PACIFIC & ORIENT BERHAD

(308366-H)

ANNUAL REPORT 2011

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth 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 Tuesday, 27 March 2012 at 11.00 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the year ended 30 September 2011 and the Reports of the Directors and the Auditors thereon. **Resolution 1**

2. To re-elect Y.M. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed who retires as Director of the Company pursuant to Article 82 of the Company's Articles of Association, and being eligible, offers himself for re-election. **Resolution 2**

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

   (a) "THAT Mr Chan Hua Eng who retires pursuant to Section 129 of the Companies Act 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 3**

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

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

5. **As Special Business**

   To consider and if thought fit, 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**

(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 20 January 2012) which would otherwise be available for dividends AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever occurs first);

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

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

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

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

By Order of the Board

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

Kuala Lumpur
20 January 2012

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 Seventeenth Annual General Meeting held on 17 March 2011 and this mandate will lapse at the conclusion of the Eighteenth 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 20 January 2012 which is despatched together with the Company's 2011 Annual Report.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

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

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr Chan Hua Eng Non-Executive Chairman Mr Chan Thye Seng Managing Director and Chief Executive Officer Y.M. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed Independent Non-Executive Director Y.Bhg. Dato' Abu Hanifah bin Noordin Independent Non-Executive Director Mr Michael Yee Kim Shing Independent Non-Executive Director
SECRETARIES	Ms Soo Han Yee (MAICSA 7008432) Mr Yong Kim Fatt (MIA 27769)
REGISTRARS	Mega Corporate Services Sdn Bhd Level 15-2, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia Tel : 03-26924271 Fax : 03-27325388
AUDITORS	Messrs Ernst & Young Chartered Accountants Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur Malaysia
PRINCIPAL BANKERS	Malayan Banking Berhad Hong Leong Bank Berhad RHB Bank Berhad ING Bank N.V., Labuan Branch
REGISTERED OFFICE	11th Floor, Wisma Bumi Raya No. 10 Jalan Raja Laut 50350 Kuala Lumpur Malaysia Tel : 03-26985033 Fax : 03-26944209 Website : www.pacific-orient.com
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad Main Market

PROFILE OF THE BOARD OF DIRECTORS

Mr Chan Hua Eng (83), 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 and Glenealy Plantations (Malaya) Berhad.

Mr Chan Thye Seng (55), 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 (73), 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, Dataprep Holdings Berhad and Datasonic Group Berhad.

Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed (67), Malaysian
Independent Non-Executive Director, Chairman of the Nominating Committee and the Remuneration Committee, member of the Audit Committee

Y.M. Tunku Dato' Mu'tamir joined the Board in September 1995. He is an associate member of the Institute of Chartered Secretaries and Administrators and a member of the Malaysian Institute of Chartered Secretaries and Administrators. Y.M. Tunku Dato' Mu'tamir is also a member of the Dewan Perniagaan Melayu Bandaraya, Kuala Lumpur. Since 1976, he has been the executive director of Syarikat Sri Timang Sdn Bhd, an investment holding company.

Y.Bhg. Dato' Abu Hanifah Bin Noordin (60), 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 the Managing Director of Datasonic Group Berhad and an independent non-executive director as well as Deputy Chairman of Mega First Corporation Berhad.

The interests of each Director in the shares of the Company are disclosed on page 161 (Shareholdings Statistics).
None of the Directors has been convicted of any offence other than traffic
offences within the last ten years or has any conflict of interests with the Company.

STATEMENT ON CORPORATE GOVERNANCE

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.

1. BOARD OF DIRECTORS

1.1 Composition and Size of Board

The Board comprises five (5) Directors as at the date of the Annual Report, of whom one (1) is a Non-Independent Non-Executive Director, one (1) is an Executive Director and three (3) are Independent Non-Executive Directors. Independent Non-Executive Directors form more than half of the Board, thus fulfilling the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and ensuring that minority shareholders' interests are adequately represented.

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.

1.2 Board Balance

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, business management, legal and corporate affairs and is therefore suited to the oversight of your Company. The profile of each Director is provided on pages 6 to 7 of this Annual Report.

There is a clear segregation of responsibilities between the Non-Independent Non-Executive Chairman and the Managing Director/Chief Executive Officer to ensure balance of power and authority in the Board. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director/Chief Executive Officer is responsible for the day-to-day running of the business, implementation of Board policies and decision-making on operational matters.

The Independent Non-Executive Directors provide unbiased and independent views, advice and judgment to take into account the interest, not only of the Group but also of shareholders, employees and communities in which the Group conducts business.

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.

1.3 Board Responsibilities

The Board is principally responsible for, amongst others, overseeing the conduct of the Company's business to evaluate whether the business is properly managed and reviewing the adequacy and integrity of the Company's internal control systems and management information systems for compliance with applicable laws, regulations, rules, directives and guidelines.

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.

1.4 Board Meetings

Regular scheduled Board meetings and also ad-hoc Board meetings are held as and when required to receive, deliberate and decide on matters reserved for its decision, including the performance of the Group, the business plans and strategies of the Group and the Group's quarterly financial results.

The Board also notes the decisions and salient issues deliberated by the Board Committees. The Chairman of the respective Board Committee would brief the directors at Board meetings, of any salient matters noted by the Board Committee and which require the Board's attention and direction.

The Board met four (4) times during the financial year ended 30 September 2011. The details of attendance by each of the Directors of the meetings are as follows:

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

The proceedings of all meetings, including all issues raised, deliberations, decisions and conclusions made at the Board of Directors and Board Committees meetings were recorded in the minutes of the Board of Directors and Board Committees respectively.

1.5 Supply of Information

The Board members are provided with the relevant agenda and Board papers containing management and financial information in advance of each Board meeting for their perusal and consideration and to enable them to obtain further clarification and information on matters to be deliberated, to facilitate informed decision making. A Director who has a direct or deemed interest in the subject matter presented at the Board meeting shall abstain from deliberation and voting on the said subject matter.

The Board has unrestricted access to timely and accurate information. All Directors have access to the advice and services of the Company Secretarial Department and the Senior Management personnel in the Group and may obtain independent professional advice at the Company's expense in furtherance of their duties.

The Board is also regularly updated on new statutory and regulatory requirements concerning their duties and responsibilities and the operation of the Group.

1.6 Appointments to the Board

The Nominating Committee, comprising entirely of Independent Non-Executive Directors, is responsible for identifying and recommending to the Board, suitable nominees for appointment to the Board and Board Committees.

In selecting a suitable candidate, the Nominating Committee takes into consideration the size of the Board with a view of determining the impact of the number upon its effectiveness, and the required mix of skill, expertise and experience required for an effective Board. The final decision on the appointment of a candidate recommended by the Nominating Committee rests with the whole Board.

1.7 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 at the Annual General Meeting. An election of Directors shall take place each year. A Director over seventy (70) years of age is required to submit himself for re-election annually in accordance with Section 129(6) of the Companies Act, 1965.

The re-election of Directors ensures that shareholders have a regular opportunity to reassess the composition of the Board.

1.8 Directors' Training

All the Directors of the Company have attended and successfully completed the Mandatory Accreditation Programme prescribed under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. In addition, Directors continuously receive briefings and updates on the Group's businesses and operations, risk management activities, corporate governance, 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. The Board will continue to evaluate and determine the training needs of its Directors to enhance their skills and knowledge.

1.9 Board Committees

The Board has established Board Committees to assist the Board in performing its duties and discharging its responsibilities more efficiently and effectively. The Board Committees operate on Terms of Reference approved by the Board and have the authority to examine pertinent issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters lies with the Board. The details of the Board Committees are as follows:

1.9.1 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 full details of the composition, terms of reference and summary of the activities of the Audit Committee during the year are set out in the Report of the Audit Committee in this Annual Report.

1.9.2 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.

1.9.2 Nominating Committee (Cont'd.)

The Nominating Committee comprises exclusively Independent Non-Executive Directors. The members of the Nominating Committee are 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.

During the financial year under review, the Nominating Committee held a meeting on 30 November 2010, which was attended by all three members.

1.9.3 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 30 November 2010, which was attended by all three members.

2. DIRECTORS' REMUNERATION

2.1 Determination of Directors' Remuneration and Fees

The remuneration of Directors reflects the need to attract, motivate and retain directors with the relevant experience, qualifications and expertise required to assist in managing the Company effectively. The reward levels commensurate with the competitive market and business environment in which the Company operates whilst being reflective of the person's experience, level of responsibilities and linked to the corporate performance and consistent with the Company's culture, objective and strategy, in particular.

The remuneration of the Executive Director is decided by the full Board on the recommendation of the Remuneration Committee based on a performance evaluation by the Nominating Committee. 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. Directors do not participate in decisions regarding their own remuneration packages.

2.2 Disclosure on Remuneration

The aggregate remuneration of Directors of the Company for the financial year ended 30 September 2011 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Director		763,200	763,200
Non-Executive Directors	165,000		165,000

2.2 Disclosure on Remuneration (Cont'd.)

The number of Directors of the Company whose remuneration falls into the following bands is as follows:

Range of Remuneration (RM)	Executive	Non-Executive
1-50,000		4
750,001-800,000	1	

3. SHAREHOLDERS

3.1 Dialogue between the Company and investors

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 request for briefings from the press and investment analysts are usually met as a matter of course and when they are conveyed to the Company. Dissemination of information during the briefings is confined to permissible disclosure within the listing requirements that will further enhance the understanding of the Group's operations and activities.

In addition, the Company maintains a website at www.pacific-orient.com with links to announcements of results and annual reports, through which the investors and shareholders can have an overview of the Group's financial information, products information and corporate information.

3.2 Annual General Meeting

The Annual General Meeting provides an opportunity for the shareholders to have a better understanding of the Group's performance and operation. Shareholders are encouraged to raise any issues and communicate with the Board at the AGM and to vote on all resolutions.

Senior management and External Auditors are also available to answer any queries from shareholders at the Annual General Meeting.

4. ACCOUNTABILITY AND AUDIT

4.1 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.

The Directors' Responsibility Statement in respect of the Annual Audited Financial Statements is set out in the Annual Report.

4.2 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.

4.3 Internal Control

The Board maintains a sound system of internal control, covering not only financial controls but also operational and compliance controls. The system of internal controls is designed to provide reasonable assurance of effectiveness and efficiency of operations and programs, reliability and integrity of financial and operational information, safeguarding of assets and compliance with laws, regulations, policies, procedures and contracts. Nevertheless, the system of internal control, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Statement on Internal Control, which provides an overview of the state of internal control within the Group, is set out in the Annual Report.

4.4. Internal Audit

The internal audit function of the Group is performed in-house by the Group Internal Audit Department, which is independent of the activities it audits and is performed with impartiality, proficiency and due professional care. It undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices. The Group Internal Audit Department reports directly to the Audit Committee.

4.5 Risk Management

A formal Risk Management Framework has been established at the significant insurance subsidiary. A Risk Management Committee has been set up, which meets regularly to oversee the development of risk management policies and procedures, monitor and evaluate the numerous risks that may arise from the business activities. A Risk Review Working Committee and a Risk Management Department have also been established to assist the Risk Management Committee to discharge its duties.

4.6 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 annual financial statements. The Audit Committee also meets with the External Auditors without the presence of the Executive Director and the management whenever it deems necessary. 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.

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

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

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.

BOARD RESPONSIBILITY

In the Pacific & Orient Group, the Board of Directors has overall responsibility for maintaining a sound system of internal control and reviewing its adequacy and effectiveness to safeguard shareholders' interest and Group's assets. 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. However, the systems in place are designed to manage rather than eliminate the risk of failure to achieve business objectives, and therefore can only provide reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The Board maintains an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures. The Board meets regularly and has a schedule of matters that are brought to it for decision in order that effective control over strategic, financial, operational and compliance issues can be maintained. This structure includes the Audit Committee and Group Internal Audit Department.

KEY INTERNAL CONTROL PROCESSES

Organisation Structure

A formal organisation structure for the Group and subsidiaries have been established with defined reporting lines of authority, responsibility and accountability. Authority limits are also imposed on Executive Directors and management within the Group in respect of the day-to-day operations to ensure proper accountability and segregation of duties.

Risk Management

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, establishment of a formal Risk Management Framework by the insurance subsidiary, which outlines the principles, philosophy/policy, roles and responsibilities, structure and process. The Framework provides the Board and the management of the subsidiary with a tool to anticipate and manage both existing and potential risks. The risk profiles were regularly reviewed and updated to account for changes in business environment and relevant laws and regulations. The insurance subsidiary has also set up a Risk Management Committee, whose authority and responsibility are clearly defined in the terms of reference. The Risk Management Department monitors and evaluates the process on an ongoing basis and reports to a Risk Review Working Committee, which in turn reports to the Risk Management Committee at the minimum, on a quarterly basis.

Board Committees

Besides the Audit and Risk Management Committees, the Board has also set up Nominating and Remuneration Committees to assist the Board to perform its oversight function. Specific responsibilities have been delegated to these Board Committees, all of which have formalised terms of reference. These Committees have the authority to examine all matters within their scope and report to the Board with their recommendations.

Management Committees

Where necessary, the Companies within the Group has established management committees to assist the respective Chief Executive Officers in ensuring that daily operations are conducted effectively and in accordance with the company's strategic plan, approved budgets, policies, procedures and relevant laws and regulations. The management committees include IT Steering Committee, Business Continuity Management Committee, Risk Review Working Committee, Claims Committee, Credit Committee and Investment Working Group.

Policies and Procedures

The management has established written policies and procedures, which have been approved by the Group CEO/CEO or Board Committees and they have been implemented in respective core business processes throughout the Group. They serve to ensure compliance with internal controls and relevant laws and regulations. Regular reviews and updates are performed in line with changes in business environment, statutory and regulatory requirements to ensure its relevance and effectiveness.

Annual Strategic Plan and Performance Review

The management of each Company within the Group ensures that strategies are met and performances are reviewed. In the insurance subsidiary, this involves the submission of the strategic plan to the Board for approval before commencement of a financial year. Actual performances would be reviewed by the management monthly and Board on quarterly basis, to ensure that the business has been managed according to the corporate strategies within relevant laws and regulations. Action plans are formulated to address any areas of concern.

Audit Committee

The Audit Committee was established by the Board with its terms of reference to assist in reviewing management's financial reports, internal audit reports and external audit reports. Significant issues are brought to the attention of the Board. The Committee also oversees the independence and resources of the internal audit function besides ensuring that the scope of work is adequate and that the audit has been carried out objectively and effectively by a competent team of auditors.

Internal Audit

The Group Internal Audit Department conducts operational, financial, compliance and management information system control audits on companies within the Group in accordance with Audit Planning Memorandums approved by the Audit Committees. The internal auditors adopt a risk-based approach and employ systematic audit methodology to provide an objective and independent audit assessment on the adequacy and effectiveness of the system of internal controls and risk management process and appropriateness and effectiveness of the corporate governance practices of the Group. In carrying out its duties, the Group Internal Audit Department evaluates the Group's risk exposures and controls relating to reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, regulations and contracts. Internal audit recommendations to mitigate associated risks would be provided for each internal control issue highlighted and follow-up audit would be carried out to ensure that the auditee has implemented the recommendations within agreed timeline. The Group Internal Audit Manager presents internal audit reports to the Audit Committee for review on a quarterly basis.

Human Resource Policies and Procedures

Management has established human resource polices and procedures, which encompasses a wide spectrum of human resource management, including recruitment, performance appraisal and promotion, resignation/termination of employment, training and development, benefits and disciplinary action. The policies and procedures are compiled into an Employee Handbook, and made readily available to staff at their convenience.

CONCLUSION

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 would be carried out in line with the changes in the business and relevant laws and regulations to ensure its effectiveness in safeguarding shareholders' investment and the Group's assets.

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.

MEMBERS OF THE AUDIT COMMITTEE

The Company has fulfilled the requirements of Section 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the best practices of the Malaysian Code on Corporate Governance with regard to the composition of the Audit Committee. The members of the Committee during the financial year were as follows:

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

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

3. Y.Bhg. Dato' Abu Hanifah bin Noordin
   (Independent Non-Executive Director)

TERMS OF REFERENCE

The Audit Committee is governed by the Terms of Reference, which is laid down below:

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's Main Market Listing Requirements.

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 (3) months appoint such number of new members as may be required to make up the minimum of three (3) members.

1. Membership (Cont'd.)

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

2. Meetings

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

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

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

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

2.5 The Committee may invite any non-member Directors or employee of the Company and of the Group who the Committee thinks fit and proper to attend its meetings to assist in its deliberations and resolutions of matters raised.

2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters and the recommendations relating thereto and to follow up on all relevant decisions made. However, the Committee should meet with the Internal Auditors without other directors and employees present, whenever deemed necessary.

2.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.

2.8 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.

2.9 In addition to the availability of detailed minutes of the Committee's meetings to all Board members, the Committee at each Board meeting will report a summary of significant matters and resolutions.

3. Rights and Authority

The Committee is authorised to:

3.1 Investigate any matter within its terms of reference.

3.2 Have adequate resources required to perform its duties.

3.3 Have full and unrestricted access to information, records and documents relevant to its activities.

3.4 Have direct communication channels with the External and Internal Auditors.

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

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

4. Functions and Duties

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

4.2 To review the following and report to the Board:

(a) With the External Auditors:

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

(b) With the Internal Audit Department:

(i) Fulfillment of Internal Audit Department's role in evaluating and contributing to the improvement of risk management, control and governance systems as spelled out in the 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 Main Market Listing Requirements which have not been satisfactorily resolved, to Bursa Malaysia Securities Berhad.

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 Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

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 2011. The details of attendance of each of the member at the Committee meetings held during the year were 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

The Group Internal Audit Manager and Company Secretary were in attendance at all the meetings. The Group General Manager – Finance was present by invitation at all the meetings whilst the Senior Accounts Manager and representatives of the External Auditors, Messrs Ernst & Young, were present during deliberations which require their input and advice. In addition, the Audit Committee had met twice with the External Auditors without the presence of management, to discuss problems and reservations arising from the audit, or any other matters the External Auditors may wish to discuss.

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 2011 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 Bursa Malaysia Securities Berhad.

(b) Reviewed the Company's annual report, issues and reservations arising from the statutory audit with the External Auditors, prior to recommendation to the Board for approval.

(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 Statement on Corporate Governance and the Statement on Internal Control pursuant to the Bursa Malaysia Securities Berhad's Main Market Listing Requirements for inclusion in the Company's Annual Report. Recommended to the Board action plans to address the identified gaps between the Group's existing corporate governance practices and the prescribed corporate governance principles and best practices under the Code.

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

Internal Audit

(a) Reviewed the adequacy and relevance of the scope, functions, resources, risk-based internal audit plans and results of the internal audit processes, with the Internal Audit Department; and that it has the necessary authority to carry out its work.

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

(c) Reviewed and recommended for approval of the Board, the revised and updated Internal Audit Charter.

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, to discuss problems and reservations arising from the audit, or any other matters the External Auditors may wish to discuss, including the level of assistance provided by the Company's employees to the External Auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.

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

Related Party Transactions

(a) Reviewed with the assistance of the Internal Audit Department and management, all related party transactions entered into by the Company and the Group to ensure that the transactions entered into were at arm's length basis and on normal commercial terms and the adequacy, appropriateness and compliance of the procedures established to monitor related party transactions.

Others

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

The summary of the activities of the Internal Audit Department for the year ended 30 September 2011 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.

(l) Revised and updated the Internal Audit Charter for the Audit Committee's review and recommendation to the Board for approval.

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 2011.

FINANCIAL RESULTS

The Group recorded an improved turnover of RM529.3 million in 2011 compared to RM478.4 million in 2010. The increase was mainly attributed to higher premium achieved by the insurance subsidiary company.

The healthy underwriting performance of the insurance unit helped to improve the Group's financial position with a higher pre-tax profit of RM69.3 million as against RM41.3 million the year before.

