PACIFIC & ORIENT BERHAD

(308366-H)

2009 ANNUAL REPORT

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth 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, 10 March 2010 at 11.30 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 30 September 2009 and the Reports of the Directors and the Auditors thereon. **Resolution 1**

2. To re-elect Y.Bhg. Dato' Abu Hanifah Bin Noordin who retires as Director of the Company pursuant to Article 82 of the Company's Articles of Association, and being eligible, offers himself for re-election. **Resolution 2**

3. To consider and if thought fit, to pass the following 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 3**

   (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 4**

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

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 6**

(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 7**

(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 25 January 2010) 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

SOO HAN YEE (MAICSA 7008432)
YONG KIM FATT (MIA 27769)
Company Secretaries

Kuala Lumpur
25 January 2010

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 6 – 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.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Fifteenth Annual General Meeting held on 25 March 2009 and which will lapse at the conclusion of the Sixteenth Annual General Meeting.

The renewed General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/or acquisitions.

2. Resolution 7 – 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 25 January 2010 which is despatched together with the Company's 2009 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 Main Market 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
SECRETARIES	Ms Soo Han Yee (MAICSA 7008432) Mr Yong Kim Fatt (MIA 27769)
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 Market

PROFILE OF THE BOARD OF DIRECTORS

Mr Chan Hua Eng (81), 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 (53), 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 (71), 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 (65), 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.

PROFILE OF THE BOARD OF DIRECTORS

Y.Bhg. Dato' Abu Hanifah Bin Noordin (58), 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 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 111 (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 15.25 of the Main Market 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 2009 were as follows:

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

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:		
RM750,001 to RM800,000		
• Salary and other remuneration	619,200	1
• Allowances	120,000	
• Benefits-in-kind	22,200	
	761,400	
Aggregate		
• Salary and other remuneration	619,200	
• Allowances	120,000	
• Benefits-in-kind	22,200	
	761,400	

The above disclosure is in full compliance with the Main Market 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.

CORPORATE GOVERNANCE and STATEMENT OF DIRECTORS' RESPONSIBILITIES

4. Responsibilities

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

5. Supply of Information

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

Further, the Board has access to advice and services of the 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 27 November 2008 and participated in 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 20 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 27 November 2008.

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 27 November 2008.

CORPORATE GOVERNANCE and STATEMENT OF DIRECTORS' RESPONSIBILITIES

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. Financial Reporting

In presenting the annual financial statements and quarterly announcements, the Board is committed to provide a balanced, fair and comprehensive assessment of the Company's and the Group's position and prospects. The Audit Committee assists the Board in reviewing all the information disclosed to ensure adequacy, accuracy and integrity prior to recommendation to the Board for approval.

2. Internal Control

The Board has overall responsibility for maintaining a system of internal controls covering not only financial controls but also operational and compliance controls. The system of internal controls is designed to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations, as well as internal procedures and guidelines. Nevertheless, the system of internal controls can only help to minimise and provide reasonable but not absolute assurance against material misstatement, loss or fraud.

3. 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 20 of this Annual Report.

4. Relationship with External Auditors

The Audit Committee's terms of reference formalises the relationship with the External Auditors to report to the members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. It is the policy of the Audit Committee to meet with the External Auditors to discuss their audit plan, audit findings and the Company's financial statements. The Audit Committee also meets with the External Auditors at least twice a year without the presence of the Executive Directors and the management. In addition, the External Auditors are invited to attend the Annual General Meeting of the Company and are available to answer shareholders' questions on the conduct of the audit and the preparation and content of the audit report.

5. 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.

6 Internal Audit Function

The internal audit function of the Group is performed in-house by the Group Internal Audit Department ("IAD") which undertakes regular reviews of the Group's system of internal controls, policies and procedures and operations. The Group IAD reports directly to the Audit Committee.

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

STATEMENT ON INTERNAL CONTROL

In the Pacific & Orient Group, the Board of Directors has overall responsibility for internal control and reviewing its adequacy and 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 adequacy and effectiveness of the system of internal controls of the Group, which includes amongst others, financial, management information system, operational and compliance controls, in responding to risks within the Group's governance, operations and information systems regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, regulations and contracts. The Audit Committee holds regular meetings and reviews reports from internal and external auditors covering such matters. Significant issues are brought to the attention of the Board.

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

The External Auditors have reviewed this statement for inclusion in the Annual Report and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with the understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

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

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

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

Y.Bhg. 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 Bursa Malaysia Securities Berhad ("BMSB") Main Market Listing Requirements ("MMLR").

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; or

(c) who has either one of the following qualifications and at least 3 years' post qualification experience in accounting or finance:
(i) a degree/masters/doctorate in accounting or finance; or
(ii) a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or

(d) who has at least 7 years' experience being chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

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.

REPORT OF THE AUDIT COMMITTEE

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.

REPORT OF THE AUDIT COMMITTEE

4. Functions and Duties

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

4.2 To review the following and report to the Board:

(a) With the External Auditors:

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

(b) With the Internal Audit Department:

(i) Fulfillment of Internal Audit Department's role in evaluating and contributing to the improvement of risk management process, controls and governance practices as spelled out in the International Standards for the Professional Practice of Internal Auditing contained in The International 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 the 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 MMLR 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. Functions and Duties (Cont'd.)

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 BMSB MMLR.

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.

REPORT OF THE AUDIT COMMITTEE

Attendance at Meetings

A total of four (4) Audit Committee meetings were held during the financial year ended 30 September 2009. The details of attendance of the Committee members are as follows: -

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

During the financial year, relevant training attended by the above directors are detailed in the Corporate Governance Statement of this Annual Report.

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 2009 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 extent of the Group's compliance with the principles and best practices set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement and the Statement on Internal Control pursuant to the MMLR of BMSB for inclusion in the Company's Annual Report. Recommended to the Board action plans to address the identified gaps between the Group's existing corporate governance practices and the prescribed corporate governance principles and best practices under the Code.

(d) Reviewed and approved the Report of the Audit Committee 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) Reviewed the audit activities (comprising internal control, risk management process and governance practices) 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.

Activities of the Committee (Cont'd.)

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 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.

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 Audit Committee is supported by an in-house Internal Audit function, which reports directly to the Committee and is independent of the activities they audit. The primary responsibility of the Company's Internal Audit Department is to undertake regular and systematic reviews of the risk management process, internal controls and governance practices 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 2009 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, risk management process and governance practices.

(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.

REPORT OF THE AUDIT COMMITTEE

Internal Audit Activities Report (Cont'd.)

(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.

(k) Assisted the Audit Committee to prepare the Report of the Audit Committee for inclusion in the Company's Annual Report.

(l) 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 2009.

FINANCIAL RESULTS

The Group registered a higher turnover of RM 392.5 million in 2009 when compared to the amount of RM337.2 million attained in 2008. The increase was mainly attributed to higher underwriting premium achieved by the insurance subsidiary company.

The improved underwriting performance coupled with the writing-back of a significant amount of mark-to-market losses that were provided last year for diminution in value of investments helped the Group turn around with a pre-tax profit of RM25.6 million as compared to a pre-tax loss of RM37.2 million the year before. The bulk of the write-back was posted by the insurance subsidiary company in line with the improved conditions of the stock market that prevailed in the later part of the financial year.

At Company level, turnover decreased to RM5.2 million in 2009 as against RM15.5 million the year before due to the absence of dividend from the insurance subsidiary. The lack of dividend income together with the incorporation of an impairment charge in respect of subsidiary companies caused a reversal in the financial performance at Company level resulting in a pre-tax loss of almost RM20.0 million as compared to a pre-tax profit of RM4.1 million in 2008.

ACTIVITIES AND PROSPECTS OF THE GROUP

The Malaysian Institute of Economic Research ("MIER"), in its third quarter "Malaysia Economic Outlook" released in October 2009, revised upwards its 2009 gross domestic product ("GDP") forecast for Malaysia to a smaller contraction of 3.3 percent and also upgraded the GDP estimate for 2010 to a growth of 3.7 percent. According to MIER, "numerous indicators are suggesting that the economic downturn is somewhat subsiding and the massive national fiscal stimuli and monetary expansions have largely aided the gradual recovery". MIER added that the recovery might be sluggish and uneven, and that the services sector would be a pillar of strength amid a glum manufacturing sector. The institute had also said, "Malaysia may not regain more strength until the global economy is back on track, which is going to be at a disappointing slow pace."

Bank Negara Malaysia Governor, Tan Sri Dr Zeti Aktar Aziz, said that the country's economy would probably shrink less than the government's forecast of 5 percent for 2009 as the country's economic contraction had eased in the third quarter of the year. With some of the RM67 billion of stimulus measures flowing into the economy coupled with the easing of foreign investment rules, the government predicted growth would resume toward the end of 2009.

In its latest annual World Economic Outlook released in October 2009, the International Monetary Fund ("IMF") said that after a deep global recession, the world economic growth has turned positive, as wide-ranging public intervention has supported demand and lowered uncertainty and systemic risk in financial markets. However, the recovery is expected to be slow, as financial systems remain impaired, and households in economies that suffered asset price busts will continue to rebuild savings while struggling with high unemployment.

Given the fact that economic recovery is still in a fragile state, it is too early to say the financial crisis is behind us. Against such an uncertain backdrop, your Board is cautiously optimistic about the Company's prospects for the current year.

CHAIRMAN'S STATEMENT

Financial Services

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

Insurance

Despite the severe global recession which dragged down a large sector of the Malaysian economy, the insurance business performed much better than anticipated. Apart from being aided by the rapid recovery of the stock market towards the second half of 2009, the good performance was attributed to various management strategies that were implemented to counter negative effects of the economic downturn.

For 2009, POI achieved higher total revenue of RM385.6 million as compared to RM329.0 million the year before. Aided by the increase in premium growth as well as a hefty write-back in provision, POI turned around strongly and recorded a pre-tax profit of RM32.4 million as compared to a pre-tax loss of RM23.1 million.

With regard to its capital structure, POI submitted a Capital Management Plan ("CMP") to Bank Negara Malaysia ("BNM") on 15 April 2009, outlining its strategies for compliance with the Risk Based Capital Framework ("RBC Framework") implemented by BNM in January 2009. In accordance with the aforesaid CMP, POI further submitted an application to BNM on 2 September 2009, for approval to raise funds in the form of Tier 2 capital. POI will continue to work closely with BNM to finalize details of the CMP, to ensure compliance with the RBC Framework.

Notwithstanding the above, POI has adequate assets to meet its liabilities. As at 30 September 2009, POI has total assets of RM745,066,000 of which RM646,579,000 is represented by cash, money market instruments and deposits with financial institutions, compared to total liabilities of RM572,351,000.

Money Lending

In the face of a slower economy, the money lending unit consolidated its activities during the year and no new loans were made. Turnover for the year decreased to RM0.19 million as compared RM1.20 million in the previous year as two major borrowers repaid their loans. In tandem with the lower turnover, pre-tax profit was reduced to RM0.01 million as against RM0.49 million the year before.

Information Technology

In Malaysia, the IT division continued to make progress in the sales of surveillance and security systems and newly acquired clients include large listed corporations which may provide opportunities for further business development in the coming years. Also, a number of existing clients increased the scope of their current requirements for our business software solutions.

Operations in Thailand maintained the steady trend of long-term growth. In addition to new orders from existing customers for system upgrades, a major new client which is a notable insurance company in Bangkok was acquired during the year.

The extremely challenging economic conditions in the United States had adversely affected the existing business operations of our IT unit in Florida and it continued to make losses.

