**	-	**264**	264
- others	**1,364**	1,434	**-**	-
Loss on foreign exchange:				
- unrealised	**-**	1,214	**-**	908
- realised	**25**	21	**-**	-
Quoted warrants written off	**543**	-	**132**	-
Allowance for/(write back of) doubtful debts	**416**	(1,312)	**-**	-
Allowance for impairment in investment in subsidiary companies	**-**	-	**-**	1,579

34. FINANCE COSTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest expense	**3,215**	2,852	**2,955**	2,422
Others	**99**	183	**93**	169
	3,314	3,035	**3,048**	2,591

35. (LOSS)/PROFIT BEFORE TAXATION

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Determined as follows:					
Insurance subsidiary company	36	**(23,063)**	27,283	**-**	-
Others		**(3,044)**	(1,385)	**4,139**	8,917
Before consolidation		**(26,107)**	25,898	**4,139**	8,917
Consolidation adjustments		**(11,057)**	(15,107)	**-**	-
After consolidation		**(37,164)**	10,791	**4,139**	8,917

36. LOSS BEFORE TAXATION - INSURANCE SUBSIDIARY COMPANY

Revenue Account

	Note	Group 2008 RM'000	Group 2007 RM'000
Insurance fund			
Gross premium	27	**307,714**	228,122
Reinsurance		**(36,452)**	(26,340)
Net premium		**271,262**	201,782
Increase in unearned premium reserves	23	**(55,085)**	(16,384)
Earned premium		**216,177**	185,398
Net claims incurred	29	**(154,899)**	(161,375)
Net commission		**(31,349)**	(22,808)
		(186,248)	(184,183)
Underwriting surplus before management expenses		**29,929**	1,215
Management expenses	38	**(38,431)**	(32,956)
Underwriting deficit		**(8,502)**	(31,741)
Investment income	37	**20,896**	20,032
Other operating income - net	40	**(36,148)**	38,432
(Loss)/profit from operations		**(23,754)**	26,723
Finance costs		**(31)**	(47)
(Deficit)/surplus from insurance fund		**(23,785)**	26,676
Shareholder's fund			
Investment income	37	**729**	612
Management expenses	38	**(7)**	(5)
		(23,063)	27,283

37. INVESTMENT INCOME

	Group	
	2008 RM'000	**2007 RM'000**
Insurance fund		
Gross dividends:		
- shares quoted in Malaysia	**3,130**	2,391
- unit trusts	**384**	153
Interest income:		
- Malaysian Government Securities	**2,867**	2,880
- bankers acceptances	**9,132**	8,246
- corporate bonds	**-**	151
- deposits and placements with financial institutions	**3,828**	5,047
Income from Islamic corporate bonds	**1,834**	1,547
Rental income from investment properties	**286**	281
MMIP investment income	**123**	104
Other investment income	**-**	16
Amortisation of premiums, net of accretion of discounts	**(688)**	(784)
	20,896	20,032
Shareholder's fund		
Interest income:		
- bankers acceptances	**728**	572
- deposits and placements with financial institutions	**1**	40
	729	612

38. MANAGEMENT EXPENSES

	Group	
	2008 RM'000	**2007 RM'000**
Insurance fund		
Executive directors' remuneration (Note 39)	**1,005**	946
Staff salaries and bonus	**12,713**	12,439
Staff short term accumulating compensated absences	**(36)**	44
Staff pension cost – defined contribution plan	**1,520**	1,489
Other staff benefits	**1,164**	1,367
	16,366	16,285

