PACIFIC & ORIENT BERHAD
(308366-H)

Annual Report 2010

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CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of the Company will be held at the Ballroom, Mezzanine Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 17 March 2011 at 11.30 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 30 September 2010 and the Reports of the Directors and the Auditors thereon. **Resolution 1**

2. To re-elect Mr Chan Thye Seng 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**

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

   (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**

NOTICE OF ANNUAL GENERAL MEETING

(i) purchase shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, provided that the aggregate number of shares bought pursuant to this Resolution does not exceed ten per cent (10%) of the issued and paid-up share capital of the Company for the time being and the total funds allocated shall not exceed the total retained earnings and share premium of the Company (re: page 2 item 5 of the Share Buy-back Statement dated 27 January 2011) 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."

5.2 To consider and if thought fit, to pass the following Special Resolution with or without any modification:

(a) Proposed Amendment to the Articles of Association of the Company

"THAT the existing Article 145 of the Articles of Association of the Company be deleted in its entirety and substituted therefore with the following new Article 145: **Resolution 8**

New Article 145

Any dividend, interest or other money payable in cash in respect of Securities may be paid by cheque or warrant sent through the post directed to the registered address of the person whose name appears in the Register of Members or the Record of Depositors of the Company or to such address as the holder may in writing direct or paid by way of electronic transfer of remittance to the bank account provided by the Member to the Central Depository from time to time. Every such cheque or warrant or electronic transfer of remittance shall be made payable to the order of the person to whom it is sent or remitted, and the payment of any such cheque or warrant or electronic transfer of remittance shall operate as a good discharge to the Company in respect of the dividend, interest or other monies payable in cash represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon, or the instruction for the electronic transfer of remittance, has been forged. Every such cheque or warrant or electronic transfer of remittance shall be sent or remitted at the risk of the person entitled to the money thereby represented and the Company shall have no responsibility for any sums lost or delayed in the course of delivery or remittance or where the Company has acted on any such instructions of the Member."

NOTICE OF ANNUAL GENERAL MEETING

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

By Order of the Board

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

Kuala Lumpur
27 January 2011

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 allow the Company to procure the renewal of the general mandate which 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.

   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.

   As at the date of this Notice, 14,550,000 new shares in the Company were issued pursuant to the mandate granted to the Directors at the Sixteenth Annual General Meeting held on 10 March 2010. The said mandate will lapse at the conclusion of the Seventeenth Annual General Meeting. The proceeds of RM14,404,500 raised from the issuance of 14,550,000 new shares via private placement as at the date of this Notice were utilised for working capital of the Company.

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 27 January 2011 which is despatched together with the Company's 2010 Annual Report.

3. **Resolution 8 – Proposed Amendment to the Articles of Association of the Company**

   The approval on the resolution will allow the Company to pay dividend, interest or other monies payable in cash in respect of shares in the Company by way of electronic transfer of remittance in line with the BMSB Main Market Listing Requirements in relation to Electronic Dividend Payment.

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 7 and 8 – 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 Board

PROFILE OF THE BOARD OF DIRECTORS

Mr Chan Hua Eng (82), 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 (54), 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 (72), 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 (66), 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 (59), 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 121 (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. Board Balance

The Board comprises 5 Directors as at the date of the Annual Report, of whom 1 is a Non-Independent Non-Executive Director, 1 is an Executive Director and 3 are Independent Non-Executive Directors.

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.

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 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 7 to 8 of this Annual Report.

2. Board Meetings and Attendance Record of Directors

The Board met 5 times during the financial year ended 30 September 2010. The details of attendance by each of the Directors of the meetings 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	4

3. 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.

4. Appointment and Re-election

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.

5. 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, an in-house seminar on Financial Reporting Standards (FRS) 4, 7 and 139 was held on 29 July 2010, which was 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.

6. 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.

6. Remuneration (Cont'd.)

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.

7. Responsibilities

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

CORPORATE GOVERNANCE AND STATEMENT OF DIRECTORS' RESPONSIBILITIES

8. 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.

8.1 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 16 to 21 of this Annual Report.

8.2 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 26 November 2009, which was attended by all three members.

8.3 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 26 November 2009, which was attended by all three members.

C. SHAREHOLDERS

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

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

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.

D. ACCOUNTABILITY AND AUDIT (Cont'd.)

2. Corporate Independence

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.

3. 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.

4. 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 16 to 21 of this Annual Report.

5. 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 at least twice a year to discuss their audit plan, audit findings and the Company's financial statements. One of these meetings is held 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.

6. 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.

7. 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

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") requires the Board of Directors to include in the Company's Annual Report a statement about the state of internal control of the Group. The statement has been prepared in accordance with the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by BMSB.

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, 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.

The Board is of the view that the state of the Group's internal control system is generally adequate and effective in mitigating risks to achieve its business objective. Continuous review of its internal control system will be carried out in line with the changes in the business and regulatory requirements to ensure shareholders' investment and the Group's assets are properly safeguarded.

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 of 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 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 ("IAD"):

(i) Fulfillment of IAD's role in evaluating and contributing to the improvement of risk management, control and governance systems 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.

Attendance at Meetings

A total of four (4) Audit Committee meetings were held during the financial year ended 30 September 2010. 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.

REPORT OF THE AUDIT COMMITTEE

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 2010 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 BMSB MMLR 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 Audit Committee Report for inclusion in the Company's Annual Report.

Internal Audit

(a) Reviewed the adequacy and relevance of the scope, functions, resources, risk-based internal audit plans and results of the internal audit processes, with the IAD; 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 IAD and the audit reports to ensure corrective actions were taken by management to address the governance and risk issues reported.

External Audit

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

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

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

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

Related Party Transactions

(a) Reviewed with the assistance of the IAD 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.

Activities of the Committee (Cont'd.)

Others

(a) Reported to the Board on significant issues and concerns discussed during the Audit Committee's meetings together with applicable recommendations. Minutes of meetings were made available to all Board members.

(b) 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 IAD 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 IAD for the year ended 30 September 2010 is as follows:

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

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

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

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

(e) Followed up on management corrective actions on audit issues raised by the internal auditors and external auditors. Determined whether corrective actions taken had achieved the desired results.

(f) Reported to the Audit Committee on review of the adequacy, appropriateness and compliance with the procedures established to monitor related party transactions.

(g) Reviewed the quarterly financial results with management and the Audit Committee.

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

(i) 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.

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

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

CHAIRMAN'S STATEMENT

On behalf of your Board of Directors, I have the pleasure of presenting the Annual Report and Audited Financial Statements of your Company for the year ended 30 September 2010.

FINANCIAL RESULTS

The Group registered an improved turnover of RM478.4 million in 2010 compared to RM392.5 million attained in 2009. The increase was mainly attributed to higher premium acquired by the insurance subsidiary company.

The improved underwriting performance of the insurance subsidiary company helped to strengthen the Group's financial position with a higher pre-tax profit of RM42.3 million as compared to RM25.6 million the year before.

At Company level, turnover decreased to RM3.5 million in 2010 against RM5.2 million the year before due to lower dividend received. In line with this, the Company reported a loss of RM11.5 million. However, the loss was lower than the RM20.0 million recorded in the previous year due to the absence of any impairment charge.

CORPORATE DEVELOPMENT

Share Split

During the year your Company underwent a share split exercise which involved the subdivision of one(1) ordinary share of RM1.00 each held in the Company into two(2) ordinary shares of RM0.50 each. The share split served to enhance the liquidity and marketability of the shares of the Company and would encourage a wider spread of public shareholders.

Private Placement

A Private Placement of new ordinary shares of up to ten percent of the issued and paid-up capital of your Company was approved by Bursa Malaysia on 22 September 2010. The exercise is being implemented in tranches to be completed within six months from the date of the approval from Bursa Malaysia. At the time of writing this statement, the exercise is still in progress. The Private Placement is beneficial to your Company as it would enable the Company to raise funds required to finance its working capital requirements and/or investments without incurring interest cost as compared to bank borrowings.

ECONOMIC REVIEW

According to the International Monetary Fund (IMF), in its latest annual World Economic Outlook released in October 2010, the global economic recovery is proceeding broadly as expected, but downside risks remain elevated, particularly in some advanced economies. IMF said " Several advanced economies and a few emerging economies still face large adjustments. Their recoveries are proceeding at a sluggish pace, and high unemployment poses major social challenges. By contrast, many emerging and developing economies are again seeing strong growth, because they did not experience major financial excesses just prior to the recession." IMF added that "Globally, the probability of the re-emergence of a sharp slowdown appears low. However, growth would likely be slow and not more than previously anticipated."

The Malaysian Institute of Economic Research (MIER), in its third quarter "Malaysia Economic Outlook" released in October 2010, had maintained the gross domestic product (GDP) forecast for Malaysia of 6.5 percent and 5.2 percent for 2010 and 2011 respectively because of the slower growth in exports and the deteriorating external conditions. Despite the resilient domestic demand, MIER said it failed to offset the negative effect from a decline in net exports of goods and services. MIER also said that although the consumer sentiment increased, it is on a cautious mode.

ECONOMIC REVIEW (Cont'd.)

On a similar theme, the Governor of Bank Negara Malaysia said that the country's economy is expected to expand by more than six percent in 2010 based on the strong growth figure recorded in the first half of the year despite the challenging environment wherein further slowing down in advanced economies, almost all of whom are Malaysia's trading partners, is likely to linger into the second half of the year. Going forward, the Governor said, the domestic economy is expected to remain healthy, sustained by robust private sector demand.

PROSPECTS OF THE GROUP

Although the global economic downturn has paused ostensibly during the year, there is general consensus that the advanced economies will experience a sluggish path to recovery. The growth of the Malaysian economy is expected to be at a slower pace than projected. Against this backdrop, your Board is cautiously optimistic about the Company's prospects for the current year.

BUSINESS ACTIVITIES

Financial Services

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

Insurance

For the year under review, POI's underwriting business continued to register favourable growth amidst a highly competitive and regulated environment.

According to industry analysts, motor claims ratio has been on a rising trend and this has resulted in insurers adopting more stringent underwriting controls on motor insurance, including the application of premium loadings. It is also noted that motor insurance premiums have remained unchanged for the last 32 years and there is increasing consensus that actions need to be taken to restructure the motor insurance business otherwise the business may become unsustainable.

Taking cognizance of the above, our insurance subsidiary responded in a timely manner and had put in place a strategic business plan that took into account these conditions and sought to closely monitor changes in the industry. One of the notable components of the business plan was a Quota Share arrangement with one of the top reinsurers in the world whereby a portion of POI's motor portfolio was ceded to this reinsurer. Apart from this, a Loss Portfolio Transfer arrangement was entered into with a top regional reinsurer which agreed to take over a portion of POI's claim liabilities. With these arrangements in place, POI was able to better manage its risks and consequently, its business grew at a sturdy pace.

For the year under review, POI's total revenue increased by almost 23% to RM472.4 million as compared to RM385.6 million the year before. The surge in revenue was attributed to hefty premium growth attained in a more favourable environment compared to 2009. Supported by the stronger revenue base, POI's pre-tax profit grew more than 64% to RM53.1 million as compared to the previous amount of RM32.4 million

Money Lending

The moneylending subsidiary was largely inactive during the year due to adoption of a more stringent approach in credit appraisals.

Turnover for the year amounted to RM0.36 million as compared to RM0.19 million in the previous year. Notwithstanding the slightly higher turnover, a pre-tax loss of RM0.48 million was recorded against a profit of RM0.01 million the year before due to fluctuations in foreign exchange.

CHAIRMAN'S STATEMENT

Information Technology

In Malaysia, this division continued to derive stable income from the provision of insurance and workflow solutions. Security and surveillance products were actively marketed with promising results but were not yet big contributors to the overall turnover.

The unit in Thailand appears to have established itself as a significant player after many years of effort. It is now regularly invited by financial institutions to participate in their maintenance and upgrading programmes.

In the US, consumer confidence remained soft and personal consumption sluggish. Against this challenging backdrop, business operations in Florida continued to be cautious and subdued.

Better contribution from Thailand and improved sales in Malaysia raised turnover of the division to RM15.3 million from RM13.9 million the year before. This, combined with cost reductions, led to a smaller pre-tax loss of RM2.2 million which is an improvement on the RM3.6 million loss recorded in 2009.

DIVIDEND

Your Directors do not propose to declare a dividend for the Financial Year under review.

CORPORATE SOCIAL RESPONSIBILITY

The Group continues to undertake activities consistent with good corporate citizenry and social responsibility. 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 2010

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat bagi tahun berakhir 30 September 2010.

KEPUTUSAN KEWANGAN

Kumpulan telah mencatat jumlah dagangan yang memberangsangkan sebanyak RM478.4 juta pada tahun 2010 berbanding degan RM392.5 juta yang dicatat pada tahun 2009. Peningkatan ini terutamanya disebabkan oleh pertumbuhan hasil premium yang lebih tinggi daripada anak syarikat insurans.