In 2009 total turnover of the division improved marginally to RM13.9 million as compared to RM13.7 million the year before. This is despite the difficult economic climate that had negatively impacted many businesses. Owing to better margins and implementation of various cost cutting measures, the bottom line improved and pre-tax loss decreased to RM3.6 million as against RM7.5 million the previous year.

CHAIRMAN'S STATEMENT

DIVIDEND

Your Directors do not propose to declare a dividend for the Financial Year under review in spite of the improved performance of POI which is in a position to pay a dividend to your Company thus enabling it in turn to declare a dividend to its shareholders.

However, your Company is not in a position to do so by reason of BNM having implemented with effect from 1st January 2009 its RBC Framework which requires POI to attain a level of capital in order to meet this requirement. POI is exploring ways and means acceptable to BNM to raise funds in the form of Tier 2 Capital. Accordingly, until BNM's requirement is met, POI will not be in a position to declare a dividend.

CORPORATE SOCIAL RESPONSIBILITY

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
December 2009

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat bagi tahun berakhir 30 September 2009.

KEPUTUSAN KEWANGAN

Kumpulan mencatat jumlah dagangan lebih tinggi sebanyak RM392.5 juta pada tahun 2009 berbanding dengan jumlah sebanyak RM337.2 juta yang dicatat pada tahun 2008. Peningkatan ini adalah terutamanya disebabkan oleh pengunderaitan premium yang lebih tinggi daripada anak syarikat insurans.

Prestasi pengunderaitan yang bertambah baik berserta dengan kemasukan kira semula sejumlah besar kerugian penandaan-kepada-pasaran yang telah diperuntukkan tahun lepas bagi pengurangan dalam nilai pelaburan telah membantu pemulihan Kumpulan dengan keuntungan pra-cukai sebanyak RM25.6 juta berbanding kerugian pra-cukai sebanyak RM37.2 juta pada tahun sebelumnya. Sebahagian besar kemasukan kira semula telah dicatat oleh anak syarikat insurans sejajar dengan keadaan pasaran saham yang bertambah baik yang berlaku pada akhir tahun kewangan.

Di peringkat Syarikat, jumlah dagangan telah merosot kepada RM5.2 juta pada tahun 2009 berbanding dengan RM15.5 juta pada tahun sebelumnya disebabkan ketiadaan dividen daripada anak syarikat insurans. Kekurangan pendapatan dividen berserta dengan penggabungan caj kemerosotan berhubung dengan anak-anak syarikat yang disebabkan keterbalikan dalam prestasi kewangan di peringkat syarikat telah menyebabkan kerugian pra-cukai hampir RM20.0 juta berbanding dengan keuntungan pra-cukai sebanyak RM4.1 juta pada tahun 2008.

KEGIATAN DAN PROSPEK KUMPULAN

Institut Penyelidikan Ekonomi Malaysia (“MIER”), dalam “Tinjauan Ekonomi Malaysia” suku ketiganya yang dikeluarkan pada Oktober 2009, telah menyemak naik ramalan keluaran dalam negeri kasar (“KDNK”) 2009 bagi Malaysia kepada penguncupan lebih kecil sebanyak 3.3 peratus dan juga telah menaik taraf anggaran KDNK bagi tahun 2010 kepada pertumbuhan sebanyak 3.7 peratus. Menurut MIER, “banyak petunjuk mengatakan bahawa kemelesetan ekonomi telah benar-benar reda dan rangsangan fiskal negara yang besar dan pengembangan monetari sebahagian besarnya telah membantu pemulihan secara beransur-ansur”. MIER menambah bahawa pemulihan mungkin bergerak perlahan dan tidak sekata, dan bahawa sektor perkhidmatan akan menjadi tunjang pengukuhan di tengah-tengah kesuraman sektor perkilangan. Institut itu juga berkata, “Malaysia mungkin sukar untuk memperoleh semula kekuatan sehingga ekonomi global kembali semula ke landasan, yang akan bergerak pada kadar perlahan yang mengecewakan.”

Gabenor Bank Negara Malaysia, Tan Sri Dr Zeti Aktar Aziz, berkata bahawa ekonomi negara berkemungkinan akan menguncup kurang daripada ramalan kerajaan sebanyak 5 peratus bagi tahun 2009 memandangkan penguncupan ekonomi negara telah mengendur pada suku ketiga tahun ini. Dengan beberapa langkah rangsangan bernilai RM67 bilion yang dialirkan ke dalam ekonomi berserta dengan pelonggaran peraturan pelaburan asing, kerajaan menjangka pertumbuhan akan berterusan sehingga akhir tahun 2009.

Dalam Tinjauan Ekonomi Dunia tahunan terkininya yang dikeluarkan pada bulan Oktober 2009, Tabung Mata Wang Antarabangsa (“IMF”) berkata bahawa selepas kemelesetan teruk ekonomi global, pertumbuhan ekonomi dunia telah kembali positif, memandangkan campur tangan awam yang menyeluruh telah menyokong permintaan dan mengurangkan ketidaktentuan serta risiko sistemik dalam pasaran kewangan. Walau bagaimanapun, pemulihan dijangka perlahan, memandangkan sistem kewangan masih lemah, dan isi rumah di negara-negara ekonomi yang mengalami kejatuhan harga aset akan terus membina semula simpanan manakala pada masa yang sama bertungkus-lumus dengan pengangguran yang tinggi.

Mengambil kira fakta bahawa pemulihan ekonomi masih dalam keadaan yang rapuh, adalah terlalu awal untuk menjangkakan krisis kewangan di belakang kita. Sehubungan dengan persekitaran yang tidak menentu ini, Lembaga anda dengan berhati-hati merasa optimis mengenai prospek Syarikat bagi tahun semasa.

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

Di sebalik kemelesetan teruk ekonomi global yang telah mengheret banyak sektor dalam ekonomi Malaysia, perniagaan insurans mempamerkan prestasi yang jauh lebih baik daripada jangkaan. Selain daripada dibantu oleh pemulihan pesat pasaran saham menjelang separuh kedua 2009, prestasi yang baik adalah berpunca daripada beberapa strategi pengurusan yang dilaksanakan untuk menghadapi kesan negatif kemerosotan ekonomi.

Bagi tahun 2009, POI mencapai jumlah hasil yang lebih tinggi sebanyak RM385.6 juta berbanding dengan RM329.0 juta pada tahun sebelumnya. Peningkatan dalam pertumbuhan premium serta masuk kira semula yang besar dalam peruntukan telah membantu POI kembali melonjak dengan kukuh dan mencatat keuntungan pra-cukai sebanyak RM32.4 juta berbanding dengan kerugian pra-cukai sebanyak RM23.1 juta.

Berhubung dengan struktur modalnya, POI telah mengemukakan Rancangan Pengurusan Modal ("CMP") kepada Bank Negara Malaysia ("BNM") pada 15 April 2009, menggariskan strategi-strateginya bagi pematuhan Kerangka Kerja Modal Berasaskan Risiko ("Kerangka Kerja RBC") yang dilaksanakan oleh BNM pada Januari 2009. Selaras dengan CMP tersebut, POI selanjutnya telah mengemukakan permohonan kepada BNM pada 2 September 2009, bagi kelulusan untuk meningkatkan pembiayaan dalam bentuk modal Tier 2. POI akan terus bekerja rapat dengan BNM untuk memuktamadkan butir-butir mengenai CMP, untuk memastikan pematuhan Kerangka Kerja RBC.

Walaubagaimanapun, POI mempunyai aset yang mencukupi untuk memenuhi liabilitinya. Pada 30 September 2009, POI mempunyai jumlah aset sebanyak RM745,066,000 di mana RM646,579,000 daripadanya diwakili secara tunai, instrumen dan deposit pasaran wang dengan institusi kewangan, berbanding dengan liabiliti keseluruhan sebanyak RM572,351,000.

Pemberian Pinjaman Wang

Dalam menghadapi ekonomi yang lebih perlahan, unit pemberian pinjaman wang telah menyatukan kegiatannya pada tahun ini dan tiada pinjaman baru telah dibuat. Jumlah dagangan bagi tahun ini merosot kepada RM0.19 juta berbanding dengan RM1.20 juta pada tahun sebelumnya memandangkan dua peminjam utama telah membayar balik pinjaman mereka. Sejajar dengan jumlah dagangan yang lebih rendah, keuntungan pra-cukai telah berkurangan kepada RM0.01 juta berbanding dengan RM0.49 juta pada tahun sebelumnya.

Teknologi Maklumat

Di Malaysia, bahagian IT terus membuat kemajuan dalam jualan sistem pengawasan dan keselamatan dan klien-klien terbaru yang diperoleh termasuk syarikat-syarikat besar tersenarai yang boleh memberikan peluang bagi pembangunan perniagaan selanjutnya dalam tahun-tahun mendatang. Beberapa pelanggan sedia ada juga telah meningkatkan skop keperluan semasa mereka bagi penyelesaian perisian perniagaan kami.

Operasi di Thailand terus mengekalkan trend pertumbuhan jangka panjang yang kukuh. Selain menerima tempahan baru daripada pelanggan-pelanggan sedia ada untuk menaikkan taraf sistem, pelanggan baru utama yang merupakan syarikat insurans terkenal di Bangkok telah diperolehi pada tahun 2009.

Keadaan ekonomi yang sangat mencabar di Amerika Syarikat telah menjejaskan operasi perniagaan sedia ada unit IT kami di Florida dan ia terus mencatat kerugian.

Pada tahun 2009 jumlah dagangan keseluruhan bahagian ini telah meningkat sedikit kepada RM13.9 juta berbanding dengan RM13.7 juta pada tahun sebelumnya. Ini adalah di sebalik suasana kemelut ekonomi yang secara negatif telah menjejaskan banyak syarikat perniagaan. Disebabkan margin yang lebih baik dan pelaksanaan beberapa langkah pemotongan kos, untung rugi bertambah baik dan kerugian pra-cukai telah merosot kepada RM3.6 juta berbanding dengan RM7.5 juta pada tahun sebelumnya.

PENYATA PENGERUSI

DIVIDEN

Para Pengarah anda tidak bercadang untuk mengisytiharkan dividen bagi Tahun Kewangan di bawah kajian meskipun prestasi POI bertambah baik yang berada dalam kedudukan untuk membayar dividen kepada Syarikat anda dan dengan itu membolehkannya mengisytiharkan dividen kepada pemegang-pemegang sahamnya.

Walau bagaimanapun, Syarikat anda tidak bersedia untuk berbuat sedemikian dengan alasan BNM telah melaksanakan Kerangka Kerja Modal Berasaskan Risikonya yang berkuat kuasa mulai 1 Januari 2009 yang memerlukan POI untuk mencapai tahap modal tertentu untuk memenuhi keperluan ini. POI mencari cara dan jalan yang boleh diterima oleh BNM untuk meningkatkan pembiayaan dalam bentuk Modal Tier 2. Selaras dengan itu, sehingga syarat BNM dipenuhi, POI tidak akan bersedia untuk mengisytiharkan dividen.

TANGGUNGJAWAB SOSIAL KORPORAT

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

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

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
Disember 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 2009.

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 profit/(loss) for the year attributable to equity holders of the Company	14,947	(19,239)

DIVIDENDS

No dividend was declared or paid since the end of the previous financial year and the board of directors do not recommend the payment of any 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, there were no new issuance of ordinary shares pursuant to the Company's Employees' Share Option Scheme ("ESOS").

TREASURY SHARES

During the period under review, the Company:

(a) purchased 1,317,400 of its issued ordinary shares of RM1.00 each fully paid from the open market at an average price of RM1.02 per share for a total consideration of RM1,338,026. The purchases were financed by internally generated funds. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

(b) disposed of 3,325,800 treasury shares in the open market resulting in a deficit of RM1,340,278 which has been debited to the Share Premium account.

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 25.