At Company level, turnover increased significantly to RM42.3 million in 2011 as compared to RM3.5 million in the preceding year due to an increase in dividend income. In line with this improved revenue, the Company reported a profit of RM28.4 million against a loss of RM11.5 million experienced in the previous year.

ECONOMIC REVIEW

According to The Malaysian Institute of Economic Research (MIER), in 2010, the Malaysian economy staged a rebound from the Great Recession of 2008/9. However, the rebound did not last long and the growth momentum has since tapered off. Accordingly, the Institute revised its 2011 estimate for Malaysia's gross domestic product (GDP) expansion to 4.6 percent from 5.2 percent. The downward revision was mainly attributed to weaker export growth due to increasing regional and global economic uncertainties.

MIER has also cut Malaysia's GDP growth forecast for 2012 to 5.0 percent from 5.5 percent in its Update on the Malaysian Economic Outlook Third Quarter 2011 released in mid-October 2011. MIER said that negative factors that affect economic growth include Europe's sovereign debt crisis, global risk aversion, retreating global commodity prices, weaker prospects for the electric and electronic sector, and high household debt.

Regarding the projects rolled out under the Economic Transformation Programme (ETP), MIER has opined that they can boost domestic demand but is unlikely to offset underperformance in net exports, a vital component of the nation's economy.

Against a backdrop of rising economic uncertainties, which have increased the possibility of a double-dip global recession, economists expressed doubt that Malaysia's growth rate would achieve its target and thereby distract its long-term development goals.

PROSPECTS OF THE GROUP

The severe global economic downturn experienced during 2008 and 2009 (also known as the Great Recession) appeared to have paused in 2010. However, in the year that followed, several bearish factors emerged and these may lead to a rekindling of another global slowdown. Nevertheless, should the global slowdown eventually occur, many local economists are of the view that the expected impact on the Malaysian economy may not be overly severe compared to those of the developed countries.

Your Board remains cautious of the company's prospects in the year ahead and management acknowledges the fact that the company has to quickly adapt to changing business conditions.

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

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

Bank Negara Malaysia has formulated a new motor cover framework which will take effect from 1 January 2012. Under the new framework, over a period of four years, insurers will be allowed to adjust the premium charged to customers. The new framework also requires insurance companies to make many enhancements in their operational process so that claims settlement periods can be reduced significantly and a simpler process effected for accident victims to make claims. Being a major motor insurer, POI is paying close attention to such new developments to ensure it is well prepared and ready for the changes when the time comes.

During the year POI sourced a term loan of RM70.0 million from its parent company and as the debt was fully subordinated, it qualified as Tier-2 capital in POI's books thereby helping POI meet its minimum capital adequacy ratio as required by Bank Negara Malaysia. The fresh funds also allowed POI to adopt a more flexible approach in its business model.

For the year under review, POI's total revenue increased by 11% to RM524.9 million as compared to RM472.4 million the year before. The improvement in revenue was mainly attributed to premium growth. Shored up by the improved revenue, POI's pre-tax profit grew more than 49% to RM78.0 million when compared to the previous amount of RM52.2 million.

Money Lending

The money lending subsidiary continued to adopt a stringent approach in its credit vetting process and approval of loans was limited to internal customers within the group.

Turnover for the year amounted to RM0.38 million as compared to RM0.36 million in the previous year. Partly aided by gain in foreign exchange, a pre-tax profit of RM0.29 million was recorded against a loss of RM0.04 million the year before.

Information Technology

Business conditions in the IT sector were extremely competitive. Nevertheless, amid this environment where client attrition is experienced, the local IT unit managed to retain its major customers on the strength of its quick and attentive service.

Operations in Thailand maintained the steady trend of long-term growth. In addition to new orders from existing customers for system upgrades, several new clients were acquired during the year. To date about 30% of the insurance companies operating in Thailand patronise our systems.

In the US, consumer confidence continued to remain restrained and personal consumption sluggish. Against this challenging backdrop, business operations remained cautious.

Turnover for the year decreased slightly to RM14.1 million as compared to RM15.3 million in the previous year. The bottom line remained in the red with a loss of RM2.2 million which is about the same quantum as last year.

CHAIRMAN'S STATEMENT

DIVIDEND

For the Financial Year ended 30 September 2011, a first interim dividend of 0.60 sen per share net of tax and a second interim dividend of 5.00 sen per share net of tax , were paid on 28 February 2011 and 27 September 2011 respectively.

Your Directors do not propose to declare any final 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 2011

Bagi pihak Lembaga Pengarah tuan, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat bagi tahun berakhir 30 September 2011.

KEPUTUSAN KEWANGAN

Kumpulan telah mencatat jumlah dagangan yang memberangsangkan sebanyak RM529.3 juta pada tahun 2011 berbanding dengan RM478.4 juta yang dicatat pada tahun 2010. Peningkatan ini terutamanya berpunca daripada premium lebih tinggi yang dicapai oleh anak syarikat insurans.

Prestasi pengunderaitan unit insurans yang menggalakkan ini telah membantu mengukuhkan kedudukan kewangan Kumpulan dengan keuntungan pra-cukai yang lebih tinggi sebanyak RM69.3 juta berbanding dengan RM41.3 juta pada tahun sebelumnya.

Di peringkat Syarikat, jumlah dagangan telah meningkat dengan ketara kepada RM42.3 juta pada tahun 2011 berbanding dengan RM3.5 juta dalam tahun sebelumnya disebabkan oleh peningkatan dalam pendapatan dividen. Selaras dengan hasil yang bertambah baik ini, Syarikat telah mencatat keuntungan sebanyak RM28.4 juta berbanding kerugian sebanyak RM11.5 juta yang dialami dalam tahun sebelumnya.

TINJAUAN EKONOMI

Menurut Institut Penyelidikan Ekonomi Malaysia (MIER), pada tahun 2010, ekonomi Malaysia telah kembali pulih daripada Kemelesetan Ekonomi (Great Recession) tahun 2008/9. Walau bagaimanapun, pemulihan tersebut tidak bertahan lama dan momentum pertumbuhan kemudiannya semakin menurun. Selaras dengan itu, Institut ini telah menyemak anggaran tahun 2011 bagi pengembangan keluaran dalam negeri kasar (KDNK) Malaysia kepada 4.6 peratus daripada 5.2 peratus. Semakan menurun tersebut terutamanya berpunca daripada pertumbuhan eksport yang lebih lemah disebabkan oleh ekonomi serantau dan global yang semakin tidak menentu.

MIER juga telah mengurangkan ramalan pertumbuhan KDNK Malaysia bagi tahun 2012 kepada 5.0 peratus daripada 5.5 peratus dalam Laporan Kemas Kininya ke atas Tinjauan Ekonomi Malaysia Suku Ketiga 2011 yang dikeluarkan pada pertengahan Oktober 2011. MIER menyatakan bahawa faktor-faktor negatif yang mempengaruhi pertumbuhan ekonomi termasuk krisis hutang kerajaan negara-negara Eropah, pengelakan risiko global, penurunan harga komoditi global, prospek yang lebih lemah bagi sektor elektrik dan elektronik, dan hutang isi rumah yang tinggi.

Berhubung dengan projek-projek yang dilancarkan di bawah Program Transformasi Ekonomi (ETP), MIER berpendapat bahawa projek-projek ini boleh merangsang permintaan domestik tetapi tidak mungkin dapat mengimbangi prestasi di bawah jangkaan dalam eksport bersih, iaitu satu komponen penting dalam ekonomi negara.

Di sebalik keadaan ekonomi yang semakin tidak menentu, yang telah meningkatkan kemungkinan kemelesetan berganda ekonomi global, ahli-ahli ekonomi telah menzahirkan keraguan bahawa kadar pertumbuhan Malaysia dapat mencapai sasarannya dan dengan itu membantutkan matlamat pembangunan jangka panjangnya.

PROSPEK KUMPULAN

Kelembapan teruk ekonomi global yang dialami pada tahun 2008 dan 2009 (juga dikenali sebagai Great Recession) kelihatan telah terhenti seketika pada tahun 2010. Walau bagaimanapun, dalam tahun berikutnya, muncul beberapa faktor bearis dan ini telah menyalakan semula satu lagi kelembapan global. Namun demikian, sekiranya kelembapan global berlaku pada akhirnya, ramai ahli ekonomi tempatan berpendapat bahawa kesan ke atas ekonomi Malaysia dijangka tidak akan terlalu teruk berbanding dengan yang dialami oleh negara-negara maju.

Lembaga Tuan tetap berwaspada tentang prospek syarikat dalam tahun mendatang dan pengurusan menyedari hakikat bahawa syarikat perlu cepat menyesuaikan diri dengan keadaan perniagaan yang berubah.

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

Di sebalik persekitaran yang sangat bersaingan dan berperaturan, perniagaan pengunderaitan POI terus mencatat pertumbuhan menggalakkan bagi tahun di bawah kajian.

Bank Negara Malaysia telah merumuskan satu rangka kerja perlindungan motor baru yang akan berkuat kuasa mulai 1 Januari 2012. Di bawah rangka kerja baru ini, sepanjang tempoh empat tahun, syarikat insurans akan dibenarkan untuk menyelaraskan premium yang dikenakan kepada pelanggan. Rangka kerja baru ini juga memerlukan syarikat-syarikat insurans membuat banyak penambahbaikan dalam proses operasi mereka agar tempoh penyelesaian tuntutan dapat dikurangkan dengan ketara dan proses membuat tuntutan yang lebih mudah bagi mangsa-mangsa kemalangan. Sebagai syarikat insurans motor terkemuka, POI memberikan perhatian utama kepada perkembangan baru tersebut untuk memastikan ia cukup bersedia dan bersiap sedia dengan perubahan apabila tiba masanya.

Dalam tahun POI memperoleh pinjaman berjangka sebanyak RM70.0 juta daripada syarikat induknya dan memandangkan hutang tersebut adalah disubordinatkan sepenuhnya, ia diluluskan sebagai modal Tier-2 dalam buku POI dan dengan itu membantu POI memenuhi nisbah kecukupan modal minimumnya sebagaimana disyaratkan oleh Bank Negara Malaysia. Dana baru ini juga membolehkan POI untuk mengguna pakai pendekatan yang lebih fleksibel dalam model perniagaannya.

Bagi tahun di bawah kajian, hasil keseluruhan POI meningkat sebanyak 11% kepada RM524.9 juta berbanding dengan RM472.4 juta pada tahun sebelumnya. Peningkatan dalam hasil adalah berpunca terutamanya daripada pertumbuhan premium. Disokong oleh hasil yang memberangsangkan, keuntungan pra-cukai POI meningkat lebih daripada 49% kepada RM78.0 juta berbanding dengan jumlah sebelumnya sebanyak RM52.2 juta.

Pemberian Pinjaman Wang

Anak syarikat pemberian pinjaman wang masih meneruskan pendekatan yang ketat dalam proses pemeriksaan kreditnya dan kelulusan pinjaman adalah terbatas kepada pelanggan-pelanggan dalaman dalam kumpulan.

Jumlah dagangan bagi tahun ini berjumlah RM0.38 juta berbanding dengan RM0.36 juta pada tahun sebelumnya. Disokong sebahagiannya oleh keuntungan dalam pertukaran asing, keuntungan pra cukai sebanyak RM0.29 juta telah dicatat berbanding kerugian sebanyak RM0.04 juta pada tahun sebelumnya.

Teknologi Maklumat

Keadaan perniagaan dalam sektor IT sangat kompetitif. Namun demikian, di sebalik persekitaran ini di mana hakisan klien dialami, unit IT tempatan telah berjaya mengekalkan pelanggan-pelanggan utama mereka disebabkan kekuatan perkhidmatannya yang pantas dan teliti.

Operasi di Thailand terus mengekalkan trend pertumbuhan jangka panjang yang kukuh. Selain daripada tempahan-tempahan baru daripada pelanggan-pelanggan sedia ada bagi menaik taraf sistem, beberapa klien baru telah diperoleh sepanjang tahun tersebut. Sehingga kini lebih kurang 30% daripada syarikat-syarikat insurans yang beroperasi di Thailand melanggan sistem kami.

Di US, keyakinan pengguna masih terus dikekang dan penggunaan persendirian masih agak lembap. Dalam menghadapi persekitaran yang mencabar ini, operasi perniagaan kekal berwaspada.

Teknologi Maklumat (Samb.)

Jumlah dagangan bagi tahun ini merosot sedikit kepada RM14.1 juta berbanding dengan RM15.3 juta pada tahun sebelumnya. Hasil keuntungan masih di peringkat merah dengan kerugian sebanyak RM2.2 juta iaitu lebih kurang menyamai kuantum tahun lepas.

DIVIDEN

Bagi Tahun Kewangan berakhir 30 September 2011, dividen interim pertama sebanyak 0.60 sen setiap saham tolak cukai dan dividen interim kedua sebanyak 5.00 sen setiap saham tolak cukai, telah dibayar masing-masing pada 28 Februari 2011 dan 27 September 2011.

Para Pengarah tuan tidak bercadang untuk mengisytiharkan sebarang dividen akhir 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 formal 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 2011

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of Group's and the Company's financial statements each financial year in accordance with the requirements of the Companies Act 1965, Bursa Malaysia Securities Berhad's Main Market Listing Requirements, Bank Negara Malaysia guidelines 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, the Directors have:

(a) applied the appropriate and relevant accounting policies in a consistent manner;

(b) made judgments and estimates that are reasonable and prudent; and

(c) prepared the annual audited financial statements on a going concern basis.

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 year ended 30 September 2011.

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 year.

RESULTS	Group RM'000	Company RM'000
Net profit for the year attributable to equity holders of the Company	49,459	20,823

DIVIDENDS

The amount of dividends paid or declared by the Company since 30 September 2010 were as follows:

In respect of the year ended 30 September 2011	RM'000
1st interim dividend of 0.60 sen per share less tax at 25% paid on 28 February 2011	1,107
2nd interim dividend of 5.00 sen per share less tax at 25% paid on 27 September 2011	9,222
	10,329

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

RESERVES AND PROVISIONS

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

Before the income statements and statements of financial position 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 Risk-Based Capital Framework ("RBC Framework") issued by Bank Negara Malaysia ("BNM").

ISSUE OF SHARES

During the year, the Company increased its issued and paid-up share capital from RM115,422,000 to RM122,977,000 by way of:

	Number of Share '000	Exercise Price RM	Share Capital RM '000	Share Premium RM '000	Total RM '000
Issuance of ordinary shares at RM0.50 each					
- Pursuant to the Proposed Private Placement	14,550	-	7,275	7,129	14,404
- Pursuant to the Company's Employee Share Option Scheme ("ESOS")	560	0.64 - 0.83	280	100	380
	15,110		7,555	7,229	14,784

TREASURY SHARES

During the year, the Company purchased 183,700 of its issued ordinary shares of RM0.50 each fully paid from the open market at an average price of RM0.73 per share for a consideration of RM134,423. 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. Further relevant details are disclosed in Note 27(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 ESOS which was implemented for a total of eight (8) years had expired on 15 January 2011.

The main features of the ESOS are disclosed in Note 27(b).

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

	Number of Share Options '000
Ordinary shares of RM0.50 each:	
At 1 October 2010	1,080
Exercised	(560)
Lapsed/forfeited	(8)
Expired on 15 January 2011	(512)
At 30 September 2011	-

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

Exercise Price RM	Number of Share Options '000
0.64	446
0.83	114
	560

BAD AND DOUBTFUL DEBTS

Before the income statements, statements of comprehensive income and statements of financial position 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, statements of comprehensive income and statements of financial position 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 adoption of new and revised Financial Reporting Standards ("FRSs"), amendments to FRSs and Issues Committee ("IC") Interpretations as disclosed in Note 3(a).

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

DIRECTORS

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

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

In accordance with Section 129(6) of the Companies Act, 1965, Mr. Chan Hua Eng and Mr. Michael Yee Kim Shing retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

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

DIRECTORS' BENEFITS

During and at the end of the 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 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 37 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 year in shares of the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM0.50 each			
	At 1 October 2010	Acquired	(Disposed)	At 30 September 2011
The Company				
Mr. Chan Hua Eng				
- Direct interest	284,198	-	-	284,198
- Indirect interest	5,349,522	-	-	5,349,522
Mr. Chan Thye Seng				
- Direct interest	29,609,136	289,600	(2,000,000)	27,898,736
- Indirect interest	108,771,818	-	-	108,771,818
Mr. Michael Yee Kim Shing				
- Indirect interest	1,667,802	-	(130,000)	1,537,802
Y.Bhg. Dato' Abu Hanifah Bin Noordin				
- Indirect interest	1,535,632	-	(530,000)	1,005,632
Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed				
- Indirect interest	5,558,452	-	(410,000)	5,148,452

DIRECTORS' INTERESTS (Cont'd.)

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.

AUDITORS

The auditor, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution
of the Directors dated 25 November 2011

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 41 to 156 are properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2011 and of the results and cash flows of the Group and of the Company for the year then ended.

The information set out in Note 58 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 November 2011

CHAN THYE SENG **MICHAEL YEE KIM SHING**

Kuala Lumpur

STATUTORY DECLARATION

I, ENG LIAN GEOK, being 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 41 to 156 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, I960.

Subscribed and solemnly declared by)
the abovenamed ENG LIAN GEOK) **ENG LIAN GEOK**
at Kuala Lumpur in Wilayah)
Persekutuan on 25 November 2011)

Before me,

Mohd Radzi Bin Yasin
Commissioner for Oaths
Kuala Lumpur

Report on the financial statements

We have audited the financial statements of Pacific & Orient Berhad, which comprise the statements of financial position as at 30 September 2011 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows 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 41 to 156.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 judgement, 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2011 and of the financial performance and cash flows of the Group and of the Company for the year then ended.

