PACIFIC & ORIENT BERHAD
(308366-H)

ANNUAL REPORT 2012

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CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at the Ballroom 1, Level 1, Corus Hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 6 March 2013 at 11.00 a.m. for the following purposes:

1. To receive the Audited Financial Statements for the year ended 30 September 2012 and the Reports of the Directors and the Auditors thereon. **Resolution 1**

2. To re-elect Dr. Zaha Rina binti Zahari who retires as Director of the Company pursuant to Article 89 of the Company's Articles of Association, and being eligible, offers herself for re-election. **Resolution 2**

3. To re-elect YBhg. Dato' Abu Hanifah bin Noordin who retires as Director of the Company pursuant to Article 82 of the Company's Articles of Association, and being eligible, offers himself for re-election. **Resolution 3**

4. 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(2) of the Companies Act 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 4**

   (b) "THAT Mr Michael Yee Kim Shing who retires pursuant to Section 129(2) of the Companies Act 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 5**

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

   As Special Business

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

6. **Ordinary Resolution No. 1** **Resolution 7**
   − Authority to issue shares pursuant to Section 132D of the Companies Act 1965

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

7. **Ordinary Resolution No. 2** **Resolution 8**
   − 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:

   (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

7. **Ordinary Resolution No. 2 (Cont'd.)**

   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 31 January 2013) 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."

8. **Ordinary Resolution Nos. 3, 4 and 5:**
   − Retention of Independent Directors

   To retain the following Directors as Independent Non-Executive Director of the Company in accordance with the Malaysian Code of Corporate Governance 2012:

   (i) Y.M. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed **Resolution 9**
   (ii) YBhg. Dato' Abu Hanifah bin Noordin **Resolution 10**
   (iii) Mr Michael Yee Kim Shing **Resolution 11**

9. **Special Resolution No. 1** **Resolution 12**
   − Proposed Amendments to the Articles of Association of the Company

   "**THAT** the Proposed Amendments to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 31 January 2013 be and are hereby approved and adopted **AND THAT** the Directors and Secretary of the Company be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments to the Company's Articles of Association."

10. To transact any other ordinary business which may be properly 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
31 January 2013

NOTES:

1. Depositors whose names appear in the Record of Depositors as at 27 February 2013 shall be regarded as members of the Company entitled to attend the Annual General Meeting or appoint proxies to attend and vote on their behalf.

2. 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.

3. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

4. 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.

5. 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.

EXPLANATORY NOTES TO SPECIAL BUSINESS

1. **Resolution 7 – Authority to issue shares pursuant to Section 132D of the Companies Act 1965**

   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, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Eighteenth Annual General Meeting held on 27 March 2012 and which will lapse at the conclusion of the Nineteenth Annual General Meeting.

2. **Resolution 8 – Proposed Renewal of Authority for the Purchase by the Company of its Own Shares**

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

   For further information, please refer to the Share Buy-back Statement dated 31 January 2013 which is despatched together with the Company's 2012 Annual Report.

3. **Resolutions 9, 10 and 11 – Retention of Independent Directors**

This resolution will allow the following directors to continue to act as Independent Non-Executive Directors of the Company:

(i) **Y.M. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed**

Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed was appointed Independent Non-Executive Director of the Company on 19 September 1995, and has therefore served for more than nine (9) years. As at the date of this notice of the AGM, Tunku Dato' Mu'tamir has served the Company for 17 years. However, Tunku Dato' Mu'tamir has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board, therefore, considers Tunku Dato' Mu'tamir to be independent and believes that Tunku Dato' Mu'tamir should be retained as Independent Non-Executive Director.

(ii) **YBhg. Dato' Abu Hanifah bin Noordin**

Dato' Abu Hanifah bin Noordin was appointed Independent Non-Executive Director of the Company on 17 June 1997, and has therefore served for more than nine (9) years. As at the date of this notice of the AGM, Dato' Hanifah has served the Company for 15 years. However, Dato' Hanifah has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board, therefore, considers Dato' Hanifah to be independent and believes that Dato' Hanifah should be retained as Independent Non-Executive Director.

(iii) **Mr Michael Yee Kim Shing**

Mr. Michael Yee Kim Shing was appointed Independent Non-Executive Director of the Company on 28 February 1995, and has therefore served for more than nine (9) years. As at the date of this notice of the AGM, Mr. Michael Yee has served the Company for 18 years. However, Mr. Michael Yee has met the independence guidelines as set out in Chapter 1 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board, therefore, considers Mr. Michael Yee to be independent and believes that Mr. Michael Yee should be retained as Independent Non-Executive Director.

4. **Resolution 12 – Proposed Amendments to the Articles of Association of the Company**

The Proposed Amendments to the Articles of Association of the Company are to streamline the Company's Articles of Association to be in line with the recent amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements which took effect on 3 January 2012.

Please refer to the Circular to Shareholders dated 31 January 2013 which is despatched together with the Company's 2012 Annual Report for more information.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

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

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr Chan Hua Eng Non-Executive Chairman Mr Chan Thye Seng Managing Director and Chief Executive Officer Y.M. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed Independent Non-Executive Director Y.Bhg. Dato' Abu Hanifah bin Noordin Independent Non-Executive Director Mr Michael Yee Kim Shing Independent Non-Executive Director Dr Zaha Rina binti Zahari 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 No. : 03-26924271 Fax No. : 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 Hong Leong Investment Bank Berhad RHB Bank Berhad
REGISTERED OFFICE	11th Floor, Wisma Bumi Raya No. 10 Jalan Raja Laut 50350 Kuala Lumpur Malaysia Tel No. : 03-26985033 Fax No. : 03-26944209 Website : www.pacific-orient.com
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad Main Board

Mr Chan Hua Eng (84), 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 Glenealy Plantations (Malaya) Bhd.

Mr Chan Thye Seng (56), 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 Bhd and Pacific & Orient Insurance Co. Bhd.

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 (74), 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. Bhd, Dataprep Holdings Bhd and Datasonic Group Bhd.

Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed (68), Malaysian
Independent Non-Executive Director, Chairman of the Nominating Committee and the Remuneration Committee, member of the Audit Committee

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

PROFILE OF THE BOARD OF DIRECTORS

Y.Bhg. Dato' Abu Hanifah Bin Noordin (61), 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 Bhd and an independent non-executive director as well as Deputy Chairman of Mega First Corporation Bhd.

Dr Zaha Rina binti Zahari (51), Malaysian
Independent Non-Executive Director

Dr Zaha Rina Zahari joined the Board in May 2012. Dr Zaha Rina received her BA (Hons) Accounting and Finance from Leeds UK, her MBA from Hull UK and holds a Doctorate in Business Administration, focusing on capital markets research and specialising in derivatives.

Dr Zaha Rina was a Consultant to Financial Technologies Middle East based in Bahrain for the set up of Bahrain Financial Exchange (BFX) launched in January 2009. Prior to this Dr Zaha Rina was with Royal Bank of Scotland Group in Singapore from August 2007 to May 2008. Dr Zaha Rina has more than 20 years experience in the financial, commodities and securities industry and the development of the Malaysian Capital Market, which includes managing a futures broking company, and was Chief Executive Officer of RHB Securities Sdn Bhd, one of the larger stock broking firms in Malaysia from 2004 to 2006. RHB is the 3rd largest Financial Services Group in Malaysia. She has previous Board appointments at the Commodity and Monetary Exchange of Malaysia ("COMMEX") from 1993 to 1996, then as the Chief Operating Officer ("COO") of Kuala Lumpur Options and Financial Futures Exchange ("KLOFFE") in 2001.

Dr Zaha Rina was instrumental in the merger of COMMEX and KLOFFE which ultimately led to the creation of Malaysian Derivatives Exchange ("MDEX") and the subsequent appointment as COO of MDEX in June 2001. Dr Zaha Rina was then appointed Head of Exchanges, managing the operations of KLSE, MESDAQ, MDEX and Labuan International Financial Exchanges (LFX) in September 2003 prior to KLSE's (now known as Bursa Malaysia Securities Bhd) demutualisation. Dr Zaha Rina is also a regular speaker at many international conferences and forums.

Dr Zaha Rina is also a director of Zurich Insurance Malaysia Bhd (formerly known as Malaysian Assurance Alliance Bhd) and Hong Leong Industries Bhd. She also holds directorships in several private limited companies. Dr Zaha Rina is a Vice-President of Persatuan Chopin Malaysia and Divemaster with National Association of Underwater Instructors (NAUI). She was a Member of Global Board of Advisers for XBRL until 2009 and was also on the Board of Trustee for Malaysian AIDS Foundation until May 2010.

The interests of each Director in the shares of the Company are disclosed on page 153 (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.

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 ("Code")

- 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 Securities Commission had, in its Corporate Governance Blueprint 2011, recommended gender diversity in the boardroom, with the goal of having women participation on boards to reach 30% by 2016. Towards complying with the requirement, the Board has, for a start, appointed Dr Zaha Rina binti Zahari as an additional Independent Non-Executive Director on 22 May 2012.

With the appointment, the size of the Company's Board increased to six (6) Directors in the current financial year, comprising one (1) Non-Independent Non-Executive Director, one (1) Executive Director and four (4) Independent Non-Executive Directors. Independent Non-Executive Directors form more than half of the Board, thus fulfilling the requirement under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that at least one third of the Board members are independent directors. This ensures that minority shareholders' interests are adequately represented.

The appointment of Dr Zaha Rina binti Zahari as a Director by the Board was made based on the Nominating Committee's recommendation after an assessment of the eligibility and suitability of the individual was performed by the Nominating Committee against a set of objective criteria.

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 7 to 8 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, communities in which the Group conducts business and other stakeholders.

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 2012. The details of attendance by each of the Directors of the meetings are as follows:

Name of Board Member	Designation	Number of Meetings Attended
Mr Chan Hua Eng	Non-Executive Chairman	4 out of 4
Mr Chan Thye Seng	Managing Director/Chief Executive Officer	4 out of 4
Mr Michael Yee Kim Shing	Independent Non-Executive Director	4 out of 4
Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed	Independent Non-Executive Director	3 out of 4
Y.Bhg. Dato' Abu Hanifah Bin Noordin	Independent Non-Executive Director	4 out of 4
Dr Zaha Rina Binti Zahari (appointed w.e.f. 22 May 2012)	Independent Non-Executive Director	2 out of 2

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.Bhg. Dato' Abu Hanifah Bin Noordin.

During the financial year under review the Nominating Committee held two (2) meetings, on 25 November 2011 and 24 April 2012, which was attended by all (3) 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 25 November 2011, which was attended by all three (3) 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 2012 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Director		975,240	975,240
Non-Executive Directors	175,850		175,850

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		5
950,001-1,000,000	1	

The disclosure on Directors' remuneration is made in accordance with item 11, Part A of Appendix 9C of the Main Market Listing Requirements. The Board is of the opinion that the disclosure of Directors' remuneration through 'band disclosure' is sufficient to meet the objectives of the Code.