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 2009 who have been granted options of 400,000 shares or more are disclosed as follows:

Name of Options 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

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 2008	5,487,000
Lapsed/forfeited	(100,000)
At 30 September 2009	5,387,000

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	3,740,000
12.7.2003 – 15.1.2011	1.76	800,000
23.9.2004 – 15.1.2011	1.66	847,000
		5,387,000

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that 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

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

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary as a full-time employee of the Company as shown in Note 32 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' REPORT

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			
	At 1 October 2008	Bought	Sold	At 30 September 2009
The Company				
Mr. Chan Hua Eng				
- Direct interest	142,099	-	-	142,099
- Indirect interest	2,589,761	-	-	2,589,761
Mr. Chan Thye Seng				
- Direct interest	11,439,168	-	-	11,439,168
- Indirect interest	54,366,209*	19,700	-	54,385,909
Mr. Michael Yee Kim Shing				
- Indirect interest	928,901	-	-	928,901
Y.Bhg. Dato' Abu Hanifah Bin Noordin				
- Indirect interest	2,348,516	-	-	2,348,516
Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed				
- Indirect interest	3,377,326	-	-	3,377,326

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS (Cont'd.)

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 2008	Granted	Exercised	At 30 September 2009
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 Company or its related corporations during the financial year.

SUBSEQUENT EVENT

Details of a subsequent event are disclosed in Note 47 to the financial statements.

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 26 November 2009

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 107 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 2009 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 26 November 2009

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 107 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 26 November 2009)

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 2009 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 107.

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 2009 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Emphasis of Matter

In forming our opinion, we have considered the disclosure made in Note 46 to the financial statements. In view of the significance of the matter, we wish to draw your attention to the note which describes the status of the insurance subsidiary's compliance with the Risk-Based Capital Framework ("the RBC Framework") as at 30 September 2009. The Framework was introduced as the capital adequacy framework for all insurers licensed under the Insurance Act, 1996 effective from 1 January 2009. It has been imposed by the Minister of Finance, pursuant to Section 23 of the Insurance Act, 1996 as a licensing condition for insurance companies. As at 30 September 2009, the insurance subsidiary has not met the 130% Supervisory Target Capital stipulated in the Framework. The insurance subsidiary has submitted its capital management plans ("CMP") to Bank Negara Malaysia ("BNM") during the financial year, pursuant to Section 58(2) of the Insurance Act,1996. As of the date of this report, the insurance subsidiary is working closely with BNM to finalise the details of the CMP, to ensure compliance with the capital adequacy requirements stipulated in the RBC Framework.

Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PACIFIC & ORIENT BERHAD (INCORPORATED IN MALAYSIA) (CONT'D.)

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 Accountants

Kuala Lumpur, Malaysia
26 November 2009

BALANCE SHEETS as at 30 September 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
ASSETS					
Property, plant and equipment	5	**21,252**	14,765	**811**	918
Investment properties	6	**605**	595	**-**	-
Prepaid land lease payments	7	**330**	334	**-**	-
Goodwill on consolidation	8	**1,935**	1,935	**-**	-
Intangible assets	9	**868**	993	**16**	23
Deferred tax assets	10	**13,243**	25,293	**1,292**	524
Investments	11	**706,242**	588,919	**20,192**	19,674
Investment in subsidiary companies	12	**-**	-	**131,997**	132,062
Inventories - goods for resale	13	**1,789**	2,251	**-**	-
Loans	14	**341**	395	**-**	-
Trade receivables	15	**14,650**	28,030	**-**	-
Other receivables	15	**18,233**	17,730	**204**	3,866
Due from subsidiary companies	16	**-**	-	**47,078**	58,681
Deposits and placements with financial institutions	17	**4,319**	6,468	**-**	-
Cash and bank balances	18	**8,446**	7,060	**42**	123
TOTAL ASSETS		**792,253**	694,768	**201,632**	215,871
LIABILITIES					
Provision for outstanding claims	19	**357,760**	306,972	**-**	-
Trade payables	20	**8,462**	15,033	**-**	-
Other payables	20	**9,813**	9,078	**1,044**	1,024
Due to a subsidiary company	21	**-**	-	**1,498**	-
Hire purchase creditors	22	**1,165**	1,542	**358**	518
Borrowings	23	**52,135**	51,550	**50,885**	49,300
Provision for taxation		**-**	942	**-**	-
TOTAL LIABILITIES		**429,335**	385,117	**53,785**	50,842
Unearned premium reserves	24	**199,573**	168,226	**-**	-
EQUITY					
Share capital	25	**110,680**	110,680	**110,680**	110,680
Treasury shares	25	**(3,262)**	(6,659)	**(3,262)**	(6,659)
Share premium		**15,483**	16,823	**15,483**	16,823
Merger reserve		**40,769**	40,769	**-**	-
Translation reserve		**(630)**	(324)	**-**	-
Revaluation reserve		**5,222**	-	**-**	-
(Accumulated losses)/retained profits	26	**(4,917)**	(19,864)	**24,946**	44,185
		163,345	141,425	**147,847**	165,029
TOTAL LIABILITIES, UNEARNED PREMIUM RESERVES AND EQUITY		**792,253**	694,768	**201,632**	215,871

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

STATEMENTS OF CHANGES IN EQUITY for the year ended 30 September 2009

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	Revaluation Reserve RM'000	Retained Profits/ (Accumulated Losses) RM'000	Total RM'000
At 1 October 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 25)	-	-	(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 27)	-	-	-	-	-	-	-	(4,415)	(4,415)
At 30 September 2008	110,680	110,680	(6,659)	16,823	40,769	(324)	-	(19,864)	141,425
Currency translation loss not recognised in the income statement	-	-	-	-	-	(306)	-	-	(306)
Revaluation surplus (Note 5)	-	-	-	-	-	-	6,962	-	6,962
Transferred to deferred tax on revaluation surplus (Note 10)	-	-	-	-	-	-	(1,740)	-	(1,740)
Purchase of treasury shares (Note 25)	-	-	(1,338)	-	-	-	-	-	(1,338)
Treasury shares disposed (Note 25)	-	-	4,735	(1,340)	-	-	-	-	3,395
Net profit for the year	-	-	-	-	-	-	-	14,947	14,947
At 30 September 2009	**110,680**	**110,680**	**(3,262)**	**15,483**	**40,769**	**(630)**	**5,222**	**(4,917)**	**163,345**

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

STATEMENTS OF CHANGES IN EQUITY for the year ended 30 September 2009 (Cont'd.)

	<----------- Attributable to equity holders of the Company					----------->
	Issued and fully paid ordinary shares of <---- RM1.00 each---->			Non-Distributable	Distributable	
Company	**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 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 25)	-	-	(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 27)	-	-	-	-	(4,415)	(4,415)
At 30 September 2008	110,680	110,680	(6,659)	16,823	44,185	165,029
Purchase of treasury shares (Note 25)	-	-	(1,338)	-	-	(1,338)
Treasury shares disposed (Note 25)	-	-	4,735	(1,340)	-	3,395
Net loss for the year	-	-	-	-	(19,239)	(19,239)
At 30 September 2009	**110,680**	**110,680**	**(3,262)**	**15,483**	**24,946**	**147,847**

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

INCOME STATEMENTS for the year ended 30 September 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Revenue	28	**392,494**	337,212	**5,173**	15,465
Other operating income	29	**26,901**	3,594	**141**	279
		419,395	340,806	**5,314**	15,744
Changes in inventories		**(1,013)**	(1,941)	**-**	-
Reinsurance		**(40,724)**	(36,452)	**-**	-
Net claims incurred	30	**(210,599)**	(154,899)	**-**	-
Net commission		**(34,687)**	(31,349)	**-**	-
Increase in unearned premium reserves	24	**(31,347)**	(55,085)	**-**	-
Staff costs	31	**(23,904)**	(27,023)	**(3,497)**	(4,092)
Depreciation		**(702)**	(2,186)	**(115)**	(96)
Amortisation	33	**(220)**	(220)	**(7)**	(8)
Other operating expenses	34	**(47,633)**	(65,501)	**(18,846)**	(4,361)
Operating profit/(loss)		**28,566**	(33,850)	**(17,151)**	7,187
Finance costs	35	**(2,985)**	(3,314)	**(2,833)**	(3,048)
Profit/(loss) before taxation	36	**25,581**	(37,164)	**(19,984)**	4,139
Income tax expense	42	**(10,634)**	4,547	**745**	(1,577)
Net profit/(loss) for the year attributable to equity holders of the Company		**14,947**	(32,617)	**(19,239)**	2,562
Earnings/(loss) per share attributable to equity holders of the Company (sen)					
Basic	43	**14.08**	(30.57)		
Diluted	43	**14.08**	-		
Dividend per share (sen) Nil sen (2008 : 5.625 sen) less tax	27	**-**	4.17		

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

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 September 2009

	2009 RM'000	2008 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	**25,581**	(37,164)
Adjustments for:		
Depreciation of property, plant and equipment	**702**	2,186
Amortisation of premiums, net of accretion of discounts	**227**	688
Amortisation of prepaid land lease payments	**4**	4
Amortisation of computer software and other licences	**216**	216
Gain on disposal of property, plant and equipment	**(6)**	(147)
Gain on fair value adjustment	**(10)**	(10)
Property, plant and equipment written off	**81**	30
Intangible assets written off	**2**	-
Quoted warrants written off	**-**	543
(Write back of)/allowance for diminution in value of investments	**(24,453)**	38,672
Inventories of goods for resale written off	**235**	287
(Write back of)/allowance for inventory obsolescence	**(134)**	336
Loss/(gain) on disposal of investments	**21,838**	(1,181)
Dividend income	**(5,343)**	(4,465)
Income from Islamic corporate bonds	**(1,506)**	(1,834)
Interest income	**(17,510)**	(17,693)
Allowance for doubtful debts	**1,549**	416
Short term accumulating compensated absences	**(25)**	35
Increase in unearned premium reserves	**31,347**	55,085
Interest expense	**2,939**	3,215
Revaluation deficit of property, plant and equipment	**460**	-
Unrealised gain on foreign exchange	**(452)**	(606)
Transferred to property, plant and equipment and intangible assets from inventories	**(485)**	(193)
Operating profit before working capital changes	**35,257**	38,420
Changes in working capital:		
Disposal of investments	**98,294**	42,726
Capital repayment of investments of the insurance subsidiary company	**296**	-
Purchase of investments	**(50,777)**	(58,756)
Increase/(decrease) in bankers acceptances	**219,576**	(54,974)
(Increase)/decrease in deposits and placements of the insurance subsidiary company with financial institutions	**(379,366)**	4,783
Decrease in loans	**54**	13,022
Decrease/(increase) in receivables	**10,285**	(19,489)
Decrease/(increase) in inventories - goods for resale	**363**	(48)
Increase in outstanding claims	**50,789**	14,389
(Decrease)/increase in payables	**(5,941)**	11,370
Cash used in operations	**(21,170)**	(8,557)

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

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 September 2009 (Cont'd.)