Prestasi pengunderaitan yang bertambah baik telah membantu mengukuhkan kedudukan kewangan Kumpulan dengan keuntungan pra-cukai yang lebih tinggi sebanyak RM42.3 juta berbanding dengan RM25.6 juta pada tahun sebelumnya.

Di peringkat Syarikat, jumlah dagangan merosot kepada RM3.5 juta pada tahun 2010 berbanding dengan RM5.2 juta pada tahun sebelumnya disebabkan oleh hasil pendapatan dividen yang lebih rendah. Selaras dengan ini, Syarikat telah melaporkan kerugian sebanyak RM11.5 juta. Walau bagaimanapun, kerugian adalah lebih rendah daripada RM20.0 juta yang dicatat pada tahun sebelumnya disebabkan oleh ketiadaan sebarang caj kerosotan.

PERKEMBANGAN KORPORAT

Pemecahan Saham

Dalam tahun ini Syarikat tuan telah melaksanakan langkah pemecahan saham yang melibatkan pecahan bahagi sebanyak satu(1) saham biasa bernilai RM1.00 sesaham yang dipegang dalam Syarikat kepada dua(2) saham biasa bernilai RM0.50 sesaham. Pemecahan saham bertujuan untuk meningkatkan mudah tunai dan kebolehan dipasar saham-saham Syarikat dan akan menggalakkan penyebaran yang lebih luas kepada pemegang-pemegang saham awam.

Penempatan Persendirian

Penempatan Persendirian saham-saham biasa baru sehingga sepuluh peratus daripada modal saham diterbitkan dan berbayar Syarikat tuan telah diluluskan oleh Bursa Malaysia pada 22 September 2010. Langkah ini akan dilaksanakan dalam beberapa tranche yang akan disempurnakan dalam masa enam bulan dari tarikh kelulusan daripada Bursa Malaysia. Pada masa penyata ini disediakan, langkah ini masih dalam pelaksanaan. Penempatan Persendirian adalah benefisial kepada Syarikat tuan memandangkan ia akan membolehkan Syarikat meningkatkan dana yang diperlukan untuk membiayai keperluan modal kerjanya dan/atau pelaburan tanpa menanggung kos faedah berbanding dengan pinjaman bank.

TINJAUAN EKONOMI

Menurut Tabung Mata Wang Antarabangsa (IMF), dalam Tinjauan Ekonomi Dunia tahunan terkininya yang dikeluarkan pada Oktober 2010, pemulihan ekonomi global adalah menyeluruh seperti yang dijangkakan, tetapi masih terdapat risiko-risiko yang boleh mengancam pemulihan, terutamanya di beberapa ekonomi maju. IMF berkata "Beberapa ekonomi maju dan sebilangan ekonomi baru muncul masih menghadapi pelarasan yang besar. Pemulihan ekonomi-ekonomi ini berlangsung pada kadar yang agak perlahan, dan kadar pengangguran yang tinggi menimbulkan cabaran sosial yang besar. Sebaliknya, banyak ekonomi baru muncul dan ekonomi membangun sekali lagi memperlihatkan pertumbuhan kukuh, disebabkan mereka tidak mengalami lebihan kewangan yang besar sebaik sahaja sebelum berlakunya kemelesetan." IMF menambah bahawa "Di peringkat global, kemungkinan kemunculan semula kelembapan mendadak adalah rendah. Walau bagaimanapun, pertumbuhan dijangka akan menjadi perlahan dan tidak melebihi jangkaan sebelum ini."

PENYATA PENGERUSI

TINJAUAN EKONOMI (Cont'd.)

Institut Penyelidikan Ekonomi Malaysia (MIER), dalam "Tinjauan Ekonomi Malaysia" suku ketiganya yang dikeluarkan pada Oktober 2010, telah mengekalkan ramalan keluaran dalam negeri kasar (KDNK) bagi Malaysia sebanyak 6.5 peratus dan 5.2 peratus masing-masing bagi tahun 2010 dan 2011 kerana pertumbuhan yang lebih perlahan dalam eksport dan keadaan luar yang bertambah buruk. Di sebalik permintaan domestik yang berdaya tahan, MIER berkata ia gagal untuk mengimbangi kesan negatif daripada kemerosotan dalam eksport bersih barangan dan perkhidmatan. MIER juga berkata bahawa walaupun sentimen pengguna meningkat, ia berada dalam keadaan berjaga-jaga.

Dalam nada yang sama, Gabenor Bank Negara Malaysia berkata bahawa ekonomi negara dijangka akan berkembang lebih daripada enam peratus pada tahun 2010 berdasarkan pertumbuhan kukuh yang dicatat pada separuh pertama tahun ini di sebalik persekitaran yang mencabar di mana wujud kelembapan selanjutnya dalam ekonomi-ekonomi maju, yang hampir kesemuanya adalah rakan niaga Malaysia, berkemungkinan akan berlarutan sehingga separuh kedua tahun ini. Melangkah ke hadapan, Gabenor berkata, ekonomi domestik dijangka kekal kukuh, disokong oleh permintaan sektor swasta yang memberangsangkan.

PROSPEK KUMPULAN

Walaupun kelembapan ekonomi global seolah-olah telah berakhir dalam tahun ini, terdapat konsensus umum bahawa ekonomi-ekonomi maju akan mengalami pemulihan yang agak lembap. Pertumbuhan ekonomi Malaysia adalah dijangka pada kadar yang lebih perlahan daripada unjurannya. Berdasarkan keadaan ini, Lembaga tuan dengan berhati-hati merasa optimis mengenai prospek Syarikat bagi tahun semasa.

KEGIATAN PERNIAGAAN

Perkhidmatan Kewangan

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

Insurans

Bagi tahun di bawah kajian, perniagaan pengunderaitan POI terus mencatat pertumbuhan yang menggalakkan di sebalik persekitaran yang sangat berdaya saing dan berperaturan.

Menurut penganalisis industri, nisbah tuntutan motor berada dalam trend yang semakin menaik dan ini telah menyebabkan syarikat insurans menggunakan kawalan pengunderaitan yang lebih ketat ke atas insurans motor, termasuk penggunaan bebanan premium. Perlu juga diambil perhatian bahawa premium insurans motor tidak pernah mengalami perubahan sejak 32 tahun yang lepas dan terdapat peningkatan konsensus bahawa tindakan perlu diambil untuk menyusun semula perniagaan insurans motor dan sekiranya tidak, perniagaan ini mungkin tidak dapat dipertahankan.

Menyedari tentang perkara di atas, anak syarikat insurans kami telah memberi respons yang tepat pada masanya dan telah menyediakan rancangan perniagaan strategik yang mengambil kira keadaan-keadaan ini dan berusaha memantau perubahan-perubahan dalam industri dengan teliti. Salah satu daripada komponen-komponen penting rancangan perniagaan adalah pengaturan Bahagian Kuota dengan salah satu daripada syarikat reinsurans terkemuka di dunia di mana bahagian portfolio motor POI telah disidkan kepada syarikat reinsurans ini. Selain daripada ini, Pengaturan Pemindahan Portfolio Kerugian telah ditandatangani dengan syarikat insurans serantau terkemuka yang bersetuju untuk mengambil alih sebahagian daripada liabiliti tuntutan POI. Dengan wujudnya pengaturan ini, POI dapat menguruskan risiko-risikonya dengan lebih baik dan akibatnya, perniagaannya berkembang pada kadar yang teguh.

Bagi tahun di bawah kajian, hasil keseluruhan POI meningkat hampir 23% kepada RM472.4 juta berbanding dengan RM385.6 juta pada tahun sebelumnya. Pertambahan hasil ini adalah berpunca daripada pertumbuhan premium yang tinggi yang dicapai dalam persekitaran yang lebih menggalakkan berbanding tahun 2009. Disokong oleh asas hasil yang lebih kukuh, keuntungan pra-cukai POI meningkat lebih daripada 64% kepada RM53.2 juta berbanding dengan jumlah sebelum ini sebanyak RM32.4 juta.

PENYATA PENGERUSI

Pemberian Pinjaman Wang

Anak syarikat pemberian pinjaman wang agak tidak aktif pada tahun ini disebabkan oleh perlaksaan penilaian kredit yang lebih ketat.

Jumlah dagangan bagi tahun ini berjumlah RM0.36 juta berbanding dengan RM0.19 juta pada tahun sebelumnya. Walaupun mencatat jumlah dagangan yang lebih tinggi sedikit, kerugian pra-cukai sebanyak RM0.48 juta telah dicatat berbanding dengan keuntungan sebanyak RM0.01 juta pada tahun sebelumnya disebabkan oleh naik turun dalam pertukaran asing.

Teknologi Maklumat

Di Malaysia, bahagian ini terus menghasilkan pendapatan yang stabil daripada penyediaan penyelesaian insurans dan aliran kerja. Produk-produk keselamatan dan pengawasan giat dipasarkan dengan keputusan yang namun masih belum lagi menjadi penyumbang utama kepada jumlah dagangan keseluruhan.

Unit di Thailand kelihatan telah memantapkan dirinya sebagai pengusaha penting selepas berusaha sejak sekian lama. Ia kini sering dijemput oleh institusi-institusi kewangan untuk mengambil bahagian dalam program-program penyelenggaraan dan penaikan taraf mereka.

Di US, keyakinan pengguna dan penggunaan persendirian masih agak lembap dan perlahan. Dalam menghadapi persekitaran yang mencabar ini, operasi perniagaan di Florida masih berhati-hati dan berada dalam keadaan yang suram.

Sumbangan yang lebih baik dari Thailand dan jualan yang bertambah baik di Malaysia telah meningkatkan jumlah dagangan bahagian ini kepada RM15.3 juta daripada RM13.9 juta pada tahun sebelumnya. Ini, digabungkan dengan pengurangan kos, telah membawa kepada kerugian pra-cukai yang lebih kecil sebanyak RM2.2 juta berbanding dengan kerugian RM3.6 juta yang dicatat pada tahun 2009.

DIVIDEN

Para Pengarah tuan tidak bercadang untuk mengisytiharkan dividen bagi Tahun Kewangan di bawah kajian.

TANGGUNGJAWAB SOSIAL KORPORAT

Kumpulan terus menjalankan kegiatan yang konsisten dengan tanggungjawab warga korporat dan sosial 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 kakitangan
- Menggalakkan kakitangan secara tidak rasmi untuk meminimumkan pembaziran tenaga dan produk dengan kos-kos alam sekitar yang besar.

PENGHARGAAN

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

CHAN HUA ENG
Pengerusi
Kuala Lumpur
Disember 2010

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2010.

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.

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	21,260	(11,668)

SHARE SPLIT

At an Extraordinary General Meeting held on 29 June 2010, the shareholders of the Company approved the subdivision of the issued and paid up share capital of the Company into two ordinary shares of RM0.50 each for every one ordinary share of RM1.00 each held in the Company ("Share Split"). In conjunction with the Share Split, the authorised share capital of the Company was subdivided from 200,000,000 ordinary shares of RM1.00 each to 400,000,000 ordinary share of RM0.50 each. The Share Split was effected on 16 July 2010 whereby 113,280,000 ordinary shares of RM1.00 each fully paid were subdivided into 226,560,000 ordinary shares of RM0.50 each fully paid and credited by Bursa Malaysia Depository Sdn. Bhd. to the shareholders' CDS accounts.

The Share Split was completed with the listing and quotation of the 226,560,000 ordinary shares of RM0.50 each fully paid on the Main Board of Bursa Malaysia Securities Berhad on 19 July 2010.

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 insurance liabilities at the insurance subsidiary company in accordance with the valuation methods specified in Part D of the Risked-Based Capital Framework ("RBC Framework") issued by Bank Negara Malaysia ("BNM").

DIRECTORS' REPORT

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM110,680,000 to RM115,422,000 by way of:

	Number of Share '000	Exercise Price RM	Share Capital RM '000	Share Premium RM '000	Total RM '000
Before Share Split					
Issuance of ordinary shares at RM1.00 each pursuant to the Company's Employee Share Option Scheme ("ESOS")	3,500*	1.27 - 1.76	3,500	1,336	4,836
After Share Split					
Issuance of ordinary shares at RM0.50 each pursuant to the Company's ESOS	2,484	0.64 - 0.88	1,242	592	1,834
			4,742	1,928	6,670

* Includes 900,000 ordinary shares which was exercised on 13 July 2010 (before Share Split) but was allotted on 19 July 2010 (after Share Split).

All the abovementioned ordinary shares rank pari passu with the then existing ordinary shares of the Company.

TREASURY SHARES

Details of the Company's shares purchased/(disposed) during the financial year are as follows:

Before Share Split

- purchased 2,000 of its issued ordinary shares of RM1.00 each fully paid from the open market at an average price of RM1.18 per share for a consideration of RM2,355. The purchase was financed by internally generated funds. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

- disposed of 879,000 treasury shares in the open market resulting in a deficit of RM86,029 which has been debited to the Share Premium account.

After Share Split

- disposed of the remaining 2,828,000 treasury shares in the open market resulting in a deficit of RM161,998 which has been debited to the Share Premium account.

Further relevant details are disclosed in Note 25(c).