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 corporate 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 Annual General Meeting and to vote on all resolutions.

Senior management and External Auditors are also available to respond to 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 based on Audit Planning Memorandums approved by the respective Audit Committees. 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 principal 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 Management Department has 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.

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 ELEMENTS OF THE SYSTEM OF INTERNAL CONTROL

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 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, 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 the 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 their 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.

Review of the Statement by External Auditors

The External Auditors have reviewed the Statement of Internal Control for inclusion in the annual report of the Company for the financial year ended 30th September 2012 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their 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

b. the Group has a policy on revaluing its investment properties once every three years.

REPORT OF THE AUDIT COMMITTEE

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 Audit 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 Audit 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 Audit 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 a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

1.4 No alternate Director shall be appointed as a member of the Audit Committee.

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

1.6 If a member of the Audit 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 Audit 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 an Audit Committee meeting shall be at least two (2) members; the majority present must be Independent Directors.

2.2 The Audit 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 Audit 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 Audit 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 Audit 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 Audit 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 Audit 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 Audit 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 Audit 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 Audit 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 Audit Committee and the Board.

5. Group Internal Audit Department

5.1 The Head of the Group Internal Audit Department shall have unrestricted access to the Audit 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 Group 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 30th September 2012. The details of attendance of each of the member at the Committee meetings held during the year are as follows:

Name of Committee Member	Number of meetings attended
1. Mr. Michael Yee Kim Shing	4/4
2. Y.M. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed	3/4
3. Y.Bhg. Dato' Abu Hanifah bin Noordin	4/4

The Head of the Group Internal Audit Department 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.

REPORT OF THE AUDIT COMMITTEE

ACTIVITIES OF THE COMMITTEE

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 30th September 2012 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 submission to the Board for their consideration and 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 Corporate Governance Statement 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 Group 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 Group 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 Group 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.

ACTIVITIES OF THE COMMITTEE (Cont'd.)

Others

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

(b) Discussed the implications of any latest changes and pronouncements on the Company and the Group, which were issued by the accountancy, statutory and regulatory bodies as well as publications on matters of significance, which may be of interest to the Audit Committee and the Board.

INTERNAL AUDIT ACTIVITIES REPORT

The Audit Committee is supported by an in-house Internal Audit function in the discharge of its duties and responsibilities. The Internal Audit function reports directly to the Committee and is independent of the activities they audit. The primary responsibility of the Group 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 Group Internal Audit Department for the financial year ended 30th September 2012 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 all Audit Committee meetings to table and discuss the audit reports and followed 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 2012.

FINANCIAL RESULTS

The Group recorded an improved turnover of RM548.8 million in 2012 compared to RM529.3 million in 2011. The increase was mainly attributed to higher premium attained by the insurance subsidiary company. Pre-tax profit of the Group was RM50.6 million against RM69.3 million last year. The lower figure was principally due to a one-off impairment charge amounting to RM20.7 million incurred by the insurance subsidiary.

At Company level, turnover increased moderately to RM48.6 million in 2012 as compared to RM42.3 million in the preceding year owing to an increase in dividend income. In line with this improved revenue, the profit before tax at Company level increased to RM31.2 million as compared to RM28.3 million recorded in the previous year.

ECONOMIC OUTLOOK

According to the 2012/2013 Economic Report released by the Ministry of Finance in September 2012, the Malaysian government expects domestic demand, particularly private sector expenditure, to play a significant role in driving economic expansion in 2012-2013.

The Malaysian economy is expected to expand between 4.5% and 5% in 2012 while for 2013 the government forecast GDP to grow between 4.5% and 5.5%. Growth would be largely domestic driven due to rising uncertainties in the global economy which could dampen export-led demand. The government expects the pragmatic execution of its Economic Transformation Programme and prudent macroeconomic policies coupled with the country's resilient economic fundamentals to enhance domestic sources of growth.

PROSPECTS OF THE GROUP

Recent statistics showed that ownership of motor vehicles in the country is still on the uptrend which means that our insurance unit which is the main income generator of the Group and whose principal source of revenue comes from underwriting of motor vehicles (motorcycles included) can expect continuing growth and thus, contribute significantly to the Group.

Nevertheless, your Board remains cautious of the company's prospects in the year ahead in view of global economic uncertainties and management acknowledges the fact that the company needs to quickly adapt to changing business conditions and regulations.

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

A consequence of the new motor cover framework formulated by Bank Negara Malaysia is a progressive de-tariffication exercise on motor insurance premiums. Motor insurers will eventually be competing against one another based on individual pricing as determined by their own risk profiling. With the removal of tariff restriction, motor insurers will need to exercise more diligence in their underwriting process in order to operate competitively.

Being a major motor insurer, POI is paying close attention to new developments so that it will be ready to meet the challenges of an environment which is becoming increasingly competitive. With this in mind, the company is currently exploring partnership with foreign parties if they can add strength to the company.

To realign and rebalance the sources of its funding and as part of its Capital Management Plan, POI established a Subordinated Notes Programme (SNP) with a programme limit of RM150.0 million in nominal value during the second half of its financial year. Under the SNP, POI would issue a determined quantum of Subordinated Notes from time to time depending on its prevailing funding requirement. POI made its first Subordinated Notes issuance with a nominal value of RM70.0 million on 27 June 2012 for the purpose of redeeming the outstanding term loan of RM70.0 million owing to its parent company. The transaction has neutral effect on POI's capital adequacy ratio though in the long run it will help POI save some interest expense as the coupon rate of the notes is slightly lower than the term loan interest rate.

For the year under review, POI's total revenue increased to RM543.6 million as compared to RM524.9 million the year before. The improvement in revenue was mainly attributed to premium growth. Pre-tax profit for the year was lower at RM61.3 million when compared to the previous year's figure of RM78.0 million largely due to a one-off impairment charge amounting to RM20.7 million arising from the commutation of a reinsurance contract with a reinsurer. The results were further affected by higher share of losses from MMIP (Malaysian Motor Insurance Pool), a common issue faced by all general insurers in Malaysia. These adverse factors were however, partially offset by a write back in allowance for impairment of insurance receivables due to collection of previously impaired insurance receivables.

Money Lending

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

Turnover for the year amounted to RM0.34 million as compared to RM0.38 million the previous year and pre-tax profit was marginally lower at RM0.15 million.

Information Technology

The National ICT Association of Malaysia has said that the country's spending on IT products and services would be boosted by the 2013 Budget which is ICT-friendly. The encouraging outlook for ICT sector has attracted many new entrants into the industry even though the various measures by the government have yet to gain momentum. This has created a more intense environment for existing players, at least until the expected demand turns real.

Whilst the Malaysian operations continue to operate in a challenging environment, the unit in Bangkok made further inroads and improved on its performance as demand for its services continued to rise amid a more stable political backdrop and a revitalized Thai economy after the ravages of the great flood in 2011. This resulted in a steady trend of positive cash flow from its operations. In the US, sales increased (mainly from its CCTV business) but overheads also increased and margins were compromised.

For the year under review, all the three major units in the IT division made progress and improved their respective turnover figures compared to last year. In 2012, the total turnover of the division increased to RM16.1 million versus RM14.1 million in the previous year as a result of higher consultation revenue and increased sale of application software. However, owing to higher marketing and operational (including R&D) expenditures as well as unrealised foreign exchange losses arising from a stronger US dollar, the bottom line of the IT division as a whole remained in the red with a loss of RM2.37 million which is slightly more than last year (RM2.23 million).

Management is committed to the IT division and positive of its sustainability as evidenced by the steadily growing sales figures. Furthermore, the division continues to provide support and play an important role in the enhancement of POI's operations and technological development of the Group.

CHAIRMAN'S STATEMENT

DIVIDEND

During the Financial Year ended 30 September 2012 (FY 2012), your company paid out interim dividend on four occasions as follows:

First interim dividend of 0.80 sen per share on 23 February 2012
Second interim dividend of 2.30 sen per share on 5 April 2012
Third interim dividend of 1.30 sen per share on 12 June 2012
Fourth interim dividend of 2.00 sen per share on 23 August 2012

After the close of FY 2012, your company paid out the following interim dividends:

Fifth interim dividend of 1.00 sen per share on 3 October 2012
Sixth interim dividend of 1.00 sen per share on 28 November 2012

All dividends paid out were net of tax.

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.

BOARD CHANGES

The Company would like to welcome Dr Zaha Rina binti Zahari as an additional member of the Board. Dr Zaha Rina who joined the Board as an Independent Non-Executive Director on 22 May 2012 has many years' of exposure in the financial industry. She would be able to contribute positively to the Company.

SIGNIFICANT EVENT

During the financial year, your Company was approached by Sanlam Limited, a company based in South Africa and listed on the Johannesburg Stock Exchange, concerning a proposal to acquire 49% of the equity interest in our insurance subsidiary company.

On 26 November 2012 approval was obtained from the Ministry of Finance and Bank Negara Malaysia for the sale of 49% equity interest in our insurance subsidiary company to Sanlam Emerging Markets Proprietary Limited (a subsidiary of Sanlam Limited).

Subsequent to the approval as mentioned above, your Company had on 10 December 2012 entered into a conditional Sale and Purchase Agreement with the aforesaid Sanlam Emerging Markets Proprietary Limited for the sale of 49% equity interest in our insurance subsidiary company for a total cash consideration of RM270 million.

Completion of the sale is subject to the fulfilment of the following conditions precedent:
(1) approval of shareholders at an Extraordinary General Meeting to be convened
(2) approval of any other authorities or parties, if determined to be required

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 2012

Bagi pihak Lembaga Pengarah tuan, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat tuan bagi tahun berakhir 30 September 2012.

KEPUTUSAN KEWANGAN

Kumpulan telah mencatat jumlah dagangan yang bertambah baik sebanyak RM548.8 juta pada tahun 2012 berbanding dengan RM529.3 juta pada tahun 2011. Peningkatan ini terutamanya berpunca daripada premium lebih tinggi yang dicapai oleh anak syarikat insurans. Keuntungan pra-cukai Kumpulan adalah RM50.6 juta berbanding dengan RM69.3 juta tahun lepas. Angka lebih rendah ini terutamanya disebabkan oleh caj rosot nilai sekali berjumlah RM20.7 juta yang ditanggung oleh anak syarikat insurans.

Di peringkat Syarikat, jumlah dagangan telah meningkat secara sederhana kepada RM48.6 juta pada tahun 2012 berbanding dengan RM42.3 juta dalam tahun sebelumnya disebabkan oleh peningkatan dalam pendapatan dividen. Selaras dengan hasil yang bertambah baik ini, keuntungan sebelum cukai di peringkat Syarikat telah meningkat kepada RM31.2 juta berbanding dengan RM28.3 juta yang direkodkan pada tahun sebelumnya.

HARAPAN EKONOMI

Menurut Laporan Ekonomi 2012/2013 yang dikeluarkan oleh Kementerian Kewangan pada September 2012, kerajaan Malaysia menjangkakan permintaan domestik, terutamanya perbelanjaan sektor swasta, akan memainkan peranan penting dalam memacu pengembangan ekonomi pada tahun 2012-2013.