38. MANAGEMENT EXPENSES (Cont'd.)

	Group	
Insurance fund (Cont'd.)	**2008 RM'000**	**2007 RM'000**
Depreciation of property, plant and equipment	**904**	973
Auditors' remuneration	**103**	103
Amortisation :		
- prepaid land lease payments	**4**	4
- intangible assets	**52**	54
Non-executive directors' remuneration (Note 39)	**115**	115
Allowance for/(write back of) doubtful debts	**416**	(1,326)
Bad debts recovered	**-**	(36)
Rental of properties	**430**	424
IGSF levy	**566**	582
Call centre service charges	**564**	564
Rental of equipment	**1,331**	1,153
Printing and EDP expenses	**6,750**	4,859
Business development	**1,862**	2,209
Credit card charges	**2,680**	1,928
Office administration and utilities	**1,894**	1,629
Other expenses	**4,394**	3,436
	38,431	32,956
Shareholder's fund		
Staff salaries and bonus	**4**	3
Staff pension cost – defined contribution plan	**1**	1
	5	4
Other expenses	**2**	1
	7	5

39. DIRECTORS' REMUNERATION

	Group	
	2008 RM'000	**2007 RM'000**
Insurance fund		
Executive directors:		
- salaries	**708**	681
- bonus	**129**	95
- defined contribution plan	**107**	100
- benefits-in-kind	**56**	56
- short term accumulating compensated absences	**7**	16
- allowances	**54**	54
	1,061	1,002
Non-executive directors:		
- fee (Note 38)	**115**	115
Total directors' remuneration	**1,176**	1,117
Total executive directors' remuneration excluding benefits-in-kind (Note 38)	**1,005**	946

40. OTHER OPERATING INCOME - NET

	Group	
	2008 RM'000	2007 RM'000
Insurance fund		
Quoted warrants written off	**(411)**	-
Gain on disposal of:		
- investments	**1,181**	18,049
- property, plant and equipment	**36**	1
Realised loss on foreign exchange	**-**	(19)
Sundry income	**1,571**	550
Surplus on return of capital from KMB (Note 28)	**-**	21,095
Allowance for diminution in value of investments	**(38,525)**	(473)
Permanent diminution in value of investments	**-**	(677)
Property, plant and equipment written off	**-**	(57)
Others	**-**	(37)
	(36,148)	38,432

41. INCOME TAX EXPENSE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Income tax:				
Current year's provision				
- Malaysian tax	**2,253**	1,660	**1,530**	2,755
- foreign tax	**3**	3	**-**	-
Under/(over) provision in prior years	**108**	(3,082)	**61**	(2,584)
	2,364	(1,419)	**1,591**	171
Deferred tax (Note 10):				
Relating to timing differences	**(9,163)**	4,378	**(4)**	703
Deferred tax assets written off	**2,221**	4,032	**-**	-
Under/(over) provision in prior years	**31**	514	**(10)**	512
Transfer (from)/to deferred taxation	**(6,911)**	8,924	**(14)**	1,215
Real Property Gains Tax	**-**	50	**-**	-
	(4,547)	7,555	**1,577**	1,386

Malaysian current income tax is calculated at the statutory tax rate of 26% (2007 : 27%) of the estimated assessable profit for the financial year. This statutory tax rate will be reduced to 25% in subsequent years of assessment. The computation of deferred tax as at 30 September 2008 has reflected these changes.

41. 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	
	2008 RM'000	**2007 RM'000**
(Loss)/profit before taxation	**(37,164)**	10,791
Taxation at Malaysian statutory tax rate of 26% (2007 : 27%)	**(9,663)**	2,914
Effect of different tax rates in other countries	**(1)**	55
Income not subject to tax	**(553)**	(642)
Expenses not deductible for tax purposes	**1,401**	1,872
Deferred tax asset not recognised during the year	**1,589**	2,109
Under/(over) provision of tax expense in prior years	**107**	(3,082)
Effect of change in tax rate on deferred tax assets	**367**	212
Under provision of deferred tax in prior years	**31**	514
Deferred tax assets written off	**2,221**	4,032
Translation differences	**(113)**	(84)
Consolidation adjustments	**65**	(386)
Others	**2**	41
Tax expense for the year	**(4,547)**	7,555

	Company	
	2008 RM'000	**2007 RM'000**
Profit before taxation	**4,139**	8,917
Taxation at Malaysian statutory tax rate of 26% (2007 : 27%)	**1,076**	2,408
Income not subject to tax	**(198)**	(100)
Expenses not deductible for tax purposes	**647**	1,156
Over/(under) provision of tax expense in prior years	**62**	(2,584)
(Over)/under provision of deferred tax in prior years	**(10)**	512
Effect of change in tax rate on deferred tax assets	**-**	(6)
Tax expense for the year	**1,577**	1,386

As at 30 September 2008, the Company has:

- unabsorbed capital allowances of approximately RM2,301,000 (2007 : RM2,232,000), 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 (2007 : RM10,864,000), subject to agreement with the Inland Revenue Board, which is available for distribution.