Report on other legal and regulatory requirements

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

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

(b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 12 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

The supplementary information set out in Note 58 on page 157 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Brandon Bruce Sta Maria
No. 2937/09/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
25 November 2011

STATEMENTS OF FINANCIAL POSITION as at 30 September 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 (Restated)	Group 1 October 2009 RM'000 (Restated)	Company 2011 RM'000	Company 2010 RM'000
ASSETS						
Property, plant and equipment	5	**20,047**	20,757	21,252	**940**	841
Investment properties	6	**605**	605	605	**-**	-
Prepaid land lease payments	7	**322**	326	330	**-**	-
Goodwill on consolidation	8	**1,935**	1,935	1,935	**-**	-
Intangible assets	9	**734**	825	868	**4**	9
Deferred tax assets	10	**6,048**	5,816	19,364	**524**	1,079
Investments	11	**74,138**	120,692	220,471	**5,895**	19,673
Investment in subsidiary companies	12	**-**	-	-	**151,997**	131,997
Inventories - goods for resale	13	**791**	1,209	1,789	**-**	-
Loans	14	**245**	292	341	**-**	-
Reinsurance assets	15	**182,404**	119,515	58,346	**-**	-
Insurance receivables	16	**109,385**	59,759	13,450	**-**	-
Trade receivables	17	**1,128**	1,441	1,730	**-**	-
Other receivables	17	**21,594**	16,880	18,191	**1,967**	259
Due from subsidiary companies	18	**-**	-	-	**92,843**	40,056
Deposits and placements with financial institutions	19	**550,410**	486,836	477,100	**1,561**	-
Cash and bank balances	20	**59,106**	61,698	21,435	**1,907**	5
TOTAL ASSETS		**1,028,892**	898,586	857,207	**257,638**	193,919
LIABILITIES						
Insurance contract liabilities	21	**674,485**	622,610	642,785	**-**	-
Insurance payables	22	**23,432**	40,038	9,634	**-**	-
Trade payables	23	**17**	53	34	**-**	-
Other payables	23	**8,989**	10,726	9,813	**846**	975
Due to a subsidiary company	24	**-**	-	-	**3,041**	3,069
Hire purchase creditors	25	**1,596**	1,631	1,165	**464**	339
Borrowings	26	**96,648**	44,204	52,135	**96,148**	43,704
Tax payable		**10,647**	5,103	-	**-**	-
TOTAL LIABILITIES		**815,814**	724,365	715,566	**100,499**	48,087
EQUITY						
Share capital	27	**122,977**	115,422	110,680	**122,977**	115,422
Treasury shares	27	**(134)**	-	(3,262)	**(134)**	-
Share premium	29	**24,302**	17,132	15,483	**24,302**	17,132
Merger reserve		**40,769**	40,769	40,769	**-**	-
Translation reserve		**1,043**	2,022	(630)	**-**	-
Revaluation reserve		**5,222**	5,222	5,222	**-**	-
Available-for-sale reserve		**(5,313)**	-	-	**(3,708)**	-
Retained profits/(accumulated losses)	30	**24,212**	(6,346)	(26,621)	**13,702**	13,278
		213,078	174,221	141,641	**157,139**	145,832
TOTAL EQUITY AND LIABILITIES		**1,028,892**	898,586	857,207	**257,638**	193,919

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

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 September 2011

Group	Attributable to equity holders of the Company								
			Non-Distributable					Distributable	
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Revaluation Reserve RM'000	Available-For-Sale Reserve RM'000	Retained Profits/ (Accumulated Losses) RM'000	Total RM'000
At 1 October 2010									
As previously stated	115,422	-	17,132	40,769	2,022	5,222	-	(2,019)	178,548
Effects of adopting Financial Reporting Standard ("FRS") 4	-	-	-	-	-	-	-	(4,327)	(4,327)
Effects of adopting FRS 139	-	-	-	-	-	-	(1,741)	(8,572)	(10,313)
As restated	115,422	-	17,132	40,769	2,022	5,222	(1,741)	(14,918)	163,908
Issue of shares:									
- Private placement	7,275	-	7,129	-	-	-	-	-	14,404
- Employee Share Option Scheme ("ESOS")	280	-	100	-	-	-	-	-	380
Purchase of treasury shares (Note 27)	-	(134)	-	-	-	-	-	-	(134)
Share issuance expenses	-	-	(59)	-	-	-	-	-	(59)
Dividends (Note 31)	-	-	-	-	-	-	-	(10,329)	(10,329)
Total comprehensive income for the year	-	-	-	-	(979)	-	(3,572)	49,459	44,908
At 30 September 2011	**122,977**	**(134)**	**24,302**	**40,769**	**1,043**	**5,222**	**(5,313)**	**24,212**	**213,078**
At 1 October 2009									
As previously stated	110,680	(3,262)	15,483	40,769	(630)	5,222	-	(4,917)	163,345
Effects of adopting FRS 4	-	-	-	-	-	-	-	(3,342)	(3,342)
Effects of adopting Risk - Based Capital ("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	-	(26,621)	141,641
Issue of shares - ESOS	4,742	-	1,928	-	-	-	-	-	6,670
Purchase of treasury shares (Note 27)	-	(2)	-	-	-	-	-	-	(2)
Treasury shares disposed (Note 27)	-	3,264	(248)	-	-	-	-	-	3,016
Share issuance expenses	-	-	(31)	-	-	-	-	-	(31)
Total comprehensive income for the year	-	-	-	-	2,652	-	-	20,275	22,927
At 30 September 2010	115,422	-	17,132	40,769	2,022	5,222	-	(6,346)	174,221

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

Company	Attributable to equity holders of the Company					
			Non-Distributable		Distributable	
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Available-For-Sale Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 October 2010						
As previously stated	115,422	-	17,132	-	13,278	145,832
Effects of adopting FRS 139	-	-	-	-	(10,070)	(10,070)
As restated	115,422	-	17,132	-	3,208	135,762
Issue of shares:						
- Private placement	7,275	-	7,129	-	-	14,404
- ESOS	280	-	100	-	-	380
Purchase of treasury shares (Note 27)	-	(134)	-	-	-	(134)
Share issuance expenses	-	-	(59)	-	-	(59)
Dividends (Note 31)	-	-	-	-	(10,329)	(10,329)
Total comprehensive income for the year	-	-	-	(3,708)	20,823	17,115
At 30 September 2011	**122,977**	**(134)**	**24,302**	**(3,708)**	**13,702**	**157,139**
At 1 October 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 27)	-	(2)	-	-	-	(2)
Treasury shares disposed (Note 27)	-	3,264	(248)	-	-	3,016
Share issuance expenses	-	-	(31)	-	-	(31)
Total comprehensive 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 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 (Restated)	Company 2011 RM'000	Company 2010 RM'000
Revenue	32	**529,294**	478,358	**42,281**	3,489
Other operating income	33	**29,687**	20,739	**3**	39
		558,981	499,097	**42,284**	3,528
Changes in inventories		**(582)**	(1,203)	**-**	-
Reinsurance		**(170,964)**	(126,643)	**-**	-
Gross claims paid		**(257,918)**	(314,664)	**-**	-
Claims ceded to reinsurers		**52,519**	24,553	**-**	-
Gross change in contract liabilities		**(36,468)**	41,268	**-**	-
Change in contract liabilities ceded to reinsurers		**44,931**	24,207	**-**	-
Net claims incurred	34	**(196,936)**	(224,636)	**-**	-
Change in premium liabilities		**(15,407)**	(21,093)	**-**	-
Change in premium liabilities ceded to reinsurers		**16,903**	36,461	**-**	-
Decrease in premium liabilities	35	**1,496**	15,368	**-**	-
Commission expenses		**(56,527)**	(53,144)	**-**	-
Staff costs	36	**(28,987)**	(26,009)	**(4,042)**	(3,622)
Depreciation		**(1,501)**	(1,667)	**(101)**	(74)
Amortisation	38	**(159)**	(218)	**(5)**	(7)
Other operating expenses	39	**(30,825)**	(37,037)	**(4,929)**	(8,503)
Operating profit/(loss)		**73,996**	43,908	**33,207**	(8,678)
Finance costs	40	**(4,717)**	(2,632)	**(4,884)**	(2,777)
Profit/(loss) before taxation	41	**69,279**	41,276	**28,323**	(11,455)
Income tax expense	48	**(19,820)**	(21,001)	**(7,500)**	(213)
Net profit/(loss) for the year attributable to equity holders of the Company		**49,459**	20,275	**20,823**	(11,668)
Earnings per share attributable to equity holders of the Company (sen)					
Basic	49	**20.18**	9.14		
Diluted	49	**20.18**	9.14		

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

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 30 September 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Net profit/(loss) for the year	**49,459**	20,275	**20,823**	(11,668)
Other comprehensive (loss)/income:				
Currency translation differences in respect of foreign operations	**(979)**	2,652	**-**	-
Net fair value changes on Available-for-Sale ("AFS") financial assets	**(3,527)**	-	**(3,708)**	-
Tax on fair value movements	**(45)**	-	**-**	-
Other comprehensive (loss)/income for: the year, net of tax	**(4,551)**	2,652	**(3,708)**	-
Total comprehensive income/(loss) for the year	**44,908**	22,927	**17,115**	(11,668)
Attributable to:				
Equity holders of the Company	**44,908**	22,927	**17,115**	(11,668)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 September 2011

	2011 RM'000	2010 RM'000 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**69,279**	41,276
Adjustments for:		
Depreciation of property, plant and equipment	**1,501**	1,667
Amortisation of premiums, net of accretion of discounts	**137**	197
Amortisation of prepaid land lease payments	**4**	4
Amortisation of computer software and other licences	**155**	214
Loss on disposal of property, plant and equipment	**92**	142
Property, plant and equipment written off	**27**	130
Allowance for diminution in value of investments	**-**	3,533
Inventories of goods for resale written off	**196**	140
Allowance for inventory obsolescence	**13**	64
Impairment loss of AFS financial assets	**3,897**	-
Gain on disposal of investments	**(550)**	(515)
Dividend income	**(720)**	(853)
Income from Islamic corporate bonds	**-**	(541)
Interest income	**(22,031)**	(17,927)
Interest expense	**4,644**	2,603
Allowance for impairment of :		
- insurance receivables	**1,310**	4,979
- trade and other receivables	**-**	10
Write back in allowance for impairment of :		
- insurance receivables	**(97)**	(344)
- reinsurance assets	**(1,055)**	(501)
- trade and other receivables	**(18)**	(37)
Bad debts written off	**54**	-
Short term accumulating compensated absences	**4**	65
Unrealised loss on foreign exchange	**1,166**	3,165
Transfer to property, plant and equipment and intangible assets from inventories	**(245)**	(139)
Operating profit before working capital changes	**57,763**	37,332
Changes in working capital:		
Disposal of investments	**31,110**	24,312
Purchase of investments	**-**	(10,440)
(Increase)/decrease in bankers acceptances	**(1,564)**	81,945
Increase in deposits and placements with financial institutions	**(63,574)**	(9,735)
Decrease in loans	**48**	49
Increase in reinsurance assets	**(61,835)**	(61,169)
Increase in insurance receivables	**(50,847)**	(50,487)
Increase in trade and other receivables	**(4,592)**	(3,801)
Decrease in inventories - goods for resale	**210**	376

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

	Note	2011 RM'000	2010 RM'000 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES (Cont'd.)			
Increase/(decrease) in insurance contract liabilities		**51,874**	(20,175)
(Decrease)/increase in insurance payables		**(16,606)**	30,403
(Decrease)/increase in payables		**(1,738)**	1,056
Cash (used in)/generated from operations		**(59,751)**	19,666
Tax (paid)/recoveries		**(16,222)**	1,302
Dividends received		**374**	518
Income received from Islamic corporate bonds		**-**	992
Interest received		**23,899**	19,003
Interest paid		**(3,420)**	(2,796)
Net cash (used in)/generated from operating activities		**(55,120)**	38,685
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5(c)	**(509)**	(727)
Purchase of intangible assets	9	**(24)**	(159)
Disposal of investments		**-**	956
Disposal of property, plant and equipment		**327**	354
Net cash (used in)/generated from investing activities		**(206)**	424
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of shares		**14,784**	6,670
Disposal of treasury shares		**-**	3,016
Purchase of treasury shares		**(123)**	(2)
Share issuance expenses		**(59)**	(31)
Dividends paid		**(10,329)**	-
Decrease in hire purchase creditors		**(556)**	(498)
Drawdown/(repayment) of borrowings		**60,222**	(18,750)
Net cash generated from/(used in) financing activities		**63,939**	(9,595)
Effects of exchange rate changes on cash and cash equivalents		**(8)**	(47)
Net increase in cash and cash equivalents		**8,605**	29,467
Cash and cash equivalents at beginning of year		**50,501**	21,027
Cash and cash equivalents at end of year		**59,106**	50,494

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

Cash and cash equivalents comprise the following:

	2011 RM'000	2010 RM'000 (Restated)
Cash and bank balances (Note 20)	**59,106**	61,698
Bank overdraft (Note 26)	**-**	(11,204)
Cash and cash equivalents as previously reported	**59,106**	50,494
Effect of exchange rate changes	**-**	7
Cash and cash equivalents as restated	**59,106**	50,501

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

STATEMENT OF CASH FLOWS
for the year ended 30 September 2011

	2011 RM'000	2010 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	**28,323**	(11,455)
Adjustments for:		
Depreciation of property, plant and equipment	**101**	74
Write back in allowance for impairment of amounts due from subsidiary companies	**(250)**	-
Allowance for impairment of amounts due from subsidiary companies	**34**	2,969
Amount due from subsidiary companies written off	**6**	-
Amortisation of computer software and other licences	**5**	7
Gain on disposal of investments	**-**	(39)
Loss on disposal of property, plant and equipment	**33**	5
Unrealised loss on foreign exchange	**1,517**	1,971
Short term accumulating compensated absences	**(12)**	24
Dividend income	**(34,600)**	(292)
Interest income	**(4,987)**	(591)
Interest expense	**4,817**	2,754
Operating loss before working capital changes	**(5,013)**	(4,573)
Changes in working capital:		
Increase in deposits and placements with financial institutions	**(1,561)**	-
(Increase)/decrease in receivables	**(2)**	17
(Increase)/decrease in due from subsidiary companies	**(1,212)**	2,671
(Decrease)/increase in payables	**(74)**	87
Cash used in operations	**(7,862)**	(1,798)
Dividends received	**25,950**	213
Interest received	**4,236**	-
Interest paid	**(3,702)**	(2,828)
Net cash generated from/(used in) operating activities	**18,622**	(4,413)

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

STATEMENT OF CASH FLOWS
for the year ended 30 September 2011 (Cont'd.)

	Note	2011 RM'000	2010 RM'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5(c)	**(101)**	(46)
Disposal of Investments		**-**	565
Disposal of property, plant and equipment		**138**	72
Net cash generated from investing activities		**37**	591
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of shares		**14,784**	6,670
Purchase of treasury shares		**(123)**	(2)
Disposal of treasury shares		**-**	3,016
Share issuance expense		**(59)**	(31)
Dividend paid		**(10,329)**	-
Decrease in hire purchase creditors		**(144)**	(154)
Loan to a subsidiary company		**(70,000)**	-
Loan from a subsidiary company		**96**	1,467
Drawdown/(repayment) of bank borrowings		**60,222**	(18,000)
Net cash used in financing activities		**(5,553)**	(7,034)
Net increase/(decrease) in cash and cash equivalents		**13,106**	(10,856)
Cash and cash equivalents at beginning of year		**(11,199)**	(343)
Cash and cash equivalents at end of year		**1,907**	(11,199)
Cash and cash equivalents comprise:			
Cash and bank balances (Note 20)		**1,907**	5
Bank overdraft (Note 26)		**-**	(11,204)
		1,907	(11,199)

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

1. CORPORATE 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 25 November 2011 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 disclosed otherwise in the significant accounting policies and comply with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia.

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

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

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (" '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 subsidiary companies 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 statements.

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) 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.)

(c) 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 different from their 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 statements. 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(g)(ii).

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.

(d) 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.)

(d) 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.

(e) Intangible Assets

(i) Goodwill

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

(ii) Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting 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 20 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 reporting date.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(f) Financial Instruments

A financial instrument is recognised in the financial statements when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

Arising from the adoption of FRS 139 with effect from 1 October 2010, financial instruments are categorised and measured using accounting policies as mentioned below:

(i) Financial Assets

Financial assets are categorised and measured as follows:

(a) Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in the income statements. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in the income statement as part of other losses or other income.

(b) Held-to-Maturity ("HTM") Investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group and the Company have positive intention and ability to hold until maturity.

HTM investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. After initial recognition, HTM investments are measured at amortised cost, using the effective interest method less impairment loss. Gains and losses are recognised in the income statements when the investments are derecognised or impaired, as well as through the amortisation process.

(c) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially measured at cost plus transaction costs and subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in the income statements when the receivables are derecognised or impaired, as well as through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(f) Financial Instruments (Cont'd.)

(i) Financial Assets (Cont'd.)

(d) Available-for-Sale ("AFS") Financial Assets

AFS financial assets are non-derivative financial assets not classified in any of the above categories.

AFS financial assets are initially measured at fair value plus transaction costs and are subsequently measured at their fair values.

Fair value gains or losses of AFS financial assets are recognised in AFS reserve in the statement of changes in equity, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in the income statements accordingly. The cumulative gain or loss previously recognised in equity is reclassified into the income statements when the AFS financial asset is derecognised.

Investments in equity instruments that are classified as AFS financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

All financial assets, except those measured at fair value through profit or loss, are subject to review for impairment as described in Note 2g(i).

(ii) Financial Liabilities

Financial liabilities are classified as either (a) financial liabilities at fair value through profit or loss or (b) other financial liabilities.

(a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in income statements. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Other Financial Liabilities.

The Group's financial liabilities comprise borrowings, trade payables and other payables.

Borrowings, trade payables and other payables are recognised initially at their respective fair values net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statements when the liabilities are derecognised, and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(f) Financial Instruments (Cont'd.)

(iii) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs using the expected loss method. Subsequent to initial recognition, financial guarantee contracts are recognised as income in the income statement over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, as issuers are required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(iv) Regular Way Purchase or Sale of Financial Assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

All the financial assets are recognised using trade date, the date that the Group and the Company commit to purchase or sell the assets except for debt instruments which are recognised using settlement date, the date the Group and the Company receives or delivers the asset.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the income statements.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statements.

(g) Impairment

(i) Financial Assets

The Group and the Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence that a financial asset is impaired includes observable data about loss events such as significant financial difficulty of the issuer or obligor; significant adverse changes in the business environment in which the issuer or obligor operates; and the disappearance of an active market for that financial asset because of financial difficulties, which indicate that there is a measurable decrease in the estimated future cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(g) Impairment (Cont'd.)

(i) Financial Assets (Cont'd.)

(a) Financial Assets Carried at Amortised Cost

If there is objective evidence that an impairment loss on a financial asset carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the financial asset is reduced and the loss is recorded in the income statement.

The Group and the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which the impairment loss is or continues to be recognised are not included in the collective assessment of impairment. The impairment assessment is performed at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) AFS Financial Assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, is transferred to the income statement.

Impairment loss in respect of an equity instrument classified as AFS financial asset is not reversed through the income statement in subsequent periods. Impairment loss on debt instruments classified as AFS financial asset is reversed through the income statement if the increase in the fair value of the debt instrument can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

(ii) Non-Financial Assets

The carrying amounts of non-financial assets, other than inventories, investment properties and deferred tax assets are reviewed at each reporting 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 reporting 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(g) Impairment (Cont'd.)

(ii) Non-Financial Assets (Cont'd.)

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.

(h) 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.

(i) Reinsurance

The Group cedes insurance risk in the normal course of business for all of its insurance businesses. Reinsurance assets represent balances due from reinsurance companies. Amount recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the insurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all amounts due under the terms of the contract and the event has a reliably measureable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

The Group also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or have expired or when the contract is transferred to another party.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(j) Insurance Receivables

Insurance receivables are amounts receivable under the contractual terms of an insurance contract. On initial recognition, insurance receivables are measured at fair value based on the consideration given. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method.

Insurance receivables are assessed at each reporting date for objective evidence of impairment. If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the insurance receivable's original effective interest rate. The impairment loss is recognised in the income statement. The basis for recognition of such impairment loss is as described in Note 2(g)(i)(a).

Insurance receivables are derecognised when the rights to receive cash flows from them have expired or when they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These cash and cash equivalents also include bank overdrafts that form an integral part of the Group's cash management. The statement of cash flow is prepared using the indirect method.

(l) Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method. The difference between the initial recognised amount and the redemption value is recognised in the income statement over the period of the borrowing.

(n) Equity Instruments

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.

(o) 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 reporting 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(p) Income Recognition

(i) Interest income on loans is recognised using the effective interest method.

(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 using the effective interest method.

(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, commission income and other services are recognised upon completion of services rendered.

(q) Commission expenses

Gross commission expenses, which are cost directly incurred in securing premium on insurance policies, are charged to the income statements in the period in which they are incurred.

(r) Product Classification

The insurance subsidiary company of the Group currently only issues contracts that transfer insurance risk.

An insurance contract is a contract under which the insurance subsidiary company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As general guideline, the insurance subsidiary company determines whether it has significant insurance risk, by comparing claims paid with claims payable if the insured event did not occur. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life–time, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(s) 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) Insurance Contract Liabilities

Insurance contract liabilities comprise premium liabilities and claims liabilities.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

(ii) Insurance Contract Liabilities (Cont'd.)

Insurance contract liabilities comprise premium liabilities and claims liabilities. (Cont'd.)

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 is 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.

(t) Liability Adequacy Test

At each reporting date, the Group reviews all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Group, contractual or otherwise, with respect to insurance contracts issued. In performing this review, the Group compares all contractual cash flows against the carrying value of insurance contract liabilities. Any deficiency is recognised in the income statements.

The estimation of claim and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the Group. Based on this, all insurance contract liabilities as at the reporting date are deemed to be adequate.

(u) 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 reporting 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(u) Employee Benefits (Cont'd.)