Ekonomi Malaysia dijangka berkembang antara 4.5% dan 5% pada tahun 2012 manakala bagi tahun 2013 kerajaan meramalkan KDNK akan berkembang antara 4.5% dan 5.5%. Pertumbuhan sebahagian besarnya akan bergantung pada sektor domestik disebabkan ketidakpastian yang semakin meningkat dalam ekonomi global yang boleh melembapkan permintaan dari eksport. Kerajaan menjangkakan pelaksanaan pragmatik Program Transformasi Ekonominya dan dasar-dasar makroekonomi berhemat berserta dengan asas-asas ekonomi negara yang kukuh akan meningkatkan sumber pertumbuhan domestik.

PROSPEK KUMPULAN

Perangkaan terkini menunjukkan bahawa pemilikan kenderaan bermotor di negara ini masih berada pada aliran menaik yang bermakna bahawa unit insurans kami yang merupakan penjana pendapatan utama Kumpulan dan sumber hasil utama datang daripada pengunderaitan kenderaan bermotor (termasuk motosikal) dijangka boleh meneruskan pertumbuhan dan dengan itu, menyumbang dengan ketara kepada Kumpulan.

Walau bagaimanapun, Lembaga tuan tetap berwaspada tentang prospek syarikat pada tahun yang akan datang setelah mengambil kira ketidakpastian ekonomi global dan pengurusan menyedari hakikat bahawa syarikat perlu cepat menyesuaikan diri dengan keadaan dan peraturan perniagaan yang berubah-ubah.

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

Pelaksanaan rangka kerja perlindungan motor baru yang dirumuskan oleh Bank Negara Malaysia telah membawa kepada pelaksanaan nyah-tarifan secara beransur-ansur ke atas premium insurans motor. Syarikat-syarikat insurans motor akhirnya akan bersaing antara satu sama lain berdasarkan kepada peletakan harga secara individu sebagaimana yang ditentukan oleh pemprofilan risiko mereka masing-masing. Dengan pemansuhan sekatan tarif, syarikat-syarikat insurans perlu melaksanakan proses pengunderaitan mereka dengan lebih tekun untuk beroperasi secara kompetitif.

Sebagai sebuah syarikat insurans motor utama, POI memberi lebih tumpuan kepada perkembangan terbaru agar ia dapat bersedia untuk memenuhi cabaran-cabaran dalam persekitaran yang semakin bersaingan. Dengan matlamat ini, syarikat kini sedang meneroka perkongsian dengan pihak-pihak asing sekiranya mereka dapat menambah kekuatan kepada syarikat.

Untuk menyelaraskan dan mengimbangi semula sumber pembiayaannya dan sebagai sebahagian daripada Rancangan Pengurusan Modalnya, POI telah menubuhkan satu Program Nota Disubordinat (PND) dengan had program sebanyak RM150.0 juta dalam nilai nominal pada separuh kedua tahun kewangannya. Di bawah PND, POI akan menerbitkan kuantum Nota Disubordinat yang ditetapkan dari masa ke masa bergantung pada syarat-syarat pendanaan lazimnya. POI telah membuat terbitan Nota Disubordinat pertamanya dengan nilai nominal sebanyak RM70.0 juta pada 27 Jun 2012 untuk tujuan menebus semula baki pinjaman berjangka sebanyak RM70.0 juta yang terhutang kepada syarikat induknya. Urus niaga ini mempunyai kesan neutral ke atas nisbah kecukupan modal POI walaupun dalam jangka panjang ini akan membantu POI menjimatkan beberapa perbelanjaan faedah memandangkan kadar kupon Nota Disubordinat adalah lebih rendah berbanding kadar faedah pinjaman berjangka.

Bagi tahun di bawah kajian, hasil keseluruhan POI meningkat kepada RM543.6 juta berbanding dengan RM524.9 juta pada tahun sebelumnya. Peningkatan dalam hasil adalah berpunca terutamanya daripada pertumbuhan premium. Keuntungan pra-cukai bagi tahun ini adalah lebih rendah iaitu sebanyak RM61.3 juta berbanding dengan angka tahun sebelumnya sebanyak RM78.0 juta terutamanya disebabkan oleh caj kerosotan nilai sekali berjumlah RM20.7 juta yang timbul daripada penggantian kontrak reinsurans dengan penanggung reinsurans. Hasil juga diterjejas selanjutnya oleh bahagian kerugian yang lebih tinggi daripada MMIP (Gemblengan Insurans Motor Malaysia), satu masalah biasa yang dihadapi oleh semua syarikat insurans am di Malaysia. Faktor-faktor yang memberi kesan buruk ini walau bagaimanapun, telah diimbangi sebahagiannya oleh masuk kira semula dalam peruntukan bagi kerosotan nilai penghutang insurans disebabkan oleh kutipan penghutang insurans yang sebelum ini dirosot nilai.

Pemberian Pinjaman Wang

Anak syarikat pemberian pinjaman wang terus menggunakan kriteria yang ketat dalam proses pemeriksaan kreditnya dan kelulusan pinjaman yang khususnya terbatas kepada pelanggan-pelanggan dalaman atau kakitangan dalam kumpulan.

Jumlah dagangan bagi tahun ini berjumlah RM0.34 juta berbanding dengan RM0.38 juta pada tahun sebelumnya dan keuntungan pra-cukai lebih rendah sedikit sebanyak RM0.15 juta.

Teknologi Maklumat

Persatuan ICT Kebangsaan Malaysia menyatakan bahawa perbelanjaan negara ke atas produk dan perkhidmatan ICT akan dirangsang oleh Bajet 2013 yang dilihat mesra ICT. Harapan sektor ICT yang menggalakkan telah menarik ramai peserta baru ke dalam industri ini walaupun pelbagai langkah yang telah diambil oleh kerajaan belum mendapat momentum. Ini telah mewujudkan persekitaran yang lebih sengit bagi peserta-peserta sedia ada, sekurang-kurangnya sehingga permintaan yang dijangka menjadi kenyataan.

Teknologi Maklumat (Samb.)

Meskipun operasi di Malaysia terus berlangsung dalam persekitaran yang mencabar, unit di Bangkok selanjutnya telah berjaya mencapai kemajuan dan peningkatan ke atas prestasinya apabila permintaan bagi perkhidmatannya terus melonjak di celah-celah persekitaran politik yang lebih stabil dan ekonomi Thai yang cergas semula selepas kemusnahan akibat banjir besar pada tahun 2011. Ini telah membawa kepada trend aliran tunai positif yang teguh daripada operasi-operasinya. Di US, jualan semakin meningkat (terutamanya daripada perniagaannya yang berkaitan CCTV) tetapi kos perbelanjaan juga meningkat dan ini menyebabkan margin turut terjejas.

Bagi tahun di bawah kajian, kesemua tiga unit utama dalam bahagian IT telah mencapai kemajuan dan peningkatan dari segi angka jumlah dagangan mereka masing-masing berbanding tahun lepas. Pada tahun 2012, jumlah dagangan keseluruhan bahagian ini telah meningkat kepada RM16.1 juta berbanding RM14.1 juta pada tahun sebelumnya akibat hasil khidmat perundingan yang lebih tinggi dan jualan perisian aplikasi yang semakin meningkat. Walau bagaimanapun, akibat perbelanjaan pemasaran dan operasi (termasuk R&D) yang lebih tinggi serta kerugian pertukaran asing tidak direalis disebabkan oleh dolar US yang lebih teguh, bahagian IT secara keseluruhan terus mencatat kerugian sebanyak RM2.37 juta yang lebih sedikit berbanding tahun lepas (RM2.23 juta).

Pengurusan adalah komited kepada bahagian IT dan positif terhadap kemapanannya sebagaimana dibuktikan oleh angka jualan yang semakin meningkat. Tambahan pula, bahagian IT terus memberi sokongan dan memainkan peranan penting dalam peningkatan operasi POI dan pembangunan teknologi Kumpulan.

DIVIDEN

Dalam Tahun Kewangan berakhir 30 September 2012 (FY 2012), syarikat tuan telah membayar dividen interim sebanyak empat kali seperti berikut:

Dividen interim pertama sebanyak 0.80 sen setiap saham pada 23 Februari 2012
Dividen interim kedua sebanyak 2.30 sen setiap saham pada 5 April 2012
Dividen interim ketiga sebanyak 1.30 sen setiap saham pada 12 Jun 2012
Dividen interim keempat sebanyak 2.00 sen setiap saham pada 23 Ogos 2012

Selepas penutup FY 2012, syarikat tuan telah membayar dividen-dividen interim berikut:

Dividen interim kelima sebanyak 1.00 sen setiap saham pada 3 Oktober 2012
Dividen interim keenam sebanyak 1.00 sen setiap saham pada 28 November 2012

Semua dividen yang dibayar telah ditolak cukai.

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.

PENYATA PENGERUSI

PERUBAHAN AHLI LEMBAGA

Syarikat ingin mengalu-alukan kedatangan Dr Zaha Rina binti Zahari sebagai ahli Lembaga tambahan. Dr Zaha Rina yang menyertai Lembaga sebagai Pengarah Bukan Eksekutif Bebas pada 22 Mei 2012 telah lama mendapat pendedahan dalam industri kewangan. Beliau mampu memberi sumbangan positif kepada Syarikat.

PERISTIWA PENTING

Dalam tahun kewangan, Syarikat tuan telah dihubungi oleh Sanlam Limited, sebuah syarikat yang berpangkalan di Afrika Selatan dan disenaraikan pada Bursa Saham Johannesburg, berhubung cadangan penjualan 49% kepentingan ekuiti dalam anak syarikat insurans kami.

Pada 26 November 2012 kelulusan telah diperolehi daripada Kementerian Kewangan dan Bank Negara Malaysia bagi penjualan 49% kepentingan ekuiti dalam anak syarikat insurans kami kepada Sanlam Emerging Markets Proprietary Limited (anak syarikat Sanlam Limited).

Berikutan kelulusan sebagaimana yang disebut di atas, Syarikat tuan telah pada 10 Disember 2012 menandatangani satu Perjanjian Jual Beli bersyarat dengan Sanlam Emerging Markets Proprietary Limited untuk penjualan 49% kepentingan ekuiti dalam anak syarikat insurans dengan balasan tunai keseluruhan sebanyak RM270 juta.

Penyelesaian jualan tersebut adalah tertakluk kepada pemenuhan syarat-syarat duluan berikut:

(1) kelulusan pemegang-pemegang saham pada Mesyuarat Agung Luar Biasa yang akan diadakan
(2) kelulusan mana-mana pihak berkuasa atau pihak-pihak, sekiranya ditetapkan adalah diperlukan

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 2012

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

The Directors are responsible for the preparation of the 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 financial year ended 30 September 2012.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are as disclosed in Note 12.