- sufficient tax credit under Section 108 of the Income Tax Act, 1967 and sufficient balance in the exempt account to frank the payment of net dividends out of its entire retained profits.

42. (LOSS)/EARNINGS PER SHARE (sen)

(a) Basic

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

		Group	
		2008	**2007**
Net (loss)/profit for the year attributable to equity holders of the Company	(RM'000)	**(32,617)**	3,236
Weighted average number of ordinary shares in issue	('000)	**106,686**	104,864
Basic (loss)/earnings per share	(sen)	**(30.57)**	3.09

(b) Diluted

There is no disclosure of fully diluted loss per share for the financial year as at 30 September 2008 as the ESOS was anti-dilutive.

In the previous financial year, the diluted earnings per share of the Group was calculated by dividing the net profit for the year attributable to equity holders of the Company by the adjusted weighted average number of ordinary shares in issue during the financial year. The adjusted weighted average number of ordinary shares in issue is arrived at assuming full implementation of the ESOS which represents the dilutive potential of the ordinary shares.

		Group
		2007
Net profit for the year attributable to equity holders of the Company	(RM'000)	3,236
Weighted average number of ordinary shares in issue	('000)	104,864
Effect of dilution: ESOS (share option)	('000)	664
Adjusted weighted average number of shares in issue and issuable	('000)	105,528
Diluted earnings per share	(sen)	3.07

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The significant transactions of the Group and the Company with its related parties are as follows

	Group	
	2008 RM'000	**2007 RM'000**
Related company in which a Director had deemed interest:		
Insurance revenue	**221**	286

	Company	
	2008 RM'000	**2007 RM'000**
Subsidiaries - Income:		
Interest income on loans	**720**	707
Management fee income	**2,972**	3,353

	Company	
	2008 RM'000	**2007 RM'000**
Subsidiaries - Expenditure:		
Office rental	**264**	264
Investment and treasury administration services	**14**	14
Rental of office equipment	**182**	148
Information technology advisory services	**1,090**	1,090
Charges for frame relay and lease lines	**87**	87
Fee for back up electricity supplies	**18**	18
Repair and maintenance	**86**	26

Information regarding outstanding balances arising from related party transactions and subsidiary companies as at 30 September 2008 are as disclosed in Note 15 and Note 16.

The Directors are of the opinion that the related party 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.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd.)

(b) Key Management Personnel Compensation

The remuneration of key management personnel which consist of executive directors during the year are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Short-term employee benefits				
Salary and other remuneration	**1,619**	1,450	**615**	480
Bonus	**234**	156	**105**	60
Short term accumulating compensated absences	**7**	13	**-**	-
Benefits-in-kind	**90**	89	**34**	33
Post-employment benefits				
Pension cost - defined contribution plan	**194**	165	**87**	65
	2,144	1,873	**841**	638

Key management personnel have been granted the following number of share options:

	Group ESOS		Company ESOS	
	2008 '000	2007 '000	2008 '000	2007 '000
At 1 October	**2,600**	2,600	**900**	900
Exercised	**-**	-	**-**	-
At 30 September	**2,600**	2,600	**900**	900

The share options were granted on the same terms and conditions as those offered to other employees of the Group.