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 movement in the share options and options that have lapsed/forfeited during the financial year were as follows:

	Number of Share Options '000
Before Share Split	
Ordinary shares of RM1.00 each:	
At 1 October 2009	5,387
Exercised	(3,500)*
Lapsed/forfeited	(70)
	1,817
After Share Split	
Ordinary shares of RM0.50 each:	
Subdivision of ordinary share of RM1.00 each into RM0.50 each	1,817
Exercised	(2,484)
Lapsed/forfeited	(70)
At 30 September 2010	1,080

* Includes 900,000 ordinary shares which was exercised on 13 July 2010 (before Share Split) but was allotted on 19 July 2010 (after Share Split).

DIRECTORS' REPORT

SHARE OPTIONS (Cont'd.)

Details of share options exercised during the financial year were as follows:

Before Share Split		After Share Split	
Exercise Price RM	Number of Share Options '000	Exercise Price* RM	Number of Share Options* '000
1.27	2,600	0.64	1,410
1.76	400	0.88	800
1.66	500	0.83	274
	3,500		2,484

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

Exercise Period	Exercise Price* RM	Number of Share Options* '000
5.4.2003 – 15.1.2011	0.64	662
23.9.2004 – 15.1.2011	0.83	418
		1,080

* After adjusted for Share Split.

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

In the opinion of the directors, the results of the operations of the Group during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than those as disclosed in the financial statements including the effects arising from the implementation of the RBC Framework at the insurance subsidiary company as disclosed in Note 3(a)(i).

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, Mr. Chan Thye Seng retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

DIRECTORS' REPORT

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 option granted to a Director pursuant to the ESOS.

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

DIRECTORS' INTERESTS

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

	Before Share Split Number of Ordinary Shares of RM1.00 each			After Share Split Number of Ordinary Shares of RM0.50 each		
	At 1 October 2009	Acquired/ (Disposed)	Balance Before Share Split	Share Split	Acquired/ (Disposed)	At 30 September 2010
The Company						
Mr. Chan Hua Eng						
- Direct interest	142,099	-	142,099	284,198	-	284,198
- Indirect interest	2,589,761	-	2,589,761	5,179,522	170,000	5,349,522
Mr. Chan Thye Seng						
- Direct interest	11,439,168	3,365,400	14,804,568	29,609,136	-	29,609,136
- Indirect interest	54,385,909	-	54,385,909	108,771,818	-	108,771,818
Mr. Michael Yee Kim Shing						
- Indirect interest	928,901	(35,000)	893,901	1,787,802	(120,000)	1,667,802
Y.Bhg. Dato' Abu Hanifah Bin Noordin						
- Indirect interest	2,348,516	(549,700)	1,798,816	3,597,632	(2,062,000)	1,535,632
Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed						
- Indirect interest	3,377,326	(460,000)	2,917,326	5,834,652	(276,200)	5,558,452

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:

	Number of Share Options Under ESOS of RM1.00 Each				
The Company	**Exercise Price RM**	**At 1 October 2009**	**Granted**	**(Exercised)**	**At 30 September 2010**
Mr. Chan Thye Seng	1.27	900,000	-	(900,000)*	-

* Exercised on 13 July 2010 (before Share Split) but was alloted on 19 July 2010 (after Share Split).

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 46 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 30 November 2010

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 39 to 117 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara 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 2010 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 30 November 2010

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 39 to 117 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 30 November 2010)

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 2010 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 39 to 117.

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 as modified by Bank Negara Malaysia 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 as modified by Bank Negara Malaysia 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 2010 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

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 binti Abdul
No. 1210/05/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia
30 November 2010

BALANCE SHEETS as at 30 September 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
ASSETS					
Property, plant and equipment	5	**20,757**	21,252	**841**	811
Investment properties	6	**605**	605	**-**	-
Prepaid land lease payments	7	**326**	330	**-**	-
Goodwill on consolidation	8	**1,935**	1,935	**-**	-
Intangible assets	9	**825**	868	**9**	16
Deferred tax assets	10	**5,816**	13,243	**1,079**	1,292
Investments	11	**662,781**	706,242	**19,673**	20,192
Investment in subsidiary companies	12	**-**	-	**131,997**	131,997
Inventories - goods for resale	13	**1,209**	1,789	**-**	-
Loans	14	**292**	341	**-**	-
Trade receivables	15	**46,510**	14,650	**-**	-
Other receivables	15	**16,888**	18,233	**259**	204
Due from subsidiary companies	16	**-**	-	**40,056**	47,078
Deposits and placements with financial institutions	17	**715**	4,319	**-**	-
Cash and bank balances	18	**5,730**	8,446	**5**	42
TOTAL ASSETS		**764,389**	792,253	**193,919**	201,632
LIABILITIES					
Claims liabilities	19	**316,768**	357,760	**-**	-
Trade payables	20	**23,205**	8,462	**-**	-
Other payables	20	**10,725**	9,813	**975**	1,044
Due to a subsidiary company	21	**-**	-	**3,069**	1,498
Hire purchase creditors	22	**1,631**	1,165	**339**	358
Borrowings	23	**44,204**	52,135	**43,704**	50,885
Provision for taxation		**5,103**	-	**-**	-
TOTAL LIABILITIES		**401,636**	429,335	**48,087**	53,785
INSURANCE RESERVES					
Premium liabilities	24	**184,205**	199,573	**-**	-
EQUITY					
Share capital	25	**115,422**	110,680	**115,422**	110,680
Treasury shares	25	**-**	(3,262)	**-**	(3,262)
Share premium		**17,132**	15,483	**17,132**	15,483
Merger reserve		**40,769**	40,769	**-**	-
Translation reserve		**2,022**	(630)	**-**	-
Revaluation reserve		**5,222**	5,222	**-**	-
(Accumulated losses)/retained profits	26	**(2,019)**	(4,917)	**13,278**	24,946
		178,548	163,345	**145,832**	147,847
TOTAL LIABILITIES, INSURANCE RESERVES AND EQUITY		**764,389**	792,253	**193,919**	201,632

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

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 September 2010

	Attributable to equity holders of the Company							
			Non-Distributable				Distributable	
Group	**Share Capital RM'000**	**Treasury Shares RM'000**	**Share Premium RM'000**	**Merger Reserve RM'000**	**Translation Reserve RM'000**	**Revaluation Reserve RM'000**	**Accumulated Losses RM'000**	**Total RM'000**
At 1 October 2008	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	-	-	-	-	-	6,962	-	6,962
Transferred from property, plant and equipment								
- Cost (Note 5)	-	-	-	-	-	2,553	-	2,553
- Accumulated depreciation (Note 5)	-	-	-	-	-	4,409	-	4,409
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	(3,262)	15,483	40,769	(630)	5,222	(4,917)	163,345
At 1 October 2009								
As previously stated	110,680	(3,262)	15,483	40,769	(630)	5,222	(4,917)	163,345
Effect of adopting RBC Framework								
- Changes in valuation of claims liabilities	-	-	-	-	-	-	(18,362)	(18,362)
As restated	110,680	(3,262)	15,483	40,769	(630)	5,222	(23,279)	144,983
Currency translation loss not recognised in the income statement	-	-	-	-	2,652	-	-	2,652
Issue of shares - Employee Share Option Scheme ("ESOS")	4,742	-	1,928	-	-	-	-	6,670
Purchase of treasury shares (Note 25)	-	(2)	-	-	-	-	-	(2)
Treasury shares disposed (Note 25)	-	3,264	(248)	-	-	-	-	3,016
Share issuance expense	-	-	(31)	-	-	-	-	(31)
Net profit for the year	-	-	-	-	-	-	21,260	21,260
At 30 September 2010	**115,422**	**-**	**17,132**	**40,769**	**2,022**	**5,222**	**(2,019)**	**178,548**

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

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 September 2010 (Cont'd.)

Company	Share Capital RM'000	Treasury Shares RM'000	Non-Distributable Share Premium RM'000	Distributable Retained Profits RM'000	Total RM'000
	← Attributable to equity holders of the Company →				
At 1 October 2008	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	(3,262)	15,483	24,946	147,847
Issue of shares - ESOS	4,742	-	1,928	-	6,670
Purchase of treasury shares (Note 25)	-	(2)	-	-	(2)
Treasury shares disposed (Note 25)	-	3,264	(248)	-	3,016
Share issuance expense	-	-	(31)	-	(31)
Net loss for the year	-	-	-	(11,668)	(11,668)
At 30 September 2010	**115,422**	**-**	**17,132**	**13,278**	**145,832**

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

INCOME STATEMENTS for the year ended 30 September 2010

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	27	**478,358**	392,494	**3,489**	5,173
Other operating income	28	**1,353**	26,901	**39**	141
		479,711	419,395	**3,528**	5,314
Changes in inventories		**(1,203)**	(1,013)	**-**	-
Reinsurance		**(126,643)**	(40,724)	**-**	-
Net claims incurred	29	**(224,636)**	(210,599)	**-**	-
Net commission		**(33,758)**	(34,687)	**-**	-
Decrease/(increase) in premium liabilities	24	**15,368**	(31,347)	**-**	-
Staff costs	30	**(26,009)**	(23,904)	**(3,622)**	(3,497)
Depreciation		**(1,667)**	(702)	**(74)**	(115)
Amortisation	32	**(218)**	(220)	**(7)**	(7)
Other operating expenses	33	**(36,052)**	(47,633)	**(8,503)**	(18,846)
Operating profit/(loss)		**44,893**	28,566	**(8,678)**	(17,151)
Finance costs	34	**(2,632)**	(2,985)	**(2,777)**	(2,833)
Profit/(loss) before taxation	35	**42,261**	25,581	**(11,455)**	(19,984)
Income tax expense	41	**(21,001)**	(10,634)	**(213)**	745
Net profit/(loss) for the year attributable to equity holders of the Company		**21,260**	14,947	**(11,668)**	(19,239)

	Note	Group 2010	Group 2009
Earnings per share attributable to equity holders of the Company (sen)			
After Share Split			
Basic	42	**9.59**	7.04*
Diluted	42	**9.59**	7.04*
Before Share Split			
Basic	42	**19.18**	14.08
Diluted	42	**19.17**	14.08

* The comparative figures were recomputed based on the enlarged number of ordinary shares in issue after the Share Split.

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

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2010

	2010 RM'000	2009 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**42,261**	25,581
Adjustments for:		
Depreciation of property, plant and equipment	**1,667**	702
Amortisation of premiums, net of accretion of discounts	**197**	227
Amortisation of prepaid land lease payments	**4**	4
Amortisation of computer software and other licences	**214**	216
Loss/(gain) on disposal of property, plant and equipment	**142**	(6)
Gain on fair value adjustment of investment properties	**-**	(10)
Property, plant and equipment written off	**130**	81
Intangible assets written off	**-**	2
Allowance for/(write back of) diminution in value of investments	**3,533**	(24,453)
Inventories of goods for resale written off	**140**	235
Allowance for/(write back of) inventory obsolescence	**64**	(134)
(Gain)/loss on disposal of investments	**(515)**	21,838
Dividend income	**(853)**	(5,343)
Income from Islamic corporate bonds	**(541)**	(1,506)
Interest income	**(17,927)**	(17,510)
Allowance for doubtful debts	**3,159**	1,549
Short term accumulating compensated absences	**65**	(25)
(Decrease)/increase in premium liabilities	**(15,368)**	31,347
Interest expense	**2,603**	2,939
Revaluation deficit of property, plant and equipment	**-**	460
Unrealised loss/(gain) on foreign exchange	**3,165**	(452)
Transferred to property, plant and equipment and intangible assets from inventories	**(139)**	(485)
Operating profit before working capital changes	**22,001**	35,257
Changes in working capital:		
Disposal of investments	**24,312**	98,294
Capital repayment of investments of the insurance subsidiary company	**-**	296
Purchase of investments	**(10,440)**	(50,777)
Decrease in bankers acceptances	**81,945**	219,576
Increase in deposits and placements of the insurance subsidiary company with financial institutions	**(56,318)**	(379,366)
Decrease in loans	**49**	54
(Increase)/decrease in receivables	**(39,146)**	10,285
Decrease in inventories - goods for resale	**376**	363
(Decrease)/increase in claims liabilities	**(65,475)**	50,789
Increase/(decrease) in payables	**15,779**	(5,941)
Cash used in operations	**(26,917)**	(21,170)

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

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2010 (Cont'd.)