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

RESULTS	**Group RM'000**	**Company RM'000**
Net profit for the year attributable to equity holders of the Company	36,865	21,694

DIVIDENDS

The amount of dividends paid or declared by the Company since 30 September 2011 were as follows:

In respect of the financial year ended 30 September 2012	**RM'000**
1st interim dividend of 0.80 sen per share less tax at 25% paid on 23 February 2012	1,474
2nd interim dividend of 2.30 sen per share less tax at 25% paid on 5 April 2012	4,234
3rd interim dividend of 1.30 sen per share less tax at 25% paid on 12 June 2012	2,384
4th interim dividend of 2.00 sen per share less tax at 25% paid on 23 August 2012	3,665
5th interim dividend of 1.00 sen per share less tax at 25% payable on 3 October 2012	1,833
	13,590

DIVIDENDS (Cont'd.)

In respect of the financial year ended 30 September 2012, the Directors had on 29 October 2012 declared a 6th interim dividend of 1.00 sen per share less tax at 25%, estimated at RM1,833,000 based on the issued and paid-up share capital (net of treasury shares) as at 30 September 2012. The dividend was paid on 28 November 2012 to depositors whose names appear in the Record of Depositors on 14 November 2012. This dividend has not been reflected in the financial statements for the current financial year but it will be accounted for in equity as an appropriation of retained profits for the financial year ending 30 September 2013. The Directors do not recommend the payment of any final dividend for the current financial year.

RESERVES AND PROVISIONS

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

Before the income statements, statements of other comprehensive income 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") for insurers issued by Bank Negara Malaysia ("BNM").

ISSUE OF SHARES

There were no changes in the authorised, issued and paid-up share capital of the Company during the financial year.

TREASURY SHARES

During the financial year, the Company purchased 1,420,300 of its issued ordinary shares of RM0.50 each fully paid from the open market at an average price of RM0.94 per share for a consideration of RM1,329,249. 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).

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 render the amount to be written off as bad debts or the amount of 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.

DIRECTORS' REPORT

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 the bad debt written off in respect of an insurance receivable amounting to RM20,746,000 as disclosed in Note 39.

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
Dr. Zaha Rina Binti Zahari (Appointed on 22 May 2012)

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

In accordance with Article 89 of the Company's Articles of Association, Dr. Zaha Rina Binti Zahari retires from the Board at the forthcoming Annual General Meeting and, being eligible, offer herself for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company or its subsidiary companies was 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.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary as a full-time employee of the Company as shown in Note 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 the director is a member, or with a company in which the director 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 2011	Acquired	(Disposed)	At 30 September 2012
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	27,898,736	-	-	27,898,736
- Indirect interest	108,771,818	-	-	108,771,818
Mr. Michael Yee Kim Shing				
- Indirect interest	1,537,802	-	(95,000)	1,442,802
Y.Bhg. Dato' Abu Hanifah Bin Noordin				
- Indirect interest	1,005,632	-	(346,300)	659,332
Y.M. Tunku Dato' Mu'tamir Bin Tunku Tan Sri Mohamed				
- Indirect interest	5,148,452	-	(578,200)	4,570,252

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.

SIGNIFICANT AND SUBSEQUENT EVENT

Details of a significant and subsequent event are disclosed in Note 57 to the financial statements.

AUDITORS

The auditors, 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 30 November 2012

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 42 to 148 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 2012 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 30 November 2012

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 42 to 148 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, l960.

Subscribed and solemnly declared by	)	
the abovenamed ENG LIAN GEOK	)	**ENG LIAN GEOK**
at Kuala Lumpur in Wilayah	)	
Persekutuan on 30 November 2012	)	

Before me,

KAPT (B) AFFANDI BIN AHMAD
Commissioner for Oaths
Kuala Lumpur

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

Report on the financial statements

We have audited the financial statements of Pacific & Orient Berhad, which comprise the statements of financial position as at 30 September 2012 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 42 to 148.

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 2012 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 149 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
30 November 2012

STATEMENTS OF FINANCIAL POSITION as at 30 September 2012

		Group		Company	
	Note	2012	2011	2012	2011
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Property, plant and equipment	5	**24,461**	20,047	**1,045**	940
Investment properties	6	**750**	605	**-**	-
Prepaid land lease payments	7	**318**	322	**-**	-
Goodwill on consolidation	8	**1,935**	1,935	**-**	-
Intangible assets	9	**1,236**	734	**9**	4
Deferred tax assets	10	**4,011**	6,048	**529**	524
Investments	11	**66,259**	74,138	**46,597**	5,895
Investment in subsidiary companies	12	**-**	-	**152,290**	151,997
Inventories - goods for resale	13	**627**	791	**-**	-
Loans	14	**132**	245	**-**	-
Reinsurance assets	15	**230,978**	182,404	**-**	-
Insurance receivables	16	**19,944**	109,385	**-**	-
Trade receivables	17	**1,497**	1,128	**-**	-
Other receivables	17	**36,017**	21,594	**3,150**	1,967
Due from subsidiary companies	18	**-**	-	**24,915**	92,843
Deposits and placements with financial institutions	19	**718,570**	550,410	**-**	1,561
Cash and bank balances	20	**18,649**	59,106	**2**	1,907
TOTAL ASSETS		**1,125,384**	1,028,892	**228,537**	257,638
LIABILITIES					
Insurance contract liabilities	21	**761,452**	674,485	**-**	-
Insurance payables	22	**16,229**	23,432	**-**	-
Trade payables	23	**49**	17	**-**	-
Other payables	23	**11,975**	8,989	**3,341**	846
Due to a subsidiary company	24	**-**	-	**3,146**	3,041
Hire purchase creditors	25	**1,839**	1,596	**489**	464
Borrowings	26	**86,238**	96,648	**52,280**	96,148
Tax payable		**4**	10,647	**-**	-
TOTAL LIABILITIES		**877,786**	815,814	**59,256**	100,499
EQUITY					
Share capital	27	**122,977**	122,977	**122,977**	122,977
Treasury shares	27	**(1,463)**	(134)	**(1,463)**	(134)
Share premium	29	**24,302**	24,302	**24,302**	24,302
Merger reserve		**40,769**	40,769	**-**	-
Translation reserve		**2,316**	1,043	**-**	-
Revaluation reserve		**8,799**	5,222	**-**	-
Available-for-sale reserve		**2,411**	(5,313)	**1,659**	(3,708)
Retained profits	30	**47,487**	24,212	**21,806**	13,702
		247,598	213,078	**169,281**	157,139
TOTAL EQUITY AND LIABILITIES		**1,125,384**	1,028,892	**228,537**	257,638

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

Group	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Revaluation Reserve RM'000	Available-For-Sale Reserve RM'000	Retained Profits/ (Accumulated Losses) RM'000	Total RM'000
	← Attributable to equity holders of the Company →								
		← *Non-Distributable* →						*Distributable*	
At 1 October 2011	**122,977**	**(134)**	**24,302**	**40,769**	**1,043**	**5,222**	**(5,313)**	**24,212**	**213,078**
Purchase of treasury shares (Note 27)	**-**	**(1,329)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,329)**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**36,865**	**36,865**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**1,273**	**3,577**	**7,724**	**-**	**12,574**
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**1,273**	**3,577**	**7,724**	**36,865**	**49,439**
Dividends (Note 31)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13,590)**	**(13,590)**
At 30 September 2012	**122,977**	**(1,463)**	**24,302**	**40,769**	**2,316**	**8,799**	**2,411**	**47,487**	**247,598**
At 1 October 2010	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)
Net profit for the year	-	-	-	-	-	-	-	49,459	49,459
Other comprehensive income for the year	-	-	-	-	(979)	-	(3,572)	-	(4,551)
Total other comprehensive income for the year	-	-	-	-	(979)	-	(3,572)	49,459	44,908
Dividends (Note 31)	-	-	-	-	-	-	-	(10,329)	(10,329)
At 30 September 2011	122,977	(134)	24,302	40,769	1,043	5,222	(5,313)	24,212	213,078

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

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 September 2012 (Cont'd.)

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 2011	**122,977**	**(134)**	**24,302**	**(3,708)**	**13,702**	**157,139**
Purchase of treasury shares (Note 27)	**-**	**(1,329)**	**-**	**-**	**-**	**(1,329)**
Net profit for the year	**-**	**-**	**-**	**-**	**21,694**	**21,694**
Other comprehensive income for the year	**-**	**-**	**-**	**5,367**	**-**	**5,367**
Total other comprehensive income for the year	**-**	**-**	**-**	**5,367**	**21,694**	**27,061**
Dividends (Note 31)	**-**	**-**	**-**	**-**	**(13,590)**	**(13,590)**
At 30 September 2012	**122,977**	**(1,463)**	**24,302**	**1,659**	**21,806**	**169,281**
At 1 October 2010	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)
Net profit for the year	-	-	-	-	20,823	20,823
Other comprehensive income for the year	-	-	-	(3,708)	-	(3,708)
Total other comprehensive income for the year	-	-	-	(3,708)	20,823	17,115
Dividends (Note 31)	-	-	-	-	(10,329)	(10,329)
At 30 September 2011	122,977	(134)	24,302	(3,708)	13,702	157,139

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

INCOME STATEMENTS
for the year ended 30 September 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue	32	**548,767**	529,294	**48,610**	42,281
Other operating income	33	**49,402**	29,687	**1,449**	3
		598,169	558,981	**50,059**	42,284
Changes in inventories		**(671)**	(582)	**-**	-
Reinsurance		**(184,915)**	(170,964)	**-**	-
Gross claims paid		**(237,445)**	(257,918)	**-**	-
Claims ceded to reinsurers		**59,588**	52,519	**-**	-
Gross change in contract liabilities		**(99,994)**	(36,468)	**-**	-
Change in contract liabilities ceded to reinsurers		**46,596**	44,931	**-**	-
Net claims incurred	34	**(231,255)**	(196,936)	**-**	-
Change in premium liabilities		**13,027**	(15,407)	**-**	-
Change in premium liabilities ceded to reinsurers		**910**	16,903	**-**	-
Decrease in premium liabilities	35	**13,937**	1,496	**-**	-
Commission expenses		**(56,685)**	(56,527)	**-**	-
Staff costs	36	**(32,388)**	(28,987)	**(4,773)**	(4,042)
Depreciation		**(1,481)**	(1,501)	**(116)**	(101)
Amortisation	38	**(161)**	(159)	**(2)**	(5)
Other operating expenses	39	**(48,054)**	(30,825)	**(8,619)**	(4,929)
Operating profit		**56,496**	73,996	**36,549**	33,207
Finance costs	40	**(5,886)**	(4,717)	**(5,328)**	(4,884)
Profit before taxation	41	**50,610**	69,279	**31,221**	28,323
Income tax expense	48	**(13,745)**	(19,820)	**(9,527)**	(7,500)
Net profit for the year attributable to equity holders of the Company		**36,865**	49,459	**21,694**	20,823
Earnings per share attributable to equity holders of the Company (sen)					
Basic	49	**15.04**	20.18		