44. COMMITMENTS AND CONTINGENCIES

(a) Contingent liabilities

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Performance guarantees – secured	**227**	200	**-**	-
Guarantees given to financial institutions for facilities extended to subsidiary companies – secured	**-**	-	**6,235**	6,545
	227	200	**6,235**	6,545

44. COMMITMENTS AND CONTINGENCIES (Cont'd.)

(b) Non-cancellable operating lease commitments

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Future minimum lease payments are as follows:				
Not later than 1 year	**2,020**	2,361	**88**	108
Later than 1 year and not later than 5 years	**1,249**	1,775	**44**	60
	3,269	4,136	**132**	168

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

(c) Other commitments and contingencies

The Group may be required to contribute up to a maximum amount of RM767,000 (2007 : RM566,000) in the following financial year to the Insurance Guarantee Scheme Fund.

(d) Capital commitments are attributed to property, plant and equipment

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Approved and contracted for	**-**	172	**-**	162

45. 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.

45. FINANCIAL INSTRUMENTS (Cont'd.)

(c) Credit Risk (Cont'd.)

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

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

The Group has significant concentration of credit risk related to loan receivable from a third party amounting to approximately RM Nil (2007: RM6,721,000) at the balance sheet date.

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

	Group	
	2008 RM'000	**2007 RM'000**
Rating of corporate bonds on market value basis :		
AA3	**5,172**	5,336
AA2	**-**	5,045
AA-	**-**	5,011
A1	**4,944**	5,051
A+	**15,223**	10,520
	25,339	30,963
Analysis of corporate bonds by industry segments :		
Properties	**-**	5,045
Power	**5,172**	5,336
Trading/services	**4,944**	5,051
Oil and gas	**-**	5,011
Telecommunication	**4,988**	-
Infrastructure and utilities	**10,235**	10,520
	25,339	30,963

(d) Interest Rate Risk

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

45. FINANCIAL INSTRUMENTS (Cont'd.)

(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.

(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 2008 and 2007, 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 2008:				
Financial Assets				
Club membership	55	60	-	-
Due from subsidiary companies	-	-	58,681	*
Long term investment in quoted securities:				
Shares in Malaysia	20,235	13,407	19,674	13,217
Investment securities:				
Malaysian Government Securities	55,195	54,904	-	-
Islamic corporate bonds	25,542	25,339	-	-
Shares quoted in Malaysia	67,874	68,024	-	-
Shares quoted outside Malaysia	2,932	2,932	-	-
Unit trusts	9,028	9,158	-	-

45. 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 2008:				
Financial Liabilities				
Hire purchase creditors	**1,542**	**1,578**	**518**	**527**
At 30 September 2007:				
Financial Assets				
Club membership	55	60	-	-
Due from subsidiary companies	-	-	60,355	*
Long term investment in quoted securities:				
Shares in Malaysia	20,235	20,866	19,674	20,539
Warrant in Malaysia	132	1,756	132	1,756
Investment securities:				
Malaysian Government Securities	61,700	62,143	-	-
Islamic corporate bonds	30,636	30,963	-	-
Shares quoted in Malaysia	77,094	79,096	-	-
Shares quoted outside Malaysia	4,423	6,895	-	-
Unit trusts	8,649	9,468	-	-
Financial Liabilities				
Hire purchase creditors	1,059	1,062	268	270

* 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 2008	**227**	*****	**6,235**	*****
At 30 September 2007	200	*	6,545	*

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

45. 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 and Islamic corporate bonds.

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

(iv) Quoted Securities

The fair value of quoted shares and warrants 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 funds are determined by reference to market quotations by the manager of the unit trust funds.

(vi) Hire Purchase Creditors

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

46. 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.