	Note	2009 RM'000	2008 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (Cont'd.)			
Tax refunded/(paid)		**1,440**	(538)
Dividends received		**1,523**	2,555
Income received from Islamic corporate bonds		**1,703**	1,903
Interest received		**15,079**	19,664
Interest paid		**(2,817)**	(3,484)
Net cash (used in)/generated from operating activities		**(4,242)**	11,543
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5(c)	**(263)**	(618)
Purchase of intangible assets	9	**(51)**	(226)
Disposal of investments		**1,243**	-
Capital repayment of investments of the holding company		**285**	-
Disposal of property, plant and equipment		**174**	237
Net cash generated from/(used in) investing activities		**1,388**	(607)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of shares		**-**	42
Disposal of treasury shares		**3,395**	-
Acquisition of treasury shares		**(1,340)**	(3,477)
Payment of transfer fee for treasury shares		**-**	(22)
Dividends paid		**-**	(4,415)
Decrease in hire purchase creditors		**(589)**	(573)
Drawdown of borrowings		**200**	3,900
Net cash generated from/(used in) financing activities		**1,666**	(4,545)
Effects of exchange rate changes on cash and cash equivalents		**27**	(44)
Net (decrease)/increase in cash and cash equivalents		**(1,161)**	6,347
Cash and cash equivalents at beginning of year		**13,541**	7,181
Cash and cash equivalents at end of year		**12,380**	13,528

Cash and cash equivalents comprise the following:

Cash and bank balances		**8,446**	7,060
Bank overdraft		**(385)**	-
Deposits and placements with financial institutions *		**4,319**	6,468
Cash and cash equivalents as previously reported		**12,380**	13,528
Effect of exchange rate changes		**-**	13
Cash and cash equivalents as restated		**12,380**	13,541

* 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 2009

	2009 RM'000	2008 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	**(19,984)**	4,139
Adjustments for:		
Depreciation of property, plant and equipment	**115**	96
Allowance for impairment in investment in subsidiary company	**65**	-
Allowance for doubtful debts of amounts due from subsidiary companies	**15,275**	-
Amortisation of computer software and other licences	**7**	8
Gain on disposal of investments	**(60)**	-
Gain on disposal of property, plant and equipment	**-**	(53)
Unrealised gain on foreign exchange	**(81)**	(226)
Quoted warrants written off	**-**	132
Short term accumulating compensated absences	**(47)**	46
Dividend income	**(1,616)**	(11,761)
Interest income	**(620)**	(732)
Interest expense	**2,793**	2,955
Operating loss before working capital changes	**(4,153)**	(5,396)
Changes in working capital:		
Decrease in receivables	**10**	60
(Increase)/decrease in due from subsidiary companies	**(3,033)**	2,255
(Decrease)/increase in payables	**(76)**	32
Cash used in operations	**(7,252)**	(3,049)
Dividends received	**-**	8,703
Interest received	**35**	377
Interest paid	**(2,624)**	(3,204)
Tax refunded, net of tax paid	**3,630**	214
Net cash (used in)/generated from operating activities	**(6,211)**	3,041

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

CASH FLOW STATEMENT for the year ended 30 September 2009 (Cont'd.)

	Note	2009 RM'000	2008 RM'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5(c)	**(8)**	(103)
Disposal of investments		**873**	-
Capital repayment from investments		**285**	-
Disposal of property, plant and equipment		**-**	83
Net cash generated from/(used in) investing activities		**1,150**	(20)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of shares		**-**	42
Acquisition of treasury shares		**(1,340)**	(3,475)
Disposal of treasury shares		**3,395**	-
Payment of transfer fee for treasury shares		**-**	(22)
Dividends paid		**-**	(4,415)
Decrease in hire purchase creditors		**(160)**	(131)
Loan from a subsidiary company		**1,500**	-
Drawdown of bank borrowings		**1,200**	4,900
Net cash generated from/(used in) financing activities		**4,595**	(3,101)
Net decrease in cash and cash equivalents		**(466)**	(80)
Cash and cash equivalents at beginning of year		**123**	203
Cash and cash equivalents at end of year		**(343)**	123
Cash and cash equivalents comprise:			
Cash and bank balances		**42**	123
Bank overdraft		**(385)**	-
		(343)	123

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

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is a public company, incorporated and domiciled in Malaysia, and is listed on the Main Market 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 26 November 2009 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 ("BNM").

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

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

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(c) Intangible Assets (Cont'd.)

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

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 and buildings and leasehold buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and buildings and leasehold buildings are stated at revalued amounts, which are the fair values at the date of the revaluation less subsequent accumulated depreciation (except for freehold land which has an unlimited useful life and therefore is not depreciated) and any subsequent accumulated impairment losses. Fair values are determined from market-based evidence by appraisals that are undertaken by professionally qualified valuers. Revaluations are performed once in every five years or earlier if the carrying values of the revalued properties are materially higher than the market values. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same property previously recognised in income statement, in which case the increase is recognised in income statement to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same property and the balance is thereafter recognised in income statement. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the property and the net amount is restated to the revalued amount of the property. Upon disposal or retirement of a property, any revaluation reserve relating to the particular property is transferred directly to retained earnings.

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

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%

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(d) Property, Plant and Equipment and Depreciation (Cont'd.)

The residual values, 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 and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(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.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(g) Receivables

Receivables are carried at anticipated realisable values.

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

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

(h) 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 CGUs 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(o) Employee Benefits (Cont'd.)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(p) Foreign Currencies (Cont'd.)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(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.

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 2008 except for a change in accounting policy to adopt the revaluation model to measure freehold land and buildings and leasehold buildings classified as property, plant and equipment in accordance with FRS 116 : Property, plant and equipment. This change in accounting policy has been accounted for prospectively upon the initial application of the revaluation model in accordance with FRS 116.

Prior to 1 October 2008, freehold land and buildings and leasehold buildings that were owner-occupied were stated at cost less accumulated depreciation and any accumulated impairment losses.

The Group has changed its accounting policy to adopt the revaluation model to measure the aforementioned properties in accordance with FRS 116. Under the revaluation model, the properties are stated at revalued amounts, which are the fair values at the date of the revaluation less subsequent accumulated depreciation (except for freehold land which has an unlimited useful life and therefore is not depreciated) and any subsequent accumulated impairment losses. Fair values are determined from market-based evidence by appraisals that are undertaken by professionally qualified valuers. Revaluations are performed once in every five years or earlier if the carrying values of the revalued properties are materially higher than the market values. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same property previously recognised in income statement, in which case the increase is recognised in income statement to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same property and the balance is thereafter recognised in income statement. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the property and the net amount is restated to the revalued amount of the property. Upon disposal or retirement of a property, any revaluation reserve relating to the particular property is transferred directly to retained earnings.

(i) Effects on balance sheet as at 30 September 2009

Description of change:	Group Increase/(decrease) FRS 116 RM'000
Property, plant and equipment	6,295
Deferred tax assets	(1,625)
Revaluation reserve	5,222

(ii) Effects on income statement for the year ended 30 September 2009

Description of change:	Group Increase/(decrease) FRS 116 RM'000
Revaluation deficit of property, plant and equipment	460
Depreciation of property, plant and equipment	207
Income tax expense	(115)

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

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

		Effective for financial periods beginning on or after
Amendments to FRS 1 and FRS 127	Amendments to FRS 1 : First-time Adoption of Financial Reporting Standards and FRS 127 : Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132	Financial Instruments : Presentation	1 January 2010
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Amendments to FRS 139 : Financial Instruments: Recognition and Measurement, FRS 7 : Financial Instruments: Disclosures, and IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"		1 January 2010
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments - Recognition and Measurement	1 January 2010

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

(b)

		Effective for financial periods beginning on or after
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 : Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 : The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	1 January 2010

The adoption of Amendments to FRSs 1, 2, 127 and 132, Amendments to IC Interpretation 9, Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)", IC Interpretations 9, 10 and 11, FRS 8, FRS 101 and FRS 123 does not have any significant impact on the financial statements.

The impact of applying Amendments to FRSs 7 and 139, FRS 4, FRS 7 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 given in the respective FRSs.

IC Interpretations 13 and 14 are not applicable to the Group.

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.

(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 which 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 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 2009 was RM1,935,000 (2008 : RM1,935,000).

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

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

(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.

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.

Details of deferred tax assets are disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

5. PROPERTY, PLANT AND EQUIPMENT

Group	<-----Valuation	-----	----->	<-----	-----Cost	-----	----->	
2009	Freehold land	Freehold buildings	Leasehold buildings	Computer equipment	Motor vehicles	Office equipment	Furniture, fixtures and fittings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Valuation/Cost								
At beginning of year	380	535	13,472	14,844	4,292	6,384	4,649	44,556
Additions	-	-	-	33	302	109	30	474
Disposals	-	-	-	(1,881)	(329)	(21)	(1)	(2,232)
Write offs	-	-	-	(1,891)	-	(262)	(6)	(2,159)
Revaluation surplus	140	219	6,603	-	-	-	-	6,962
Revaluation deficit	-	(107)	(353)	-	-	-	-	(460)
Transfer*	-	(67)	(4,342)	-	-	-	-	(4,409)
Transferred from inventories	-	-	-	-	-	445	-	445
Translation differences	-	-	-	49	8	16	5	78
At end of year	520	580	15,380	11,154	4,273	6,671	4,677	43,255
Accumulated Depreciation								
At beginning of year	-	65	4,289	14,716	1,324	5,252	4,145	29,791
Charge for the year	-	15	525	(574)	264	367	105	702
Disposals	-	-	-	(1,881)	(163)	(18)	(2)	(2,064)
Write offs	-	-	-	(1,891)	-	(183)	(4)	(2,078)
Transfer*	-	(67)	(4,342)	-	-	-	-	(4,409)
Translation differences	-	-	-	41	3	11	6	61
At end of year	-	13	472	10,411	1,428	5,429	4,250	22,003
Net Book Value								
At end of year	520	567	14,908	743	2,845	1,242	427	21,252

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

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

Group	<-------	-------	-------	Cost	-------	-------	-------	------->
2008	Freehold land	Freehold buildings	Leasehold buildings	Computer equipment	Motor vehicles	Office equipment	Furniture, fixtures and fittings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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)
Transferred from 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

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

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

Company

	Cost				
	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
2009					
Cost					
At beginning of year	**325**	**1,231**	**113**	**394**	**2,063**
Additions	**-**	**-**	**2**	**6**	**8**
Write offs	**(1)**	**-**	**(2)**	**-**	**(3)**
At end of year	**324**	**1,231**	**113**	**400**	**2,068**
Accumulated Depreciation					
At beginning of year	**284**	**400**	**75**	**386**	**1,145**
Charge for the year	**16**	**89**	**6**	**4**	**115**
Write offs	**(1)**	**-**	**(2)**	**-**	**(3)**
At end of year	**299**	**489**	**79**	**390**	**1,257**
Net Book Value					
At end of year	**25**	**742**	**34**	**10**	**811**
2008					
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.)

(a) Freehold land and buildings and leasehold buildings were revalued on 3 November 2008 by Messrs. Rahim & Co., an independent professional valuer. Fair value is determined by reference to open market values using the comparison method.