	Note	2010 RM'000	2009 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (Cont'd.)			
Tax refunded, net of tax paid		**1,302**	1,440
Dividends received		**518**	1,523
Income received from Islamic corporate bonds		**992**	1,703
Interest received		**19,003**	15,079
Interest paid		**(2,796)**	(2,817)
Net cash used in operating activities		**(7,898)**	(4,242)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5(c)	**(727)**	(263)
Purchase of intangible assets	9	**(159)**	(51)
Disposal of investments		**956**	1,243
Capital repayment of investments of the holding company		**-**	285
Disposal of property, plant and equipment		**354**	174
Net cash generated from investing activities		**424**	1,388
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of shares		**6,670**	-
Disposal of treasury shares		**3,016**	3,395
Purchase of treasury shares		**(2)**	(1,340)
Share issuance expenses		**(31)**	-
Decrease in hire purchase creditors		**(498)**	(589)
(Repayment)/drawdown of borrowings		**(18,750)**	200
Net cash (used in)/generated from financing activities		**(9,595)**	1,666
Effects of exchange rate changes on cash and cash equivalents		**(47)**	27
Net decrease in cash and cash equivalents		**(17,116)**	(1,161)
Cash and cash equivalents at beginning of year		**12,357**	13,541
Cash and cash equivalents at end of year		**(4,759)**	12,380

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

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2010 (Cont'd.)

Cash and cash equivalents comprise the following:

	2010 RM'000	2009 RM'000
Cash and bank balances	**5,730**	8,446
Bank overdraft	**(11,204)**	(385)
Deposits and placements with financial institutions *	**715**	4,319
Cash and cash equivalents as previously reported	**(4,759)**	12,380
Effect of exchange rate changes	**-**	(23)
Cash and cash equivalents as restated	**(4,759)**	12,357

* 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 2010

	2010 RM'000	2009 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	**(11,455)**	(19,984)
Adjustments for:		
Depreciation of property, plant and equipment	**74**	115
Allowance for impairment in investment in subsidiary company	**-**	65
Allowance for doubtful debts of amounts due from subsidiary companies	**2,969**	15,275
Amortisation of computer software and other licences	**7**	7
Gain on disposal of investments	**(39)**	(60)
Loss on disposal of property, plant and equipment	**5**	-
Unrealised loss/(gain) on foreign exchange	**1,971**	(81)
Short term accumulating compensated absences	**24**	(47)
Dividend income	**(292)**	(1,616)
Interest income	**(591)**	(620)
Interest expense	**2,754**	2,793
Operating loss before working capital changes	**(4,573)**	(4,153)
Changes in working capital:		
Decrease in receivables	**17**	10
Decrease/(increase) in due from subsidiary companies	**2,671**	(3,033)
Increase/(decrease) in payables	**87**	(76)
Cash used in operations	**(1,798)**	(7,252)
Dividends received	**213**	-
Interest received	**-**	35
Interest paid	**(2,828)**	(2,624)
Tax refunded, net of tax paid	**-**	3,630
Net cash used in operating activities	**(4,413)**	(6,211)

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

CASH FLOW STATEMENT
for the year ended 30 September 2010 (Cont'd.)

	Note	2010 RM'000	2009 RM'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5(c)	**(46)**	(8)
Disposal of investments		**565**	873
Capital repayment from investments		**-**	285
Disposal of property, plant and equipment		**72**	-
Net cash generated from investing activities		**591**	1,150
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of shares		**6,670**	-
Purchase of treasury shares		**(2)**	(1,340)
Disposal of treasury shares		**3,016**	3,395
Share issuance expense		**(31)**	-
Decrease in hire purchase creditors		**(154)**	(160)
Loan from a subsidiary company		**1,467**	1,500
(Repayment)/drawdown of bank borrowings		**(18,000)**	1,200
Net cash (used in)/generated from financing activities		**(7,034)**	4,595
Net decrease in cash and cash equivalents		**(10,856)**	(466)
Cash and cash equivalents at beginning of year		**(343)**	123
Cash and cash equivalents at end of year		**(11,199)**	(343)
Cash and cash equivalents comprise:			
Cash and bank balances		**5**	42
Bank overdraft		**(11,204)**	(385)
		(11,199)	(343)

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

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2010

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.

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 30 November 2010 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 basis unless otherwise disclosed in the significant accounting policies. The financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRSs") in Malaysia as modified by Bank Negara Malaysia ("BNM").

At the beginning of the current financial year, the Group and the Company had adopted FRS 8 - Operating Segments as described fully in Note 3.

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

The Risked-Based Capital Framework ("RBC Framework") became effective for all insurers with annual periods beginning on or after 1 January 2009. Accordingly, the insurance subsidiary company has implemented the RBC Framework, the effects of which are disclosed in Note 3(a)(i).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(c) Intangible Assets (Cont'd.)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

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%

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(e) Investment Properties (Cont'd.)

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

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

(f) Investments

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

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

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

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

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

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

Other investments are stated at cost.

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

(g) Receivables

Receivables are carried at anticipated realisable values.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(h) Impairment of Assets

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

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

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

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

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

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

(i) Payables

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

(j) Borrowings

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(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 premiums, claims incurred and commissions.

(i) 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.

(ii) Premium Liabilities

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business and the best estimate value of the insurer's unexpired risk reserves ("URR") at the end of the financial year and the provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall level of the insurance subsidiary company.

UPR

The UPR represents 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.

URR

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

(iii) Claims Liabilities

Claims liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. They are recognised in respect of both direct insurance and inward reinsurance. The value of claims liabilities are based on the best estimate which include provision for claims reported, claims incurred but not reported ("IBNR") and direct and indirect claim-related expenses as well as PRAD calculated at 75% confidence level at the overall level of the insurance subsidiary company. The claims liabilities are calculated based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

(iv) Acquisition Cost

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(o) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

As required by law, the Company and its subsidiary companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(iii) Equity Compensation Benefits

The Pacific and Orient Berhad Employee Share Option Scheme ("ESOS") which was granted prior to 31 December 2004, is an equity-settled, share-based compensation plan for the employees of the Group.

Under FRS 2 – Share-based Payment, the total fair value of share options granted to employees is recognised as employee cost with a corresponding increase in employee share option reserve over the vesting periods. At each balance sheet date, revision is made to the estimates of the number of share options that are expected to vest by vesting date. Any revision of these estimates is included in the income statement and a corresponding adjustment to equity over the remaining vesting period. When the share options are exercised, the employee share option reserve is transferred to share capital where new shares are issued.

The Group has availed itself of the transitional provision of FRS 2. Under the transitional provision, no employee cost or the corresponding increase in equity is recognised as the share option was granted prior to 31 December 2004.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(p) Foreign Currencies (Cont'd.)

(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 dates when the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing at the dates of transactions.

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

(iii) Foreign Operations

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 30 September 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(q) Income Tax

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses, unabsorbed 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, unabsorbed capital allowances and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement as income or expense, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(r) Leases

(i) Classification

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

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

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

(ii) Finance Leases – the Group as Lessee

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(r) Leases (Cont'd.)

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

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

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

(iii) Operating Leases – the Group as Lessee

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

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

(iv) Operating Leases – the Group as Lessor

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

(s) Inventories

Inventories are stated at the lower of cost (determined on the first in, first out basis) and net realisable value, after making due allowance for any obsolete items.

(t) Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid balances which are readily convertible to cash with insignificant risks of changes in value but exclude deposits and placements of the insurance subsidiary company with financial institutions. The cash flow statements of the Group and of the Company have been prepared using the indirect method.

(u) Financial Instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(u) Financial Instruments (Cont'd.)

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 and methods of valuation of assets and liabilities are consistent with those of the audited financial statements for financial year ended 30 September 2009 except for the following:

(i) Changes arising from the implementation of the RBC Framework at the Insurance Subsidiary Company

During the financial year, the following changes were made by the Group upon implementation of the RBC Framework by the insurance subsidiary company:

(a) Changes in valuation of investment securities

Prior to 1 October 2009, investment securities were accounted for either at (i) lower of cost or market value, or (ii) amortised cost less impairment (if any).

With the implementation of the RBC Framework, the insurance subsidiary company is required to classify and value its holdings in investment securities based on the following categories:

(1) Held-for-Trading - measured at fair value

(2) Held-to-Maturity - measured at amortised cost less impairment (if any)

(3) Available-for-Sale - measured at fair value less impairment (if any)

However, as the Group has not early adopted FRS 139 - Financial Instruments - Recognition and Measurement as at 30 September 2010, the above classification and valuation of investment securities by the insurance subsidiary company are reversed and are accounted for at the Group level, either at (i) lower of cost or market value, or (ii) amortised cost less impairment (if any).

(b) Changes in valuation of premium liabilities

Prior to 1 October 2009, premium liabilities were accounted for via Unearned Premium Reserves ("UPR"). UPR represent the portion of premium income not yet earned at balance sheet date.

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

(a) The significant accounting policies and methods of valuation of assets and liabilities are consistent with those of the audited financial statements for financial year ended 30 September 2009 except for the following: (Cont'd.)

(i) Changes arising from the implementation of the RBC Framework at the Insurance Subsidiary Company (Cont'd.)

(b) Changes in valuation of premium liabilities (Cont'd.)

With the implementation of the RBC Framework, the premium liabilities are now accounted for as the higher of (1) UPR or (2) the best estimate value of unexpired risk reserves ("URR") at balance sheet date and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at 75% confidence level at the overall level of the insurance subsidiary company.

As the insurance subsidiary company's UPR is higher than its URR and the PRAD calculated at 75% confidence level at the overall level of the insurance subsidiary company, there is no impact on the financial statements of the Group.

(c) Changes in valuation of claims liabilities

Prior to 1 October 2009, provision for claims liabilities was made after taking into account estimated costs of claims including Incurred But Not Reported ("IBNR") claims at balance sheet date on the basis of actual claims incurred pattern, using mathematical methods of estimation.

With the implementation of the RBC Framework, the valuation of claims liabilities now include direct and indirect claim-related expenses as well as a PRAD calculated at 75% confidence level at the overall level of the insurance subsidiary company. These changes are accounted for in accordance with the transitional provision of the RBC Framework, wherein such adjustments to claims liabilities which relate to previous years' carrying amounts have been adjusted to the accumulated losses as at 1 October 2009.

The effects to accumulated losses as at 1 October 2009 as a result of the adoption of the RBC Framework are as follows:

Group	**Previously stated RM'000**	**Increase/ (decrease) RM'000**	**Restated RM'000**
Description of change			
Accumulated losses	4,917	18,362	23,279
- Changes in valuation of claims liabilities (Note 29)		24,483	
- Deferred tax effect (Note 10)		(6,121)	

The effects on the balance sheet and the income statements of the Group in respect of claims liabilities for the current financial year ended 30 September 2010 have not been disclosed as it is impracticable to estimate the impact.

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

(a) The significant accounting policies and methods of valuation of assets and liabilities are consistent with those of the audited financial statements for financial year ended 30 September 2009 except for the following: (Cont'd.)

(ii) Adoption of FRS 8: Operating Segments

FRS 8: Operating Segments which replaces FRS 114_{2004} Segment Reporting requires an entity to report financial and descriptive information about its operating segments on the same basis as that used for internal reporting purposes. The adoption of this standard does not have any significant impact on the financial statements of the Group and the Company.

(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 1 January 2010

FRS 4	Insurance Contracts
FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments - Recognition and Measurement
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
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments : Presentation
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

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 : The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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: (Cont'd.)

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132	Financial Instruments : Presentation

Effective for financial periods beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	IC Interpretation 9 : Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"

IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers

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: (Cont'd.)

Effective for financial periods beginning on or after 1 July 2011

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)

Effective for financial periods beginning on or after 1 January 2012

FRS 124	Related Party Disclosure
Amendment to IC Interpretation 15	Agreements for the Construction of Real Estate

Save as disclosed below, the adoption of the above new/revised FRSs, Amendments to FRSs and IC Interpretations will not have any significant impact on the financial statements of the Group and the Company.

The impact of applying FRSs 4, 7 and 139, Amendments to FRSs 7 and 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.

FRSs 119, 120, 128 and 131 contained in the document entitled "Improvements to FRSs (2009)", IC Interpretations 13 and 14 (effective for financial periods on or after 1 January 2010), IC Interpretations 12 and 15 (effective for financial periods on or after 1 July 2010), FRSs 128, 131 and IC Interpretation 13 contained in the document entitled "Improvements to FRSs (2010)" (effective for financial periods on or after 1 January 2011), Amendments to IC Interpretation 14 (effective for financial periods on or after 1 July 2011), Amendment to IC Interpretation 15 (effective for financial periods on or after 1 January 2012) are not applicable to the Group and the Company.

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.

- **Classification between Investment Properties and Property, Plant and Equipment**

  The Group has developed certain criteria based on FRS 140 : Investment Property 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 2010 was RM1,935,000 (2009 : 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 in the General Insurance Business

The principal uncertainty in the general insurance business arises from technical provisions for premium and claims liabilities.

Premium liabilities comprise the higher of UPR or URR while claims liabilities comprise outstanding claims case estimates and Incurred But Not Reported ("IBNR") claims.

UPR is determined based on estimates of the portion of premium income not yet earned at balance sheet date whilst URR is determined based on estimates of expected future payments arising from future events insured under policies in force at balance sheet date, including expected future premium refunds.

Generally, claims liabilities are determined based upon previous claims 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.

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 establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claims liabilities may vary from the initial estimates.

The estimates of premium and claims liabilities are therefore sensitive to various factors and uncertainties.

(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.