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

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 30 September 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net profit for the year	**36,865**	49,459	**21,694**	20,823
Other comprehensive income/(loss):				
Currency translation differences in respect of foreign operations	**1,273**	(979)	**-**	-
Surplus from revaluation of land and buildings				
- Gross surplus from revaluation	**4,770**	-	**-**	-
- Deferred tax	**(1,193)**	-	**-**	-
Net gain	**3,577**	-	**-**	-
Fair value changes on Available-for-Sale ("AFS") financial assets:				
- Gain/(loss) in fair value changes	**6,093**	(6,849)	**2,609**	(3,708)
- Transfer to income statement upon disposal	**(775)**	(575)	**-**	-
- Impairment loss reclassified to income statement	**3,172**	3,897	**2,758**	-
	8,490	(3,527)	**5,367**	(3,708)
- Deferred tax	**(766)**	(45)	**-**	-
Net gain/(loss)	**7,724**	(3,572)	**5,367**	(3,708)
Other comprehensive income/(loss) for the year, net of tax	**12,574**	(4,551)	**5,367**	(3,708)
Total comprehensive income for the year	**49,439**	44,908	**27,061**	17,115
Attributable to :				
Equity holders of the Company	**49,439**	44,908	**27,061**	17,115

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 September 2012

	2012 RM'000	2011 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**50,610**	69,279
Adjustments for:		
Depreciation of property, plant and equipment	**1,481**	1,501
Amortisation of premiums, net of accretion of discounts	**75**	137
Amortisation of prepaid land lease payments	**4**	4
Amortisation of computer software and other licences	**157**	155
Loss on disposal of property, plant and equipment	**45**	92
Property, plant and equipment written off	**106**	27
Reversal of revaluation deficit in property, plant and equipment	**(110)**	-
Gain on fair value of investment properties	**(110)**	-
Gain on acquisition of a subsidiary company	**(60)**	-
Inventories of goods for resale written off	**66**	196
Allowance for inventory obsolescence	**-**	13
Impairment loss of AFS financial assets	**3,172**	3,897
Gain on disposal of investments	**(773)**	(550)
Dividend income	**(1,386)**	(720)
Interest income	**(24,032)**	(22,031)
Interest expense	**5,752**	4,644
Allowance for impairment :		
- insurance receivables	**456**	1,310
- trade and other receivables	**3**	-
Write back in allowance for impairment :		
- insurance receivables	**(5,605)**	(97)
- reinsurance assets	**(1,068)**	(1,055)
- trade and other receivables	**(3)**	(18)
Bad debts written off :		
- insurance receivables	**20,746**	-
- trade receivables	**92**	54
Short term accumulating compensated absences	**(16)**	4
Pension cost – defined benefit plan	**132**	-
Unrealised loss on foreign exchange	**1,377**	1,166
Transfer to property, plant and equipment and intangible assets from inventories	**(126)**	(245)
Operating profit before working capital changes	**50,985**	57,763
Changes in working capital:		
Disposal of investments	**26,719**	31,110
Purchase of investments	**(10,293)**	-
Decrease/(increase) in bankers acceptances	**1,564**	(1,564)
Increase in deposits and placements with financial institutions	**(168,160)**	(63,574)
Decrease in loans	**111**	48

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 September 2012 (Cont'd.)

	Note	2012 RM'000	2011 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (Cont'd.)			
Increase in reinsurance assets		**(47,505)**	(61,835)
Decrease/(increase) in insurance receivables		**73,841**	(50,847)
Increase in trade and other receivables		**(8,525)**	(4,592)
Decrease in inventories - goods for resale		**97**	210
Increase in insurance contract liabilities		**86,967**	51,874
Decrease in insurance payables		**(7,203)**	(16,606)
Decrease in payables		**(617)**	(1,738)
Cash used in operations		**(2,019)**	(59,751)
Tax paid		**(28,757)**	(16,222)
Dividends received		**1,038**	374
Interest received		**22,110**	23,899
Interest paid		**(4,145)**	(3,420)
Net cash used in operating activities		**(11,773)**	(55,120)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary company net of cash acquired		**(293)**	-
Purchase of property, plant and equipment	5(c)	**(490)**	(509)
Purchase of intangible assets	9	**(594)**	(24)
Purchase of investments		**(3,388)**	-
Disposal of property, plant and equipment		**276**	327
Net cash used in investing activities		**(4,489)**	(206)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of shares		**-**	14,784
Purchase of treasury shares		**(1,329)**	(123)
Share issuance expenses		**-**	(59)
Dividends paid		**(11,757)**	(10,329)
Decrease in hire purchase creditors		**(634)**	(556)
(Repayment)/drawdown of borrowings		**(12,576)**	60,222
Net cash (used in)/generated from financing activities		**(26,296)**	63,939
Effects of exchange rate changes on cash and cash equivalents		**(650)**	(8)
Net (decrease)/increase in cash and cash equivalents		**(43,208)**	8,605
Cash and cash equivalents at beginning of year		**59,091**	50,501
Cash and cash equivalents at end of year		**15,883**	59,106

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

	2012 RM'000	2011 RM'000
Cash and cash equivalents comprise the following:		
Cash and bank balances (Note 20)	**18,649**	59,106
Bank overdraft (Note 26 (d))	**(2,766)**	-
Cash and cash equivalents as previously reported	**15,883**	59,106
Effect of exchange rate changes	**-**	(15)
Cash and cash equivalents as restated	**15,883**	59,091

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

STATEMENT OF CASH FLOWS
for the year ended 30 September 2012

	2012 RM'000	2011 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**31,221**	28,323
Adjustments for:		
Depreciation of property, plant and equipment	**116**	101
Write back in allowance for impairment of amounts due from subsidiary companies	**-**	(250)
Allowance for impairment of amounts due from subsidiary companies	**-**	34
Amount due from subsidiary companies written off	**-**	6
Amortisation of computer software and other licences	**2**	5
Impairment loss of AFS financial assets	**2,758**	-
Loss on disposal of property, plant and equipment	**9**	33
Unrealised loss on foreign exchange	**719**	1,517
Short term accumulating compensated absences	**16**	(12)
Dividend income	**(39,980)**	(34,600)
Interest income	**(5,661)**	(4,987)
Interest expense	**5,199**	4,817
Operating loss before working capital changes	**(5,601)**	(5,013)
Changes in working capital:		
Decrease/(increase) in deposits and placements with financial institutions	**1,561**	(1,561)
Increase in receivables	**(22)**	(2)
Increase in due from subsidiary companies	**(2,639)**	(1,212)
Increase/(decrease) in payables	**160**	(74)
Cash used in operations	**(6,541)**	(7,862)
Dividends received	**29,985**	25,950
Interest received	**4,272**	4,236
Interest paid	**(4,676)**	(3,702)
Net cash generated from operating activities	**23,040**	18,622

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

	Note	2012 RM'000	2011 RM'000
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary company net of cash acquired		**(293)**	-
Purchase of property, plant and equipment	5(c)	**(66)**	(101)
Purchase of intangible assets		**(7)**	-
Purchase of investments		**(3,388)**	-
Purchase of Subordinated Notes of a subsidiary company		**(34,668)**	-
Disposal of property, plant and equipment		**42**	138
Net cash (used in)/generated from investing activities		**(38,380)**	37
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of shares		**-**	14,784
Purchase of treasury shares		**(1,329)**	(123)
Share issuance expense		**-**	(59)
Dividends paid		**(11,757)**	(10,329)
Decrease in hire purchase creditors		**(180)**	(144)
Repayment from/(loan to) a subsidiary company		**70,000**	(70,000)
(Repayment to)/loan from a subsidiary company		**(30)**	96
(Repayment to)/drawdown of bank borrowings		**(46,035)**	60,222
Net cash generated from/(used in) financing activities		**10,669**	(5,553)
Net (decrease)/increase in cash and cash equivalents		**(4,671)**	13,106
Cash and cash equivalents at beginning of year		**1,907**	(11,199)
Cash and cash equivalents at end of year		**(2,764)**	1,907
Cash and cash equivalents comprise:			
Cash and bank balances (Note 20)		**2**	1,907
Bank overdraft (Note 26 (d))		**(2,766)**	-
		(2,764)	1,907

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 30 November 2012 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.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2 (c) up to the date of change in use.

(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.

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 insurance payables, borrowings, trade payables and other payables.

Insurance 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 reporting 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) Defined Benefit Plan

A foreign subsidiary company has obligations to make severance payments to its employees upon their retirement. This subsidiary company records provision for severance payments when it is probable that employees will work until they meet all employment conditions or will remain with the subsidiary company until their retirement. The value of these severance payment obligations are arrived at based on best estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(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 follows:

- 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 incidental to ownership 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")

The significant accounting policies are consistent with those of the audited financial statements for financial year ended 30 September 2011 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 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)

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

Amendments to FRS 7 - Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Financial instruments measured at fair value are to be disclosed by class in a three-level fair value measurement hierarchy (Level 1, Level 2 and Level 3), with specific disclosure requirements relating to transfers between levels in the hierarchy as well as reconciliation between the beginning and ending balance for Level 3 fair value measurements. The amendments also require enhanced liquidity risk disclosures with respect to financial liabilities. The adoption of the above amendments had resulted in additional disclosures relating to fair value measurements of financial instruments of the Group and the Company as presented in Note 52(i)(c). The liquidity risk disclosure as presented in Note 54(b) are not impacted by the enhanced liquidity risk requirements.

3.1. CHANGES IN ACCOUNTING FRAMEWORK

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 30 September 2013. In presenting its first MFRS financial statements, the Group and the Company may be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments (if any) required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company have started a preliminary assessment of the differences between FRS and accounting standards under the MFRS Framework and are in the process of assessing the financial effects of the differences.

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.

(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 2012 was RM1,935,000 (2011 : RM1,935,000).

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

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

(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 financial 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 fair values of its respective investments, or "prolonged" period of decline in fair value greater than 12 months.

(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.

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

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

(vi) Uncertainty in Accounting Estimates in the General Insurance Business (Cont'd.)

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				
2012	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	9,402	4,559	7,144	4,871	42,456
Additions	-	-	-	22	1,189	117	46	1,374
Arising from acquisition of a subsidiary company	-	-	-	-	-	2	-	2
Disposals	-	-	-	-	(669)	(52)	-	(721)
Write-offs	-	-	-	(5)	-	(259)	-	(264)
Revaluation surplus	1,340	193	3,237	-	-	-	-	4,770
Reversal of revaluation deficit	-	-	110	-	-	-	-	110
Transfer *	-	(53)	(2,168)	-	-	-	-	(2,221)
Transfer to investment properties	-	(39)	-	-	-	-	-	(39)
Transfer from inventories	-	-	-	-	-	114	-	114
Reclassification	-	-	-	2	-	(2)	-	-
Translation differences	-	-	-	(6)	(12)	(13)	(6)	(37)
At end of year	1,860	681	16,559	9,415	5,067	7,051	4,911	45,544
Accumulated Depreciation								
At beginning of year	-	43	1,603	8,907	1,367	6,069	4,420	22,409
Charge for the year	-	14	565	55	429	331	87	1,481
Arising from acquisition of a subsidiary company	-	-	-	-	-	2	-	2
Disposals	-	-	-	-	(361)	(40)	-	(401)
Write-offs	-	-	-	(3)	-	(155)	-	(158)
Transfer *	-	(53)	(2,168)	-	-	-	-	(2,221)
Transfer to investment properties	-	(4)	-	-	-	-	-	(4)
Reclassification	-	-	-	1	-	(1)	-	-
Translation differences	-	-	-	(6)	(5)	(9)	(5)	(25)
At end of year	-	-	-	8,954	1,430	6,197	4,502	21,083
Net Book Value								
At end of year	1,860	681	16,559	461	3,637	854	409	24,461

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

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

Group	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.)