The net book values of the freehold land and buildings and leasehold buildings of the Group had the cost model been applied, compared to the revaluation model as at 30 September 2009 are as follows:

	Group Net Book Value	
	Under Revaluation Model RM'000	Under Cost Model RM'000
Freehold land	**520**	**380**
Freehold buildings	**567**	**456**
Leasehold buildings	**14,908**	**8,864**
	15,995	**9,700**

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Motor vehicles	**2,219**	2,904	**660**	828

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash	**263**	618	**8**	103
Hire purchase	**211**	1,057	**-**	380
	474	1,675	**8**	483

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

6. INVESTMENT PROPERTIES

	Group	
	2009 RM'000	2008 RM'000
At beginning of the year	**595**	585
Gain on fair value adjustment (Note 29)	**10**	10
At end of the year	**605**	595
Analysed as:		
Freehold buildings	**375**	365
Leasehold buildings	**230**	230
	605	595

7. PREPAID LAND LEASE PAYMENTS

	Group	
	2009 RM'000	2008 RM'000
Long term leasehold land:		
At beginning of year	**334**	338
Amortisation (Note 33)	**(4)**	(4)
At end of year	**330**	334

8. GOODWILL ON CONSOLIDATION

	Group	
	2009 RM'000	2008 RM'000
At beginning/end of year	**1,935**	1,935

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

9. INTANGIBLE ASSETS

Group

2009	Software Distribution Licence RM'000	Computer Software and Other Licences RM'000	Total RM'000
Cost			
At beginning of year	**2,346**	**3,021**	**5,367**
Additions	**-**	**51**	**51**
Write offs	**-**	**(112)**	**(112)**
Transferred from inventories	**-**	**40**	**40**
Translation differences	**-**	**6**	**6**
At end of year	**2,346**	**3,006**	**5,352**
Accumulated Amortisation			
At beginning of year	**2,346**	**2,028**	**4,374**
Amortisation (Note 33)	**-**	**216**	**216**
Write offs	**-**	**(110)**	**(110)**
Translation differences	**-**	**4**	**4**
At end of year	**2,346**	**2,138**	**4,484**
Net Book Value			
At end of year	**-**	**868**	**868**

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
Transferred to 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 33)	-	216	216
At end of year	2,346	2,028	4,374
Net Book Value			
At end of year	-	993	993

9. INTANGIBLE ASSETS (Cont'd.)

Company

2009	Computer Software and Other Licences RM'000
Cost	
At beginning and end of year	**96**
Accumulated Amortisation	
At beginning of year	**73**
Amortisation (Note 33)	**7**
At end of year	**80**
Net Book Value	
At end of year	**16**

2008	
Cost	
At beginning and end of year	96
Accumulated Amortisation	
At beginning of year	65
Amortisation (Note 33)	8
At end of year	73
Net Book Value	
At end of year	23

10. DEFERRED TAX

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At beginning of year	**25,293**	18,495	**524**	510
Transferred (from)/to income statements (Note 42)	**(10,396)**	6,911	**768**	14
Transferred from revaluation reserve	**(1,740)**	-	**-**	-
Translation differences	**86**	(113)	**-**	-
At end of year	**13,243**	25,293	**1,292**	524

10. DEFERRED TAX (Cont'd.)

Presented after appropriate offsetting as follows:

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Deferred tax assets	**15,714**	26,093	**1,346**	575
Deferred tax liabilities	**(2,471)**	(800)	**(54)**	(51)
At end of year	**13,243**	25,293	**1,292**	524

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:

2009	Revaluation Deficit RM'000	Unearned Premium Reserves RM'000	Allowance for Diminution in Value of Investments RM'000	Allowance for Doubtful Debts RM'000	Tax Losses and Unabsorbed Capital Allowances RM'000	Total RM'000
At beginning of year	**-**	**11**	**12,056**	**317**	**13,709**	**26,093**
Recognised in the income statements	**115**	**-**	**(7,393)**	**-**	**(3,187)**	**(10,465)**
Arising during the year	**115**	**-**	**(7,393)**	**-**	**753**	**(6,525)**
Deferred tax assets written off	**-**	**-**	**-**	**-**	**(3,940)**	**(3,940)**
Translation differences	**-**	**-**	**-**	**-**	**86**	**86**
At end of year	**115**	**11**	**4,663**	**317**	**10,608**	**15,714**

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

10. DEFERRED TAX (Cont'd.)

Deferred Tax Liabilities of the Group:

2009	**Revaluation Surplus RM'000**	**Accelerated Capital Allowances RM'000**	**Others RM'000**	**Total RM'000**
At beginning of year	**-**	**(690)**	**(110)**	**(800)**
Recognised in the income statements	**-**	**69**	**-**	**69**
Recognised in the revaluation reserve	**(1,740)**	**-**	**-**	**(1,740)**
At end of year	**(1,740)**	**(621)**	**(110)**	**(2,471)**

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)

Deferred Tax Assets of the Company:

2009	**Tax Losses and Unabsorbed Capital Allowances RM'000**	**Total RM'000**
At beginning of year	**575**	**575**
Recognised in the income statement	**771**	**771**
At end of year	**1,346**	**1,346**

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

10. DEFERRED TAX (Cont'd.)

Deferred Tax Liabilities of the Company:

2009	**Accelerated Capital Allowances RM'000**	**Total RM'000**
At beginning of year	**(51)**	**(51)**
Recognised in the income statement	**(3)**	**(3)**
At end of year	**(54)**	**(54)**

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)

As at 30 September 2009, deferred tax assets have not been recognised in respect of the following temporary differences:

	Group	
	2009 RM'000	**2008 RM'000**
Depreciation and capital allowances on property, plant and equipment	**377**	248
Unabsorbed capital allowances and losses	**68,634**	51,786
Other deductible temporary differences	**1,471**	1,525
	70,482	53,559

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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cost				
Long term investment in quoted securities				
Shares in Malaysia	**20,464**	20,235	**20,192**	19,674
Club membership	**55**	55	**-**	-
Investment securities				
Money market instruments:				
Malaysian Government Securities	**70,737**	55,383	**-**	-
Accretion of discounts/(amortisation of premiums)	**217**	(188)	**-**	-
	70,954	55,195	**-**	-
Islamic corporate bonds	**15,651**	25,794	**-**	-
Amortisation of premiums	**(206)**	(252)	**-**	-
	15,445	25,542	**-**	-
Bankers acceptances	**81,945**	301,521	**-**	-
Quoted securities :				
Shares in Malaysia	**29,080**	105,477	**-**	-
Shares outside Malaysia	**4,423**	4,423	**-**	-
Allowance for diminution in value	**(14,527)**	(39,094)	**-**	-
	18,976	70,806	**-**	-
Unit trusts	**12,632**	9,028	**-**	-
Unquoted securities:				
Shares in Malaysia	**-**	280	**-**	-
Allowance for diminution in value	**-**	(147)	**-**	-
	-	133	**-**	-
Total investment securities	**199,952**	462,225	**-**	-

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

11. INVESTMENTS (Cont'd.)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits and placements of the insurance subsidiary company with financial institutions	**485,771**	106,404	**-**	-
Total investments	**706,242**	588,919	**20,192**	19,674
Market value				
Club membership	**60**	60	**-**	-
Long term investment in quoted securities:				
Shares in Malaysia	**13,214**	13,407	**13,214**	13,217
Investment securities:				
Malaysian Government Securities	**71,764**	54,904	**-**	-
Islamic corporate bonds	**15,459**	25,339	**-**	-
Shares quoted in Malaysia	**17,321**	68,024	**-**	-
Shares quoted outside Malaysia	**1,655**	2,932	**-**	-
Unit trusts	**12,632**	9,158	**-**	-

Deposits and placements of the Group amounting to RM249,000 (2008 : RM243,000) 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 :

Group	Contractual repricing or maturity dates (whichever is earlier) Less than 1 year RM'000	1 to 5 years RM'000	Total carrying amount RM'000	Range of effective interest rates per annum %
2009				
Malaysian Government Securities	**5,364**	**65,590**	**70,954**	**2.51 - 4.65**
Bankers acceptances	**81,945**	**-**	**81,945**	**2.05 - 2.17**
Deposits and placements of the insurance subsidiary company with financial institutions	**485,771**	**-**	**485,771**	**1.60 - 3.85**
	573,080	**65,590**	**638,670**	

11. INVESTMENTS (Cont'd.)

Group	Contractual repricing or maturity dates (whichever is earlier) Less than 1 year RM'000	1 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	

The effective profit rate of the Islamic corporate bonds as at balance sheet date was between 6.70% and 8.00% (2008 : 4.40% and 8.00%) per annum.

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

	Group 2009 RM'000	2008 RM'000
Less than 1 year	**5,009**	10,021
1 to 5 years	**5,167**	10,228
More than 5 years	**5,269**	5,293
	15,445	25,542

12. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2009 RM'000	2008 RM'000
Unquoted shares - at cost	**138,366**	138,366
Impairment losses	**(6,369)**	(6,304)
	131,997	132,062

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

The subsidiary companies are:

	Effective Interests		
Incorporated in Malaysia	**2009 %**	**2008 %**	**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 2009 RM'000	Group 2008 RM'000
Inventories - at cost	**2,017**	2,614
Allowance for inventory obsolescence	**(228)**	(363)
	1,789	2,251

14. LOANS

	Group 2009 RM'000	Group 2008 RM'000
Loans:		
- secured loans	**238**	281
- unsecured loans	**103**	114
	341	395
Due within one year	**49**	44
Due after one year	**292**	351
	341	395

The interest rates on loans were between 6.80% and 10.50% (2008: 6.80% and 10.50%) per annum.

15. RECEIVABLES

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Trade receivables:				
Outstanding premiums including agents', brokers' and co-insurers' balances	**10,972**	24,939	**-**	-
Due from reinsurers and ceding companies	**4,965**	2,556	**-**	-
Others	**2,955**	3,222	**-**	-
	18,892	30,717	**-**	-
Allowance for doubtful debts	**(4,242)**	(2,687)	**-**	-
	14,650	28,030	**-**	-
Other receivables:				
Accrued income	**6,564**	5,105	**-**	-
Share of assets held by Malaysian Motor Insurance Pool ("MMIP")	**4,108**	2,851	**-**	-
Deposits and prepayments	**2,113**	1,837	**28**	28
Tax recoverable	**4,381**	6,879	**-**	3,653
Others	**1,067**	1,058	**176**	185
	18,233	17,730	**204**	3,866

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

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Ringgit Malaysia	**30,954**	43,871	**204**	3,866
United States Dollars	**51**	55	**-**	-
Thai Baht	**1,878**	1,834	**-**	-
	32,883	45,760	**204**	3,866

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 RM6,175,000 (2008 : RM5,231,000) which bears interest at between 10.00% and 10.25% (2008 : 10.00% and 10.25%) per annum.

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

	Company	
	2009	**2008**
	RM'000	**RM'000**
Ringgit Malaysia	**45,666**	44,127
United States Dollars	**16,687**	14,554
	62,353	58,681
Allowance for doubtful debts	**(15,275)**	-
	47,078	58,681

17. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group	
	2009	**2008**
	RM'000	**RM'000**
Licensed banks	**4,319**	6,468

The deposits of RM1,951,000 (2008 : RM1,829,000) 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.

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

	Group	
	2009	**2008**
	RM'000	**RM'000**
Ringgit Malaysia	**4,030**	5,992
United States Dollars	**79**	79
Thai Baht	**210**	397
	4,319	6,468

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

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

	Group	
	2009	2008
	%	%
Licensed banks	**0.25 – 3.00**	0.25 – 4.25

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

	Group	
	2009	2008
	Days	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	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**8,147**	6,928	**42**	123
United States Dollars	**75**	51	**-**	-
Thai Baht	**224**	81	**-**	-
	8,446	7,060	**42**	123

19. PROVISION FOR OUTSTANDING CLAIMS

	Group	
	2009	2008
	RM'000	RM'000
Provision for outstanding claims	**396,762**	335,654
Recoverable from reinsurers	**(39,002)**	(28,682)
Net outstanding claims	**357,760**	306,972

Included in the provision for outstanding claims is an amount of RM108,595,000 (2008 : RM102,081,000) in respect of net provision for Incurred But Not Reported ("IBNR") claims as determined by an independent professional actuary.