5. PROPERTY, PLANT AND EQUIPMENT

Group 2010	Valuation: Freehold land RM'000	Valuation: Freehold buildings RM'000	Valuation: Leasehold buildings RM'000	Cost: Computer equipment RM'000	Cost: Motor vehicles RM'000	Cost: Office equipment RM'000	Cost: Furniture, fixtures and fittings RM'000	Total RM'000
Valuation/Cost								
At beginning of year	520	580	15,380	11,154	4,273	6,671	4,677	43,255
Additions	-	-	-	12	1,215	398	67	1,692
Disposals	-	-	-	-	(908)	(13)	(4)	(925)
Write offs	-	-	-	(723)	-	(125)	(5)	(853)
Transfer	-	-	-	2	-	122	-	124
Translation differences	-	-	-	(15)	(9)	(23)	(5)	(52)
At end of year	520	580	15,380	10,430	4,571	7,030	4,730	43,241
Accumulated Depreciation								
At beginning of year	-	13	472	10,411	1,428	5,429	4,250	22,003
Charge for the year	-	15	565	249	287	456	95	1,667
Disposals	-	-	-	-	(416)	(9)	(4)	(429)
Write offs	-	-	-	(646)	-	(73)	(4)	(723)
Translation differences	-	-	-	(11)	(3)	(15)	(5)	(34)
At end of year	-	28	1,037	10,003	1,296	5,788	4,332	22,484
Net Book Value								
At end of year	520	552	14,343	427	3,275	1,242	398	20,757

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

Group 2009	Valuation Freehold land RM'000	Valuation Freehold buildings RM'000	Valuation Leasehold buildings RM'000	Cost Computer equipment RM'000	Cost Motor vehicles RM'000	Cost Office equipment RM'000	Cost Furniture, fixtures and fittings RM'000	Total 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)
Tranferred to revaluation reserve	140	152	2,261	-	-	-	-	2,553
Revaluation deficit	-	(107)	(353)	-	-	-	-	(460)
Transfer	-	-	-	-	-	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)
Tranferred to revaluation reserve	-	(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

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
2010					
Cost					
At beginning of year	**324**	**1,231**	**113**	**400**	**2,068**
Additions	**1**	**175**	**5**	**-**	**181**
Disposal	**-**	**(153)**	**-**	**-**	**(153)**
At end of year	**325**	**1,253**	**118**	**400**	**2,096**
Accumulated Depreciation					
At beginning of year	**299**	**489**	**79**	**390**	**1,257**
Charge for the year	**12**	**54**	**6**	**2**	**74**
Disposal	**-**	**(76)**	**-**	**-**	**(76)**
At end of year	**311**	**467**	**85**	**392**	**1,255**
Net Book Value					
At end of year	**14**	**786**	**33**	**8**	**841**
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

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 2010 are as follows:

	Group Net Book Value		Group Net Book Value	
	2010 Under Revaluation Model RM'000	**2010 Under Cost Model RM'000**	**2009 Under Revaluation Model RM'000**	**2009 Under Cost Model RM'000**
Freehold land	**520**	380	**520**	380
Freehold buildings	**552**	442	**567**	456
Leasehold buildings	**14,343**	8,545	**14,908**	8,864
	15,415	9,367	**15,995**	9,700

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

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Motor vehicles	**2,750**	2,219	**729**	660

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

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Cash	**727**	263	**46**	8
Hire purchase	**965**	211	**135**	-
	1,692	474	**181**	8

6. INVESTMENT PROPERTIES

	Group 2010 RM'000	Group 2009 RM'000
At beginning of the year	**605**	595
Gain on fair value adjustment of investment properties (Note 28)	**-**	10
At end of the year	**605**	605
Analysed as:		
Freehold buildings	**375**	375
Leasehold buildings	**230**	230
	605	605

7. PREPAID LAND LEASE PAYMENTS

	Group 2010 RM'000	Group 2009 RM'000
Long term leasehold land:		
At beginning of year	**330**	334
Amortisation (Note 32)	**(4)**	(4)
At end of year	**326**	330

8. GOODWILL ON CONSOLIDATION

	Group 2010 RM'000	Group 2009 RM'000
At beginning/end of year	**1,935**	1,935

9. INTANGIBLE ASSETS

Group 2010	Software Distribution Licence RM'000	Computer Software and Other Licences RM'000	Total RM'000
Cost			
At beginning of year	**2,346**	**3,006**	**5,352**
Additions	**-**	**159**	**159**
Transfer	**-**	**15**	**15**
Translation differences	**-**	**(8)**	**(8)**
At end of year	**2,346**	**3,172**	**5,518**
Accumulated Amortisation			
At beginning of year	**2,346**	**2,138**	**4,484**
Amortisation (Note 32)	**-**	**214**	**214**
Translation differences	**-**	**(5)**	**(5)**
At end of year	**2,346**	**2,347**	**4,693**
Net Book Value			
At end of year	**-**	**825**	**825**
2009			
Cost			
At beginning of year	2,346	3,021	5,367
Additions	-	51	51
Write offs	-	(112)	(112)
Transfer	-	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 32)	-	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

9. INTANGIBLE ASSETS (Cont'd.)

Company 2010	Computer Software and Other Licences RM'000
Cost	
At beginning and end of year	**96**
Accumulated Amortisation	
At beginning of year	**80**
Amortisation (Note 32)	**7**
At end of year	**87**
Net Book Value	
At end of year	**9**

2009	
Cost	
At beginning and end of year	96
Accumulated Amortisation	
At beginning of year	73
Amortisation (Note 32)	7
At end of year	80
Net Book Value	
At end of year	16

10. DEFERRED TAX

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year				
As previously stated	**13,243**	25,293	**1,292**	524
Effect of adopting RBC Framework				
- Changes in valuation of claims liabilities	**6,121**	-	**-**	-
As restated	**19,364**	25,293	**1,292**	524
Transferred (from)/to income statements (Note 41)	**(13,129)**	(10,396)	**(213)**	768
Transferred from revaluation reserve	**-**	(1,740)	**-**	-
Translation differences	**(419)**	86	**-**	-
At end of year	**5,816**	13,243	**1,079**	1,292

Presented after appropriate offsetting as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**7,797**	15,714	**1,133**	1,346
Deferred tax liabilities	**(1,981)**	(2,471)	**(54)**	(54)
At end of year	**5,816**	13,243	**1,079**	1,292

10. DEFERRED TAX (Cont'd.)

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:

2010	Revaluation Deficit RM'000	Premium Liabilities RM'000	Allowance for Diminution in Value of Investments RM'000	Allowance for Doubtful Debts RM'000	Unused Tax Losses and Unabsorbed Capital Allowances RM'000	Total RM'000
At beginning of year						
As previously stated	**115**	**11**	**4,663**	**317**	**10,608**	**15,714**
Effect of adopting RBC Framework - Changes in valuation of claims liabilities	**-**	**-**	**-**	**-**	**6,121**	**6,121**
As restated	**115**	**11**	**4,663**	**317**	**16,729**	**21,835**
Recognised in the income statements	**-**	**-**	**(3,162)**	**(317)**	**(10,140)**	**(13,619)**
Arising during the year	**-**	**-**	**(3,162)**	**-**	**(2,408)**	**(5,570)**
Overprovision of deferred tax assets in prior years	**-**	**-**	**-**	**(317)**	**(7,732)**	**(8,049)**
Translation differences	**-**	**-**	**-**	**-**	**(419)**	**(419)**
At end of year	**115**	**11**	**1,501**	**-**	**6,170**	**7,797**
2009						
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)
Overprovision of deferred tax assets in prior years	-	-	-	-	(3,940)	(3,940)
Translation differences	-	-	-	-	86	86
At end of year	115	11	4,663	317	10,608	15,714

10. DEFERRED TAX (Cont'd.)

Deferred Tax Liabilities of the Group:

2010	**Revaluation Surplus RM'000**	**Accelerated Capital Allowances RM'000**	**Others RM'000**	**Total RM'000**
At beginning of year	**(1,740)**	**(621)**	**(110)**	**(2,471)**
Recognised in the income statements	**-**	**380**	**110**	**490**
Arising during the year	**-**	**21**	**-**	**21**
Underprovision of deferred tax liabilities in prior years	**-**	**359**	**110**	**469**
At end of year	**(1,740)**	**(241)**	**-**	**(1,981)**
2009				
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)

Deferred Tax Assets of the Company:

2010	**Unused Tax Losses and Unabsorbed Capital Allowances RM'000**	**Total RM'000**
At beginning of year	**1,346**	**1,346**
Recognised in the income statement	**(213)**	**(213)**
At end of year	**1,133**	**1,133**
2009		
At beginning of year	575	575
Recognised in the income statement	771	771
At end of year	1,346	1,346

10. DEFERRED TAX (Cont'd.)

Deferred Tax Liabilities of the Company:

2010	Accelerated Capital Allowances RM'000	Total RM'000
At beginning of year/end of year	**(54)**	**(54)**
2009		
At beginning of year	(51)	(51)
Recognised in the income statement	(3)	(3)
At end of year	(54)	(54)

As at 30 September 2010, deferred tax assets have not been recognised in respect of the following temporary differences:

	Group 2010 RM'000	Group 2009 RM'000
Depreciation and capital allowances on property, plant and equipment	**(1,210)**	377
Unabsorbed capital allowances and unused tax losses	**95,416**	68,634
Other deductible temporary differences	**3,044**	1,471
	97,250	70,482

The unused 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	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost				
Long term investment in quoted securities				
Shares in Malaysia	**19,945**	20,464	**19,673**	20,192
Club membership	**55**	55	**-**	-
Investment securities				
Money market instruments:				
Malaysian Government Securities	**70,341**	70,737	**-**	-
Accretion of discounts/(amortisation of premiums)	**35**	217	**-**	-
	70,376	70,954	**-**	-
Islamic corporate bonds	**3,979**	15,651	**-**	-
Amortisation of premiums	**-**	(206)	**-**	-
Allowance for diminution in value	**(3,979)**	-	**-**	-
	-	15,445	**-**	-
Bankers acceptances	**-**	81,945	**-**	-
Quoted securities :				
Shares in Malaysia	**26,671**	29,080	**-**	-
Shares outside Malaysia	**4,902**	4,423	**-**	-
Allowance for diminution in value	**(14,195)**	(14,527)	**-**	-
	17,378	18,976	**-**	-
Unit trusts	**12,938**	12,632	**-**	-
Total investment securities	**100,692**	199,952	**-**	-

11. INVESTMENTS (Cont'd.)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits and placements of the insurance subsidiary company with financial institutions	**542,089**	485,771	**-**	-
Total investments	**662,781**	706,242	**19,673**	20,192
Market value				
Club membership	**60**	60	**-**	-
Long term investment in quoted securities:				
Shares in Malaysia	**10,650**	13,214	**10,650**	13,214
Investment securities:				
Malaysian Government Securities	**70,826**	71,764	**-**	-
Islamic corporate bonds	**-**	15,459	**-**	-
Shares quoted in Malaysia	**15,802**	17,321	**-**	-
Shares quoted outside Malaysia	**1,576**	1,655	**-**	-
Unit trusts	**12,969**	12,632	**-**	-

Deposits and placements of the Group amounting to RM243,000 (2009 : RM249,000) 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 %
2010				
Malaysian Government Securities	**25,075**	**45,301**	**70,376**	**2.51 - 4.65**
Deposits and placements of the insurance subsidiary company with financial institutions	**542,089**	**-**	**542,089**	**2.35 - 3.45**
	567,164	**45,301**	**612,465**	

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 %
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	

The effective profit rate of the Islamic corporate bonds as at 30 September 2009 was between 6.70% and 8.00% per annum and the maturity profile of these bonds were as follows:

	Group 2009 RM'000
Less than 1 year	5,009
1 to 5 years	5,167
More than 5 years	5,269
	15,445

12. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2010 RM'000	2009 RM'000
Unquoted shares - at cost	**138,366**	138,366
Impairment losses	**(6,369)**	(6,369)
	131,997	131,997

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

The subsidiary companies are:

	Effective Interests		
Incorporated in Malaysia	**2010 %**	**2009 %**	**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	
	2010 RM'000	2009 RM'000
Inventories - at cost	**1,473**	2,017
Allowance for inventory obsolescence	**(264)**	(228)
	1,209	1,789

14. LOANS

	Group	
	2010 RM'000	2009 RM'000
Loans:		
- secured loans	**204**	238
- unsecured loans	**88**	103
	292	341
Due within one year	**49**	49
Due after one year	**243**	292
	292	341

The interest rates on loans were between 6.80% and 10.50% (2009 : 6.80% and 10.50%) per annum.

15. RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Trade receivables:				
Outstanding premiums including agents', brokers' and co-insurers' balances	**11,205**	10,972	**-**	-
Due from reinsurers and ceding companies	**39,983**	4,965	**-**	-
Others	**2,577**	2,955	**-**	-
	53,765	18,892	**-**	-
Allowance for doubtful debts	**(7,255)**	(4,242)	**-**	-
	46,510	14,650	**-**	-
Other receivables:				
Accrued income	**5,039**	6,564	**-**	-
Share of assets held by Malaysian Motor Insurance Pool ("MMIP")	**8,633**	4,108	**-**	-
Deposits and prepayments	**1,632**	2,113	**39**	28
Tax recoverable	**441**	4,381	**71**	-
Others	**1,177**	1,067	**149**	176
	16,922	18,233	**259**	204
Allowance for doubtful debts	**(34)**	-	**-**	-
	16,888	18,233	**259**	204

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

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**61,733**	30,954	**259**	204
United States Dollars	**64**	51	**-**	-
Thai Baht	**1,601**	1,878	**-**	-
	63,398	32,883	**259**	204

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 RM6,215,000 (2009 : RM6,175,000) which bears interest at between 10.00% and 10.25% (2009 : 10.00% and 10.25%) per annum.

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

	Company	
	2010	**2009**
	RM'000	**RM'000**
Ringgit Malaysia	**41,906**	45,666
United States Dollars	**16,394**	16,687
	58,300	62,353
Allowance for doubtful debts	**(18,244)**	(15,275)
	40,056	47,078

17. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group	
	2010	**2009**
	RM'000	**RM'000**
Licensed banks	**715**	4,319

Deposits of RM643,000 (2009 : RM1,951,000) for the Group have been pledged as securities for credit facilities granted to the Group.

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	
	2010	**2009**
	RM'000	**RM'000**
Ringgit Malaysia	**548**	4,030
United States Dollars	**69**	79
Thai Baht	**98**	210
	715	4,319

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	
	2010	**2009**
	%	**%**
Licensed banks	**0.25 – 2.75**	0.25 – 3.00

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

	Group	
	2010	**2009**
	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	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**5,283**	8,147	**5**	42
United States Dollars	**65**	75	**-**	-
Thai Baht	**382**	224	**-**	-
	5,730	8,446	**5**	42

19. CLAIMS LIABILITIES

	Group	
	2010	**2009**
	RM'000	**RM'000**
Claims liabilities	**380,019**	396,762
Claims recoverable from reinsurers	**(63,251)**	(39,002)
Net claims liabilities	**316,768**	357,760

The claims liabilities have been estimated by an independent professional actuary. Included in the claims liabilities is an amount of RM102,085,000 (2009 : RM108,595,000) in respect of net provision for Incurred But Not Reported ("IBNR") claims.

20. PAYABLES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Trade payables:				
Due to reinsurers and ceding companies	**21,706**	6,652	**-**	-
Due to agents, brokers, co-insurers and insureds	**1,446**	1,776	**-**	-
Others	**53**	34	**-**	-
	23,205	8,462	**-**	-
Other payables:				
Accruals	**1,740**	1,841	**539**	731
Short term accumulating compensated absences	**771**	705	**183**	158
Collateral deposits	**239**	257	**-**	-
Insurance Guarantee Scheme Fund ("IGSF") levy	**903**	767	**-**	-
Stamp duty payable	**1,831**	1,641	**-**	-
Unearned income	**490**	502	**-**	-
Accrual of directors' fees	**510**	403	**155**	155
Service tax payable	**171**	228	**-**	-
Unclaimed monies	**195**	167	**-**	-
Refund premiums	**185**	130	**-**	-
Others	**3,690**	3,172	**98**	-
	10,725	9,813	**975**	1,044

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	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**33,407**	17,757	**975**	1,044
United States Dollars	**15**	14	**-**	-
Thai Baht	**508**	504	**-**	-
	33,930	18,275	**975**	1,044

21. DUE TO A SUBSIDIARY COMPANY

The amount due to a subsidiary company of RM3,069,000 (2009 : RM 1,498,000) bears interest at 9.05% (2009 : 9.05%) per annum, is unsecured and payable on demand.

22. HIRE PURCHASE CREDITORS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Future minimum payments are as follows:				
Not later than 1 year	**561**	512	**133**	155
Later than 1 year and not later than 2 years	**824**	592	**185**	187
Later than 2 years and not later than 5 years	**432**	156	**47**	39
Total future minimum lease payments	**1,817**	1,260	**365**	381
Less : Future finance charges	**(186)**	(95)	**(26)**	(23)
Present value of hire purchase creditors	**1,631**	1,165	**339**	358

Analysis of present value of hire purchase creditors:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Not later than 1 year	**483**	467	**120**	142
Later than 1 year and not later than 2 years	**709**	585	**174**	177
Later than 2 years and not later than 5 years	**439**	113	**45**	39
	1,631	1,165	**339**	358
Amount due within 1 year	**(483)**	(467)	**(120)**	(142)
Amount due after 1 year	**1,148**	698	**219**	216

The hire purchase agreements at the balance sheet date bear interest at between 2.63% and 6.09% (2009 : 2.65% and 6.18%) per annum.

23. BORROWINGS

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Bank overdraft	**11,204**	385	**11,204**	385
Revolving credits	**33,000**	51,750	**32,500**	50,500
	44,204	52,135	**43,704**	50,885

The revolving credit and bank overdraft facilities of the Company are unsecured and bear interest at between 4.23% and 5.80% (2009 : 3.73% and 5.16%) per annum and 8.05% (2009 : 7.30%) per annum respectively. The revolving credit facilities of a subsidiary company is secured by a deposit of the subsidiary company of RM548,000 (2009 : RM536,000). The revolving credit and bank overdraft facilities of the Group bear interest between 4.23% and 5.80% (2009 : 3.73% and 7.55%) per annum and 8.05% (2009 : 7.30%) per annum respectively.

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

24. PREMIUM LIABILITIES

	Group	
	2010	2009
	RM'000	RM'000
At beginning of year	**199,573**	168,226
(Decrease)/increase in premium liabilities (Note 36)	**(15,368)**	31,347
At end of year	**184,205**	199,573

25. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2010	2009	2010	2009
	'000	'000	RM'000	RM'000
Authorised shares:				
At beginning of year	**200,000**	200,000	**200,000**	200,000
Subdivision of ordinary shares of RM1.00 each into RM0.50 each	**200,000**	-	**-**	-
At end of year	**400,000**	200,000	**200,000**	200,000
Issued and fully paid ordinary shares:				
Before Share Split				
Ordinary shares of RM1.00 each:				
At beginning of year	**110,680**	110,680	**110,680**	110,680
Issue of shares:				
- ESOS (Note (b))	**2,600**	-	**2,600**	-
	113,280	110,680	**113,280**	110,680
After Share Split				
Ordinary shares of RM0.50 each:				
Subdivision of ordinary shares of RM1.00 each into RM0.50 each	**113,280**	-	**-**	-
Issue of shares:				
- ESOS (Note (b))	**4,284**	-	**2,142**	-
At end of year	**230,844**	110,680	**115,422**	110,680

25. SHARE CAPITAL (Cont'd.)

(a) SHARE SPLIT

At an Extraordinary General Meeting held on 29 June 2010, the shareholders of the Company approved the subdivision of the issued and paid up share capital of the Company into two ordinary shares of RM0.50 each for every one ordinary share of RM1.00 each held in the Company ("Share Split"). In conjunction with the Share Split, the authorised share capital of the Company was subdivided from 200,000,000 ordinary shares of RM1.00 each to 400,000,000 ordinary share of RM0.50 each. The Share Split was effected on 16 July 2010 whereby 113,280,000 ordinary shares of RM1.00 each fully paid were subdivided into 226,560,000 ordinary shares of RM0.50 each fully paid and credited by Bursa Malaysia Depository Sdn. Bhd. to the shareholders' CDS accounts.

The Share Split was completed with the listing and quotation of the 226,560,000 ordinary shares of RM0.50 each fully paid on the Main Board of Bursa Malaysia Securities Berhad on 19 July 2010.

(b) ESOS

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

The 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:

(i) 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.

(ii) 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.

(iii) 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.

(iv) No options shall be granted for less than 1,000 Shares nor more than 1,800,000 Shares to any eligible employee.

(v) 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.

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

25. SHARE CAPITAL (Cont'd.)

(c) Treasury Shares

	Group/Company			
	Number of shares		Amount	
	2010	2009	2010 #	2009 #
	'000	'000	RM'000	RM'000
Before Share Split				
Treasury shares of RM1.00 each:				
At beginning of year	**2,291**	4,300	**3,262**	6,659
Purchased	**2**	1,317	**2**	1,338
Disposed	**(879)**	(3,326)	**(1,251)**	(4,735)
	1,414	2,291	**2,013**	3,262
After Share Split				
Treasury shares of RM0.50 each:				
Subdivision of treasury shares of RM1.00 each into RM0.50 each	**1,414**	-	**-**	-
Disposed	**(2,828)**	-	**(2,013)**	-
At end of year	**-**	2,291	**-**	3,262

\# This amount includes acquisition/disposal costs of treasury shares.

The shareholders of the Company, by a special resolution passed at a general meeting held on 10 March 2010, renewed their approval of the Company's plan to purchase its own ordinary shares.

Details of the Company's shares purchased/(disposed) during the financial year are as follows:

Before Share Split

- purchased 2,000 of its issued ordinary shares of RM1.00 each fully paid from the open market at an average price of RM1.18 per share for a consideration of RM2,355. The purchase was financed by internally generated funds. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

- disposed of 879,000 treasury shares in the open market resulting in a deficit of RM86,029 which has been debited to the Share Premium account.

After Share Split

- disposed of the remaining 2,828,000 treasury shares in the open market resulting in a deficit of RM161,998 which has been debited to the Share Premium account.

25. SHARE CAPITAL (Cont'd.)

(c) Treasury Shares (Cont'd.)

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

Shares purchased

Month	Price per share (RM) Lowest	Price per share (RM) Highest	Price per share (RM) Average	Number of shares purchased ('000)	Total consideration # RM'000
Before Share Split					
November 2009	1.07	1.07	1.11	1	1
June 2010	1.20	1.20	1.24	1	1
	Total shares purchased			2	2

Shares disposed

Month	Price per share (RM) Lowest	Price per share (RM) Highest	Price per share (RM) Average	Number of shares disposed ('000)	Total consideration # RM'000
Before Share Split					
October 2009	1.09	1.08	1.07	(51)	(54)
November 2009	1.10	1.11	1.10	(20)	(22)
January 2010	1.18	1.20	1.18	(140)	(165)
February 2010	1.18	1.18	1.14	(1)	(1)
March 2010	1.22	1.28	1.25	(170)	(213)
May 2010	1.33	1.56	1.43	(497)	(711)
	Total shares disposed			(879)	(1,166)
After Share Split					
July 2010	0.65	0.69	0.65	(2,828)	(1,850)
	Total shares disposed			(2,828)	(1,850)

This amount includes acquisition/disposal costs of treasury shares.

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 2010, the Company has sufficient tax credits in the Section 108 balance to pay franked dividends out of its entire retained earnings.

27. REVENUE

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gross premium (Note 36)	**453,089**	362,877	**-**	-
Gross dividends :				
- shares quoted in Malaysia	**661**	5,152	**292**	1,616
- unit trusts	**192**	191	**-**	-
Interest income :				
- subsidiary companies	**-**	-	**591**	584
- others	**17,890**	17,369	**-**	36
Income from Islamic corporate bonds	**541**	1,506	**-**	-
Rental income from investment properties	**48**	45	**-**	-
Malaysian Motor Insurance Pool ("MMIP") investment income	**168**	129	**-**	-
Malaysian Reinsurance Berhad ("MRB") investment income	**66**	-	**-**	-
Amortisation of premiums	**(197)**	(227)	**-**	-
Sale of goods and services	**5,900**	5,452	**-**	-
Management service fees	**-**	-	**2,606**	2,937
	478,358	392,494	**3,489**	5,173

28. OTHER OPERATING INCOME

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Interest income	**37**	141	**-**	-
Write back of allowance for diminution in value of investments	**-**	24,453	**-**	-
Gain on disposal of property, plant and equipment	**-**	6	**-**	-
Gain on disposal of investments	**515**	114	**39**	60
Gain on fair value adjustment (Note 6)	**-**	10	**-**	-
Unrealised gain on foreign exchange	**-**	452	**-**	81
Surplus on return of capital from Killinghall (Malaysia) Berhad (In-liquidation) ("KMB")*	**-**	456	**-**	-
Others	**801**	1,269	**-**	-
	1,353	26,901	**39**	141

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

29. NET CLAIMS INCURRED

	Group	
	2010	2009
	RM'000	RM'000
Gross claims paid less salvage	**314,664**	172,631
Reinsurance recoveries	**(24,553)**	(12,820)
Net claims paid	**290,111**	159,811
Net outstanding claims:		
At end of year	**316,768**	357,760
Effect of adopting RBC Framework		
- Changes in valuation of claims liabilities	**(24,483)**	-
	292,285	357,760
At beginning of year	**(357,760)**	(306,972)
Net claims incurred (Note 36)	**224,636**	210,599

30. STAFF COSTS

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Salaries, wages and bonus	**21,646**	20,001	**2,950**	2,893
Short term accumulating compensated absences	**65**	(25)	**24**	(47)
Pension cost – defined contribution plan	**2,427**	2,228	**358**	345
Other staff related expenses	**1,871**	1,700	**290**	306
	26,009	23,904	**3,622**	3,497

Included in staff costs of the Group and of the Company are executive directors' remuneration (excluding benefits-in-kind) amounting to RM1,516,000 (2009 : RM1,599,000) and RM739,000 (2009 : RM739,000) respectively.