(iii) Equity Compensation Benefits (Cont'd.)

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.

(v) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting 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 follow:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(v) Foreign Currencies (Cont'd.)

(iii) Foreign Operations (Cont'd.)

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 reporting 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.

(w) 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 reporting 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 reporting 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.

(x) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(x) Leases (Cont'd.)

(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 statements of financial position 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 statements.

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 statements 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(c).

(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 in the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on an accrual basis (Note 2(p)(ii)). Initial direct costs incurred in negotiating and arranging an operating lease are charged to the income statement.

(y) Contingent Liabilities and Contingent Assets

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs AND ISSUES COMMITTEE INTERPRETATIONS ("IC INTERPRETATIONS")

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations

The significant accounting policies are consistent with those of the audited financial statements for financial year ended 30 September 2010 except for the adoption of the following FRSs, Amendments to FRSs and IC Interpretations issued by Malaysian Accounting Standards Board ("MASB"):

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 AND ISSUES COMMITTEE INTERPRETATIONS ("IC INTERPRETATIONS") (Cont'd.)

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (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

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

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

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) are not applicable to the Group and the Company.

(i) FRS 101 - Presentation of Financial Statements (Revised)

FRS 101 introduces changes in the presentation and disclosures of financial statements. The Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the requirement for a statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements.

FRS 101 was adopted retrospectively with certain comparative figures being restated to conform with current year's presentation.

(ii) Adoption of FRS 4 – Insurance Contracts

FRS 4 specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts. The key changes arising from the adoption of this Standard is summarised as follows:

(a) Gross presentation

FRS 4 requires assets, liabilities, income and expenses arising from insurance contracts to be presented on a gross basis separately from assets, liabilities, income and expenses arising from the related reinsurance arrangements.

(b) Qualitative and quantitative disclosures

FRS 4 also requires additional disclosures to assist users of financial statements in understanding the amounts, timing and uncertainty of future cash flows arising from insurance contracts including a reconciliation between the opening and closing balances of insurance contract liabilities and a sensitivity analysis on insurance risk.

(c) Impairment of reinsurance assets and insurance receivables

Prior to 1 October 2010, 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.

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

(ii) Adoption of FRS 4 – Insurance Contracts (Cont'd.)

(c) Impairment of reinsurance assets and insurance receivables (Cont'd.)

Upon adoption of FRS 4, if there is objective evidence that the insurance subsidiary company's reinsurance assets and by extension, insurance receivables are impaired, the carrying amount of the reinsurance assets and insurance receivables is reduced accordingly and an impairment loss is recognised in the income statements. This change has been reflected as a change in accounting policy and is accounted for retrospectively.

(iii) Adoption of FRS 7 – Financial Instruments – Disclosures

Prior to 1 October 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132: Financial Instruments: Disclosure and Presentation.

FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The new disclosures have been included in the notes to the financial statements for the year ended 30 September 2011.

(iv) Adoption of FRS 139 – Financial Instruments – Recognition and Measurement

The adoption of FRS 139 has resulted in changes to the accounting policies relating to recognition and measurement of the Group's and the Company's financial instruments as follows:

(a) FRS 139 requires the classification and measurement of its financial instruments into the following categories:

Financial Assets

1)	Financial Assets at Fair Value Through Profit or Loss ("FVTPL")	-	measured at fair value
2)	Held-to-Maturity ("HTM") Investments	-	measured at amortised cost less impairment (if any)
3)	Loans and Receivables ("L&R")	-	measured at amortised cost less impairment (if any)
4)	Available-for-Sale ("AFS") Financial Assets	-	measured at fair value less impairment (if any)

The Group and the Company has classified its financial assets into HTM investments, AFS financial assets and L&R as appropriate.

Financial Liabilities

1)	Financial Liabilities at Fair Value Through Profit or Loss	-	measured at fair value
2)	Other Financial Liabilities	-	measured at amortised cost

The Group's and the Company's financial liabilities comprise borrowings, trade payables and other payables which are measured at amortised cost.

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

(iv) Adoption of FRS 139 – Financial Instruments – Recognition and Measurement (Cont'd.)

The significant changes in classification and consequential accounting for the Group's financial instruments for the year ended 30 September 2011 are as follows:

- Malaysian Government Securities

  Prior to 1 October 2010, Malaysian Government Securities were initially measured at cost plus transaction costs and were subsequently measured at amortised cost using effective interest method, less any impairment losses.

  With the adoption of FRS 139, Malaysian Government Securities are now classified as HTM investments. These investments are still initially measured at cost plus transaction costs and subsequently measured at amortised cost using effective interest method, less any impairment losses.

- Islamic Corporate Bonds

  Prior to 1 October 2010, Islamic Corporate Bonds were initially measured at cost plus transaction costs and were subsequently measured at amortised cost using effective interest method, less any impairment losses.

  With the adoption of FRS 139, Islamic Corporate Bonds are now classified as AFS financial assets and are initially measured at fair value plus transaction costs. After initial recognition, these financial assets are measured at their fair values. Fair value gains or losses of these financial assets are recognised in AFS reserve in the statement of changes in equity, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in the income statement accordingly. The cumulative gains or losses previously recognised in equity are reclassified into the income statement when these financial assets are derecognised.

- Quoted Securities and Unit Trusts

  Prior to 1 October 2010, quoted securities and unit trusts were 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 was then made accordingly.

  With the adoption of FRS 139, quoted securities and unit trusts are now classified as AFS financial assets and are initially measured at fair value plus transaction costs. After initial recognition, these financial assets are measured at their fair values. Fair value gains or losses of these financial assets are recognised in AFS reserve in the statements of changes in equity, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in the income statements accordingly. The cumulative gains or losses previously recognised in equity is reclassified into the income statements when these financial assets are derecognised.

- Long Term Quoted Investments and Club Membership

  Prior to 1 October 2010, long term quoted investments and club membership were stated at cost less any impairment losses.

  With the adoption of FRS 139, long term quoted investments and club membership are now classified as AFS financial assets and are initially measured at fair value plus transaction costs. After initial recognition, these financial assets are measured at their fair values. Fair value gains or losses of these financial assets are recognised in AFS reserve in the statements of changes in equity, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in the income statements accordingly. The cumulative gain or loss previously recognised in equity is reclassified into the income statements when these financial assets are derecognised.

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

(iv) Adoption of FRS 139 – Financial Instruments – Recognition and Measurement (Cont'd.)

- Loans and Receivables

  Prior to 1 October 2010, loans and receivables were stated at anticipated realisable values. Specific allowance is made for known doubtful debts which have been individually reviewed and specifically identified as doubtful.

  With the adoption of FRS 139, loans and receivables are still classified as "Loans and Receivables". However, these loans and receivables are now initially measured at cost plus transaction costs that are attributable to their acquisition and subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in the income statements when the receivables are derecognised or impaired, as well as through the amortisation process. Loans and receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Specific allowances based on individual assessment are established when the present values of future recoverable cash flows for impaired receivables are lower than the carrying values of the said receivables. Subsequent to individual assessment, the unimpaired receivables are then assessed on a collective basis for impairment based on historical and expected loss rates of receivables.

- Trade and Other Payables

  Prior to 1 October 2010, trade and other payables were stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

  With the adoption of FRS 139, trade and other payables are still classified as "Trade and Other Payables". However, these trade and other payables are now initially measured at cost net of transaction costs and subsequently measured at amortised cost using effective interest method. Gains or losses are recognised in the income statements when the payables are derecognised, as well as through the amortisation process.

- Borrowings

  Prior to 1 October 2010, borrowings were recorded at the amount of proceeds received. Borrowing costs were recognised as an expense in the income statements in the period in which they were incurred.

  With the adoption of FRS 139, borrowings are still classified as "Borrowings". However, these borrowings are now initially measured at cost net of transaction costs and subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in the income statements when the borrowings are derecognised, as well as through the amortisation process.

In accordance with the transitional provisions of FRS 139, the changes are applied prospectively by restating the opening accumulated losses as at 1 October 2010 and creation of a new AFS reserve.

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

Summary of effects of adopting new and revised FRSs on the current year's financial statements are as follows:

- The adoption of FRS 4 requires retrospective adjustments to be applied at the beginning of the earliest date practicable. Accordingly, the effects of adoption have been accounted for retrospectively as prior year adjustments.

- The Group applied FRS 139 prospectively in accordance with the transitional provisions of the standard. As a result of the adoption of FRS 139 as at 1 October 2010, the Group had adjusted the opening balance of accumulated losses as at 1 October 2010.

The effects to the financial position and results of the Group are disclosed in the tables below:

Statement of financial position as at 1 October 2009

Group Description of change	As previously stated RM'000	FRS 4 Note 3(a)(ii) RM'000	Restated RM'000
Reinsurance assets	-	58,346	58,346
- reclassified from claims liabilities		39,044	
- reclassified from premium liabilities		21,926	
- allowance for impairment		(2,624)	
Insurance receivables	-	13,450	13,450
- reclassified from trade receivables		12,920	
- reclassified from other receivables		42	
- reclassified from insurance payables		1,206	
- allowance for impairment		(718)	
Trade receivables	14,650	(12,920)	1,730
- reclassified to insurance receivables		(12,920)	
Other receivables	18,233	(42)	18,191
- reclassified to insurance receivables		(42)	
Insurance contract liabilities	-	(642,785)	(642,785)
- reclassified from claims liabilities		(421,286)	
- reclassified from premium liabilities		(221,499)	

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

Summary of effects of adopting new and revised FRSs on the current year's financial statements are as follows: (Cont'd.)

Statement of financial position as at 1 October 2009 (Cont'd.)

Group Description of change	As previously stated RM'000	FRS 4 Note 3(a)(ii) RM'000	Restated RM'000
Claims liabilities*	(382,242)	382,242	-
- reclassified to reinsurance assets		(39,044)	
- reclassified to insurance contract liabilities		421,286	
Premium liabilities	(199,573)	199,573	-
- reclassified to reinsurance assets		(21,926)	
- reclassified to insurance contract liabilities		221,499	
Insurance payables	-	(9,634)	(9,634)
- reclassified to insurance receivables		(1,206)	
- reclassified from trade payables		(8,428)	
Trade payables	(8,462)	8,428	(34)
- reclassified to insurance payables		8,428	
Accumulated losses	(23,279)	(3,342)	(26,621)
- allowance for impairment of reinsurance assets		(2,624)	
- allowance for impairment of insurance receivables		(718)	

* This includes an adjustment of RM24,482,000 to the opening balance of claims liabilities subsequent to the adoption of the RBC Framework.

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

Summary of effects of adopting new and revised FRSs on the current year's financial statements are as follows: (Cont'd.)

Statement of financial position as at 30 September 2010

Group Description of change	As previously stated RM'000	FRS 4 Note 3(a)(ii) RM'000	Restated RM'000
Reinsurance assets	-	119,515	119,515
- reclassified from claims liabilities		63,251	
- reclassified from premium liabilities		58,387	
- allowance for impairment		(2,123)	
Insurance receivables	-	59,759	59,759
- reclassified from trade receivables		45,069	
- reclassified from other receivables		8	
- reclassified from insurance payables		16,886	
- allowance for impairment		(2,204)	
Trade receivables	46,510	(45,069)	1,441
- reclassified to insurance receivables		(45,069)	
Other receivables	16,888	(8)	16,880
- reclassified to insurance receivables		(8)	
Insurance contract liabilities	-	(622,610)	(622,610)
- reclassified from claims liabilities		(380,018)	
- reclassified from premium liabilities		(242,592)	

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

Summary of effects of adopting new and revised FRSs on the current year's financial statements are as follows: (Cont'd.)

Statement of financial position as at 30 September 2010 (Cont'd.)

Group Description of change	As previously stated RM'000	FRS 4 Note 3(a)(ii) RM'000	Restated RM'000
Claims liabilities	(316,767)	316,767	-
- reclassified to reinsurance assets		(63,251)	
- reclassified to insurance contract liabilities		380,018	
Premium liabilities	(184,205)	184,205	-
- reclassified to reinsurance assets		(58,387)	
- reclassified to insurance contract liabilities		242,592	
Insurance payables	-	(40,038)	(40,038)
- reclassified to insurance receivables		(16,886)	
- reclassified from trade payables		(23,152)	
Trade payables	(23,205)	23,152	(53)
- reclassified to insurance payables		23,152	

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

Summary of effects of adopting new and revised FRSs on the current year's financial statements are as follows: (Cont'd.)

Statement of financial position as at 1 October 2010

Group Description of change	As previously stated RM'000	FRS 4 Note 3(a)(ii) RM'000	FRS 139 Note 3(a)(iv) RM'000	Restated RM'000
Accumulated losses	(2,019)	(4,327)	(8,572)	(14,918)
- allowance for impairment of reinsurance assets		(2,123)	-	
- allowance for impairment of insurance receivables		(2,204)	-	
- allowance for diminution in value of AFS financial assets		-	18,174	
- gain on disposal of AFS financial assets		-	307	
- impairment loss of AFS financial assets		-	(26,463)	
- income tax expense		-	(590)	

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

Summary of effects of adopting new and revised FRSs on the current year's financial statements are as follows: (Cont'd.)

Statement of financial position as at 1 October 2010 (Cont'd.)

Group	As previously stated RM'000	FRS 139 Note 3(a)(iv) RM'000	Restated RM'000
Description of change			
AFS Reserve	-	(1,741)	(1,741)
- changes in fair value of AFS financial assets		(2,323)	
- deferred tax		582	
Company			
Description of change			
Investments	19,673	(19,673)	-
Long term investment in quoted shares			
- reclassified to AFS financial assets		(19,673)	
AFS financial assets	-	9,603	9,603
- reclassified from investments		19,673	
- impairment loss of AFS financial assets		(10,070)	
Retained profits	13,278	(10,070)	3,208
- impairment loss of AFS financial assets		(10,070)	

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

The following comparative figures as at 30 September 2010 have been reclassified to conform with current year's presentation pursuant to the adoption of FRS 139: Financial Instruments - Recognition and Measurements.

Statement of financial position as at 30 September 2010

Group Description of change	As previously stated RM'000	FRS 139 Note 3(a)(iv) RM'000	Restated RM'000
Investments	662,781	(542,089)	120,692
Long term investment in quoted shares - reclassified to AFS financial assets		(19,945)	
Quoted shares - reclassified to AFS financial assets		(17,378)	
Club membership - reclassified to AFS financial assets		(55)	
Malaysian Government Securities - reclassified to AFS financial assets		(70,376)	
Unit Trust - reclassified to AFS financial assets		(12,938)	
Deposits and placements with licensed financial institutions - reclassified to deposits and placements with licensed financial institutions		(542,089)	
AFS financial assets - reclassified from investments		50,316	
HTM investments - reclassified from investments		70,376	

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

The following comparative figures as at 30 September 2010 have been reclassified to conform with current year's presentation pursuant to the adoption of FRS 139: Financial Instruments - Recognition and Measurements.(Cont'd.)

Statement of financial position as at 30 September 2010 (Cont'd.)

Group Description of change	As previously stated RM'000	FRS 139 Note 3(a)(iv) RM'000	Restated RM'000
Deposits and placements with licensed financial institutions	715	486,121	486,836
- reclassified from investments		542,089	
- reclassified to cash and bank balances		(55,968)	
Cash and bank balances	5,730	55,968	61,698
- reclassified from deposits and placements with licensed financial institutions		55,968	

Income statement for the year ended 30 September 2010

Group Description of change	As previously stated RM'000	Increase/ (decrease) FRS 4 Note 3(a)(ii) RM'000	Restated RM'000
Other operating income	1,353	19,386	20,739
Net commission	(33,758)	33,758	-
Commission expenses	-	(53,144)	(53,144)
Other operating expenses	(36,052)	(985)	(37,037)
Profit before taxation	42,261	(985)	41,276
Net profit for the year	21,260	(985)	20,275

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

(a) Adoption of new and revised FRSs, Amendments to FRSs and IC Interpretations (Cont'd.)

Summary of effects of adopting new and revised FRSs on the current year's financial statements are as follows:

Income statement for the year ended 30 September 2011

Group	**Increase/ (decrease) RM'000**
Description of change	
Effects on:	
Write back in allowance for impairment of insurance receivables	2,204
Write back in allowance for impairment loss of reinsurance asset	2,123
Borrowing costs	(428)
Allowance for diminution in value of investments	(3,850)
Impairment loss of AFS financial assets	3,897
Profit before taxation	4,708
Taxation	103
Net profit for the year	4,605

Company	
Description of change	
Effects on:	
Borrowing costs	(428)
Taxation	114
Net profit for the year	314

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

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

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

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)

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) and Amendments to IC Interpretation 14 (effective for financial periods on or after 1 July 2011) are not applicable to the Group and the Company.

The adoption of the other 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.

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

(c) On 19 November 2011, MASB had issued new MASB approved accounting standards, Malaysian Financial Reporting Standards (hereinafter known as MFRSs or the MFRS framework).

The MFRS Framework comprises Standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012. It also comprises new/revised Standards recently issued by the IASB that will be effective after 1 January 2012. The MFRS Framework will replace the existing Financial Reporting Standards ("FRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141: Agriculture and IC Interpretation 15: Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The adoption of the MFRSs is not expected to have any significant impact on the financial statements of 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 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.

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

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 2011 was RM1,935,000 (2010 : RM1,935,000).

(iii) Impairment of Non-Financial Assets

Non-financial 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) Impairment of AFS Financial Assets

The Group reviews its financial assets classified as AFS financial assets at each reporting date to assess whether they are impaired. The Group also records impairment charges on AFS financial assets when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which fair value of the financial assets is less than its carrying amount. During the year, the Group impaired quoted and unquoted financial assets with "significant" decline in fair value greater than 30% based on the historical or expected volatility of market values of its respective investments, or "prolonged" period of decline in fair value greater than 12 months.

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

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

(v) Impairment of Loan and Receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers among other factors, the probability of insolvency or significant financial difficulties of the debtors.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(vi) 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 reporting date whilst URR is determined based on estimates of expected future payments arising from future events insured under policies in force at reporting 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.

(vii) 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	Valuation			Cost				
2011	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
Valuation/Cost								
At beginning of year	520	580	15,380	10,430	4,571	7,030	4,730	43,241
Additions	-	-	-	45	707	136	141	1,029
Disposals	-	-	-	-	(722)	(27)	-	(749)
Write-offs	-	-	-	(1,219)	-	(65)	-	(1,284)
Transfer	-	-	-	-	-	205	-	205
Reclassification	-	-	-	143	-	(143)	-	-
Translation differences	-	-	-	3	3	8	-	14
At end of year	520	580	15,380	9,402	4,559	7,144	4,871	42,456
Accumulated Depreciation								
At beginning of year	-	28	1,037	10,003	1,296	5,788	4,332	22,484
Charge for the year	-	15	566	83	377	372	88	1,501
Disposals	-	-	-	-	(308)	(21)	-	(329)
Write-offs	-	-	-	(1,217)	-	(40)	-	(1,257)
Reclassification	-	-	-	36	-	(36)	-	-
Translation differences	-	-	-	2	2	6	-	10
At end of year	-	43	1,603	8,907	1,367	6,069	4,420	22,409
Net Book Value								
At end of year	520	537	13,777	495	3,192	1,075	451	20,047

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

Group	◄---- Valuation ----►			◄---- Cost ----►				
2010	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
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.)