20. PAYABLES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables:				
Due to reinsurers and ceding companies	**6,652**	5,495	**-**	-
Due to agents, brokers, co-insurers and insureds	**1,776**	9,415	**-**	-
Others	**34**	123	**-**	-
	8,462	15,033	**-**	-
Other payables:				
Accruals	**1,841**	2,034	**731**	663
Short term accumulating compensated absences	**705**	734	**158**	206
Collateral deposits	**257**	250	**-**	-
Insurance Guarantee Scheme Fund ("IGSF") levy	**767**	566	**-**	-
Stamp duty payable	**1,641**	1,422	**-**	-
Unearned income	**502**	552	**-**	-
Accrual of directors' fees	**403**	300	**155**	155
Service tax payable	**228**	409	**-**	-
Unclaimed monies	**167**	120	**-**	-
Refund premiums	**130**	108	**-**	-
Others	**3,172**	2,583	**-**	-
	9,813	9,078	**1,044**	1,024

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

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**17,757**	23,572	**1,044**	1,024
United States Dollars	**14**	47	**-**	-
Thai Baht	**504**	492	**-**	-
	18,275	24,111	**1,044**	1,024

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

21. DUE TO A SUBSIDIARY COMPANY

The amount due to a subsidiary company of RM1,498,000 (2008 : RM Nil) bears interest at 9.05% per annum, is unsecured and payable on demand.

22. HIRE PURCHASE CREDITORS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Future minimum payments are as follows:				
Not later than 1 year	**512**	648	**155**	179
Later than 1 year and not later than 2 years	**592**	742	**187**	257
Later than 2 years and not later than 5 years	**156**	284	**39**	124
Total future minimum lease payments	**1,260**	1,674	**381**	560
Less : Future finance charges	**(95)**	(132)	**(23)**	(42)
Present value of hire purchase creditors	**1,165**	1,542	**358**	518

Analysis of present value of hire purchase creditors :

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Not later than 1 year	**467**	598	**142**	160
Later than 1 year and not later than 2 years	**585**	698	**177**	238
Later than 2 years and not later than 5 years	**113**	246	**39**	120
	1,165	1,542	**358**	518
Amount due within 1 year	**(467)**	(598)	**(142)**	(160)
Amount due after 1 year	**698**	944	**216**	358

The hire purchase agreements at the balance sheet date bear interest at between 2.65% and 6.18% (2008 : 2.80% and 6.35%) per annum.

23. BORROWINGS

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Bank overdraft	**385**	-	**385**	-
Revolving credits	**51,750**	51,550	**50,500**	49,300
	52,135	51,550	**50,885**	49,300

The revolving credit and bank overdraft facilities of the Company are unsecured and bear interest at between 3.73% and 5.16% (2008 : 5.31% and 6.07%) per annum and 7.30% (2008 : Nil) per annum respectively. The revolving credit facilities of subsidiary companies are secured by a deposit of a subsidiary company of RM536,000 and corporate guarantees from the holding company. The revolving credit and bank overdraft facilities of the Group bear interest between 3.73% and 7.55% (2008 : 5.31% and 8.75%) per annum and 7.30% (2008 : Nil) per annum respectively.

24. UNEARNED PREMIUM RESERVES

	Group	
	2009 RM'000	**2008 RM'000**
At beginning of year	**168,226**	113,141
Increase in unearned premium reserves (Note 37)	**31,347**	55,085
At end of year	**199,573**	168,226

25. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2009 '000	**2008 '000**	**2009 RM'000**	**2008 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	**110,680**	110,647	**110,680**	110,647
Issue of shares:				
- ESOS (Note (a))	**-**	33	**-**	33
At end of year	**110,680**	110,680	**110,680**	110,680

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

25. SHARE CAPITAL (Cont'd.)

(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.

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.

25. SHARE CAPITAL (Cont'd.)

(b) Treasury Shares

	Group/Company			
	Number of shares		Amount	
	2009	2008	2009	2008
	'000	'000	RM'000	RM'000
At beginning of year	**4,300**	4,879	**6,659**	8,193
Purchased	**1,317**	2,430	**1,338**	3,477
Disposed	**(3,326)**	-	**(4,735)**	-
Distributed as share dividends	**-**	(3,009)	**-**	(5,011)
At end of year	**2,291**	4,300	**3,262**	6,659

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 25 March 2009, renewed their approval of the Company's plan to purchase its own ordinary shares.

During the period under review, the Company:

(a) purchased 1,317,400 of its issued ordinary shares of RM1.00 each fully paid from the open market at an average price of RM1.02 per share for a total consideration of RM1,338,026. The purchases were financed by internally generated funds. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

(b) disposed of 3,325,800 treasury shares in the open market resulting in a deficit of RM1,340,278 which has been debited to the Share Premium account.

Of the total 110,680,000 (2008 : 110,680,000) issued and fully paid ordinary shares as at 30 September 2009, 2,291,000 (2008 : 4,300,000) are held as treasury shares by the Company. As at 30 September 2009, the number of outstanding ordinary shares in issue and fully paid is therefore 108,389,000 (2008 : 106,380,000) ordinary shares of RM1.00 each.

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

25. SHARE CAPITAL (Cont'd.)

(b) Treasury Shares (Cont'd.)

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

Shares purchased Month	Price per share (RM) Lowest	Highest	Average	Number of shares purchased/ (disposed) ('000)	Total consideration RM'000
October 2008	1.00	1.15	1.06	241	256
November 2008	1.00	1.09	1.05	17	18
December 2008	0.96	1.05	1.01	399	403
January 2009	0.99	1.04	1.03	22	23
February 2009	0.98	1.02	1.00	568	567
March 2009	1.02	1.03	1.01	68	69
April 2009	1.00	1.02	1.04	2	2
	Total shares purchased			1,317	1,338
Shares disposed					
March 2009	0.95	1.03	1.01	(70)	(70)
April 2009	1.02	1.03	1.02	(645)	(658)
May 2009	1.03	1.03	1.02	(78)	(80)
August 2009	1.11	1.11	1.02	(2,480)	(2,530)
September 2009	1.00	1.11	1.09	(53)	(57)
	Total shares disposed			(3,326)	(3,395)

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

26. RETAINED PROFITS

Company

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 2009, the Company has sufficient tax credits in the Section 108 balance to pay franked dividends out of its entire retained earnings.

27. DIVIDENDS

	Group/Company		Net Dividend Per Share	
	2009 RM'000	2008 RM'000	2009 Sen	2008 Sen
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	-	2,935	-	2.78
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	-	1,480	-	1.39
	-	4,415	-	4.17

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

28. 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Gross premium (Note 37)	**362,877**	307,714	**-**	-
Gross dividends :				
- shares quoted in Malaysia	**5,152**	4,081	**1,616**	950
- unit trusts	**191**	384	**-**	-
- subsidiary company	**-**	-	**-**	10,811
Interest income :				
- subsidiary companies	**-**	-	**584**	720
- others	**17,369**	17,615	**36**	12
Income from Islamic corporate bonds	**1,506**	1,834	**-**	-
Rental income from investment properties	**45**	17	**-**	-
MMIP investment income	**129**	123	**-**	-
Amortisation of premiums	**(227)**	(688)	**-**	-
Sale of goods and services	**5,452**	6,132	**2,937**	2,972
	392,494	337,212	**5,173**	15,465

29. OTHER OPERATING INCOME

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest income	**141**	78	**-**	-
Write back of allowance for diminution in value of investments	**24,453**	-	**-**	-
Gain on disposal of property, plant and equipment	**6**	147	**-**	53
Gain on disposal of investments	**114**	1,181	**60**	-
Gain on fair value adjustment (Note 6)	**10**	10	**-**	-
Unrealised gain on foreign exchange	**452**	606	**81**	226
Surplus on return of capital from Killinghall (Malaysia) Berhad (In-liquidation) ("KMB")*	**456**	-	**-**	-
Others	**1,269**	1,572	**-**	-
	26,901	3,594	**141**	279

* During the year, the Group received a final distribution of surplus on return of capital of RM456,000 from the liquidators of KMB.

30. NET CLAIMS INCURRED

	Group	
	2009 RM'000	2008 RM'000
Gross claims paid less salvage	**172,631**	151,345
Reinsurance recoveries	**(12,820)**	(10,835)
Net claims paid	**159,811**	140,510
Net outstanding claims:		
At end of year	**357,760**	306,972
At beginning of year	**(306,972)**	(292,583)
Net claims incurred (Note 37)	**210,599**	154,899

31. STAFF COSTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Salaries, wages and bonus	**20,001**	22,465	**2,893**	3,328
Short term accumulating compensated absences	**(25)**	35	**(47)**	46
Pension cost – defined contribution plan	**2,228**	2,508	**345**	387
Other staff related expenses	**1,700**	2,015	**306**	331
	23,904	27,023	**3,497**	4,092

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,599,000 (2008 : RM2,074,000) and RM739,000 (2008 : RM807,000) respectively.

32. DIRECTORS' REMUNERATION

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors of the Company				
Executive:				
Salaries and other remuneration	**560**	515	**540**	495
Bonus	**-**	105	**-**	105
Pension cost – defined contribution plan	**79**	87	**79**	87
Benefits-in-kind	**22**	34	**22**	34
Allowance	**120**	120	**120**	120
	781	861	**761**	841
Non-Executive:				
Fees	**245**	245	**155**	155
	245	245	**155**	155

32. DIRECTORS' REMUNERATION (Cont'd.)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors of Subsidiary Companies				
Executive:				
Salaries and other remuneration	**750**	950	**-**	-
Bonus	**-**	129	**-**	-
Short term accumulating compensated absences	**(25)**	7	**-**	-
Pension cost – defined contribution plan	**70**	107	**-**	-
Benefits-in-kind	**42**	56	**-**	-
Allowances	**45**	54	**-**	-
	882	1,303	**-**	-
Non-Executive:				
Fees	**48**	35	**-**	-
Total	**1,956**	2,444	**916**	996
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 31)	**1,599**	2,074	**739**	807
Total non-executive directors' remuneration (Note 34)	**293**	280	**155**	155
Total directors' remuneration excluding benefits-in-kind	**1,892**	2,354	**894**	962

33. AMORTISATION

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Amortisation of:				
- intangible assets (Note 9)	**216**	216	**7**	8
- prepaid land lease payments (Note 7)	**4**	4	**-**	**-**
	220	220	**7**	8

34. OTHER OPERATING EXPENSES

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Other operating expenses include:				
Auditors' remuneration	**220**	199	**37**	37
Non-executive directors' remuneration (Note 32)	**293**	280	**155**	155
Property, plant and equipment written off	**81**	30	**-**	-
Revaluation deficit of property, plant and equipment	**460**	-	**-**	-
Inventories-goods for resale written off	**235**	287	**-**	-
(Write back of)/allowance for inventory obsolescence	**(134)**	336	**-**	-
Allowance for diminution in value of investments	**-**	38,672	**-**	-
Rental of office equipment	**1,988**	2,320	**225**	195
Office rental:				
- subsidiary company	**-**	-	**264**	264
- others	**1,511**	1,364	**-**	-
Loss on foreign exchange:				
- realised	**-**	25	**-**	-
Quoted warrants written off	**-**	543	**-**	132
Loss on disposal of investments	**21,952**	-	**-**	-
Allowance for doubtful debts:				
- trade receivables	**1,549**	416	**-**	-
- amounts due from subsidiary companies	**-**	-	**15,275**	-
Allowance for impairment in investment in subsidiary company	**-**	-	**65**	-

35. FINANCE COSTS

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Interest expense :				
- subsidiary company	**-**	-	**24**	-
- others	**2,939**	3,215	**2,769**	2,955
Others	**46**	99	**40**	93
	2,985	3,314	**2,833**	3,048

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

36. PROFIT/(LOSS) BEFORE TAXATION

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Determined as follows:					
Insurance subsidiary company	37	**32,380**	(23,063)	**-**	-
Others		**(23,708)**	(3,044)	**(19,984)**	4,139
Before consolidation		**8,672**	(26,107)	**(19,984)**	4,139
Consolidation adjustments		**16,909**	(11,057)	**-**	-
After consolidation		**25,581**	(37,164)	**(19,984)**	4,139