Company	←	Cost		→	
	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
2012					
Cost					
At beginning of year	**295**	**1,293**	**120**	**400**	**2,108**
Additions	**1**	**265**	**5**	**1**	**272**
Disposal	**-**	**(81)**	**-**	**-**	**(81)**
At end of year	**296**	**1,477**	**125**	**401**	**2,299**
Accumulated Depreciation					
At beginning of year	**289**	**400**	**86**	**393**	**1,168**
Charge for the year	**2**	**104**	**8**	**2**	**116**
Disposal	**-**	**(30)**	**-**	**-**	**(30)**
At end of year	**291**	**474**	**94**	**395**	**1,254**
Net Book Value					
At end of year	**5**	**1,003**	**31**	**6**	**1,045**
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

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

(a) Freehold land and buildings and leasehold buildings were revalued as at 30 September 2012 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 2012 are as follows:

	Group Net Book Value		Group Net Book Value	
	2012 Under Revaluation Model RM'000	**2012 Under Cost Model RM'000**	**2011 Under Revaluation Model RM'000**	**2011 Under Cost Model RM'000**
Freehold land	**1,860**	**380**	520	380
Freehold buildings	**681**	**289**	537	429
Leasehold buildings	**16,559**	**7,905**	13,777	8,225
	19,100	**8,574**	14,834	9,034

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

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Motor vehicles	**3,353**	2,655	**999**	837

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

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Cash	**490**	509	**66**	101
Hire purchase	**878**	520	**205**	270
Credit	**6**	-	**-**	-
	1,374	1,029	**271**	371

6. INVESTMENT PROPERTIES

	Group	
	2012	2011
	RM'000	RM'000
At fair value		
At beginning of year	**605**	605
Transfer from property, plant and equipment	**35**	-
Gain on fair value adjustments (Note 33)	**110**	-
At end of year	**750**	605
Analysed as:		
Freehold buildings	**455**	375
Leasehold buildings	**295**	230
	750	605

Investment properties were revalued as at 30 September 2012 by Messrs. Rahim & Co., an independent professional valuer. Fair value is determined by reference to open market values using the comparison method.

7. PREPAID LAND LEASE PAYMENTS

	Group	
	2012	2011
	RM'000	RM'000
Long term leasehold land:		
At beginning of year	**322**	326
Amortisation (Note 38)	**(4)**	(4)
At end of year	**318**	322

8. GOODWILL ON CONSOLIDATION

	Group	
	2012	2011
	RM'000	RM'000
At beginning/end of year	**1,935**	1,935

9. INTANGIBLE ASSETS

Group 2012	Software Distribution Licence RM'000	Computer Software and Other Licences RM'000	Total RM'000
Cost			
At beginning of year	2,346	3,238	5,584
Additions	-	594	594
Transfer from inventories	-	12	12
Transfer from prepayment	-	54	54
Translation differences	-	(1)	(1)
At end of year	2,346	3,897	6,243
Accumulated Amortisation			
At beginning of year	2,346	2,504	4,850
Amortisation (Note 38)	-	157	157
At end of year	2,346	2,661	5,007
Net Book Value			
At end of year	-	1,236	1,236

9. INTANGIBLE ASSETS (Cont'd.)

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

Company

2012	Computer Software and Other Licences RM'000
Cost	
At beginning	**96**
Additions	**7**
At end of year	**103**
Accumulated Amortisation	
At beginning of year	**92**
Amortisation (Note 38)	**2**
At end of year	**94**
Net Book Value	
At end of year	**9**

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**

10. DEFERRED TAX

	Group		Company	
	2012 **RM'000**	**2011** **RM'000**	**2012** **RM'000**	**2011** **RM'000**
At beginning of year	**6,048**	5,808	**524**	1,079
Transferred (from)/to income statement (Note 48)	**(78)**	285	**5**	(555)
Transferred from revaluation reserve	**(1,193)**	-	**-**	-
Transferred from AFS reserve	**(766)**	(45)	**-**	-
At end of year	**4,011**	6,048	**529**	524

Presented after appropriate offsetting as follows:

	Group		Company	
	2012 **RM'000**	**2011** **RM'000**	**2012** **RM'000**	**2011** **RM'000**
Deferred tax assets	**7,211**	8,077	**583**	583
Deferred tax liabilities	**(3,200)**	(2,029)	**(54)**	(59)
At end of year	**4,011**	6,048	**529**	524

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:

2012	Revaluation Deficit RM'000	Premium Liabilities RM'000	Changes in Fair Value of AFS Financial Assets 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	**115**	**6**	**537**	**5,788**	**1,573**	**58**	**8,077**
Recognised in the income statement	**(55)**	**1**	**-**	**(8)**	**(56)**	**18**	**(100)**
Recognised in other comprehensive income	**-**	**-**	**(766)**	**-**	**-**	**-**	**(766)**
At end of year	**60**	**7**	**(229)**	**5,780**	**1,517**	**76**	**7,211**
2011							
At beginning of year	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

10. DEFERRED TAX (Cont'd.)

Deferred Tax Liabilities of the Group:

2012	**Revaluation Surplus RM'000**	**Accelerated Capital Allowances RM'000**	**Total RM'000**
At beginning of year	**(1,740)**	**(289)**	**(2,029)**
Recognised in the income statement	**(1,193)**	**22**	**(1,171)**
At end of year	**(2,933)**	**(267)**	**(3,200)**
2011			
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)

Deferred Tax Assets of the Company:

	Unused Tax Losses and Unabsorbed Capital Allowances RM'000	**Total RM'000**
2012		
At beginning of year/end of year	**583**	**583**
2011		
At beginning of year	1,133	1,133
Recognised in the income statement	(550)	(550)
At end of year	583	583

10. DEFERRED TAX (Cont'd.)

Deferred Tax Liabilities of the Company:

2012	**Accelerated Capital Allowances RM'000**	**Total RM'000**
At beginning of year	**(59)**	**(59)**
Recognised in the income statement	**5**	**5**
At end of year	**(54)**	**(54)**

2011		
At beginning	(54)	(54)
Recognised in the income statement	(5)	(5)
At end of year	(59)	(59)

As at 30 September 2012, deferred tax assets have not been recognised in respect of the following temporary differences:

	Group	
	2012 RM'000	**2011 RM'000**
Depreciation and capital allowances on property, plant and equipment	**(1,648)**	(1,147)
Unabsorbed capital allowances and unused tax losses	**96,693**	93,856
Other deductible temporary differences	**2,966**	2,747
	98,011	95,456

The unused tax losses and unabsorbed capital allowances of the Group are available 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. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

11. INVESTMENTS

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(a) Available-for-sale ("AFS") financial assets:				
At fair value				
Quoted shares	**36,032**	18,082	**11,925**	5,895
Unit trusts	**13,817**	13,403	**-**	-
Unquoted shares	**803**	816	**-**	-
Club membership	**470**	60	**-**	-
Total AFS financial assets	**51,122**	32,361	**11,925**	5,895
(b) Held-to-maturity ("HTM") investments:				
At amortised cost: *				
Subordinated notes #	**-**	-	**34,672**	-
Malaysian Government Securities	**15,557**	40,364	**-**	-
Amortisation of premium, net of accretion of discount	**(420)**	(151)	**-**	-
Total HTM investments	**15,137**	40,213	**-**	-
(c) Loans and receivables ("L&R"):				
At amortised cost:				
Bankers acceptance	**-**	1,564	**-**	-
Total investments	**66,259**	74,138	**46,597**	5,895

*** At fair value:**				
Subordinated notes	**-**	-	**34,672**	-
Malaysian Government Securities	**15,186**	40,423	**-**	-

Included in the Company's investments are investments in subordinated notes issued by its insurance subsidiary company.

11. INVESTMENTS (Cont'd.)

The carrying values of investments as at 30 September 2012 are as follows:

	AFS financial assets RM'000	HTM investments RM'000	L&R RM'000	Total RM'000
Group				
At beginning of year	32,361	40,213	1,564	74,138
Additions	14,402	-	-	14,402
Disposals	(959)	-	-	(959)
Redemptions	-	(5,001)	-	(5,001)
Maturities	-	(20,000)	(1,564)	(21,564)
Fair value gain recorded in other comprehensive income	8,490	-	-	8,490
Movement in impairment loss	(3,172)	-	-	(3,172)
Amortisation of premium, net of accretion of discount	-	(75)	-	(75)
At end of year	51,122	15,137	-	66,259
Company				
At beginning of year	5,895	-	-	5,895
Additions	3,421	34,668	-	38,089
Fair value gain recorded in other comprehensive income	5,367	-	-	5,367
Movement in impairment loss	(2,758)	-	-	(2,758)
Accretion of discount	-	4	-	4
At end of year	11,925	34,672	-	46,597

11. INVESTMENTS (Cont'd.)

The carrying values of investments as at 30 September 2011 are as follows:

	AFS financial assets RM'000	HTM investments RM'000	L&R RM'000	Total RM'000
Group				
At beginning of year	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 loss 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	9,603	-	-	9,603
Fair value loss recorded in other comprehensive income	(3,708)	-	-	(3,708)
At end of year	5,895	-	-	5,895

12. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares - at cost	**158,366**	138,366
Subscription of additional shares in a subsidiary company	**-**	20,000
Acquisition of a subsidiary company	**293**	-
	158,659	158,366
Impairment losses	**(6,369)**	(6,369)
	152,290	151,997

The subsidiary companies are:

Incorporated in Malaysia	Effective Interests 2012 %	Effective Interests 2011 %	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

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

The subsidiary companies are: (Cont'd.)

	Effective Interests		
Incorporated in Malaysia	**2012 %**	**2011 %**	**Principal Activities**
P & O Nominees Services (Tempatan) Sdn. Bhd.	**100**	100	Dormant
Pacific Global Technologies Sdn. Bhd.	**100**	100	Dormant
Focus Internet Sdn. Bhd.	**100**	-	Supplying computers and related peripherals
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.

Acquisition of a subsidiary company

On 6 June 2012, the Company acquired 100% equity interest in Focus Internet Sdn. Bhd. ("FISB") for a cash consideration of RM293,000.00. Upon the acquisition, FISB became a wholly owned subsidiary of the Company. FISB, an unlisted company incorporated in Malaysia, is involved in supplying computers and related peripherals.