Company	Cost				
	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
2011					
Cost					
At beginning of year	325	1,253	118	400	2,096
Additions	-	362	9	-	371
Disposal	-	(322)	-	-	(322)
Write-offs	(30)	-	(7)	-	(37)
At end of year	295	1,293	120	400	2,108
Accumulated Depreciation					
At beginning of year	311	467	85	392	1,255
Charge for the year	7	85	8	1	101
Disposal	-	(152)	-	-	(152)
Write-offs	(29)	-	(7)	-	(36)
At end of year	289	400	86	393	1,168
Net Book Value					
At end of year	6	893	34	7	940
2010					
Cost					
At beginning of year	324	1,231	113	400	2,068
Additions	1	175	5	-	181
Write-offs	-	(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
Write-offs	-	(76)	-	-	(76)
At end of year	311	467	85	392	1,255
Net Book Value					
At end of year	14	786	33	8	841

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 2011 are as follows:

	Group Net Book Value		Group Net Book Value	
	2011 Under Revaluation Model RM'000	2011 Under Cost Model RM'000	2010 Under Revaluation Model RM'000	2010 Under Cost Model RM'000
Freehold land	**520**	**380**	520	380
Freehold buildings	**537**	**429**	552	442
Leasehold buildings	**13,777**	**8,225**	14,343	8,545
	14,834	**9,034**	15,415	9,367

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Motor vehicles	**2,655**	2,750	**837**	729

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash	**509**	727	**101**	46
Hire purchase	**520**	965	**270**	135
	1,029	1,692	**371**	181

6. INVESTMENT PROPERTIES

	Group	
	2011	2010
	RM'000	RM'000
At beginning/end of the year	**605**	605
Analysed as:		
Freehold buildings	**375**	375
Leasehold buildings	**230**	230
	605	605

7. PREPAID LAND LEASE PAYMENTS

	Group	
	2011	2010
	RM'000	RM'000
Long term leasehold land:		
At beginning of year	**326**	330
Amortisation (Note 38)	**(4)**	(4)
At end of year	**322**	326

8. GOODWILL ON CONSOLIDATION

	Group	
	2011	2010
	RM'000	RM'000
At beginning/end of year	**1,935**	1,935

9. INTANGIBLE ASSETS

Group 2011	Software Distribution Licence RM'000	Computer Software and Other Licences RM'000	Total RM'000
Cost			
At beginning of year	2,346	3,172	5,518
Additions	-	24	24
Transfer	-	40	40
Translation differences	-	2	2
At end of year	2,346	3,238	5,584
Accumulated Amortisation			
At beginning of year	2,346	2,347	4,693
Amortisation (Note 38)	-	155	155
Translation differences	-	2	2
At end of year	2,346	2,504	4,850
Net Book Value			
At end of year	-	734	734

2010			
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 38)	-	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

9. INTANGIBLE ASSETS (Cont'd.)

Company 2011	Computer Software and Other Licences RM'000
Cost	
At beginning/end of year	**96**
Accumulated Amortisation	
At beginning of year	**87**
Amortisation (Note 38)	**5**
At end of year	**92**
Net Book Value	
At end of year	**4**

2010	
Cost	
At beginning/end of year	96
Accumulated Amortisation	
At beginning of year	80
Amortisation (Note 38)	7
At end of year	87
Net Book Value	
At end of year	9

10. DEFERRED TAX

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At beginning of year				
As previously stated	**5,816**	13,243	**1,079**	1,292
Effects of adopting FRS 139	**(8)**	-	**-**	-
Effects of adopting RBC Framework				
- Changes in valuation of claims liabilities	**-**	6,121	**-**	-
As restated	**5,808**	19,364	**1,079**	1,292
Transferred from income statement (Note 48)	**285**	(13,129)	**(555)**	(213)
Transferred from AFS reserve	**(45)**	-	**-**	-
Translation differences	**-**	(419)	**-**	-
At end of year	**6,048**	5,816	**524**	1,079

Presented after appropriate offsetting as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deferred tax assets	**8,077**	7,797	**583**	1,133
Deferred tax liabilities	**(2,029)**	(1,981)	**(59)**	(54)
At end of year	**6,048**	5,816	**524**	1,079

10. DEFERRED TAX (Cont'd.)

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

Deferred Tax Assets of the Group:

2011	Revaluation Deficit RM'000	Premium Liabilities RM'000	Changes in Fair Value of AFS fianancial assets RM'000	Allowance for Diminution in Value of Investments RM'000	Allowance for Doubtful Debts RM'000	Accumulated Impairment Loss RM'000	Unused Tax Losses and Unabsorbed Capital Allowances RM'000	Others RM'000	Total RM'000
At beginning of year									
As previously stated	**115**	**11**	**-**	**1,501**	**-**	**-**	**6,170**	**-**	**7,797**
Effects of adopting FRS 139									
- Changes in fair value of AFS financial assets	**-**	**-**	**582**	**(1,501)**	**-**	**4,827**	**(3,916)**	**-**	**(8)**
As restated	**115**	**11**	**582**	**-**	**-**	**4,827**	**2,254**	**-**	**7,789**
Recognised in the income statement	**-**	**(5)**	**-**	**-**	**-**	**961**	**(681)**	**58**	**333**
Recognised in other comprehensive income	**-**	**-**	**(45)**	**-**	**-**	**-**	**-**	**-**	**(45)**
At end of year	**115**	**6**	**537**	**-**	**-**	**5,788**	**1,573**	**58**	**8,077**

2010									
At beginning of year									
As previously stated	115	11	-	4,663	317	-	10,608	-	15,714
Effects of adopting RBC Framework									
- Changes in valuation of claim liabilities	-	-	-	-	-	-	6,121	-	6,121
As restated	115	11	-	4,663	317	-	16,729	-	21,835
Recognised in the income statement	-	-	-	(3,162)	(317)	-	(10,140)	-	(13,619)
Arising during the year	-	-	-	(3,162)	-	-	(2,408)	-	(5,570)
Over provision of deferred tax assets	-	-	-	-	(317)	-	(7,732)	-	(8,049)
Translation differences	-	-	-	-	-	-	(419)	-	(419)
At end of year	115	11	-	1,501	-	-	6,170	-	7,797

10. DEFERRED TAX (Cont'd.)

Deferred Tax Liabilities of the Group:

2011	Revaluation Surplus RM'000	Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
At beginning of year	**(1,740)**	**(241)**	**-**	**(1,981)**
Recognised in the income statement	**-**	**(48)**	**-**	**(48)**
At end of year	**(1,740)**	**(289)**	**-**	**(2,029)**

2010				
At beginning of year	(1,740)	(621)	(110)	(2,471)
Recognised in the income statement	-	380	110	490
Arising during the year	-	21	-	21
Under provision of deferred tax liabilities in prior years	-	359	110	469
At end of year	(1,740)	(241)	-	(1,981)

Deferred Tax Assets of the Company:

2011	Unused Tax Losses and Unabsorbed Capital Allowances RM'000	Total RM'000
At beginning of year	**1,133**	**1,133**
Recognised in the income statement	**(550)**	**(550)**
At end of year	**583**	**583**

2010		
At beginning of year	1,346	1,346
Recognised in the income statement	(213)	(213)
At end of year	1,133	1,133

10. DEFERRED TAX (Cont'd.)

Deferred Tax Liabilities of the Company:

2011	Accelerated Capital Allowances RM'000	Total RM'000
At beginning of year	**(54)**	**(54)**
Recognised in the income statement	**(5)**	**(5)**
At end of year	**(59)**	**(59)**
2010		
At beginning/end of year	(54)	(54)

As at 30 September 2011, deferred tax assets have not been recognised in respect of the following temporary differences:

	Group	
	2011 RM'000	2010 RM'000
Depreciation and capital allowances on property, plant and equipment	**(1,147)**	(1,210)
Unabsorbed capital allowances and unused tax losses	**93,856**	95,416
Other deductible temporary differences	**2,747**	3,044
	95,456	97,250

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

The Group's and the Company's investments have been categorised as follows:

As at 30 September 2011	Group RM'000	Company RM'000
(a) Available-for-sale ("AFS") financial assets:		
At fair value		
Quoted shares	18,082	5,895
Unit trusts	13,403	-
Unquoted shares	816	-
Club membership	60	-
Total AFS financial assets	32,361	5,895
(b) Held-to-maturity ("HTM") investments:		
At amortised cost:		
Malaysian Government Securities *	40,364	-
Net accretion of discount and amortisation of premiums	(151)	-
Total HTM investments	40,213	-
(c) Loans and receivables ("L&R"):		
At amortised cost:		
Bankers acceptance	1,564	-
Total investments	74,138	5,895
*** At fair value:**		
Malaysian Government Securities	40,423	-

11. INVESTMENTS (Cont'd.)

The Group's and the Company's investments have been categorised as follows: (Cont'd.)

(d) Carrying values of investments as at 30 September 2011:

	AFS financial assets RM'000	HTM investments RM'000	L&R RM'000	Total RM'000
Group				
At beginning of year				
As previously stated	50,316	70,376	-	120,692
Effects of adopting FRS 139	(10,306)	-	-	(10,306)
As restated	40,010	70,376	-	110,386
Additions	308	-	1,564	1,872
Disposals	(533)	-	-	(533)
Redemptions	-	(5,051)	-	(5,051)
Maturities	-	(24,926)	-	(24,926)
Fair value gains recorded in other comprehensive income	(3,527)	-	-	(3,527)
Movement in impairment loss	(3,897)	-	-	(3,897)
Amortisation of premium	-	182	-	182
Accretion of discount	-	(368)	-	(368)
At end of year	32,361	40,213	1,564	74,138
Company				
At beginning of year				
As previously stated	19,673	-	-	19,673
Effects of adopting FRS 139	(10,070)	-	-	(10,070)
As restated	9,603	-	-	9,603
Fair value loss recorded in other comprehensive income	(3,708)	-	-	(3,708)
At end of year	5,895	-	-	5,895

11. INVESTMENTS (Cont'd.)

The Group's and the Company's investments have been categorised as follows: (Cont'd.)

As at 30 September 2010	Group RM'000	Company RM'000
At cost:		
Long term investment in quoted securities:		
Shares in Malaysia	19,945	19,673
Club membership	55	-
Money market instruments:		
Malaysian Government Securities	70,341	-
Net accretion of discount and amortisation of premiums	35	-
	70,376	-
Islamic corporate bonds	3,979	-
Allowance for diminution in value	(3,979)	-
	-	-
Quoted securities:		
Shares in Malaysia	26,671	-
Shares outside Malaysia	4,902	-
Allowance for diminution in value	(14,195)	-
	17,378	-
Unit trusts	12,938	-
Total investments	120,692	19,673

11. INVESTMENTS (Cont'd.)

Market value:	Group 2010 RM'000	Company 2010 RM'000
Club membership	60	-
Long term investments in quoted securities:		
Shares in Malaysia	10,650	10,650
Investment securities:		
Malaysian Government Securities	70,826	-
Shares in Malaysia	15,802	-
Shares outside Malaysia	1,576	-
Unit trusts	12,969	-

12. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2011 RM'000	2010 RM'000
Unquoted shares - at cost	**138,366**	138,366
Subscription of additional shares in a subsidiary company	**20,000**	**-**
	158,366	138,366
Impairment losses	**(6,369)**	(6,369)
	151,997	131,997

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

The subsidiary companies are:

	Effective Interests		
Incorporated in Malaysia	**2011 %**	**2010 %**	**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	Pending strike off
Seni Bayu Sdn. Bhd.#	**-**	100	Pending strike off
Pacific & Orient - F.I.H. Sdn. Bhd. #	**-**	100	Pending strike off
DND Consulting Services Sdn. Bhd.#	**-**	100	Pending strike off
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.

The Company had in June 2011, applied to strike off the subsidiary companies from the Register kept at the Companies Commission of Malaysia as the subsidiary companies have not commenced operation since the date of their incorporation and have no intention to commence operation in the future. The application had since been granted.

13. INVENTORIES – GOODS FOR RESALE

	Group	
	2011	2010
	RM'000	RM'000
Inventories - at cost	**1,043**	1,473
Allowance for inventory obsolescence	**(252)**	(264)
	791	1,209

14. LOANS

	Group	
	2011	2010
	RM'000	RM'000
Loans:		
- secured loans	**168**	204
- unsecured loans	**77**	88
	245	292
Due within one year	**52**	49
Due after one year	**193**	243
	245	292

The interest rates on loans were between 6.80% and 10.50% (2010 : 6.80% and 10.50%) per annum.

15. REINSURANCE ASSETS

	Group		
			1 October
	2011	2010	2009
	RM'000	RM'000	RM'000
Reinsurance of insurance contracts			
Claims liabilities (Note 21)	**108,182**	63,251	39,044
Premium liabilities (Note 21)	**75,290**	58,387	21,926
	183,472	121,638	60,970
Allowance for impairment	**(1,068)**	(2,123)	(2,624)
	182,404	119,515	58,346

16. INSURANCE RECEIVABLES

	Group		
	2011 RM'000	2010 RM'000	1 October 2009 RM'000
Outstanding premiums including agents', brokers' and co-insurers' balances	**10,779**	11,213	11,014
Due from reinsurers and ceding companies	**108,084**	56,869	6,171
	118,863	68,082	17,185
Allowance for impairment	**(9,478)**	(8,323)	(3,735)
	109,385	59,759	13,450

17. RECEIVABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables:				
Trade receivables	**2,224**	2,577	**-**	-
Allowance for impairment	**(1,096)**	(1,136)	**-**	-
	1,128	1,441	**-**	-
Other receivables:				
Accrued income	**3,170**	5,039	**2**	-
Share of assets held by Malaysian Motor Insurance Pool ("MMIP")	**12,057**	8,633	**-**	-
Deposits and prepayments	**2,869**	1,632	**37**	39
Tax recoverable	**2,146**	441	**1,776**	71
Others	**1,386**	1,169	**152**	149
	21,628	16,914	**1,967**	259
Allowance for impairment	**(34)**	(34)	**-**	-
	21,594	16,880	**1,967**	259

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.

18. DUE FROM SUBSIDIARY COMPANIES

The amounts due from subsidiary companies consist of the following:

	Company	
	2011	2010
	RM'000	RM'000
Term loan (a)	**70,105**	-
Others (b)	**40,685**	58,300
	110,790	58,300
Allowance for impairment	**(17,947)**	(18,244)
	92,843	40,056

(a) During the year, the insurance subsidiary company obtained a 10-year unsecured term loan of RM70,000,000 less transaction costs from the Company at an interest rate of 8.00 % per annum. The term loan is repayable by 27 December 2020.

(b) The amounts due from other subsidiary companies are payable on demand, unsecured and interest-free, except for the amount of RM7,204,000 (2010 : RM6,215,000) which bears interest at between 10.00% and 10.25% (2010 : 10.00% and 10.25%) per annum.

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

	Company	
	2011	2010
	RM'000	RM'000
Ringgit Malaysia	**91,911**	41,906
United States Dollars	**18,879**	16,394
	110,790	58,300
Allowance for impairment	**(17,947)**	(18,244)
	92,843	40,056

19. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Licensed banks	**550,410**	486,836	**1,561**	-

Deposits and placements with financial institutions of the Group with original maturities of over three months are disclosed as deposit and placements with financial institutions. Deposits and placements with original maturities of three months or less are disclosed as cash and bank balances under Note 20.

Deposits of RM97,000 (2010 : RM95,000) for the Group have been pledged as securities for credit facilities granted to the Group.

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

	Group		Company	
	2011 %	2010 %	2011 %	2010 %
Licensed banks	**1.75 – 3.72**	1.00 – 3.28	**0.39**	-

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

	Group		Company	
	2011 Days	2010 Days	2011 Days	2010 Days
Licensed banks	**91 – 365**	91 – 365	**91 – 365**	-

20. CASH AND BANK BALANCES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and bank balances	**5,776**	5,730	**107**	5
Short-term deposits and placements with financial institutions	**53,330**	55,968	**1,800**	-
	59,106	61,698	**1,907**	5

Deposits of RM564,000 (2010 : RM548,000) for the Group have been pledged as securities for credit facilities granted to the Group.

20. CASH AND BANK BALANCES (Cont'd.)

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

	Group		Company	
	2011 %	2010 %	2011 %	2010 %
Licensed banks	**0.05 – 3.40**	0.25 – 3.00	**3.04 – 3.40**	-

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

	Group		Company	
	2011 Days	2010 Days	2011 Days	2010 Days
Licensed banks	**1 – 90**	1 – 90	**1 – 90**	-

21. INSURANCE CONTRACT LIABILITIES

	30 September 2011			30 September 2010			1 October 2009		
	Gross RM'000	Reinsurance RM'000 (Note 15)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 15)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 15)	Net RM'000
Group									
General insurance	**674,485**	**(183,472)**	**491,013**	622,610	(121,638)	500,972	642,785	(60,970)	581,815

21. INSURANCE CONTRACT LIABILITIES (Cont'd.)

The general insurance contract liabilities and its movements are further analysed as follows:

		◄------- 30 September 2011 -------►			◄------- 30 September 2010 -------►			◄--------- 1 October 2009 ---------►		
	Note	Gross RM'000	Reinsurance RM'000 (Note 15)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 15)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 15)	Net RM'000
Group										
Provision for claims reported by policyholders		**309,698**	**(74,913)**	**234,785**	258,454	(43,771)	214,683	279,990	(30,825)	249,165
Provision for Incurred But Not Reported ("IBNR")		**69,817**	**(20,208)**	**49,609**	93,158	(14,773)	78,385	116,772	(5,946)	110,826
Provision of Risk Margin for Adverse Deviation ("PRAD")		**36,971**	**(13,061)**	**23,910**	28,406	(4,707)	23,699	24,524	(2,273)	22,251
Claim liabilities	21.1	**416,486**	**(108,182)**	**308,304**	380,018	(63,251)	316,767	421,286	(39,044)	382,242
Premium liabilities	21.2	**257,999**	**(75,290)**	**182,709**	242,592	(58,387)	184,205	221,499	(21,926)	199,573
		674,485	**(183,472)**	**491,013**	622,610	(121,638)	500,972	642,785	(60,970)	581,815

21. INSURANCE CONTRACT LIABILITIES (Cont'd.)

21.1 CLAIMS LIABILITIES

	30 September 2011			30 September 2010		
Group	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At beginning of year	**380,018**	**(63,251)**	**316,767**	421,286	(39,044)	382,242
Claims incurred for the current accident year (direct and facultative)	**174,314**	**(56,197)**	**118,117**	163,819	(24,940)	138,879
Adjustment to claims incurred in prior accident years (direct and facultative)	**106,311**	**(31,981)**	**74,330**	101,985	(22,293)	79,692
Claims incurred during the year (treaty inwards claims)	**4,386**	**(160)**	**4,226**	4,210	(293)	3,917
Movement in PRAD of claims liabilities at 75% confidence level	**8,566**	**(8,355)**	**211**	3,882	(2,434)	1,448
Movement in claims handling expenses	**809**	**(757)**	**52**	(500)	1,200	700
Claims paid during the year	**(257,918)**	**52,519**	**(205,399)**	(314,664)	24,553	(290,111)
At end of year	**416,486**	**(108,182)**	**308,304**	380,018	(63,251)	316,767

21.2 PREMIUM LIABILITIES

	30 September 2011			30 September 2010		
Group	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At beginning of year	**242,592**	**(58,387)**	**184,205**	221,499	(21,926)	199,573
Increase/(decrease) in premium liabilities:						
- Premium written during the year	**501,690**	**(170,964)**	**330,726**	453,089	(126,643)	326,446
- Premium earned during the year	**(486,283)**	**154,061**	**(332,222)**	(431,996)	90,182	(341,814)
	15,407	**(16,903)**	**(1,496)**	21,093	(36,461)	(15,368)
At end of year	**257,999**	**(75,290)**	**182,709**	242,592	(58,387)	184,205

22. INSURANCE PAYABLES

	Group	
	2011	2010
	RM'000	RM'000
Due to reinsurers and ceding companies	**21,363**	38,591
Due to agents, brokers, co-insurers and insureds	**2,069**	1,447
	23,432	40,038

23. PAYABLES

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Trade payables	**17**	53	**-**	-
Other payables:				
Accruals	**1,880**	1,830	**499**	539
Short term accumulating compensated absences	**768**	771	**171**	183
Collateral deposits	**246**	239	**-**	-
Perbadanan Insurans Deposit Malaysia ("PIDM") levy	**-**	903	**-**	-
Stamp duty payable	**1,843**	1,831	**-**	-
Unearned income	**415**	490	**-**	-
Accrual of directors' fees	**458**	420	**165**	155
Service tax payable	**341**	171	**-**	-
Unclaimed monies	**224**	195	**-**	-
Refund premiums	**192**	185	**-**	-
Others	**2,622**	3,691	**11**	98
	8,989	10,726	**846**	975

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

24. DUE TO A SUBSIDIARY COMPANY

The amount due to a subsidiary company of RM3,041,000 (2010 : RM3,069,000) bears interest at 9.05% (2010 : 9.05%) per annum, is unsecured and payable on demand.