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

Revenue Account	Note	Group 2009 RM'000	Group 2008 RM'000
Insurance fund			
Gross premium	28	**362,877**	307,714
Reinsurance		**(40,724)**	(36,452)
Net premium		**322,153**	271,262
Increase in unearned premium reserves	24	**(31,347)**	(55,085)
Earned premium		**290,806**	216,177
Net claims incurred	30	**(210,599)**	(154,899)
Net commission		**(34,687)**	(31,349)
		(245,286)	(186,248)
Underwriting surplus before management expenses		**45,520**	29,929
Management expenses	39	**(39,639)**	(38,431)
Underwriting deficit		**5,881**	(8,502)
Investment income	38	**22,140**	20,896
Other operating income - net	41	**3,794**	(36,148)
Profit/(loss) from operations		**31,815**	(23,754)
Finance costs		**(37)**	(31)
Surplus/(deficit) from insurance fund		**31,778**	(23,785)
Shareholder's fund			
Investment income	38	**610**	729
Management expenses	39	**(8)**	(7)
		32,380	(23,063)

38. INVESTMENT INCOME

	Group	
	2009	2008
Insurance fund	RM'000	RM'000
Gross dividends:		
- shares quoted in Malaysia	**3,536**	3,130
- unit trusts	**191**	384
Interest income:		
- Malaysian Government Securities	**2,656**	2,867
- bankers acceptances	**5,729**	9,132
- deposits and placements with financial institutions	**8,309**	3,828
Income from Islamic corporate bonds	**1,506**	1,834
Rental income from investment properties	**311**	286
MMIP investment income	**129**	123
Amortisation of premiums, net of accretion of discounts	**(227)**	(688)
	22,140	20,896
Shareholder's fund		
Interest income:		
- bankers acceptances	**610**	728
- deposits and placements with financial institutions	**-**	1
	610	729

39. MANAGEMENT EXPENSES

	Group	
	2009	2008
	RM'000	RM'000
Insurance fund		
Executive directors' remuneration (Note 40)	**624**	1,005
Staff salaries and bonus	**11,882**	12,713
Staff short term accumulating compensated absences	**60**	(36)
Staff pension cost – defined contribution plan	**1,420**	1,520
Other staff benefits	**998**	1,164
	14,984	16,366

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

39. MANAGEMENT EXPENSES (Cont'd.)

	Group 2009 RM'000	Group 2008 RM'000
Depreciation of property, plant and equipment	**1,006**	904
Auditors' remuneration	**124**	103
Amortisation :		
- prepaid land lease payments	**4**	4
- intangible assets	**50**	52
Non-executive directors' remuneration (Note 40)	**128**	115
Allowance for doubtful debts	**1,503**	416
Rental of properties	**516**	430
IGSF levy	**767**	566
Call centre service charges	**592**	564
Rental of equipment	**1,488**	1,331
Printing and EDP expenses	**8,117**	6,750
Business development	**948**	1,862
Credit card charges	**3,556**	2,680
Office administration and utilities	**1,702**	1,894
Other expenses	**4,154**	4,394
	39,639	38,431
Shareholder's fund		
Staff salaries and bonus	**4**	4
Staff pension cost – defined contribution plan	**1**	1
	5	5
Other expenses	**3**	2
	8	7

40. DIRECTORS' REMUNERATION

	Group 2009 RM'000	Group 2008 RM'000
Insurance fund		
Executive directors:		
- salaries	**535**	708
- bonus	**-**	129
- defined contribution plan	**69**	107
- benefits-in-kind	**42**	56
- short term accumulating compensated absences	**(25)**	7
- allowances	**45**	54
	666	1,061
Non-executive directors:		
- fee (Note 39)	**128**	115
Total directors' remuneration	**794**	1,176
Total executive directors' remuneration excluding benefits-in-kind (Note 39)	**624**	1,005

41. OTHER OPERATING INCOME - NET

	Group	
	2009 RM'000	2008 RM'000
Insurance fund		
Quoted warrants written off	**-**	(411)
(Loss)/gain on disposal of:		
- investments	**(21,844)**	1,181
- property, plant and equipment	**-**	36
Sundry income	**1,124**	1,571
Surplus on return of capital from KMB (Note 29)	**456**	-
Write back of/(allowance for) diminution in value of investments	**24,453**	(38,525)
Revaluation deficit of property, plant and equipment	**(353)**	-
Gain on fair value adjustments (Note 6)	**10**	-
Others	**(52)**	-
	3,794	(36,148)

42. INCOME TAX EXPENSE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income tax:				
Current year's provision				
- Malaysian tax	**582**	2,253	**-**	1,530
- foreign tax	**7**	3	**-**	-
(Over)/under provision in prior years	**(351)**	108	**23**	61
	238	2,364	**23**	1,591
Deferred tax (Note 10):				
Relating to timing differences	**6,454**	(9,163)	**(767)**	(4)
Deferred tax assets written off	**3,940**	2,221	**-**	-
Under/(over) provision in prior years	**2**	31	**(1)**	(10)
Transferred to/(from) deferred taxation	**10,396**	(6,911)	**(768)**	(14)
	10,634	(4,547)	**(745)**	1,577

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008 : 26%) of the estimated assessable profit for the year. In prior year, certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income : 20%
In excess of RM500,000 of chargeable income : 26%

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act, 1967 that was introduced with effect from the year of assessment 2009, these subsidiaries no longer qualify for the above preferential tax rates.

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

42. INCOME TAX EXPENSE (Cont'd.)

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

	Group	
	2009	**2008**
	RM'000	**RM'000**
Profit/(loss) before taxation	**25,581**	(37,164)
Taxation at Malaysian statutory tax rate of 25% (2008 : 26%)	**6,395**	(9,663)
Effect of different tax rates in other countries	**(40)**	(1)
Income not subject to tax	**(1,466)**	(553)
Expenses not deductible for tax purposes	**1,658**	1,401
Deferred tax asset not recognised during the year	**766**	1,589
(Over)/under provision of tax expense in prior years	**(351)**	107
Effect of change in tax rate on deferred tax assets	**-**	367
Under provision of deferred tax in prior years	**2**	31
Deferred tax assets written off	**3,940**	2,221
Translation differences	**86**	(113)
Consolidation adjustments	**(376)**	65
Others	**20**	2
Tax expense for the year	**10,634**	(4,547)

	Company	
	2009	**2008**
	RM'000	**RM'000**
(Loss)/profit before taxation	**(19,984)**	4,139
Taxation at Malaysian statutory tax rate of 25% (2008 : 26%)	**(4,996)**	1,076
Income not subject to tax	**(597)**	(198)
Expenses not deductible for tax purposes	**4,826**	647
Underprovision of tax expense in prior years	**23**	62
Overprovision of deferred tax in prior years	**(1)**	(10)
Tax expense for the year	**(745)**	1,577

As at 30 September 2009, the Company has:

- unabsorbed tax losses and unabsorbed capital allowances of approximately RM3,045,000 (2008 : RM Nil) and RM2,340,000 (2008 : RM2,301,000) respectively, 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 (2008 : 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.

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

(a) Basic

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

		Group	
		2009	**2008**
Net profit/(loss) for the year attributable to equity holders of the Company	(RM'000)	**14,947**	(32,617)
Weighted average number of ordinary shares in issue	('000)	**106,168**	106,686
Basic earnings/(loss) per share	(sen)	**14.08**	(30.57)

(b) Diluted

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
		2009
Net profit for the year attributable to equity holders of the Company	(RM'000)	**14,947**
Weighted average number of ordinary shares in issue	('000)	**106,168**
Effect of dilution: ESOS (share option)	('000)	**-**
Adjusted weighted average number of shares in issue and issuable	('000)	**106,168**
Diluted earnings per share	(sen)	**14.08**

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

44. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group	
	2009 RM'000	2008 RM'000
Related company in which a Director had deemed interest:		
Insurance revenue	**153**	221

	Company	
	2009 RM'000	2008 RM'000
Subsidiary companies - Income:		
Interest income on loans	**584**	720
Management fee income	**2,937**	2,972
Subsidiary companies - Expenditure:		
Office rental	**264**	264
Interest expense on loans	**24**	-
Investment and treasury administration services	**14**	14
Rental of office equipment	**212**	182
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	**8**	86

Information regarding outstanding balances arising from related party transactions and subsidiary companies as at 30 September 2009 are as disclosed in Note 16 and Note 21.

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.

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

(b) Key Management Personnel Compensation

The key management personnel are defined as executive directors. The remuneration of key management personnel during the year are as follows:

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Short-term employee benefits				
Salary and other remuneration	**1,475**	1,639	**660**	615
Bonus	**-**	234	**-**	105
Short term accumulating compensated absences	**(25)**	7	**-**	-
Benefits-in-kind	**64**	90	**22**	34
Post-employment benefits				
Pension cost - defined contribution plan	**149**	194	**79**	87
	1,663	2,164	**761**	841

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

	Group ESOS		Company ESOS	
	2009 '000	**2008 '000**	**2009 '000**	**2008 '000**
At beginning/end of year	**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.

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

45. COMMITMENTS AND CONTINGENCIES

(a) Contingent liabilities

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Performance guarantees – secured	**192**	227	**-**	-
Guarantees given to financial institutions for facilities extended to subsidiary companies – secured	**-**	-	**2,564**	6,235
	192	227	**2,564**	6,235

(b) Non-cancellable operating lease commitments

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Future minimum lease payments are as follows:				
Not later than 1 year	**1,503**	2,020	**48**	88
Later than 1 year and not later than 5 years	**1,084**	1,249	**28**	44
	2,587	3,269	**76**	132

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 RM903,000 (2008 : RM767,000) in the following financial year to the Insurance Guarantee Scheme Fund.

(d) Capital commitments

There are no capital commitments for the purchase of property, plant and equipment and intangible asset (either approved and contracted for or approved but not contracted for) as at 30 September 2009 and 30 September 2008.

46. RISK-BASED CAPITAL FRAMEWORK APPLICABLE TO THE INSURANCE SUBSIDIARY COMPANY

On 1 January 2009, the Risk-Based Capital Framework ("the RBC Framework"), was introduced as the capital adequacy framework for all insurers licensed under the Insurance Act, 1996. The RBC Framework was imposed by the Minister of Finance, pursuant to Section 23 of the Insurance Act, 1996 as a licensing condition for insurers effective from 1 January 2009. Under the RBC Framework, licensed insurers are required to maintain a supervisory target capital ratio or Minimum Capital Adequacy Ratio ("MCAR"), failing which supervisory actions by BNM of increasing intensity would be taken to resolve the financial position of the insurer. The MCAR is then used as a benchmark against which an insurer would establish its own higher Internal Target Capital.

The insurance subsidiary company has not complied with the capital requirements under the RBC Framework and has accordingly, submitted its Capital Management Plan ("CMP") to BNM during the financial year, pursuant to Section 58(2) of the Insurance Act, 1996. The insurance subsidiary company is working closely with BNM to finalise the details of the CMP, to ensure compliance with the capital adequacy requirements stipulated in the RBC Framework.

Notwithstanding the above, the insurance subsidiary company has adequate assets to meet its liabilities. As at 30 September 2009, the insurance subsidiary company has total assets of RM745,066,000 of which RM646,579,000 is represented by cash, money market instruments and deposits with financial institutions, compared to total liabilities of RM572,351,000.

47. SUBSEQUENT EVENT

Subsequent to the financial year ended 30 September 2009, the insurance subsidiary company, Pacific & Orient Insurance Co. Berhad ("POI") was served with a winding up petition for a sum claimed of RM172,628.70.

The winding up petition was filed in the High Court of Malaya in Kuala Lumpur, on 17 November 2009 and served on POI on 18 November 2009. The winding up petition shall be heard on 11 February 2010.