31. DIRECTORS' REMUNERATION

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive:				
Salaries and other remuneration	**570**	560	**540**	540
Pension cost – defined contribution plan	**79**	79	**79**	79
Benefits-in-kind	**22**	22	**22**	22
Allowance	**120**	120	**120**	120
	791	781	**761**	761
Non-Executive:				
Fees	**265**	245	**155**	155
	265	245	**155**	155

31. DIRECTORS' REMUNERATION (Cont'd.)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors of Subsidiary Companies				
Executive:				
Salaries and other remuneration	**613**	750	**-**	-
Bonus	**31**	-	**-**	-
Short term accumulating compensated absences	**13**	(25)	**-**	-
Pension cost – defined contribution plan	**54**	70	**-**	-
Benefits-in-kind	**20**	42	**-**	-
Allowances	**36**	45	**-**	-
	767	882	**-**	-
Non-Executive:				
Fees	**125**	48	**-**	-
Total	**1,948**	1,956	**916**	916
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 30)	**1,516**	1,599	**739**	739
Total non-executive directors' remuneration (Note 33)	**390**	293	**155**	155
Total directors' remuneration excluding benefits-in-kind	**1,906**	1,892	**894**	894

32. AMORTISATION

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Amortisation of:				
- intangible assets (Note 9)	**214**	216	**7**	7
- prepaid land lease payments (Note 7)	**4**	4	**-**	-
	218	220	**7**	7

33. OTHER OPERATING EXPENSES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other operating expenses include:				
Auditors' remuneration	**238**	220	**42**	37
Non-executive directors' remuneration (Note 31)	**390**	293	**155**	155
Property, plant and equipment written off	**130**	81	**-**	-
Revaluation deficit of property, plant and equipment	**-**	460	**-**	-
Inventories - goods for resale written off	**140**	235	**-**	-
Allowance for/(write back of) inventory obsolescence	**64**	(134)	**-**	-
Allowance for diminution in value of investments	**3,533**	-	**-**	-
Rental of office equipment	**1,637**	1,988	**207**	225
Office rental:				
- subsidiary company	**-**	-	**256**	264
- others	**1,481**	1,511	**-**	-
Loss on foreign exchange:				
- unrealised	**3,165**	-	**1,971**	-
- realised	**113**	-	**18**	-
Loss on disposal of property, plant and equipment	**142**	-	**5**	-
Loss on disposal of investments	**-**	21,952	**-**	-
Allowance for doubtful debts:				
- trade receivables	**3,159**	1,549	**-**	-
- amounts due from subsidiary companies	**-**	-	**2,969**	15,275
Bad debts recovered	**(14)**	-	**-**	-
Allowance for impairment in investment in subsidiary company	**-**	-	**-**	65

34. FINANCE COSTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest expense :				
- subsidiary company	**-**	-	**228**	24
- others	**2,603**	2,939	**2,526**	2,769
Others	**29**	46	**23**	40
	2,632	2,985	**2,777**	2,833

35. PROFIT/(LOSS) BEFORE TAXATION

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Determined as follows:					
Insurance subsidiary company	36	**53,149**	32,380	**-**	-
Others		**(13,722)**	(23,708)	**(11,455)**	(19,984)
Before consolidation		**39,427**	8,672	**(11,455)**	(19,984)
Consolidation adjustments		**2,834**	16,909	**-**	-
After consolidation		**42,261**	25,581	**(11,455)**	(19,984)

36. PROFIT BEFORE TAXATION - INSURANCE SUBSIDIARY COMPANY

Revenue Account	Note	Group 2010 RM'000	Group 2009 RM'000
Insurance fund			
Gross premium	27	**453,089**	362,877
Reinsurance		**(126,643)**	(40,724)
Net premium		**326,446**	322,153
Decrease/(increase) in premium liabilities	24	**15,368**	(31,347)
Earned premium		**341,814**	290,806
Net claims incurred	29	**(224,636)**	(210,599)
Net commission		**(33,758)**	(34,687)
		(258,394)	(245,286)
Underwriting surplus before management expenses		**83,420**	45,520
Management expenses	38	**(47,089)**	(39,639)
Underwriting surplus		**36,331**	5,881
Investment income	37	**18,782**	22,140
Other operating (expenses)/income	40	**(2,461)**	3,794
Profit from operations		**52,652**	31,815
Finance costs		**(24)**	(37)
Surplus from insurance fund		**52,628**	31,778
Shareholder's fund			
Investment income	37	**527**	610
Management expenses	38	**(6)**	(8)
		53,149	32,380

37. INVESTMENT INCOME

	Group	
	2010	2009
Insurance fund	RM'000	RM'000
Gross dividends:		
- shares quoted in Malaysia	**369**	3,536
- unit trusts	**193**	191
Interest income:		
- Malaysian Government Securities	**2,729**	2,656
- bankers acceptances	**364**	5,729
- deposits and placements with financial institutions	**14,245**	8,309
Income from Islamic corporate bonds	**541**	1,506
Rental income from investment properties	**304**	311
MMIP investment income	**168**	129
MRB investment income	**66**	-
Amortisation of premiums, net of accretion of discounts	**(197)**	(227)
	18,782	22,140
Shareholder's fund		
Interest income:		
- bankers acceptances	**265**	610
- deposits and placements with financial institutions	**262**	-
	527	610

38. MANAGEMENT EXPENSES

	Group	
	2010	2009
Insurance fund	RM'000	RM'000
Executive directors' remuneration (Note 39)	**512**	624
Staff salaries and bonus	**13,339**	11,882
Staff short term accumulating compensated absences	**27**	60
Staff pension cost – defined contribution plan	**1,595**	1,420
Other staff benefits	**1,243**	998
Depreciation of property, plant and equipment	**874**	1,006
Auditors' remuneration	**132**	124
Amortisation :		
- prepaid land lease payments	**4**	4
- intangible assets	**45**	50
Non-executive directors' remuneration (Note 39)	**235**	128
Directors' training	**100**	-
Allowance for doubtful debts	**3,135**	1,503
Rental of properties	**550**	516
IGSF levy	**903**	767
Call centre service charges	**612**	592
Rental of equipment	**1,905**	1,488
Printing and EDP expenses	**9,309**	8,117
Business development	**1,438**	948
Credit card charges	**4,532**	3,556
Office administration and utilities	**1,858**	1,702
Other expenses	**4,741**	4,154
	47,089	39,639
Shareholder's fund		
Staff salaries and bonus	**3**	4
Staff pension cost – defined contribution plan	**1**	1
	4	5
Other expenses	**2**	3
	6	8

39. DIRECTORS' REMUNERATION

	Group	
	2010	2009
Insurance fund	**RM'000**	**RM'000**
Executive directors:		
- salaries	**381**	535
- bonus	**31**	-
- defined contribution plan	**54**	69
- benefits-in-kind	**20**	42
- short term accumulating compensated absences	**10**	(25)
- allowances	**36**	45
	532	666
Non-executive directors:		
- fee (Note 38)	**235**	128
Total directors' remuneration	**767**	794
Total executive directors' remuneration excluding benefits -in-kind (Note 38)	**512**	624

40. OTHER OPERATING (EXPENSES)/INCOME

	Group	
	2010	2009
Insurance fund	**RM'000**	**RM'000**
Gain/(loss) on disposal of:		
- investments	**475**	(21,844)
- property, plant and equipment	**(140)**	-
Sundry income	**744**	1,124
Surplus on return of capital from KMB (Note 28)	**-**	456
(Allowance for)/write back of diminution in value of investments	**(3,533)**	24,453
Revaluation deficit of property, plant and equipment	**-**	(353)
Gain on fair value adjustment of investment properties	**-**	10
Property, plant and equipment written off	**(5)**	-
Others	**(2)**	(52)
	(2,461)	3,794

41. INCOME TAX EXPENSE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Income tax:				
Current year's provision				
- Malaysian tax	**8,329**	582	**-**	-
- foreign tax	**10**	7	**-**	-
(Over)/under provision in prior years	**(467)**	(351)	**-**	23
	7,872	238	**-**	23
Deferred tax (Note 10):				
Relating to timing differences	**5,046**	6,454	**(287)**	(767)
Overprovision of deferred tax assets in prior years	**7,580**	3,940	**-**	-
Under/(over) provision in prior years	**503**	2	**500**	(1)
Transferred to/(from) deferred taxation	**13,129**	10,396	**213**	(768)
	21,001	10,634	**213**	(745)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009 : 25%) of the estimated assessable profit for the year.

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	
	2010 RM'000	2009 RM'000
Profit before taxation	**42,261**	25,581
Taxation at Malaysian statutory tax rate of 25% (2009 : 25%)	**10,565**	6,395
Effect of different tax rates in other countries	**55**	(40)
Income not subject to tax	**(255)**	(1,466)
Expenses not deductible for tax purposes	**2,743**	1,658
Deferred tax asset not recognised during the year	**1,022**	766
Over provision of tax expense in prior years	**(467)**	(351)
Under provision of deferred tax in prior years	**503**	2
Overprovision of deferred tax assets in prior years	**7,580**	3,940
Translation differences	**(419)**	86
Consolidation adjustments	**34**	(376)
Utilisation of previous years' unused tax losses and unabsorbed capital allowances	**(360)**	-
Others	**-**	20
Tax expense for the year	**21,001**	10,634

41. INCOME TAX EXPENSE (Cont'd.)

	Company 2010 RM'000	2009 RM'000
Loss before taxation	**(11,455)**	(19,984)
Taxation at Malaysian statutory tax rate of 25% (2009 : 25%)	**(2,864)**	(4,996)
Income not subject to tax	**(149)**	(597)
Expenses not deductible for tax purposes	**2,063**	4,826
Underprovision of tax expense in prior years	**-**	23
Group tax relief	**663**	-
Over/(under) provision of deferred tax in prior years	**500**	(1)
Tax expense for the year	**213**	(745)

As at 30 September 2010, the Company has:

- unused tax losses and unabsorbed capital allowances of approximately RM2,195,000 (2009 : RM3,045,000) and RM2,339,000 (2009 : RM2,340,000) 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 (2009 : RM10,864,000), subject to agreement with the Inland Revenue Board, which is available for distribution.

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

42. EARNINGS PER SHARE (sen)

(a) Basic

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

		Group	
After Share Split		**2010**	**2009**
Net profit for the year attributable to equity holders of the Company	(RM'000)	**21,260**	14,947
Weighted average number of ordinary shares in issue	('000)	**221,738**	212,336*
Basic earnings per share	(sen)	**9.59**	7.04*

* Based on the enlarged number of ordinary shares in issue after the Share Split.

		Group	
Before Share Split		**2010**	**2009**
Net profit for the year attributable to equity holders of the Company	(RM'000)	**21,260**	14,947
Weighted average number of ordinary shares in issue	('000)	**110,869**	106,168
Basic earnings per share	(sen)	**19.18**	14.08

42. EARNINGS PER SHARE (sen) (Cont'd.)

(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	
After Share Split		**2010**	**2009**
Net profit for the year attributable to equity holders of the Company	(RM'000)	**21,260**	14,947
Weighted average number of ordinary shares in issue	('000)	**221,738**	212,336*
Effect of dilution : ESOS (share option)	('000)	**39**	-
Adjusted weighted average number of shares in issue and issuable	('000)	**221,777**	212,336*
Diluted earnings per share	(sen)	**9.59**	7.04*

* Based on the enlarged number of ordinary shares in issue after the Share Split.

		Group	
Before Share Split		**2010**	**2009**
Net profit for the year attributable to equity holders of the Company	(RM'000)	**21,260**	14,947
Weighted average number of ordinary shares in issue	('000)	**110,869**	106,168
Effect of dilution : ESOS (share option)	('000)	**20**	-
Adjusted weighted average number of shares in issue and issuable	('000)	**110,889**	106,168
Diluted earnings per share	(sen)	**19.17**	14.08

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group	
	2010	2009
	RM'000	RM'000
Related company in which a Director had deemed interest:		
Insurance revenue	**109**	153

	Company	
	2010	2009
	RM'000	RM'000
Subsidiary companies - Income:		
Interest income on loans	**591**	584
Management fee income	**2,606**	2,937
Subsidiary companies - Expenditure:		
Office rental	**256**	264
Interest expense on loans	**228**	24
Investment and treasury administration services	**14**	14
Rental of office equipment	**194**	212
Information technology advisory services	**1,090**	1,090
Charges for frame relay and lease lines	**87**	87
Fees for back up electricity supplies	**18**	18
Repairs and maintenance	**28**	8

Information regarding outstanding balances arising from related party transactions and subsidiary companies as at 30 September 2010 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.