25. HIRE PURCHASE CREDITORS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Future minimum payments are as follows:				
Not later than 1 year	**608**	561	**176**	133
Later than 1 year and not later than 2 years	**839**	824	**223**	185
Later than 2 years and not later than 5 years	**306**	432	**107**	47
Total future minimum lease payments	**1,753**	1,817	**506**	365
Less : Future finance charges	**(157)**	(186)	**(42)**	(26)
Present value of hire purchase creditors	**1,596**	1,631	**464**	339

Analysis of present value of hire purchase creditors:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Not later than 1 year	**533**	483	**157**	120
Later than 1 year and not later than 2 years	**739**	709	**204**	174
Later than 2 years and not later than 5 years	**324**	439	**103**	45
	1,596	1,631	**464**	339
Amount due within 1 year	**(533)**	(483)	**(157)**	(120)
Amount due after 1 year	**1,063**	1,148	**307**	219

The hire purchase agreements at the reporting date bear interest at between 1.84% and 6.25% (2010 : 2.63% and 6.09%) per annum.

26. BORROWINGS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Unsecured:				
Bank overdraft	**-**	11,204	**-**	11,204
Revolving credits	**23,000**	33,000	**22,500**	32,500
	23,000	44,204	**22,500**	43,704
Secured:				
Term loan	**73,648**	-	**73,648**	-
	96,648	44,204	**96,148**	43,704
Due within one year	**96,648**	44,204	**96,148**	43,704

In December 2010, the Company had obtained a term loan of USD23,000,000 (RM71,093,000) secured by a charge over the shares of the insurance subsidiary company at an interest rate based on LIBOR + 3.75% p.a. The term loan is for a period of 18 months. The said loan has been used to subscribe for Tier 2 capital in the insurance subsidiary company which will enhance the insurance subsidiary company's capital to a level in excess of BNM's requirement.

The revolving credit and bank overdraft facilities of the Company are unsecured and bear interest at between 5.15% and 5.18% (2010 : 4.23% and 5.80%) per annum and 8.35% (2010 : 8.05%) per annum respectively. The revolving credit facilities of a subsidiary company is secured by a deposit of the subsidiary company of RM564,000 (2010 : RM548,000). The revolving credit and bank overdraft facilities of the Group bear interest at between 5.15% and 5.18% (2010 : 4.23% and 5.80%) per annum and 8.35% (2010: 8.05%) per annum respectively.

The revolving credit and bank overdraft facilities of the Group and of the Company are due to mature within 1 year.

27. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2011	2010	2011	2010
	'000	'000	RM'000	RM'000
Authorised shares:				
At beginning of year	**400,000**	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**	400,000	**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
Issue of shares:				
- ESOS (Note (b))	**-**	2,600	**-**	2,600
	-	113,280	**-**	113,280
After Share Split				
Ordinary shares of RM0.50 each:				
At beginning of year	**230,844**	-	**115,422**	-
Subdivision of ordinary shares of RM1.00 each into RM0.50 each*	**-**	113,280	**-**	-
Issue of shares:				
- Private placement (Note (a))	**14,550**	-	**7,275**	-
- ESOS (Note (b))	**560**	4,284	**280**	2,142
At end of year	**245,954**	230,844	**122,977**	115,422

* The share split in the previous year involved the subdivision of the Company's ordinary shares from one (1) ordinary share of RM1.00 each held into two (2) ordinary shares of RM0.50 each on 19 July 2010 ("Share Split").

27. SHARE CAPITAL (Cont'd.)

(a) Private Placement

During the year, 14,550,000 new ordinary shares of RM0.50 each fully paid have been issued pursuant to an approved private placement scheme at an issue price of RM0.99 per ordinary share for cash. These ordinary shares rank pari passu with the then existing ordinary shares of the Company.

(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 and this had expired 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 RM0.50 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.

27. SHARE CAPITAL (Cont'd.)

(c) Treasury Shares

	Group/Company			
	Number of shares		Amount	
	2011 '000	2010 '000	2011 # RM'000	2010 # RM'000
Before Share Split				
Treasury shares of RM1.00 each:				
At beginning of year	-	2,291	-	3,262
Purchased	-	2	-	2
Disposed	-	(879)	-	(1,251)
	-	1,414	-	2,013
After Share Split				
Treasury shares of RM0.50 each:				
Subdivision of treasury shares of RM1.00 each into RM0.50 each	-	1,414	-	-
Purchased	**184**	-	**134**	-
Disposed	-	(2,828)	-	(2,013)
At end of year	**184**	-	**134**	-

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 17 March 2011, renewed their approval of the Company's plan to purchase its own ordinary shares.

During the year, the Company purchased 183,700 of its issued ordinary shares of RM0.50 each fully paid from the open market at an average price of RM0.73 per share for a consideration of RM134,423. 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.

27. 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)			Number of shares purchased ('000)	Total consideration # RM'000
	Lowest	Highest	Average		
December 2010	0.80	0.80	0.84	1	1
June 2011	0.79	0.79	0.83	1	1
September 2011	0.69	0.81	0.73	182	132
Total shares purchased				184	134

This amount includes acquisition costs of treasury shares.

There was no cancellation of treasury shares during the year.

28. RESERVES (NON-DISTRIBUTABLE)

(a) Merger Reserve

Merger reserve arose from a business combination exercise in financial year 1995 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.

(b) Translation Reserve

Translation reserve is in respect of exchange differences arising from translation of financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

(c) Revaluation Reserve

Revaluation reserve is in respect of the increases in the fair value of freehold land, freehold and leasehold buildings as a result of valuation performed in 2008 (Note 5 (a)).

(d) AFS Reserve

AFS reserve is in respect of unrealised gains or losses arising from changes in fair values of financial instruments classified as available-for-sale, net of tax.

29. SHARE PREMIUM

	Group/Company			
	Number of shares		Amount	
	2011	2010	2011	2010
	'000	'000	RM'000	RM'000
At beginning of year	**17,132**	15,483	**17,132**	15,483
Issue of shares:				
- Private placement	**7,129**	-	**7,129**	-
- ESOS	**100**	1,928	**100**	1,928
Disposal of treasury shares	**-**	(248)	**-**	(248)
Share issuance expenses	**(59)**	(31)	**(59)**	(31)
At end of year	**24,302**	17,132	**24,302**	17,132

30. 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 2011, the Company has sufficient tax credits in the Section 108 balance to pay franked dividends out of its entire retained earnings.

31. DIVIDENDS

	Group/Company		Net Dividend Per Share	
	2011	2010	2011	2010
	RM'000	RM'000	Sen	Sen
1st interim dividend of 0.60 sen per share less tax at 25% in respect of current financial year, declared on 28 January 2011 and paid on 28 February 2011	**1,107**	-	**0.60**	-
2nd interim dividend of 5.00 sen per share less tax at 25% in respect of current financial year, declared on 26 August 2011 and paid on 27 september 2011	**9,222**	-	**5.00**	-
	10,329	-	**5.60**	-

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

32. 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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Gross premium (Note 42)	**501,690**	453,089	**-**	-
Gross dividends :				
- shares quoted in Malaysia	**420**	661	**-**	292
- unit trusts	**300**	192	**-**	-
- subsidiary company	**-**	-	**34,600**	-
Interest income :				
- subsidiary companies	**-**	-	**4,952**	591
- Malaysian Government Securities	**2,382**	2,729	**-**	-
- bankers acceptance	**891**	629	**-**	-
- deposits and placements with financial institutions	**18,714**	14,507	**35**	-
- loans to third parties	**22**	25	**-**	-
Income from Islamic corporate bonds	**-**	541	**-**	-
Rental income from investment properties	**19**	48	**-**	-
Malaysian Motor Insurance Pool ("MMIP") investment income	**353**	168	**-**	-
Malaysian Reinsurance Berhad ("MRB") investment income	**32**	66	**-**	-
Amortisation of premiums, net of accretion of discounts	**(137)**	(197)	**-**	-
Sale of goods and services	**4,608**	5,900	**-**	-
Management service fees	**-**	-	**2,694**	2,606
	529,294	478,358	**42,281**	3,489

33. OTHER OPERATING INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Commission income	**28,380**	19,386	**-**	-
Interest income	**22**	37	**-**	-
Realised gains/(losses) for:				
AFS financial assets:				
- Quoted shares	**575**	932	**-**	39
- Islamic corporate bonds	**-**	(414)	**-**	-
HTM investments:				
- Malaysia Government Securities	**(25)**	(3)	**-**	-
Others	**735**	801	**3**	-
	29,687	20,739	**3**	39

34. NET CLAIMS INCURRED

	Group	
	2011 RM'000	2010 RM'000
Gross claims paid	**257,918**	314,664
Claims ceded to reinsurers	**(52,519)**	(24,553)
Net claims paid	**205,399**	290,111
Gross change in contract liabilities:		
At end of year (Note 21.1)	**416,486**	380,018
At beginning of year	**380,018**	421,286
	36,468	(41,268)
Change in contract liabilities ceded to reinsurers:		
At end of year (Note 21.1)	**(108,182)**	(63,251)
At beginning of year	**(63,251)**	(39,044)
	(44,931)	(24,207)
Net claims incurred	**196,936**	224,636

35. CHANGES IN PREMIUM LIABILITIES

	Group	
	2011 RM'000	2010 RM'000
Change in premium liabilities (Note 42)	**(15,407)**	(21,093)
Change in premium liabilities to reinsures (Note 42)	**16,903**	36,461
	1,496	15,368

36. STAFF COSTS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Salaries, wages and bonus	**24,219**	21,646	**3,335**	2,950
Short term accumulating compensated absences	**4**	65	**(12)**	24
Pension cost – defined contribution plan	**2,723**	2,427	**408**	358
Other staff related expenses	**2,041**	1,871	**311**	290
	28,987	26,009	**4,042**	3,622

Included in staff costs of the Group and of the Company are executive directors' remuneration (excluding benefits-in-kind) amounting to RM1,635,000 (2010 : RM1,516,000) and RM790,000 (2010 : RM739,000) respectively.

37. DIRECTORS' REMUNERATION

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Directors of the Company				
Executive:				
Salaries and other remuneration	**580**	570	**540**	540
Bonus	**45**	-	**45**	-
Pension cost – defined contribution plan	**85**	79	**85**	79
Benefits-in-kind	**24**	22	**24**	22
Allowance	**120**	120	**120**	120
	854	791	**814**	761
Non-Executive:				
Fees	**263**	265	**165**	155
	263	265	**165**	155
Directors of Subsidiary Companies				
Executive:				
Salaries and other remuneration	**651**	613	**-**	-
Bonus	**64**	31	**-**	-
Short term accumulating compensated absences	**(5)**	13	**-**	-
Pension cost – defined contribution plan	**60**	54	**-**	-
Benefits-in-kind	**37**	20	**-**	-
Allowances	**36**	36	**-**	-
	843	767	**-**	-
Non-Executive:				
Fees	**155**	125	**-**	-
Total	**2,115**	1,948	**979**	916
Analysis excluding benefits-in-kind				
Total executive directors' remuneration (Note 36)	**1,635**	1,516	**790**	739
Total non-executive directors' remuneration (Note 39)	**418**	390	**165**	155
Total directors' remuneration excluding benefits-in-kind	**2,053**	1,906	**955**	894

38. AMORTISATION

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Amortisation of:				
- intangible assets (Note 9)	**155**	214	**5**	7
- prepaid land lease payments (Note 7)	**4**	4	**-**	-
	159	218	**5**	7

39. OTHER OPERATING EXPENSES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other operating expenses include:				
Auditors' remuneration	**270**	238	**60**	42
Non-executive directors' remuneration (Note 37)	**418**	390	**165**	155
Property, plant and equipment written off	**27**	130	**-**	-
Inventories - goods for resale written off	**196**	140	**-**	-
Allowance for inventory obsolescence	**13**	64	**-**	-
Allowance for diminution in value of investments	**-**	3,533	**-**	-
Impairment loss of AFS financial assets	**3,897**	-	**-**	-
Rental of office equipment	**1,685**	1,637	**216**	207
Office rental:				
- subsidiary company	**-**	-	**256**	256
- others	**1,510**	1,481	**-**	-
Loss on foreign exchange:				
- unrealised	**1,166**	3,165	**1,517**	1,971
- realised	**52**	113	**36**	18
Loss on disposal of property, plant and equipment	**92**	142	**33**	5
Allowance for impairment of:				
- insurance receivables	**1,310**	4,979	**-**	-
- trade and other receivables	**-**	10	**-**	-
- amounts due from subsidiary companies	**-**	-	**34**	2,969
Amount due from subsidiary written off	**-**	-	**6**	-
Bad debts written off	**54**	-	**-**	-
Write back in allowance for impairment of:				
- insurance receivables	**(97)**	(344)	**-**	-
- reinsurance assets	**(1,055)**	(501)	**-**	-
- trade and othe receivables	**(18)**	(37)	**-**	-
- amounts due from subsidiary companies	**-**	-	**(250)**	-
Bad debts recovered	**(48)**	(14)	**-**	-

40. FINANCE COSTS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest expense :				
- subsidiary company	**-**	-	**277**	228
- others	**4,644**	2,603	**4,540**	2,526
Others	**73**	29	**67**	23
	4,717	2,632	**4,884**	2,777

41. PROFIT/(LOSS) BEFORE TAXATION

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Determined as follows:					
Insurance subsidiary company	42	**77,982**	52,164	**-**	-
Others		**26,439**	(13,722)	**28,323**	(11,455)
Before consolidation		**104,421**	38,442	**28,323**	(11,455)
Consolidation adjustments		**(35,142)**	2,834	**-**	-
After consolidation		**69,279**	41,276	**28,323**	(11,455)

42. PROFIT BEFORE TAXATION - INSURANCE SUBSIDIARY COMPANY

	Note	Group 2011 RM'000	2010 RM'000
Revenue		**524,887**	472,398
Gross premium	32	**501,690**	453,089
Change in premium liabilities		**(15,407)**	(21,093)
Gross earned premiums		**486,283**	431,996
Gross premiums ceded to reinsurers		**(170,964)**	(126,643)
Change in premium liabilities		**16,903**	36,461
Premiums ceded to reinsurers		**(154,061)**	(90,182)
Net earned premiums		**332,222**	341,814
Investment income	43	**23,197**	19,309
Realised gains and losses	44	**531**	335
Commission income		**28,380**	19,386
Other operating expenses	47	**(3,220)**	(2,796)
Other income		**48,888**	36,234
Gross claims paid		**(257,918)**	(314,664)
Claims ceded to reinsurers		**52,519**	24,553
Gross change in contract liabilities		**(36,468)**	41,268
Change in contract liabilities ceded to reinsurers		**44,931**	24,207
Net claims incurred		**(196,936)**	(224,636)
Commission expense		**(56,527)**	(53,144)
Management expenses	45	**(45,313)**	(48,080)
Finance costs		**(4,352)**	(24)
Other expenses		**(106,192)**	(101,248)
Profit before taxation		**77,982**	52,164

43. INVESTMENT INCOME - INSURANCE SUBSIDIARY COMPANY

	Group	
	2011	2010
	RM'000	RM'000
Gross dividends:		
- shares quoted in Malaysia	**420**	369
- unit trusts	**300**	193
Interest income:		
- Malaysian Government Securities	**2,382**	2,729
- bankers acceptances	**891**	629
- deposits and placements with financial institutions	**18,680**	14,507
Income from Islamic corporate bonds	**-**	541
Rental income from investment properties	**276**	304
MMIP investment income	**353**	168
MRB investment income	**32**	66
Amortisation of premiums, net of accretion of discounts	**(137)**	(197)
	23,197	19,309

44. REALISED GAINS AND LOSSES - INSURANCE SUBSIDIARY COMPANY

	Group	
	2011	2010
	RM'000	RM'000
Realised gains/(loss) for:		
- AFS financial assets:		
- Quoted shares	**575**	892
- Islamic corporate bonds	**-**	(413)
- HTM investments:		
- Malaysian Government Securities	**(25)**	(3)
- Property, plant and equipment	**(20)**	(140)
- Foreign exchange	**1**	(1)
	531	335

45. MANAGEMENT EXPENSES - INSURANCE SUBSIDIARY COMPANY

	Group	
	2011 RM'000	2010 RM'000
Executive directors' remuneration (Note 46)	**553**	512
Staff salaries and bonus	**15,250**	13,342
Staff short term accumulating compensated absences	**13**	27
Staff pension cost – defined contribution plan	**1,826**	1,596
Other staff benefits	**1,374**	1,243
Depreciation of property, plant and equipment	**943**	874
Auditors' remuneration	**144**	132
Amortisation :		
- prepaid land lease payments	**4**	4
- intangible assets	**36**	45
Non-executive directors' remuneration (Note 46)	**263**	235
Directors' training	**50**	100
Allowance for impairment of insurance receivables	**1,310**	4,979
Write back in allowance for impairment of reinsurance assets	**(1,055)**	(501)
Write back in allowance for impairment of reinsurance receivables	**(97)**	(344)
Bad debts recovered	**(48)**	(14)
Rental of properties	**601**	550
Perbadanan Insurans Deposit Malaysia ("PIDM") levy	**553**	903
Call centre service charges	**612**	612
Rental of equipment	**2,036**	1,905
Printing and EDP expenses	**8,267**	9,316
Business development	**1,128**	1,438
Credit card charges	**4,994**	4,532
Office administration and utilities	**1,910**	1,858
Other expenses	**4,646**	4,736
	45,313	48,080

46. DIRECTORS' REMUNERATION - INSURANCE SUBSIDIARY COMPANY

	Group	
	2011 RM'000	2010 RM'000
Executive directors:		
- salaries	**398**	381
- bonus	**64**	31
- defined contribution plan	**60**	54
- benefits-in-kind	**32**	20
- short term accumulating compensated absences	**(5)**	10
- allowances	**36**	36
	585	532
Non-executive directors:		
- fee (Note 45)	**263**	235
Total directors' remuneration	**848**	767
Total executive directors' remuneration excluding benefits-in-kind (Note 45)	**553**	512

47. OTHER OPERATING (EXPENSES)/INCOME - INSURANCE SUBSIDIARY COMPANY

	Group	
	2011 RM'000	2010 RM'000
Impairment loss on AFS financial assets	**(3,897)**	-
Allowance for diminution in value of investments	**-**	(3,533)
Sundry income	**680**	744
Property, plant and equipment written off	**(2)**	(5)
Others	**(1)**	(2)
	(3,220)	(2,796)

48. INCOME TAX EXPENSE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Income tax:				
Current year's provision				
- Malaysian tax	**20,101**	8,329	**6,945**	-
- foreign tax	**4**	10	**-**	-
Over provision in prior years	**-**	(467)	**-**	-
	20,105	7,872	**6,945**	-
Deferred tax (Note 10):				
Relating to timing differences	**(289)**	5,046	**573**	(287)
Over provision of deferred tax assets in prior years	**-**	7,580	**-**	-
Under/(over) provision in prior years	**4**	503	**(18)**	500
Transferred (from)/to deferred taxation	**(285)**	13,129	**555**	213
	19,820	21,001	**7,500**	213

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010 : 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	
	2011 RM'000	2010 RM'000
Profit before taxation	**69,279**	41,276
Taxation at Malaysian statutory tax rate of 25% (2010 : 25%)	**17,320**	10,319
Effects of different tax rates in other countries	**(75)**	55
Income not subject to tax	**(383)**	(255)
Expenses not deductible for tax purposes	**2,479**	2,989
Deferred tax asset not recognised during the year	**1,284**	1,022
Over provision of tax expense in prior years	**-**	(467)
(Over)/under provision of deferred tax in prior years	**(290)**	503
Over provision of deferred tax assets in prior years	**4**	7,580
Translation differences	**-**	(419)
Consolidation adjustments	**83**	34
Utilisation of previous years' unused tax losses and unabsorbed capital allowances	**(602)**	(360)
Tax expense for the year	**19,820**	21,001

48. INCOME TAX EXPENSE (Cont'd).

	Company	
	2011	2010
	RM'000	RM'000
Profit/(loss) before taxation	**28,323**	(11,455)
Taxation at Malaysian statutory tax rate of 25% (2010 : 25%)	**7,081**	(2,864)
Income not subject to tax	**(172)**	(149)
Expenses not deductible for tax purposes	**609**	2,063
Group tax relief	**-**	663
Over/(under) provision of deferred tax in prior years	**(18)**	500
Tax expense for the year	**7,500**	213

As at 30 September 2011, the Company has:

- unused tax losses and unabsorbed capital allowances of approximately RMNil (2010 : RM2,195,000) and RM2,331,000 (2010 : RM2,339,000) 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 (2010 : 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.