46. SEGMENT REPORTING (Cont'd.)

30 September 2008	Insurance RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Consolidation adjustments RM'000	Group RM'000
REVENUE							
External sales	329,069	6,131	963	1,049	-	-	337,212
Inter-segment sales	270	7,599	14,502	140	9	(22,520)	-
Total segment revenue	329,339	13,730	15,465	1,189	9	(22,520)	337,212
RESULT							
Segment result	(23,033)	(6,880)	7,187	678	(195)	(11,685)	(33,928)
Finance cost							(3,314)
Interest income							78
Loss before tax							(37,164)
Income tax expense							4,547
Net loss for the year							(32,617)
ASSETS							
Segment assets	623,521	13,733	18,291	5,099	19	-	660,663
Unallocated corporate assets							34,105
Consolidated total assets							694,768
LIABILITIES							
Segment liabilities	495,038	2,227	1,141	1,979	26	-	500,411
Unallocated corporate liabilities							52,932
Consolidated total liabilities							553,343
OTHER INFORMATION							
Capital expenditure	665	754	482	-	-	-	1,901
Depreciation	853	1,241	91	-	1	-	2,186
Amortisation	51	161	7	-	1	-	220
Non-cash expenses	95,096	674	178	147	1	-	96,096

46. SEGMENT REPORTING (Cont'd.)

30 September 2007	Insurance RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Consolidation adjustments RM'000	Group RM'000
REVENUE							
External sales	248,498	5,468	1,823	1,083	-	-	256,872
Inter-segment sales	268	6,272	20,498	141	9	(27,188)	-
Total segment revenue	248,766	11,740	22,321	1,224	9	(27,188)	256,872
RESULT							
Segment result	27,329	(9,300)	11,508	292	(426)	(15,617)	13,786
Finance cost							(3,035)
Interest income							40
Profit before tax							10,791
Income tax expense							(7,555)
Net profit for the year							3,236
ASSETS							
Segment assets	576,190	12,672	19,431	14,006	21	-	622,320
Unallocated corporate assets							27,823
Consolidated total assets							650,143
LIABILITIES							
Segment liabilities	415,304	1,746	802	16	26	-	417,894
Unallocated corporate liabilities							49,510
Consolidated total liabilities							467,404
OTHER INFORMATION							
Capital expenditure	229	547	99	-	-	-	875
Depreciation	893	1,374	90	-	5	-	2,362
Amortisation	52	151	9	-	1	-	213
Non-cash expenses	17,635	35	34	239	32	-	17,975

46. 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	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Malaysia	**334,211**	253,607	**656,454**	618,550	**1,685**	864
Thailand	**2,520**	2,808	**2,759**	2,075	**216**	3
United States of America	**481**	457	**1,450**	1,695	**-**	8
	337,212	256,872	**660,663**	622,320	**1,901**	875

List of Group's Properties
As at 30 September 2008

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2008 RM'000	Approximate age of building Years	Date of acquisition/ Date of last valuation
	MALAYSIA						
1.	P.N. 6422, P.N. 7382, and P.N. 7383, Lot Nos. 1700, 1703 and 1704, Section 46, Town and District of Kuala Lumpur, State of Wilayah Persekutuan 10th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	10,590	Leasehold expiring 8.4.2074	Office	3,223	23	Unit 10-A 1.7.1993/ NA Unit 10-B 1.4.1995/ NA
2.	P.N. 6422, P.N. 7382, and P.N. 7383 , Lot Nos. 1700, 1703 and 1704, Section 46, Town and District of Kuala Lumpur, State of Wilayah Persekutuan 11th and 12th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	11th Floor 10,589 12th Floor 10,589	Leasehold expiring 8.4.2074	Office	4,565	23	21.12.1982/ NA
3.	Geran 5815/M1/16/132 Lot No. 262 Mukim of Ampang District and State of Wilayah Persekutuan Unit 332B-15A, 15th Floor, GCB Court Off Jalan Ampang 50450 Kuala Lumpur Wilayah Persekutuan	1,615	Freehold	Condominium/ Residential	310	23	14.4.1986/ 28.6.2007
4.	Grant No.17880 for Lot No.2163, Town and District of Seremban, Negeri Sembilan Darul Khusus Unit No. G.07, Ground Floor Wisma Punca Emas Jalan Dato' Sheikh Ahmad/ Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus	312.5	Freehold	Shop-lot	40	29	1.12.1986/ 4.7.2007