43. 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	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term employee benefits				
Salary and other remuneration	**1,339**	1,475	**660**	660
Bonus	**31**	-	**-**	-
Short term accumulating compensated absences	**13**	(25)	**-**	-
Benefits-in-kind	**42**	64	**22**	22
Post-employment benefits				
Pension cost - defined contribution plan	**133**	149	**79**	79
	1,558	1,663	**761**	761

Key management personnel have exercised the following number of share options:

	Group ESOS		Company ESOS	
	2010	**2009**	**2010**	**2009**
	'000	**'000**	**'000**	**'000**
At beginning	**2,600**	2,600	**900**	900
Exercised	**(2,600)***	-	**(900)***	-
At end of year	**-**	2,600	**-**	900

* Before Share Split

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

44. COMMITMENTS AND CONTINGENCIES

(a) Contingent liabilities

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Performance guarantees – secured	**227**	192	**-**	-
Guarantees given to financial institutions for facilities extended to subsidiary companies – secured	**-**	-	**1,761**	2,564
	227	192	**1,761**	2,564

(b) Non-cancellable operating lease commitments

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Future minimum lease payments are as follows:				
Not later than 1 year	**1,404**	1,503	**61**	48
Later than 1 year and not later than 5 years	**1,490**	1,084	**90**	28
	2,894	2,587	**151**	76

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 RM1,094,000 (2009 : RM903,000) 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 2010 and 30 September 2009.

45. 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 level, failing which supervisory actions by BNM of increasing intensity would be taken to resolve the financial position of the insurer. The supervisory target capital level is then used as a benchmark against which an insurer would establish its own higher Internal Target Capital.

As at 30 September 2010, the insurance subsidiary company has met the supervisory target capital level as stipulated in the RBC Framework.

46. SUBSEQUENT EVENT

The Directors at the last annual general meeting convened on 10 March 2010 had obtained the approval from the shareholders of the Company to issue shares of the Company, pursuant to Section 132D of the Companies Act, 1965 not exceeding ten per cent (10%) of the issued and paid-up share capital of the Company.

On 22 September 2010, the Company, through AmInvestment Bank Berhad had announced that the Company proposed to undertake a private placement of new ordinary shares of RM0.50 each in the Company, representing up to ten per cent (10%) of the issued and paid-up share capital of the Company ("Proposed Private Placement").

Bursa Malaysia had, vide its letter dated 30 September 2010, approved the listing of and quotation for up to 10% or 23,192,400 new ordinary shares of RM0.50 each to be issued pursuant to the Proposed Private Placement.

As at 30 November 2010, a total of 14,550,000 of new ordinary shares of RM0.50 each fully paid have been issued pursuant to the Proposed Private Placement.

47. 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.

47. FINANCIAL INSTRUMENTS (Cont'd.)

(c) Credit Risk

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

The risk arising from lending and investment activities of the insurance subsidiary company is monitored regularly with respect to single customer limits, exposure to sector type, credit rating and remaining term to maturity, in accordance with investment guidelines and limits approved by the Board of Directors and prescribed by 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 Islamic corporate bonds is analysed as follows:

	Group	
	2010 RM'000	2009 RM'000
Rating of Islamic corporate bonds on market value basis :		
AA3	-	5,116
A+	-	10,343
	-	15,459

	Group	
	2010 RM'000	2009 RM'000
Analysis of Islamic corporate bonds by industry segments :		
Power	-	5,116
Infrastructure and utilities	-	10,343
	-	15,459

47. FINANCIAL INSTRUMENTS (Cont'd.)

(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.

(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 2010 and 2009, the Group did not transact in any derivative instruments for hedging purposes.

47. FINANCIAL INSTRUMENTS (Cont'd.)

(i) Fair Values

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

	Group		Company	
	Carrying amount RM'000	Fair Value RM'000	Carrying amount RM'000	Fair Value RM'000
At 30 September 2010:				
Financial Assets				
Club membership	55	60	-	-
Due from subsidiary companies	-	-	40,056	*
Long term investment in quoted securities:				
Shares in Malaysia	19,945	10,650	19,673	10,650
Investment securities:				
Malaysian Government Securities	70,376	70,826	-	-
Islamic corporate bonds	-	-	-	-
Shares quoted in Malaysia	15,723	15,802	-	-
Shares quoted outside Malaysia	1,655	1,576	-	-
Unit trusts	12,938	12,969	-	-
Financial Liabilities				
Hire purchase creditors	1,631	1,769	339	344
Due to a subsidiary company	-	-	3,069	*

* 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.

47. FINANCIAL INSTRUMENTS (Cont'd.)

(i) Fair Values (Cont'd.)

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

* 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.

(b) 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 2010	**227**	*	**1,761**	*
At 30 September 2009	192	*	2,564	*

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

47. FINANCIAL INSTRUMENTS (Cont'd.)

(c) The following methods and assumptions are used to estimate the fair values of financial instruments that are carried at fair value:

(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.

48. SEGMENT REPORTING

(a) Business Segments:

The Group is organised into the following 4 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.

48. SEGMENT REPORTING (Cont'd.)

2010	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	472,142	5,900	292	24	-	-	478,358
Inter-segment sales	256	9,412	3,197	339	2	(13,206)	-
Total segment revenue	472,398	15,312	3,489	363	2	(13,206)	478,358
RESULTS							
Segment profit before tax after accounting for:	53,149	(2,182)	(11,455)	(48)	(37)	2,834	42,261
Interest income	-	61	-	12	-	(36)	37
Finance cost	(24)	(781)	(2,777)	(15)	-	965	(2,632)
Depreciation	(874)	(679)	(74)	-	-	(40)	(1,667)
Amortisation	(59)	(152)	(7)	-	-	-	(218)
Other non-cash expenses	(6,922)	(1,255)	(4,964)	(281)	-	2,969	(10,453)
ASSETS							
Segment assets	726,338	11,434	15,033	3,380	12	-	756,197
Unallocated corporate assets							8,192
Consolidated total assets							764,389
LIABILITIES							
Segment liabilities	531,222	1,991	950	1,979	23	-	536,165
Unallocated corporate liabilities							49,676
Consolidated total liabilities							585,841
OTHER INFORMATION							
Capital expenditure	1,181	489	181	-	-	-	1,851

48. SEGMENT REPORTING (Cont'd.)

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
RESULTS							
Segment profit before tax after accounting for:	32,380	(3,614)	(19,984)	14	(124)	16,909	25,581
Interest income	-	168	-	87	-	(114)	141
Finance cost	(37)	(881)	(2,832)	(94)	-	859	(2,985)
Depreciation	(1,006)	(885)	(115)	-	-	1,304	(702)
Amortisation	(47)	(165)	(7)	-	(1)	-	(220)
Other non-cash expenses	(8,538)	(291)	(15,340)	-	-	15,340	(8,829)
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

48. SEGMENT REPORTING (Cont'd.)

Other non-cash expenses include the following items:

	2010 RM'000	2009 RM'000
Allowance for diminution in value of investments	**3,533**	6,894
Unrealised foreign exchange losses	**3,165**	-
Allowance for doubtful debts	**3,159**	1,549
Amortisation of premiums, net of accretion of discounts	**197**	227
Inventories written off	**140**	235
Short term accumulating absences	**65**	(25)
Property, plant and equipment written off	**130**	81
Allowance for/(write back) inventories obsolescene	**64**	(134)
Loss on disposal of long term investments	**-**	2
	10,453	8,829

(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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	**474,924**	389,606	**752,956**	770,147	**1,809**	335
Thailand	**3,267**	2,472	**2,485**	2,277	**26**	138
United States of America	**167**	416	**756**	297	**16**	52
	478,358	392,494	**756,197**	772,721	**1,851**	525

(c) Major Customers

There is no revenue from a single external customer which amounted to 10% or more of the Group's revenue during the financial year (2009 : None).

LIST OF GROUP'S PROPERTIES as at 30 September 2010

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2010 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	4,519	25	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	8,802	25	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	25	14.4.1986/ 3.11.2008

LIST OF GROUP'S PROPERTIES as at 30 September 2010

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2010 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	31	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	704	26	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 State of Perak Darul Ridzuan Lot 3.1 & 3.2, 3rd Floor Wisma Kota Emas Jalan Dato' Tahwil Azhar 30300 Ipoh Perak Darul Ridzuan	1528	Freehold	Office-lots	94	27	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	875	12	18.9.1998/ 3.11.2008

LIST OF GROUP'S PROPERTIES as at 30 September 2010

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2010 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 State of Perak Darul Ridzuan Unit No. 83, Ground Floor Block B, Cherry Apartment 30100 Ipoh Perak Darul Ridzuan	732	Freehold	Apartment/ Residential	55	19	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	1½ storey factory corner unit/ office	557	11	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	1½ storey factory intermediate unit/office	383	11	3.12.1999/ 3.11.2008

SHAREHOLDINGS STATISTICS as at 30 December 2010

Authorised capital	:	RM400,000,000.00
Issued and fully paid-up capital	:	RM245,819,000.00
Class of shares	:	Ordinary shares of RM0.50 each
Voting rights	:	One vote per RM0.50 share

BREAKDOWN OF SHAREHOLDINGS

Holdings	No. of Holders	Total Holdings	%
Less than 100	365	15,575	0.01
100 to 1,000	430	172,155	0.07
1,001 to 10,000	3,569	16,977,052	6.91
10,001 to 100,000	1,322	36,029,152	14.66
100,001 to less than 5% of issued shares	124	113,850,794	46.31
5% and above of issued shares	3	78,773,272	32.04
Total	**5,813**	**245,818,000***	**100.00**

* The number of 245,818,000 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 30 December 2010 were as follows:

	No. of RM0.50 Shares			
Name	Direct Interest	%	Indirect Interest	%
Chan Thye Seng	29,898,736	12.16	108,771,818(2)	44.25
Mah Wing Holdings Sdn Bhd	54,289,202	22.09	–	–
Mah Wing Investments Limited	49,262,660	20.04	–	–

DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings, the Directors' shareholdings as at 30 December 2010 were as follows:

	No. of RM0.50 Shares			
Name	Direct Interest	%	Indirect Interest	%
Chan Hua Eng	284,198	0.12	5,349,522(1)	2.17
Chan Thye Seng	29,898,736	12.16	108,771,818(2)	44.25
Michael Yee Kim Shing	–	–	1,667,802(3)	0.68
Y.M. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed	–	–	5,558,452(4)	2.26
Dato' Abu Hanifah bin Noordin	–	–	1,535,632(5)	0.62

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 30 December 2010

THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

	Name	No. of RM0.50 Shares	% of Issued Capital
1.	HDM Nominees (Asing) Sdn Bhd For Mah Wing Investments Limited	49,262,660	20.04
2.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	16,405,714	6.67
3.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mah Wing Holdings Sdn Bhd	13,104,898	5.33
4.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	10,800,000	4.39
5.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	8,417,104	3.42
6.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Chan Thye Seng	8,052,220	3.28
7.	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chan Thye Seng	6,584,032	2.68
8.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamed Ayub Bin Mohamed Ali	6,120,000	2.49
9.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Thye Seng	6,099,682	2.48
10.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	5,558,452	2.26
11.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Chan Kok Tien Realty Sdn. Bhd.	4,810,688	1.96
12.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad For Mah Wing Holdings Sdn Bhd	4,091,390	1.66
13.	HSBC Nominees (Asing) Sdn Bhd Exempt An For BNP Paribas Wealth Management Singapore Branch	4,090,000	1.66
14.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Thye Seng	3,645,100	1.48
15.	Chan Thye Seng	3,000,000	1.22
16.	Electroscon Coletra Sdn Bhd	2,000,000	0.81
17.	Tan Teong Han	1,787,242	0.73
18.	Yeoh Kean Hua	1,708,802	0.70
19.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Abu Hanifah Bin Noordin	1,535,632	0.62
20.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chew Kuan Fah	1,500,000	0.61
21.	Mah Wing Holdings Sdn Bhd	1,470,096	0.60
22.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad For Chan Thye Seng	1,300,000	0.53
23.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Michael Yee Kim Shing	1,293,612	0.53
24.	Chan Thye Seng	1,217,702	0.50
25.	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Koh Yap Heng	1,180,000	0.48
26.	Amanah Saham Mara Berhad	1,122,012	0.46
27.	HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd For Wong Siew Kim	1,110,200	0.45
28.	Deva Dassan Solomon	1,023,600	0.42
29.	Yayasan Kedah Berhad	1,011,264	0.41
30.	Multi-Purpose Holdings Berhad	1,000,000	0.41
	Total	170,302,102	69.28

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

FORM OF PROXY

No. of Shares Held	

*I/We, ____

of ____

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

____________________ of ____________________________

or failing whom ____________________ of ____________________

____ or failing whom

the **Chairman of the meeting** as *my/our proxy to vote for *me/us on *my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at the Ballroom, Mezzanine Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 17 March 2011 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 Mr Chan Thye Seng 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		
8.	Proposed Amendment to the Articles of Association of the Company		

(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 __________ 2011

____
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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