The winding up petition arose from a notice pursuant to Section 218 of the Malaysian Companies Act 1965 dated 28 October 2009 served on POI on 29 October 2009 for the sum of RM172,628.70.

This sum was the High Court enhancement of a Sessions Court judgment on an insurance claim where Liability (and the sum payable by POI's insured) was enhanced from 20% to 50%.

The enhancement was subject to the hearing of an appeal to the Court of Appeal fixed for 11 January 2010. An application for stay was fixed for hearing on 17 December 2009. POI was at all times ready, able and willing to pay the said sum into the Petitioners' lawyer's client's account pending the disposal of the appeal. This, POI was verbally informed, was not acceptable to the Petitioners and/or their lawyer and hence the service of the Section 218 notice.

As it appeared that the stay would not be heard in sufficient time, an application for an Injunction was made by POI and the injunction was granted on 18 November 2009. The Petitioners' lawyer was duly notified of the Injunction Order on the same day. The Petitioners' lawyer stated that as the winding up petition was filed on the 17 November 2009, they were "unable to comply with your order of injunction".

The Petitioners' lawyer proceeded to serve on POI a prematurely filed, undated winding-up petition which, POI has been advised by its lawyers, was void ab-initio (void from inception).

Subsequently the Petitioners' lawyer has sought to withdraw the said petition and indeed, on the 18 November 2009, have filed a notice of discontinuance.

The petition cannot however, in accordance with the winding-up rules, be summarily withdrawn.

47. SUBSEQUENT EVENT (Cont'd.)

In compliance with the terms of the Injunction dated 18 November 2009 obtained by POI, the said sum of RM172,628.70 was paid to the Petitioners' lawyer's client's account to be held pending the hearing and disposal of the Appeal on 11 January 2010. At all times, the Petitioners and/or their lawyer were aware that POI had more than adequate resources to meet the judgment sum and was willing to pay the said sum to the Petitioners' lawyer pending the disposal of the appeal.

The Group has adequate resources to meet the commitment of the claim and therefore, the petition has no financial and operational impact on the Group. In fact, the sum of RM172,678.70 claimed had already been paid on 18 November 2009, as stated above.

There will be no expected losses arising from the petition as POI had already paid the sum claimed on 18 November 2009 and the payment was cleared by POI's bank on 20 November 2009.

POI has sought legal advice in respect of the wilful filing of the petition with the apparent purpose to force premature payment of an enhanced judgment that has been appealed against and which may be set aside in the Appeal to be heard on 11 January 2010.

POI has been advised by its lawyers that this petition is void from inception and that despite the attempt at withdrawal, it is necessary to take the procedural steps that POI is presently pursuing.

Accordingly, POI has instructed its lawyers to take the necessary steps to have the petition struck out and declared void (in accordance with existing case law).

Based on the advice from the lawyers, existing case law and the fact that the claim has already been paid, the Board of Directors strongly feels that the petition will be struck out and declared void. Furthermore, this petition does not jeopardize POI's financial position and POI remains financially secure and able to meet its statutory liabilities.

48. 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.

48. 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 BNM.

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

The Group does not have significant concentration of credit risk related to loan receivable from a third party at the balance sheet date.

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

	Group	
	2009	**2008**
	RM'000	**RM'000**
Rating of corporate bonds on market value basis :		
AA3	**5,116**	5,172
A1	**-**	4,944
A+	**10,343**	15,223
	15,459	25,339

Analysis of corporate bonds by industry segments :		
Power	**5,116**	5,172
Trading/services	**-**	4,944
Oil and gas	**-**	-
Telecommunication	**-**	4,988
Infrastructure and utilities	**10,343**	10,235
	15,459	25,339

(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.

48. 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 2009 and 2008, 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	
At 30 September 2009:	**Carrying amount RM'000**	**Fair Value RM'000**	**Carrying amount RM'000**	**Fair Value RM'000**
Financial Assets				
Club membership	**55**	**60**	**-**	**-**
Due from subsidiary companies	**-**	**-**	**47,078**	*****
Long term investment in quoted securities:				
Shares in Malaysia	**20,464**	**13,214**	**20,192**	**13,214**
Investment securities:				
Malaysian Government Securities	**70,954**	**71,764**	**-**	**-**
Islamic corporate bonds	**15,445**	**15,459**	**-**	**-**
Shares quoted in Malaysia	**17,321**	**17,321**	**-**	**-**
Shares quoted outside Malaysia	**1,655**	**1,655**	**-**	**-**
Unit trusts	**12,632**	**12,632**	**-**	**-**

48. FINANCIAL INSTRUMENTS (Cont'd.)

(i) Fair Values (Cont'd.)

	Group		Company	
At 30 September 2009:	**Carrying amount RM'000**	**Fair Value RM'000**	**Carrying amount RM'000**	**Fair Value RM'000**
Financial Liabilities				
Hire purchase creditors	**1,165**	**1,179**	**358**	**362**
Due to a subsidiary company	**-**	**-**	**1,498**	*****
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	-	-
Financial Liabilities				
Hire purchase creditors	1,542	1,578	518	527

* It is not practical to estimate the fair values of amounts due from/(to) 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 2009	**192**	*****	**2,564**	*****
At 30 September 2008	227	*	6,235	*

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

48. 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, 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.

49. 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.

49. SEGMENT REPORTING (Cont'd.)

30 September 2009	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	385,361	5,452	1,652	29	-	-	392,494
Inter-segment sales	266	8,471	3,521	162	6	(12,426)	-
Total segment revenue	385,627	13,923	5,173	191	6	(12,426)	392,494
RESULT							
Segment result	32,418	(2,904)	(17,151)	21	(124)	16,165	28,425
Finance cost							(2,985)
Interest income							141
Profit before tax							25,581
Income tax expense							(10,634)
Net profit for the year							14,947
ASSETS							
Segment assets	736,879	14,666	17,144	4,022	10	-	772,721
Unallocated corporate assets							19,532
Consolidated total assets							792,253
LIABILITIES							
Segment liabilities	571,334	2,014	857	1,979	24	-	576,208
Unallocated corporate liabilities							52,700
Consolidated total liabilities							628,908
OTHER INFORMATION							
Capital expenditure	40	477	8	-	-	-	525
Depreciation	685	(88)	105	-	-	-	702
Amortisation	47	165	7	-	1	-	220
Non-cash expenses	8,538	291	-	-	-	-	8,829

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2009

49. 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

49. 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Malaysia	**389,606**	334,211	**770,147**	656,454	**335**	1,685
Thailand	**2,472**	2,520	**2,277**	2,759	**138**	216
United States of America	**416**	481	**297**	1,450	**52**	-
	392,494	337,212	**772,721**	660,663	**525**	1,901

LIST OF GROUP'S PROPERTIES as at 30 September 2009

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2009 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	4,653	24	Unit 10-A 1.7.1993/ 3.11.2008 Unit 10-B 1.4.1995/ 3.11.2008
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	9,199	24	21.12.1982/ 3.11.2008
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	320	24	14.4.1986 / 3.11.2008

LIST OF GROUP'S PROPERTIES as at 30 September 2009

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2009 RM'000	Approximate age of building Years	Date of acquisition / Date of last valuation
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	30	1.12.1986 / 3.11.2008
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	724	25	8.12.1984 / 3.11.2008
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	97	26	13.2.1991/ 3.11.2008
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	893	11	18.9.1998/ 3.11.2008

LIST OF GROUP'S PROPERTIES as at 30 September 2009

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description / existing use	Net book value @ 30.9.2009 RM'000	Approximate age of building Years	Date of acquisition / Date of last valuation
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	18	4.1.1996 / 3.11.2008
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	564	10	3.12.1999/ 3.11.2008
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 factory intermediate unit/office	387	10	3.12.1999/ 3.11.2008

SHAREHOLDINGS STATISTICS as at 31 December 2009

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	528	21,951	0.02
100 to 1,000	201	62,939	0.06
1,001 to 10,000	3,152	8,725,243	8.05
10,001 to 100,000	482	11,393,361	10.50
100,001 to less than 5% of issued shares	51	37,213,969	34.31
5% and above of issued shares	5	51,040,883	47.06
Total	**4,419**	**108,458,346***	**100.00**

*The number of 108,458,346 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 2009 were as follows:

	No. of RM1.00 Shares			
Name	Direct Interest	%	Indirect Interest	%
Chan Thye Seng	12,204,568	11.25	54,385,909[2]	50.14
Mah Wing Holdings Sdn Bhd	27,144,601	25.03	-	-
Mah Wing Investments Limited	24,631,330	22.71	-	-

DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings, the Directors' shareholdings as at 31 December 2009 were as follows:

follows:

	No. of RM1.00 Shares			
Name	Direct Interest	%	Indirect Interest	%
Chan Hua Eng	142,099	0.13	2,589,761[1]	2.39
Chan Thye Seng	12,204,568	11.25	54,385,909[2]	50.14
Michael Yee Kim Shing	-	-	893,901[3]	0.82
Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed	-	-	2,917,326[4]	2.69
Dato' Abu Hanifah Bin Noordin	-	-	1,964,416[5]	1.81

Notes:

(1) Held by virtue of Chan Hua Eng's interests in Chan Kok Tien Realty Sdn Bhd ("CKT"), Tysim Holdings Sdn Bhd ("Tysim") and deemed to have interest in shares held by his spouse and daughter.

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

(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 2009

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	22.71
2.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	8,202,857	7.56
3.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mah Wing Holdings Sdn Bhd	6,552,449	6.04
4.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	5,958,552	5.49
5.	Mah Wing Holdings Sdn Bhd	5,695,695	5.25
6.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Thye Seng	4,299,841	3.96
7.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Chan Thye Seng	4,026,110	3.71
8.	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chan Thye Seng	3,269,766	3.01
9.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	2,917,326	2.69
10.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamed Ayub Bin Mohamed Ali	2,560,000	2.36
11.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Chan Kok Tien Realty Sdn. Bhd.	2,405,344	2.22
12.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Abu Hanifah Bin Noordin	1,964,416	1.81
13.	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	1,824,855	1.68
14.	Ancom Berhad	1,354,501	1.25
15.	ECML Nominees (Asing) Sdn. Bhd. United Forest Limited	1,350,421	1.25
16.	Amanah Saham Mara Berhad	1,074,506	0.99
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd For Employees Provident Fund	886,443	0.82
18.	Yeoh Kean Hua	854,401	0.79
19.	Mah Wing Holdings Sdn Bhd	735,048	0.68
20.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Michael Yee Kim Shing	706,806	0.65
21.	Chan Thye Seng	608,851	0.56
22.	Yayasan Kedah Berhad	505,632	0.47
23.	Ong Joo Hock	378,300	0.35
24.	Tan Goh Mee	361,500	0.33
25.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Tung Lai	355,057	0.33
26.	Meng Hin Holdings Sdn Bhd	300,761	0.28
27.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	283,366	0.26
28.	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt An For Deutsche Bank AG Singapore	236,829	0.22
29.	Kampong Kuantan Palm Oil Mill Berhad	230,000	0.21
30.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For National Land Finance Co-operative Society Limited	228,994	0.21
	Total	84,759,957	78.14

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 Sixteenth 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, 10 March 2010 at 11.30 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 Y.Bhg. Dato' Abu Hanifah Bin Noordin as Director		
3.	To re-appoint Mr Chan Hua Eng as Director		
4.	To re-appoint Mr Michael Yee Kim Shing as Director		
5.	To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to fix their remuneration		
6.	Authority under Section 132D of the Companies Act 1965, to issue shares		
7.	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 _____________ 2010

____
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

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PACIFIC & ORIENT BERHAD
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