LIST OF GROUP'S PROPERTIES
AS AT 30 SEPTEMBER 2008

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2008 RM'000	Approximate age of building Years	Date of acquisition/ Date of last valuation
5.	Parcel 281-1-18, 281-2-18, 281-3-18 and 281-4-18 of Lot 281, Section 48 Kuching Town Land District Taman Sri Sarawak Mall Jalan Padungan 93100 Kuching, Sarawak	3,326	Leasehold expiring 11.8.2771	4 storey shop/ apartment	694	24	8.12.1984/ 13.10.2006
6.	Lot No. 13772 & 13771S Geran 10602/M1/4/11 & 10601/M1/4/2 Town of Ipoh District of Kinta Ipoh, Perak Darul Ridzuan Lot 3.1 & 3.2, 3rd Floor Wisma Kota Emas Jalan Dato' Tahwil Azhar 30300 Ipoh Perak Darul Ridzuan	1528	Freehold	Office-lots	94	25	13.2.1991/ NA
7.	Lot No. 1217, Title No. PN 26201, Kawasan Bandar XLII Daerah Melaka Tengah Negeri Melaka No.2, Jalan PM7 Plaza Mahkota Bandar Hilir 75000 Melaka	9428 (2,357)	Leasehold expiring 18.7.2101	4 storey shop-office	1,266	10	18.9.1998/ NA
8.	Geran 8678/M2/1/107 Lot No. 4328 N Town of Ipoh District of Kinta Ipoh, Perak Darul Ridzuan Unit No. 83, Ground Floor Block B, Cherry Apartment 30100 Ipoh Perak Darul Ridzuan	732	Freehold	Apartment/ Residential	55	17	4.1.1996/ 17.7.2007

List of Group's Properties
As at 30 September 2008

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2008 RM'000	Approximate age of building Years	Date of acquisition/ Date of last valuation
9.	Geran 72942 Lot No. 59758 Mukim and District of Petaling, State of Selangor Darul Ehsan No. 40, Jalan BP 5/8 Bandar Bukit Puchong 47100 Puchong Selangor Darul Ehsan	4,879 (3,477)	Freehold	1 ½ storey factory corner unit/ office	402	9	3.12.1999/ NA
10.	Geran 72944 Lot No. 59759 Mukim and District of Petaling, State of Selangor Darul Ehsan No. 38, Jalan BP 5/8 Bandar Bukit Puchong 47100 Puchong, Selangor Darul Ehsan	2,875 (2,002)	Freehold	1 ½ storey intermediate unit/office	206	9	3.12.1999/ NA

SHAREHOLDINGS STATISTICS
AS AT 31 DECEMBER 2008

Authorised capital	:	RM200,000,000.00
Issued and fully paid-up capital	:	RM110,680,000.00
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	484	20,040	0.02
100 to 1,000	201	62,516	0.06
1,001 to 10,000	3,252	8,910,946	8.42
10,001 to 100,000	495	11,390,992	10.77
100,001 to less than 5% of issued shares	55	33,867,169	32.01
5% and above of issued shares	5	51,540,883	48.72
Total	**4,492**	**105,792,546***	**100.00**

*The number of 105,792,546 ordinary shares is exclusive of treasury shares retained by the Company.

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 31 December 2008 were as follows:

	No. of RM1.00 Shares			
Name	**Direct Interest**	**%**	**Indirect Interest**	**%**
Chan Thye Seng	11,439,168	10.81	54,385,909[(1)]	51.41
Mah Wing Holdings Sdn Bhd	27,144,601	25.66	-	-
Mah Wing Investments Limited	24,631,330	23.28	-	-

DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings, the Directors' shareholdings as at 31 December 2008 were as follows:

	No. of RM1.00 Shares			
Name	**Direct Interest**	**%**	**Indirect Interest**	**%**
Chan Hua Eng	142,099	0.13	2,589,761[(2)]	2.45
Chan Thye Seng	11,439,168	10.81	54,385,909[(1)]	51.41
Michael Yee Kim Shing	-	-	928,901[(3)]	0.88
Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed	-	-	3,377,326[(4)]	3.19
Dato' Abu Hanifah Bin Noordin	-	-	2,348,516[(5)]	2.22

Notes:

(1) Held by virtue of Chan Thye Seng's interests in Mah Wing Investments Limited, Mah Wing Holdings Sdn Bhd, Chan Kok Tien Realty Sdn Bhd ("CKT"), Tysim Holdings Sdn Bhd ("Tysim") and deemed to have interest in shares held by his spouse.