The fair values of the identifiable assets of FISB as at the date of acquisition were:

	Fair value RM'000	Carrying amount RM'000
Investment	**350**	**350**
Other receivables	**3**	**3**
Net identifiable assets	**353**	**353**

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

Acquisition of a subsidiary company (Cont'd.)

The effect of the acquisition on cash flows is as follows:

	RM'000
Cost of business combination/net cash outflow on acquisition	**293**

Gain on acquisition of a subsidiary company

	RM'000
Fair value of net identifiable assets	**353**
Gain on acquisition of a subsidiary company (Note 33)	**(60)**
Cost of business combination	**293**

13. INVENTORIES – GOODS FOR RESALE

	Group	
	2012 RM'000	2011 RM'000
Inventories - at cost	**862**	1,043
Allowance for inventory obsolescence	**(235)**	(252)
	627	791

14. LOANS

	Group	
	2012 RM'000	2011 RM'000
Loans:		
- secured loans	**130**	168
- unsecured loans	**2**	77
	132	245
Due within one year	**38**	52
Due after one year	**94**	193
	132	245

The interest rates on loans were between 6.80% and 10.50% (2011 : 6.80% and 10.50%) per annum.

15. REINSURANCE ASSETS

	Group	
	2012	**2011**
	RM'000	**RM'000**
Reinsurance of insurance contracts		
Claims liabilities (Note 21.1)	**154,778**	108,182
Premium liabilities (Note 21.2)	**76,200**	75,290
	230,978	183,472
Allowance for impairment	**-**	(1,068)
	230,978	182,404

16. INSURANCE RECEIVABLES

	Group	
	2012	**2011**
	RM'000	**RM'000**
Outstanding premiums including agents', brokers' and co-insurers' balances	**9,700**	10,779
Due from reinsurers and ceding companies	**11,311**	108,084
	21,011	118,863
Allowance for impairment	**(1,067)**	(9,478)
	19,944	109,385

17. RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Trade receivables:				
Trade receivables	**2,565**	2,224	**-**	-
Allowance for impairment	**(1,068)**	(1,096)	**-**	-
	1,497	1,128	**-**	-
Other receivables:				
Accrued income	**5,781**	3,170	**700**	2
Share of assets held by Malaysian Motor Insurance Pool ("MMIP")	**20,247**	12,057	**-**	-
Deposits and prepayments	**2,173**	2,869	**42**	37
Tax recoverable	**6,637**	2,146	**2,238**	1,776
Others	**1,179**	1,386	**170**	152
	36,017	21,628	**3,150**	1,967
Allowance for impairment	**-**	(34)	**-**	-
	36,017	21,594	**3,150**	1,967

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	
	2012	2011
	RM'000	RM'000
Term loan (a)	**-**	70,105
Others (b)	**42,862**	40,685
	42,862	110,790
Allowance for impairment	**(17,947)**	(17,947)
	24,915	92,843

(a) During the previous 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 was fully settled on 27 June 2012.

(b) The amounts due from subsidiary companies are payable on demand, unsecured and interest-free, except for the amount of RM7,821,000 (2011 : RM7,204,000) which bears interest at between 10.00% and 10.25% (2011 : 10.00% and 10.25%) per annum.

18. DUE FROM SUBSIDIARY COMPANIES (Cont'd.)

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

	Company	
	2012	**2011**
	RM'000	**RM'000**
Ringgit Malaysia	**22,559**	91,911
United States Dollars	**19,721**	18,879
Thai Baht	**582**	-
	42,862	110,790
Allowance for impairment	**(17,947)**	(17,947)
	24,915	92,843

19. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Licensed banks	**718,570**	550,410	-	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 and placements of the Group amounting to RM188,000 (2011 : RM246,000) represent placements of deposits received from the insureds as collateral for bond guarantees granted by the insurance subsidiary company to third parties.

Deposits and placements of RM96,000 (2011 : RM97,000) 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	
	2012	**2011**	**2012**	**2011**
	%	**%**	**%**	**%**
Licensed banks	**2.90 – 3.55**	1.75 – 3.72	-	0.39

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	Days	**Days**	**Days**	**Days**
Licensed banks	**91 – 365**	91 – 365	-	91 – 365

20. CASH AND BANK BALANCES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and bank balances	**6,500**	5,776	**2**	107
Short-term deposits and placements with financial institutions	**12,149**	53,330	**-**	1,800
	18,649	59,106	**2**	1,907

Deposits of RM581,000 (2011 : RM564,000) 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	
	2012 %	2011 %	2012 %	2011 %
Licensed banks	**0.04 – 3.20**	0.05 – 3.40	**-**	3.04 – 3.40

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

	Group		Company	
	2012 Days	2011 Days	2012 Days	2011 Days
Licensed banks	**1 – 90**	1 – 90	**-**	1 – 90

21. INSURANCE CONTRACT LIABILITIES

	30 September 2012 Gross RM'000	30 September 2012 Reinsurance RM'000 (Note 15)	30 September 2012 Net RM'000	30 September 2011 Gross RM'000	30 September 2011 Reinsurance RM'000 (Note 15)	30 September 2011 Net RM'000
Group						
General insurance	**761,452**	**(230,978)**	**530,474**	674,485	(183,472)	491,013

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

	Note	30 September 2012 Gross RM'000	30 September 2012 Reinsurance RM'000 (Note 15)	30 September 2012 Net RM'000	30 September 2011 Gross RM'000	30 September 2011 Reinsurance RM'000 (Note 15)	30 September 2011 Net RM'000
Group							
Provision for claims reported by policyholders		**384,593**	**(108,123)**	**276,470**	309,698	(74,913)	234,785
Provision for Incurred But Not Reported ("IBNR")		**84,147**	**(28,850)**	**55,297**	69,817	(20,208)	49,609
Provision of Risk Margin for Adverse Deviation ("PRAD")		**47,740**	**(17,805)**	**29,935**	36,971	(13,061)	23,910
Claims liabilities	21.1	**516,480**	**(154,778)**	**361,702**	416,486	(108,182)	308,304
Premium liabilities	21.2	**244,972**	**(76,200)**	**168,772**	257,999	(75,290)	182,709
		761,452	**(230,978)**	**530,474**	674,485	(183,472)	491,013

21. INSURANCE CONTRACT LIABILITIES (Cont'd.)

21.1 CLAIMS LIABILITIES

	30 September 2012			30 September 2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
At beginning of year	**416,486**	**(108,182)**	**308,304**	380,018	(63,251)	316,767
Claims incurred for the current accident year (direct and facultative)	**176,474**	**(63,592)**	**112,882**	174,314	(56,197)	118,117
Adjustment to claims incurred in prior accident years (direct and facultative)	**133,743**	**(36,923)**	**96,820**	106,311	(31,981)	74,330
Claims incurred during the year (treaty inwards claims)	**14,964**	**-**	**14,964**	4,386	(160)	4,226
Movement in PRAD of claims liabilities at 75% confidence level	**10,769**	**(4,744)**	**6,025**	8,566	(8,355)	211
Movement in claims handling expenses	**1,489**	**(925)**	**564**	809	(757)	52
Claims paid during the year	**(237,445)**	**59,588**	**(177,857)**	(257,918)	52,519	(205,399)
At end of year	**516,480**	**(154,778)**	**361,702**	416,486	(108,182)	308,304

21. INSURANCE CONTRACT LIABILITIES (Cont'd.)

21.2 PREMIUM LIABILITIES

	30 September 2012			30 September 2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
At beginning of year	**257,999**	**(75,290)**	**182,709**	242,592	(58,387)	184,205
(Decrease)/increase in premium liabilities:						
- Premium written during the year	**517,317**	**(184,915)**	**332,402**	501,690	(170,964)	330,726
- Premium earned during the year	**(530,344)**	**184,005**	**(346,339)**	(486,283)	154,061	(332,222)
	(13,027)	**(910)**	**(13,937)**	15,407	(16,903)	(1,496)
At end of year	**244,972**	**(76,200)**	**168,772**	257,999	(75,290)	182,709

22. INSURANCE PAYABLES

	Group 2012 RM'000	Group 2011 RM'000
Due to reinsurers and ceding companies	**14,104**	21,363
Due to agents, brokers, co-insurers and insureds	**2,125**	2,069
	16,229	23,432

23. PAYABLES

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Trade payables	**49**	17	**-**	-
Other payables:				
Dividend payable	**1,833**	-	**1,833**	-
Accruals	**3,413**	1,880	**1,102**	499
Short term accumulating compensated absences	**748**	768	**186**	171
Collateral deposits	**188**	246	**-**	-
Stamp duty payable	**1,704**	1,843	**-**	-
Unearned income	**308**	415	**-**	-
Accrual of directors' fees	**451**	458	**176**	165
Service tax payable	**146**	341	**-**	-
Unclaimed monies	**251**	224	**-**	-
Refund premiums	**204**	192	**-**	-
MMIP's liabilities	**418**	308	**-**	-
Payables - Extended Warranty Programme	**489**	475	**-**	-
Others	**1,822**	1,839	**44**	11
	11,975	8,989	**3,341**	846

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 RM3,146,000 (2011 : RM3,041,000) bears interest at 9.05% (2011 : 9.05%) per annum, is unsecured and payable on demand.

25. HIRE PURCHASE CREDITORS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Future minimum payments are as follows:				
Not later than 1 year	**702**	608	**187**	176
Later than 1 year and not later than 2 years	**1,031**	839	**266**	223
Later than 2 years and not later than 5 years	**277**	306	**76**	107
Total future minimum lease payments	**2,010**	1,753	**529**	506
Less : Future finance charges	**(171)**	(157)	**(40)**	(42)
Present value of hire purchase creditors	**1,839**	1,596	**489**	464

Analysis of present value of hire purchase creditors:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Not later than 1 year	**623**	533	**167**	157
Later than 1 year and not later than 2 years	**954**	739	**248**	204
Later than 2 years and not later than 5 years	**262**	324	**74**	103
	1,839	1,596	**489**	464
Amount due within 1 year	**(623)**	(533)	**(167)**	(157)
Amount due after 1 year	**1,216**	1,063	**322**	307

The hire purchase agreements at the reporting date bear interest at between 0.18% and 6.19% (2011 : 1.84% and 6.25%) per annum.