49. 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	
		2011	2010
Net profit for the year attributable to equity holders of the Company	(RM'000)	**49,459**	20,275
Weighted average number of ordinary shares in issue	('000)	**245,124**	221,738
Basic earnings per share	(sen)	**20.18**	9.14

49. 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	
		2011	**2010**
Net profit for the year attributable to equity holders of the Company	(RM'000)	**49,459**	20,275
Weighted average number of ordinary shares in issue	('000)	**245,124**	221,738
Effects of dilution : ESOS (share option)	('000)	**-**	39
Adjusted weighted average number of shares in issue and issuable	('000)	**245,124**	221,777
Diluted earnings per share	(sen)	**20.18**	9.14

50. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Company	
	2011	2010
	RM'000	RM'000
Subsidiary companies - Income:		
Interest income on loans	**4,952**	591
Management fee income	**2,694**	2,606
Subsidiary companies - Expenditure:		
Office rental	**256**	256
Interest expense on loans	**277**	228
Rental of office equipment	**207**	194
Information technology advisory services	**1,098**	1,090

Information regarding outstanding balances arising from related party transactions and subsidiary companies as at 30 September 2011 are as disclosed in Note 18 and Note 24.

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.

50. 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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short-term employee benefits				
Salary and other remuneration	**1,387**	1,339	**660**	660
Bonus	**109**	31	**45**	-
Short term accumulating compensated absences	**(5)**	13	**-**	-
Benefits-in-kind	**61**	42	**24**	22
Post-employment benefits				
Pension cost - defined contribution plan	**145**	133	**85**	79
	1,697	1,558	**814**	761

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

	Group ESOS		Company ESOS	
	2011 '000	2010 '000	2011 '000	2010 '000
At beginning of year	**-**	2,600	**-**	900
Exercised	**-**	(2,600)	**-**	(900)
At end of year	**-**	-	**-**	-

The share options in the previous year were granted on the same terms and conditions as those offered to other employees of the Group. The share options had expired on 15 January 2011.

51. COMMITMENTS AND CONTINGENCIES

(a) Contingent liabilities

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Performance guarantees – secured	**228**	227	**-**	-
Guarantees given to financial institutions for facilities extended to subsidiary companies – secured	**-**	-	**3,920**	1,761
	228	227	**3,920**	1,761

(b) Non-cancellable operating lease commitments

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Future minimum lease payments are as follows:				
Not later than 1 year	**1,994**	1,404	**90**	61
Later than 1 year and not later than 5 years	**2,358**	1,490	**117**	90
	4,352	2,894	**207**	151

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

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

	Group	
	2011 RM'000	2010 RM'000
Approved and contracted for	**81**	-

52. FAIR VALUE OF FINANCIAL INSTRUMENTS

(i) Fair value of financial instruments

(a) The carrying amounts of financial assets and financial liabilities of the Group and of the Company at reporting date approximated their fair values except as set out below:

	Group		Company	
	Carrying amount RM'000	Fair Value RM'000	Carrying amount RM'000	Fair Value RM'000
At 30 September 2011:				
Financial Assets				
HTM investments	**40,213**	**40,423**	**-**	**-**
Financial Liabilities				
Hire purchase creditors	**1,596**	**1,651**	**464**	**466**
At 30 September 2010:				
Financial Assets				
Investments:				
Malaysian Government Securities	70,376	70,826	-	-
Financial Liabilities				
Hire purchase creditors	1,631	1,769	399	344

(b) Determination of fair value

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, insurance receivables/payables, trade and other receivables/payables, loans 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.

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd.)

(i) Fair value of financial instruments (Cont'd.)

(b) Determination of fair value (Cont'd.)

(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 Shares

The fair value of quoted shares are determined by reference to the stock exchange quoted market bid prices at the close of the business on the reporting 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.

53. INSURANCE RISK

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities.

Insurance contracts transfer risk to the Group by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events.

The Group underwrites various general insurance contracts which are mostly on an annual coverage and annual premium basis with the exception of short term policies such as Marine Cargo which covers the duration in which the cargo is being transported.

The Group also underwrites some non-annual policies with coverage period more than one year such as Extended Warranty Programme ("EWP"), Contractor's All Risks and Engineering , Bonds and Workmen Compensation.

The majority of the insurance business written by the Group is Motor and Personal Accident insurance. Other insurance business includes Fire, EWP, Contractor's All Risks and Engineering, Workmen Compensation, Professional Indemnity and other miscellaneous classes of insurance.

The principal insurance risks faced by the Group include risks of actual claims and benefit payments differing from expectation, risks arising from natural disasters, risks arising from the fluctuations in timing, frequency and severity of claims, as well as the adequacy of premiums and reserves. For longer tail claims that take some years to settle, there is also inflation risk.

The Group's objectives of managing insurance risks are to enhance the long-term financial performance of the business to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value. The Group seeks to write those risks that it understands and that provide a reasonable opportunity to earn an acceptable profit.

53. INSURANCE RISK (Cont'd.)

The Group has the following policies and processes to manage its insurance risks:

- An underwriting policy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines with set limits on underwriting capacity and authority to individuals based on their specific expertise.

- A claims management and control system to pay claims and control claim wastage or fraud.

- Claim review policies to assess all new and ongoing claims and possible fraudulent claims are investigated to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

- The Group purchases reinsurance as part of its risks mitigation programme. The objectives for purchasing reinsurance are to control exposure to insurance losses, reduce volatility and optimising the Group's capital efficiency. Reinsurance is ceded on quota share, proportional and non-proportional basis. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The table below sets out the concentration of the Group's insurance contract liabilities by type of insurance product.

Premium liabilities

	2011			2010		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
Motor	**211,686**	**(63,829)**	**147,857**	179,668	(46,528)	133,140
Personal Accident	**10,217**	**(612)**	**9,605**	8,540	(1,285)	7,255
Fire	**868**	**(406)**	**462**	1,213	(579)	634
Miscellaneous	**35,228**	**(10,443)**	**24,785**	53,171	(9,995)	43,176
	257,999	**(75,290)**	**182,709**	242,592	(58,387)	184,205

Claims liabilities

	2011			2010		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
Motor	**378,876**	**(84,055)**	**294,821**	356,062	(48,452)	307,610
Personal Accident	**3,057**	**(384)**	**2,673**	2,332	(324)	2,008
Fire	**954**	**(133)**	**821**	518	(79)	439
Miscellaneous	**33,599**	**(23,610)**	**9,989**	21,106	(14,396)	6,710
	416,486	**(108,182)**	**308,304**	380,018	(63,251)	316,767

53. INSURANCE RISK (Cont'd.)

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, discounting factors, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The independent actuarial firm engaged by the Group re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's estimation process in respect of its insurance contracts.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
30 September 2011					
Average claim cost	**+1%**	**4,165**	**3,083**	**3,083**	**2,312**
Average number of claim	**+1%**	**4,165**	**3,083**	**3,083**	**2,312**
Average claims settlement period	**decreased by 6 months**	**7,078**	**5,604**	**5,604**	**4,203**
30 September 2010					
Average claim cost	+1%	3,800	3,168	3,168	2,376
Average number of claim	+1%	3,800	3,168	3,168	2,376
Average claims settlement period	decreased by 6 months	5,332	4,598	4,598	3,449

* Impact on equity reflects adjustments for tax, where applicable.

53. INSURANCE RISK (Cont'd.)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting date, together with cumulative payments to-date.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the Group believes that the estimate of total claims outstanding as of 30 September 2011 are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross general insurance contract liabilities for 2011:

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year		146,428	148,941	151,087	162,214	196,979	244,459	248,638	
One year later		134,687	154,577	147,069	167,906	219,140	224,613	-	
Two years later		135,812	152,267	150,671	175,999	229,690	-	-	
Three years later		135,019	156,386	155,691	184,415	-	-	-	
Four years later		139,167	161,649	156,174	-	-	-	-	
Five years later		145,353	168,863	-	-	-	-	-	
Six years later		153,139	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		153,139	168,863	156,174	184,415	229,690	224,613	248,638	
At end of accident year		(42,917)	(41,663)	(44,902)	(49,370)	(50,154)	(53,559)	(56,892)	
One year later		(83,533)	(91,570)	(88,759)	(97,337)	(115,161)	(128,273)	-	
Two years later		(94,470)	(102,259)	(99,359)	(131,466)	(167,843)	-	-	
Three years later		(104,235)	(117,503)	(141,543)	(161,286)	-	-	-	
Four years later		(116,522)	(151,465)	(150,637)	-	-	-	-	
Five years later		(140,875)	(161,885)	-	-	-	-	-	
Six years later		(150,700)	-	-	-	-	-	-	
Cumulative payments to-date		(150,700)	(161,885)	(150,637)	(161,286)	(167,843)	(128,273)	(56,892)	
Gross general insurance outstanding liability (direct and facultative)	13,793	2,439	6,978	5,537	23,129	61,847	96,340	191,746	401,809

53. INSURANCE RISK (Cont'd.)

Gross general insurance contract liabilities for 2011: (Cont'd.)

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
Gross general insurance outstanding liability (treaty inward)									11,009
Best estimate of claims liabilities									412,818
Claims handling expenses									8,523
PRAD at 75% confidence level									36,971
Effects of discount									(41,826)
Gross general insurance contract liabilities per statement of financial position									416,486

53. INSURANCE RISK (Cont'd.)

Net general insurance contract liabilities for 2011:

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year		129,951	135,820	136,809	149,493	181,995	200,596	173,248	
One year later		125,883	146,840	138,655	154,419	191,742	191,470	-	
Two years later		127,566	144,957	138,977	159,251	206,975	-	-	
Three years later		127,511	148,670	143,414	167,316	-	-	-	
Four years later		131,064	150,836	143,648	-	-	-	-	
Five years later		136,168	153,671	-	-	-	-	-	
Six years later		138,520	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		138,520	153,671	143,648	167,316	206,975	191,470	173,248	
At end of accident year		(40,394)	(39,761)	(42,701)	(45,880)	(47,147)	(47,979)	(41,748)	
One year later		(79,033)	(87,471)	(84,274)	(90,963)	(107,204)	(111,233)	-	
Two years later		(89,370)	(97,702)	(93,739)	(122,373)	(155,194)	-	-	
Three years later		(98,633)	(112,157)	(132,197)	(150,088)	-	-	-	
Four years later		(110,174)	(144,465)	(139,280)	-	-	-	-	
Five years later		(132,741)	(150,819)	-	-	-	-	-	
Six years later		(136,808)	-	-	-	-	-	-	
Cumulative payments to-date		(136,808)	(150,819)	(139,280)	(150,088)	(155,194)	(111,233)	(41,748)	
Net general insurance outstanding liability (direct and facultative)	8,521	1,712	2,852	4,368	17,228	51,781	80,237	131,500	298,199
Net general insurance outstanding liability (treaty inward)									11,009
Best estimate of claims liabilities									309,208
Claims handling expenses									8,304
PRAD at 75% confidence level									23,910
Effects of discount									(33,118)
Net general insurance contract liabilities per statement of financial position									308,304

54. FINANCIAL RISKS

The Group is exposed to a variety of financial risks arising from their operations. The key financial risks are credit risk, liquidity risk, and market risk.

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential exposure to adverse effects on its financial performance and positions.

The policies and processes taken by the Group to manage these risks are set out below:

(a) Credit Risk

Credit risk is the risk of financial loss that may arise from the failure of counterparties in meeting their contractual obligations.

The Group's primary exposure to credit risk arises through its investments in debt instruments, receivables arising from sales of insurance policies and obligations of reinsurers through reinsurance contracts.

The Group has the following policies and processes to manage and mitigate its credit risks:

- Financial loss from an investment in debt instrument may arise from a change in the value of the investment due to a rating downgrade or default. Before acquiring a debt instrument from an issuer, an evaluation of the issuer's credit risk is undertaken by the Group. Ratings assigned by external rating agencies are also used in the evaluation to ensure optimal credit quality of the individual debt instrument concerned. The Group also has an Investment Policy which sets out the limits on which the Group may invest in each counterparty so as to ensure that there is no concentration of credit risk.

- Insurance receivables which arise mainly from premiums collected on behalf of the Group by appointed agents, brokers and other intermediaries are monitored on a day-to-day basis to ensure adherence to the Group's Credit Policy. Internal guidelines are also established to evaluate the Group's intermediaries before their appointment as well as setting credit terms/limits to the appointees concerned.

- Receivables from reinsurance contracts are monitored on a monthly basis to ensure compliance with payment terms. The Group also monitors the credit quality and financial conditions of its reinsurers on an ongoing basis to reduce the risk exposure. When selecting its reinsurers, the Group considers their relative financial security which is assessed based on public rating information, annual reports and other financial data.

- Other trade receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Held-to-maturity investments	**40,213**	70,376	**-**	-
Loans	**245**	292	**-**	-
Reinsurance assets	**182,404**	119,515	**-**	-
Insurance receivables	**109,385**	59,759	**-**	-
Trade receivables	**1,128**	1,441	**-**	-
Other receivables	**21,594**	16,880	**1,967**	259
Due from subsidiary companies	**-**	-	**92,843**	40,056
Deposits and placements with financial institutions	**550,410**	486,836	**1,561**	-
Cash and bank balances	**59,106**	61,698	**1,907**	5
	964,485	816,797	**98,278**	40,320

The above financial assets are not secured by any collateral or credit enhancements.

54. FINANCIAL RISKS (Cont'd.)

(a) Credit Risk (Cont'd.)

(i) Credit exposure by credit quality

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Group's and the Company's credit ratings of counterparties. AAA is the highest possible rating.

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
2011						
Held-to-maturity investments	-	-	-	-	40,213	40,213
Loans	-	-	-	-	245	245
Reinsurance assets	-	-	-	-	182,404	182,404
Insurance receivables	92,614	2,033	2,913	3	11,822	109,385
Trade receivables	-	-	-	-	1,128	1,128
Other receivables	-	-	-	-	21,594	21,594
Deposits and placements with financial institutions	178,060	183,590	105,362	-	83,398	550,410
Cash and bank balances	51,168	921	6,718	-	299	59,106
	321,842	186,544	114,993	3	341,103	964,485
2010						
Held-to-maturity investments	-	-	-	-	70,376	70,376
Loans	-	-	-	-	292	292
Reinsurance assets	-	-	-	-	119,515	119,515
Insurance receivables	45,968	218	8,722	4	4,847	59,759
Trade receivables	-	-	-	-	1,441	1,441
Other receivables	-	-	-	-	16,880	16,880
Deposits and placements with financial institutions	159,405	146,051	46,452	-	134,928	486,836
Cash and bank balances	58,393	2,878	-	-	427	61,698
	263,766	149,147	55,174	4	348,706	816,797

54. FINANCIAL RISKS (Cont'd.)

(a) Credit Risk (Cont'd.)

(i) Credit exposure by credit quality (Cont'd.)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Group's and the Company's credit ratings of counterparties. AAA is the highest possible rating. (Cont'd.)

Company	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
2011						
Due from subsidiary companies	**-**	**-**	**-**	**-**	**92,843**	**92,843**
Deposits and placements with financial institutions	**-**	**-**	**1,561**	**-**	**-**	**1,561**
Cash and bank balances	**1,646**	**60**	**200**	**-**	**1**	**1,907**
	1,646	**60**	**1,761**	**-**	**92,844**	**96,311**
2010						
Due from subsidiary companies	-	-	-	-	40,056	40,056
Cash and bank balances	4	-	-	-	1	5
	4	-	-	-	40,057	40,061

54. FINANCIAL RISKS (Cont'd.)

(a) Credit Risk (Cont'd.)

Age analysis of financial assets that are past due but not impaired

Group		< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	> than 180 days RM'000	Total RM'000
2011							
Insurance receivables	(i)	**9,295**	**35**	**358**	**27,040**	**30,298**	**67,026**
Trade receivables		**247**	**138**	**508**	**172**	**63**	**1,128**
		9,542	**173**	**866**	**27,212**	**30,361**	**68,154**
2010							
Insurance receivables	(i)	9,653	120	527	1,188	579	12,067
Trade receivables		523	587	68	199	51	1,428
		10,176	707	595	1,387	630	13,495

(i) The Group's insurance receivables that are past due but not impaired are creditworthy debtors.

Financial assets that are neither past due nor impaired

		Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Insurance receivables	(i)	**42,359**	47,692	**-**	-
Trade receivables	(i)	**-**	13	**-**	-
Due from subsidiary companies	(ii)	**-**	-	**92,843**	40,056
		42,359	47,705	**92,843**	40,056

(i) The Group's receivables that are neither past due nor impaired are creditworthy debtors.

None of the Group's receivables that are neither past due nor impaired have been renegotiated during the financial year.

(ii) Due from subsidiary companies are unsecured.

The Group's receivables are not secured by any collaterals or credit enhancement.

54. FINANCIAL RISKS (Cont'd.)

(a) Credit Risk (Cont'd.)

The carrying amount of financial assets that would otherwise be past due whose terms have been renegotiated are as follows:

Company	2011 RM'000
Due from subsidiary companies	**22,736**

Financial assets that are impaired

The Group's and the Company's financial assets that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired		Collectively impaired		Total	
Group	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Movement in allowance accounts:						
Insurance receivables						
At beginning of year	**8,323**	3,735	**-**	-	**8,323**	3,735
Impairment loss (Note 39)	**1,310**	4,979	**-**	-	**1,310**	4,979
Write back of impairment loss (Note 39)	**(97)**	(344)	**-**	-	**(97)**	(344)
Write-offs	**(58)**	(47)	**-**	-	**(58)**	(47)
At end of year	**9,478**	8,323	**-**	-	**9,478**	8,323
Trade receivables						
At beginning of year	**1,136**	1,190	**-**	-	**1,136**	1,190
Impairment loss (Note 39)	**-**	10	**-**	-	**-**	10
Write back of impairment loss (Note 39)	**(18)**	(37)	**-**	-	**(18)**	(37)
Write-offs	**(31)**	-	**-**	-	**(31)**	-
Translation differences	**9**	(27)	**-**	-	**9**	(27)
At end of year	**1,096**	1,136	**-**	-	**1,096**	1,136
Total	**10,574**	9,459	**-**	-	**10,574**	9,459

54. FINANCIAL RISKS (Cont'd.)

(a) Credit Risk (Cont'd.)

The Group's receivables that are individually impaired at the reporting date relate to debtors that are in significant financial difficulties or have defaulted in payments.

The Group's receivables are not secured by any collaterals or credit enhancements.