(2) Held by virtue of Chan Hua Eng's interests in CKT, Tysim and deemed to have interest in shares held by his spouse and daughter.

(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 31 DECEMBER 2008

THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

	Name	No. of RM1.00 Shares	% of Issued Capital
1.	HDM Nominees (Asing) Sdn Bhd For Mah Wing Investments Limited	24,631,330	23.28
2.	Mah Wing Holdings Sdn Bhd	7,695,695	7.27
3.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	6,702,857	6.34
4.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mah Wing Holdings Sdn Bhd	6,552,449	6.19
5.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	5,958,552	5.63
6.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Thye Seng	4,299,841	4.06
7.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Chan Thye Seng	4,026,110	3.81
8.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	3,377,326	3.19
9.	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chan Thye Seng	2,504,366	2.37
10.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Abu Hanifah Bin Noordin	2,348,516	2.22
11.	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	1,824,855	1.72
12.	Chan Kok Tien Realty Sdn Bhd	1,787,062	1.69
13.	ECML Nominees (Asing) Sdn. Bhd. United Forest Limited	1,350,421	1.28
14.	Amanah Saham Mara Berhad	1,074,506	1.02
15.	Alliancegroup Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd For Employees Provident Fund	886,443	0.84
16.	Yeoh Kean Hua	854,401	0.81
17.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Michael Yee Kim Shing	741,806	0.70
18.	Chan Thye Seng	608,851	0.58
19.	Yayasan Kedah Berhad	505,632	0.48
20.	Ancom Berhad	410,901	0.39
21.	Ong Joo Hock	378,300	0.36
22.	Kampong Kuantan Palm Oil Mill Berhad	375,410	0.35
23.	Chan Kok Tien Realty Sdn Bhd	365,451	0.35
24.	Tan Goh Mee	361,500	0.34
25.	Meng Hin Holdings Sdn Bhd	300,761	0.28
26.	Citigroup Nominees (Asing) Sdn Bhd CBNY For DFA Emerging Markets Fund	283,366	0.27
27.	Chan Kok Tien Realty Sdn Bhd	251,700	0.24
28.	Mayban Nominees (Tempatan) Sdn Bhd Avenue Invest Berhad For Kumpulan Wang Simpanan Pekerja	237,036	0.22
29.	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt An For Deutsche Bank AG Singapore	236,829	0.22
30.	Mah Wing Holdings Sdn Bhd	235,048	0.22
	Total	81,167,321	76.72

FORM OF PROXY

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

No. of Shares Held	

*I/We, ____

of ____

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

______________________ of ______________________

or failing whom, ______________________ of ______________________

______________________or failing whom the

Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at the Anggerik Room, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 25 March 2009 at 11.00 a.m., and at any adjournment thereof.

No.	Resolutions	For	Against
1.	To receive and consider the Audited Financial Statements and Reports		
2.	To re-elect Mr Chan Thye Seng as Director		
3.	To re-elect Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed as Director		
4.	To re-appoint Mr Chan Hua Eng as Director		
5.	To re-appoint Mr Michael Yee Kim Shing as Director		
6.	To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to fix their remuneration		
7.	Authority under Section 132D of the Companies Act 1965, to issue shares		
8.	Proposed Renewal of Authority for the Purchase by the Company of its Own Shares		

(Please indicate with an "X" in the space provided above how you wish your vote to be cast on the resolutions specified in the notice of meeting. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.)

*Delete if not applicable.

As witness my hand this _____ day of _____________ 2009

____

Signature/Common Seal of Member(s)

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

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

Fold Here

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