Company	Individually impaired		Collectively impaired		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Movement in allowance accounts:						
Due from subsidiary companies						
At beginning of year	**18,244**	15,275	**-**	-	**18,244**	15,275
Impairment loss (Note 39)	**34**	2,969	**-**	-	**34**	2,969
Write back of impairment loss (Note 39)	**(250)**	-	**-**	-	**(250)**	-
Write-offs	**(81)**	-	**-**	-	**(81)**	-
At end of year	**17,947**	18,244	**-**	-	**17,947**	18,244

(b) Liquidity risk

Liquidity risk is the risk that the Group may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Group's policy is to maintain adequate liquidity to meet their liquidity needs under normal and stressed conditions.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- The Group-wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk for the Group is established. Compliance with the policy is monitored and exposures and breaches are reported to the Group's Risk Management Committee.

- Guidelines on asset allocations, portfolio limit structures and maturity profiles of assets are implemented in order to ensure sufficient funding is available to meet insurance, investment contract and other payment obligations. As part of its liquidity management, the Group maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

- Contingency funding plans were established to mitigate funding requirement arising from emergency and other unforeseen cash calls. Such funding plans include the arrangement of credit with banks and funding from the holding company.

- The Group has established treaty reinsurance contract that contain a "cash call" clause which permits the Group to make cash calls on claims and receive immediate payments for large losses without waiting for usual periodic payment procedures to occur.

54. FINANCIAL RISKS (Cont'd.)

(b) Liquidity risk (Cont'd.)

(i) Maturity analysis

The table below summarises the maturity profile of the financial liabilities of the Group and the Company based on remaining undiscounted contractual obligations, including interest/profit payable.

For insurance contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities. Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analysis as these are not contractual obligations.

Group	Carrying value RM'000	Up to a year* RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2011							
Insurance contract liabilities	**416,486**	**139,151**	**63,189**	**142,697**	**71,449**	**-**	**416,486**
Insurance payables	**23,432**	**23,432**	**-**	**-**	**-**	**-**	**23,432**
Trade payables	**17**	**17**	**-**	**-**	**-**	**-**	**17**
Other payables	**8,989**	**8,989**	**-**	**-**	**-**	**-**	**8,989**
Hire purchase creditors	**1,596**	**533**	**739**	**324**	**-**	**-**	**1,596**
Borrowings	**96,648**	**96,648**	**-**	**-**	**-**	**-**	**96,648**
Total liabilities	**547,168**	**268,770**	**63,928**	**143,021**	**71,449**	**-**	**547,168**
2010							
Insurance contract liabilities	380,018	141,853	56,634	116,244	65,287	-	380,018
Insurance payables	40,038	40,038	-	-	-	-	40,038
Trade payables	53	53	-	-	-	-	53
Other payables	10,726	10,726	-	-	-	-	10,726
Hire purchase creditors	1,631	483	709	439	-	-	1,631
Borrowings	44,204	44,204	-	-	-	-	44,204
Total liabilities	476,670	237,357	57,343	116,683	65,287	-	476,670

* Expected utilisation or settlement is within 12 months from the reporting date.

54. FINANCIAL RISKS (Cont'd.)

(b) Liquidity risk (Cont'd.)

(i) Maturity analysis (Cont'd.)

Company	Carrying value RM'000	Up to a year* RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2011							
Due to a subsidiary company	**3,041**	**-**	**-**	**-**	**-**	**3,041**	**3,041**
Other payables	**846**	**846**	**-**	**-**	**-**	**-**	**846**
Hire purchase creditors	**464**	**157**	**204**	**103**	**-**	**-**	**464**
Borrowings	**96,148**	**96,148**	**-**	**-**	**-**	**-**	**96,148**
Total liabilities	**100,499**	**97,151**	**204**	**103**	**-**	**3,041**	**100,499**
2010							
Due to a subsidiary company	3,069	-	-	-	-	3,069	3,069
Other payables	975	975	-	-	-	-	975
Hire purchase creditors	339	120	174	45	-	-	339
Borrowings	43,704	43,704	-	-	-	-	43,704
Total liabilities	48,087	44,799	174	45	-	3,069	48,087

* Expected utilisation or settlement is within 12 months from the reporting date.

54. FINANCIAL RISKS (Cont'd.)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of exposures: foreign exchange rates (currency risk), market interest rates (interest rate/profit yield risk) and market prices (price risk).

The key features of the Group's and the Company's market risk management practices and policies are as follows:

- A Group and Company-wide market-risk policy setting out the evaluation and determination of what constitutes market risk for the Group and the Company is established.

- Policies and limits have been established to manage market risk. Market risk is managed through portfolio diversification and changes in asset allocation. The Group's and the Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Group's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange risk as a result of its net investments in overseas subsidiary companies and normal trading activities, both external and intra-group, where the currency denomination differs from the functional currency, Ringgit Malaysia ("RM"). The currencies giving rise to foreign exchange risk are primarily United States Dollar ("USD") and Thailand Baht ("Baht").

Exposure to foreign currency risk

The Group's exposure to foreign currency risk based on carrying amounts as at the end of the reporting date was:

	2011 Exposure in		2010 Exposure in	
	USD	**Baht**	**USD**	**Baht**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade and other receivables	**86**	**1,255**	64	1,601
Deposits and placements with financial institutions	**68**	**100**	69	98
Cash and bank balances	**101**	**253**	65	382
Trade and other payables	**49**	**529**	15	508
	304	**2,137**	213	2,589

54. FINANCIAL RISKS (Cont'd.)

(c) Market risk (Cont'd.)

(i) Currency risk (Cont'd.)

Currency risk sensitivity analysis

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax to a reasonable possible change in the USD and Baht exchange rates, with all other variables held constant:

		Group		Company	
		2011 Profit net of tax RM'000	2010 Profit net of tax RM'000	2011 Profit net of tax RM'000	2010 Profit net of tax RM'000
USD/RM	- strengthened 3%	**(1,241)**	153	**(1,579)**	(474)
	- weakened 3%	**1,250**	(162)	**1,579**	474
USD/Baht	- strengthened 3%	**(418)**	(391)	**-**	-
	- weakened 3%	**418**	391	**-**	-
RM/Baht	- strengthened 3%	**8**	-	**-**	-
	- weakened 3%	**(8)**	-	**-**	-

(ii) Interest rate/profit yield risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate/profit yield.

The Group and the Company are exposed to interest rate risk primarily through their investments in fixed income securities, deposits placements and borrowings from financial institutions. Interest rate risk is managed by the Group and the Company on an ongoing basis.

The impact on profit before tax and equity (inclusive of the impact on statements on comprehensive income) arising from a +/- 25 basis points change in the interest rate, with all other variables held constant, is shown below:

	2011 Impact on		2010 Impact on	
	Profit before tax RM'000	Equity * RM'000	Profit before tax RM'000	Equity * RM'000
Group				
+ 25 basis points	**1,268**	**951**	1,247	935
- 25 basis points	**(1,268)**	**(951)**	(1,247)	(935)
Company				
+ 25 basis points	**(232)**	**(174)**	(109)	(82)
- 25 basis points	**232**	**174**	109	82

* Impact on Equity reflects adjustments for tax, where applicable.

54. FINANCIAL RISKS (Cont'd.)

(c) Market risk (Cont'd.)

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), regardless whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting similar financial instruments traded in the market.

The Group's exposure to price risk arises mainly from its investments in quoted shares and unit trusts whose values will fluctuate as a result of changes in market prices.

The Group manages its price risk by ensuring that its investments in quoted shares and unit trusts are within the limits set out in the Group's Investment Policy. The Group does not have any major concentration of price risk related to such investments.

The impact on profit before tax and equity (inclusive of the impact on statements on comprehensive income) arising from +/- 10% change in market price of AFS financial assets, with all other variables held constant, is shown below:

		2011 Impact on		2010 Impact on	
Group	**Change in variables**	**Profit before tax # RM'000**	**Equity * RM'000**	**Profit before tax RM'000**	**Equity * RM'000**
Market price	+10%	**-**	**2,570**	3,035	2,276
Market price	-10%	**-**	**(2,570)**	(3,035)	(2,276)
Company					
Market price	+10%	**-**	**590**	-	-
Market price	-10%	**-**	**(590)**	-	-

* Impact on Equity reflects adjustments for tax, where applicable.

There is no impact on profit before tax for the year ended 30 September 2011 due to the adoption of FRS 139 for which all the Group's investments in quoted shares and unit trusts are classified as AFS financial assets with fair value movements recorded in the AFS reseve in equity accordingly. FRS 139 is applied prospectively for the year ended 30 September 2011.

54. FINANCIAL RISKS (Cont'd.)

(d) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group and the Company cannot expect to eliminate all operational risks but mitigates them by establishing a control framework and by monitoring and responding to potential risks. Controls include segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of internal audit. Business risk, such as changes in environment, technology and the industry are monitored through the Group's and the Company's strategic planning and budgeting process.

55. CAPITAL MANAGEMENT

The Group's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders of its insurance subsidiary company and meet regulatory requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and regulatory requirements. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or obtain credit facilities from the financial institutions.

The insurance subsidiary company is required to comply with the regulatory capital requirement prescribed in the RBC Framework which is imposed by the Ministry of Finance pursuant to Section 23 of the Insurance Act, 1996, as a licensing condition for insurers. Under the RBC Framework guidelines issued by BNM, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. The insurance subsidiary company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the insurance subsidiary company as at 30 September 2011, as prescribed under the RBC Framework is provided below:

	2011 RM'000	2010 RM'000 (Restated)
Eligible Tier 1 Capital		
Share capital (paid-up)	**100,000**	100,000
Reserves, including retained profits	**117,660**	86,515
	217,660	186,515
Tier 2 Capital		
Capital instruments which qualify as Tier 2 Capital	**69,606**	-
Revaluation reserve	**5,222**	5,222
AFS reserve	**(1,611)**	(1,746)
	73,217	3,476
Amounts deducted from Capital	**(4,450)**	(3,580)
Total Capital Available	**286,427**	186,411

56. 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.

2011	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	524,630	4,607	35	22	-	-	529,294
Inter-segment sales	256	9,486	42,246	356	2	(52,346)	-
Total segment revenue	524,886	14,093	42,281	378	2	(52,346)	529,294
RESULTS							
Segment profit before tax after accounting for:	77,982	(2,233)	28,323	295	54	(35,142)	69,279
Interest income	-	18	-	4	-	-	22
Finance cost	(4,352)	(811)	(4,884)	-	-	5,330	(4,717)
Depreciation	(943)	(543)	(101)	-	(1)	87	(1,501)
Amortisation	(39)	(118)	(5)	-	(1)	4	(159)
Other non-cash items	3,654	(207)	1,329	(55)	(87)	297	4,931
ASSETS							
Segment assets	1,000,233	9,853	4,569	3,297	14	-	1,017,966
Unallocated corporate assets							10,926
Consolidated total assets							1,028,892
LIABILITIES							
Segment liabilities	704,178	1,827	1,001	1,179	19	-	708,204
Unallocated corporate liabilities							107,610
Consolidated total liabilities							815,814
OTHER INFORMATION							
Capital expenditure	386	296	371	-	-	-	1,053

56. 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:	52,164	(2,182)	(11,455)	(48)	(37)	2,834	41,276
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 items	7,907	1,255	4,964	281	-	(2,969)	11,438
ASSETS							
Segment assets	860,535	11,434	15,033	3,380	12	-	890,394
Unallocated corporate assets							8,192
Consolidated total assets							898,586
LIABILITIES							
Segment liabilities	669,746	1,991	950	1,979	23	-	674,689
Unallocated corporate liabilities							49,676
Consolidated total liabilities							724,365
OTHER INFORMATION							
Capital expenditure	1,181	489	181	-	-	-	1,851

56. SEGMENT REPORTING (Cont'd.)

Other non-cash items include the following items:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Allowance for diminution in value of investments	**-**	3,533
Impairment loss of AFS securities	**3,897**	-
Unrealised foreign exchange losses	**1,166**	3,165
Gain on disposal of investments	**(550)**	(515)
Allowance for impairment of :		
- insurance receivables	**1,310**	4,979
- trade receivables	**-**	10
Write back in allowance for impairment of :		
- insurance receivables	**(97)**	(344)
- reinsurance assets	**(1,055)**	(501)
- trade receivables	**(18)**	(37)
Amortisation of premiums, net of accretion of discounts	**137**	197
Inventories written off	**196**	140
Loss on disposal of property, plant and equipment	**92**	142
Short term accumulating absences	**4**	65
Property, plant and equipment written off	**27**	130
Allowance for inventories obsolescene	**13**	64
	5,122	11,028

56. SEGMENT REPORTING (Cont'd.)

(b) Geographical Segments

In Malaysia, the Group's areas of operation are principally insurance, information technology, investment holding and money lending. Other operations in Malaysia include distribution of consumer goods, provision of sales and administrative services, provision of management and privilege card programme services.

The Group also operates in the United States of America (information technology) and Thailand (information technology).

	Total Revenue from External Customers		Segment Assets		Capital Expenditure	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Malaysia	**526,580**	474,924	**1,015,344**	887,153	**1,014**	1,809
Thailand	**2,529**	3,267	**1,960**	2,485	**5**	26
United States of America	**185**	167	**662**	756	**34**	16
	529,294	478,358	**1,017,966**	890,394	**1,053**	1,851

(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 (2010 : None).

57. COMPARATIVE FIGURES

The following comparative figures as at 30 September 2010 have been reclassified to conform with current year's presentation:

Group	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Statement of Financial Position			
Investments	662,781	(542,089)	120,692
Reinsurance assets	-	119,515	119,515
Insurance receivables	-	59,759	59,759
Trade receivables	46,510	(45,069)	1,441
Other receivables	16,888	(8)	16,880
Deposits and placements with financial institutions	715	486,121	486,836
Cash and bank balances	5,730	55,968	61,698
Insurance contract liabilities	-	(622,610)	(622,610)
Claims liabilities	(316,767)	316,767	-
Premium liabilities	(184,205)	184,205	-
Insurance payables	-	(40,038)	(40,038)
Trade payables	(23,205)	23,152	(53)
Income Statement			
Other operating income	1,353	19,386	20,739
Net commission	(33,758)	33,758	-
Commission expenses	-	(53,144)	(53,144)

58. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED RETAINED PROFITS/ (ACCUMULATED LOSSES)

	Group		Company	
	2011 RM'000	2010 RM'000 (Restated)	2011 RM'000	2010 RM'000
Total retained profits/(accumulated losses)				
- Realised	**12,569**	(19,524)	**16,593**	14,110
- Unrealised	**1,852**	2,573	**(2,891)**	(832)
	14,421	(16,951)	**13,702**	13,278
Less: Consolidation adjustments	**9,791**	10,605	**-**	-
Total retained profits/(accumulated losses) as per statement of financial position	**24,212**	(6,346)	**13,702**	13,278

The determination of realised and unrealised profits/losses is based on Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

LIST OF GROUP'S PROPERTIES as at 30 September 2011

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2011 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	4,384	26	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	8,405	26	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	26	14.4.1986/ 3.11.2008

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2011 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	32	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	684	27	8.12.1984/ 3.11.2008
6.	Lot No. 13772 & 13771S Geran 10602/M1/4/11 & 10601/M1/4/2 Town of Ipoh District of Kinta Ipoh, Perak Darul Ridzuan Lot 3.1 & 3.2, 3rd Floor Wisma Kota Emas Jalan Dato' Tahwil Azhar 30300 Ipoh Perak Darul Ridzuan	1528	Freehold	Office-lots	91	28	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	856	13	18.9.1998/ 3.11.2008

LIST OF GROUP'S PROPERTIES as at 30 September 2011

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2011 RM'000	Approximate age of building Years	Date of acquisition / Date of last valuation
8.	Geran 8678/M2/1/107 Lot No. 4328 N Town of Ipoh District of Kinta Ipoh, Perak Darul Ridzuan Unit No. 83, Ground Floor Block B, Cherry Apartment 30100 Ipoh Perak Darul Ridzuan	732	Freehold	Apartment/ Residential	55	20	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	551	12	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	379	12	3.12.1999/ 3.11.2008

Authorised capital	:	RM200,000,000.00
Issued and fully paid-up capital	:	RM122,977,000.00
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	389	16,043	0.01
100 to 1,000	409	157,376	0.06
1,001 to 10,000	3,268	15,277,311	6.22
10,001 to 100,000	1,245	34,511,322	14.04
100,001 to less than 5% of issued shares	129	116,978,176	47.61
5% and above of issued shares	3	78,773,272	32.06
Total	**5,443**	**245,713,500***	**100.00**

*The number of 245,713,500 ordinary shares is exclusive of treasury shares retained by the Company.

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 31 December 2011 were as follows:

	No. of RM0.50 Shares			
Name	Direct Interest	%	Indirect Interest	%
Chan Thye Seng	27,898,736	11.35	108,771,818(2)	44.27
Mah Wing Holdings Sdn Bhd	54,289,202	22.09	–	–
Mah Wing Investments Limited	49,262,660	20.05	–	–

DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings, the Directors' shareholdings as at 31 December 2011 were as follows:

	No. of RM0.50 Shares			
Name	Direct Interest	%	Indirect Interest	%
Chan Hua Eng	284,198	0.12	5,349,522(1)	2.18
Chan Thye Seng	27,898,736	11.35	108,771,818(2)	44.27
Michael Yee Kim Shing	–	–	1,537,802(3)	0.63
Y.M. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed	–	–	5,148,452(4)	2.10
Dato' Abu Hanifah bin Noordin	–	–	833,332(5)	0.34

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".

THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

	Name	No. of RM0.50 Shares	% of Issued Capital
1.	HDM Nominees (Asing) Sdn Bhd Mah Wing Investments Limited	49,262,660	20.05
2.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	16,405,714	6.68
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	4.40
5.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	9,217,104	3.75
6.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamed Ayub Bin Mohamed Ali	9,000,000	3.66
7.	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chan Thye Seng	6,584,032	2.68
8.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Thye Seng	6,099,682	2.48
9.	Chan Thye Seng	6,000,000	2.44
10.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	5,148,452	2.10
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	1.67
13.	HSBC Nominees (Asing) Sdn Bhd Exempt An For BNP Paribas Wealth Management Singapore Branch	3,895,200	1.59
14.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Thye Seng	3,645,100	1.48
15.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Chan Thye Seng	3,052,220	1.24
16.	Neoh Choo Ee & Company, Sdn. Berhad	3,015,900	1.23
17.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad For Chan Thye Seng	2,350,000	0.96
18.	Electroscon Coletra Sdn Bhd	2,000,000	0.81
19.	Tan Teong Han	1,787,242	0.73
20.	Yeoh Kean Hua	1,708,802	0.69
21.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Michael Yee Kim Shing	1,163,612	0.47
22.	Amanah Saham Mara Berhad	1,122,012	0.46
23.	Yayasan Kedah Berhad	1,011,264	0.41
24.	Multi-Purpose Holdings Berhad	1,000,000	0.41
25.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Deva Dassan Solomon	1,000,000	0.41
26.	BHLB Trustee Berhad Exempt An For Employees Provident Fund	937,468	0.38
27.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Abu Hanifah Bin Noordin	893,332	0.36
28.	Kumpulan Wang Simpanan Guru-Guru	881,034	0.36
29.	Lee Sik Pin	874,504	0.35
30.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Oh Kim Sun	708,500	0.29
	Total	171,570,810	69.83

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 Eighteenth 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 Tuesday, 27 March 2012 at 11.00 a.m., and at any adjournment thereof.

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

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

*Delete if not applicable.

As witness my hand this _____ day of _____ 2012

_____
Signature/Common Seal of Member(s)

Notes:

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

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STAMP

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

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PACIFIC & ORIENT BERHAD
11th Floor, Wisma Bumi Raya
No. 10, Jalan Raja Laut
50350 Kuala Lumpur, Malaysia
Tel : 03-2698 5033 [40 lines]
Fax : 03-2694 4209
www.pacific-orient.com