26. BORROWINGS

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Secured:				
Term loan (a)	**-**	73,648	**-**	73,648
Bridging loan (b)	**27,014**	-	**27,014**	-
	27,014	73,648	**27,014**	73,648
Unsecured:				
Subordinated notes ("Sub Notes") (c)	**33,458**	-	**-**	-
Bank overdraft (d)	**2,766**	-	**2,766**	-
Revolving credits (d)	**23,000**	23,000	**22,500**	22,500
	59,224	23,000	**25,266**	22,500
	86,238	96,648	**52,280**	96,148

Analysis of repayment period of total borrowings are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Amount due within 1 year	**52,780**	96,648	**52,280**	96,148
Amount due within 2 to 5 years	**-**	-	**-**	-
Amount due more than 5 years	**33,458**	-	**-**	-
	86,238	96,648	**52,280**	96,148

26. BORROWINGS (Cont'd.)

(a) Term loan

In previous year, the Company had obtained a term loan of USD23,000,000 secured by a charge over the shares of the insurance subsidiary company at an interest rate based on LIBOR + 3.75% per annum. The term loan was for a period of 18 months. The said loan was used to subscribe for Tier 2 capital in the insurance subsidiary company which further enhanced the insurance subsidiary company's capital to a level in excess of BNM's requirement. The term loan was fully settled on 27 June 2012.

(b) Bridging loan

On 21 June 2012, the Company had obtained a bridging loan of RM28,000,000 to part finance its investment of the insurance subsidiary company's Sub Notes of RM35,000,000.

The bridging loan bear interest rate at 6.55% per annum and is for a tenure of 9 months with an option to extend for another 3 months subject to approval of the borrower.

The bridging loan is secured by the Company's investment in the insurance subsidiary company's Sub Notes of RM35,000,000.

(c) Subordinated notes ("Sub Notes")

On 19 June 2012, the insurance subsidiary company had established a Sub Notes Programme with an aggregate nominal value of RM150,000,000 issuable in tranches.

The first tranche of Sub Notes was issued on 27 June 2012 with a nominal value of RM70,000,000 at a discounted subscription price of RM99.05. The Sub Notes were issued for a period of 10 years on a 10 non-callable 5 basis, with a coupon rate of 7.60% per annum.

Of the RM70,000,000 Sub Notes, RM35,000,000 were subscribed by the Company whilst the remaining RM35,000,000 were subscribed by a third party.

The proceeds from the issuance of the Sub Notes were used by the insurance subsidiary company to repay its unsecured term loan previously granted by the Company.

(d) Revolving credit and bank overdraft facilities

The revolving credit and bank overdraft facilities of the Company are unsecured and bear interest at between 5.07% and 5.30% (2011 : 5.15% and 5.18%) per annum and 8.35% (2011 : 8.35%) per annum respectively. The revolving credit facilities of a subsidiary company is secured by a deposit of the subsidiary company of RM581,000 (2011 : RM564,000). The revolving credit and bank overdraft facilities of the Group bear interest at between 5.07% and 5.30% (2011 : 5.15% and 5.18%) per annum and 8.35% (2011: 8.35%) 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	
	2012	2011	2012	2011
	'000	'000	RM'000	RM'000
Authorised ordinary shares of RM0.50 each:				
At beginning of year/end of year	**400,000**	400,000	**200,000**	200,000
Issued and fully paid ordinary shares:				
Ordinary shares of RM0.50 each:				
At beginning of year	**245,954**	230,844	**122,977**	115,422
Issue of shares:				
- Private placement (Note (a))	**-**	14,550	**-**	7,275
- ESOS (Note (b))	**-**	560	**-**	280
At end of year	**245,954**	245,954	**122,977**	122,977

(a) Private Placement

During the previous 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. The ESOS was implemented on 16 January 2003 and expired on 15 January 2011.

(c) Treasury Shares

	Group/Company			
	Number of shares		Amount	
	2012	2011	2012 *	2011 *
	'000	'000	RM'000	RM'000
At beginning of year	**184**	-	**134**	-
Purchased	**1,420**	184	**1,329**	134
At end of year	**1,604**	184	**1,463**	134

* This amount includes acquisition costs of treasury shares.

The shareholders of the Company, by a special resolution passed at a general meeting held on 27 March 2012, approved the renewal of the Company's plan to purchase its own ordinary shares.

During the year, the Company purchased 1,420,300 of its issued ordinary shares of RM0.50 each fully paid from the open market at an average price of RM0.94 per share for a consideration of RM1,329,249. 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 during the financial year are as follows:

Shares purchased

Month	Price per share (RM) Lowest	Highest	Average	Number of shares purchased ('000)	Total consideration RM'000
October 2011	0.70	0.72	0.71	56	40
February 2012	0.94	0.97	0.96	103	99
March 2012	0.93	0.99	0.96	296	285
April 2012	0.93	0.96	0.95	306	292
May 2012	0.91	0.96	0.93	469	438
June 2012	0.89	0.92	0.91	170	155
July 2012	0.99	1.00	0.99	20	20
		Total shares purchased		1,420	1,329

* This amount includes acquisition costs of treasury shares.

There was no cancellation of treasury shares during the financial 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 increases in the fair value of freehold land, freehold and leasehold buildings classified as property, plant and equipment as a result of valuation performed as at 30 September 2012 (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	
	2012	2011	2012	2011
	'000	'000	RM'000	RM'000
At beginning of year	**24,302**	17,132	**24,302**	17,132
Issue of shares:				
- Private placement	**-**	7,129	**-**	7,129
- ESOS	**-**	100	**-**	100
Share issuance expenses	**-**	(59)	**-**	(59)
At end of year	**24,302**	24,302	**24,302**	24,302

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 2012, 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	
	2012	2011	2012	2011
	RM'000	RM'000	Sen	Sen
1st interim dividend of 0.80 sen per share less tax at 25% in respect of current financial year, declared on 18 January 2012 and paid on 23 February 2012 (2011 : 0.60 sen per share less tax at 25%)	**1,474**	1,107	**0.60**	0.45
2nd interim dividend of 2.30 sen per share less tax at 25% in respect of current financial year, declared on 8 March 2012 and paid on 5 April 2012 (2011 : 5.00 sen per share less tax at 25%)	**4,234**	9,222	**1.73**	3.75
3rd interim dividend of 1.30 sen per share less tax at 25% in respect of current financial year, declared on 9 May 2012 and paid on 12 June 2012	**2,384**	-	**0.97**	-
4th interim dividend of 2.00 sen per share less tax at 25% in respect of current financial year, declared on 18 July 2012 and paid on 23 August 2012	**3,665**	-	**1.50**	-
5th interim dividend of 1.00 sen per share less tax at 25% in respect of current financial year, declared on 29 August 2012 and payable on 3 October 2012	**1,833**	-	**0.75**	-
	13,590	10,329	**5.55**	4.20

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

In respect of the financial year ended 30 September 2012, the Directors had on 29 October 2012 declared a 6th interim dividend of 1.00 sen per share less tax at 25%, estimated at RM1,833,000 based on the issued and paid-up share capital (net of treasury shares) as at 30 September 2012. The dividend was paid on 28 November 2012 to depositors whose names appear in the Record of Depositors on 14 November 2012. This dividend has not been reflected in the financial statements for the current financial year but it will be accounted for in equity as an appropriation of retained profits for the financial year ending 30 September 2013.

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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Gross premiums (Note 42)	**517,317**	501,690	**-**	-
Gross dividends:				
- shares quoted in Malaysia	**1,062**	420	**-**	-
- unit trusts	**324**	300	**-**	-
- subsidiary company	**-**	-	**39,980**	34,600
Interest income:				
- subsidiary companies	**-**	-	**5,595**	4,952
- Malaysian Government Securities	**1,192**	2,382	**-**	-
- bankers acceptance	**-**	891	**-**	-
- deposits and placements with financial institutions	**22,810**	18,714	**66**	35
- loans to third parties	**11**	22	**-**	-
Rental income from investment properties	**14**	19	**-**	-
Malaysian Motor Insurance Pool ("MMIP") investment income	**672**	353	**-**	-
Malaysian Reinsurance Berhad ("MRB") investment income	**96**	32	**-**	-
Amortisation of premiums, net of accretion of discounts	**(75)**	(137)	**-**	-
Sale of goods and services	**5,344**	4,608	**-**	-
Management service fees	**-**	-	**2,969**	2,694
	548,767	529,294	**48,610**	42,281

33. OTHER OPERATING INCOME

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Commission income	**45,591**	28,380	**-**	-
Interest income	**19**	22	**-**	-
Gain on fair value adjustments on investment properties (Note 6)	**110**	-	**-**	-
Gain on acquisition of a subsidiary company (Note 12)	**60**	-	**-**	-
Realised gains/(losses) for:				
AFS financial assets:				
- Quoted shares	**775**	575	**-**	-
HTM investments:				
- Malaysian Government Securities	**(2)**	(25)	**-**	-
Gain on forward exchange contract	**1,445**	-	**1,445**	-
Reversal of revaluation deficit of property, plant and equipment	**110**	-	**-**	-
Insurance policy transfer fees	**603**	583	**-**	-
Others	**691**	152	**4**	3
	49,402	29,687	**1,449**	3

34. NET CLAIMS INCURRED

	Group	
	2012	2011
	RM'000	RM'000
Gross claims paid	**237,445**	257,918
Claims ceded to reinsurers	**(59,588)**	(52,519)
Net claims paid	**177,857**	205,399
Gross change in contract liabilities:		
At end of year (Note 21.1)	**516,480**	416,486
At beginning of year	**416,486**	380,018
	99,994	36,468
Change in contract liabilities ceded to reinsurers:		
At end of year (Note 21.1)	**(154,778)**	(108,182)
At beginning of year	**(108,182)**	(63,251)
	(46,596)	(44,931)
Net claims incurred	**231,255**	196,936

35. CHANGES IN PREMIUM LIABILITIES

	Group	
	2012	2011
	RM'000	RM'000
Change in premium liabilities (Note 42)	**13,027**	(15,407)
Change in premium liabilities to reinsurers (Note 42)	**910**	16,903
	13,937	1,496

36. STAFF COSTS

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Salaries, wages and bonus	**26,571**	24,219	**3,957**	3,335
Short term accumulating compensated absences	**(16)**	4	**16**	(12)
Pension cost :				
- defined contribution plan	**3,151**	2,723	**488**	408
- defined benefit plan	**39**	-	**-**	-
Other staff related expenses	**2,643**	2,041	**312**	311
	32,388	28,987	**4,773**	4,042

Included in staff costs of the Group and of the Company are executive directors' remuneration (excluding benefits-in-kind) amounting to RM2,204,000 (2011 : RM1,635,000) and RM1,067,000 (2011 : RM790,000) respectively.

37. DIRECTORS' REMUNERATION

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors of the Company				
Executive:				
Salaries and other remuneration	**670**	580	**630**	540
Bonus	**203**	45	**203**	45
Pension cost – defined contribution plan	**114**	85	**114**	85
Benefits-in-kind	**25**	24	**25**	24
Allowance	**120**	120	**120**	120
	1,132	854	**1,092**	814
Non-Executive:				
Fees	**255**	263	**176**	165
	255	263	**176**	165
Directors of Subsidiary Companies				
Executive:				
Salaries and other remuneration	**755**	651	**-**	-
Bonus	**134**	64	**-**	-
Short term accumulating compensated absences	**-**	(5)	**-**	-
Pension cost:				
- Defined contribution plan	**72**	60	**-**	-
- Defined benefit plan	**93**	-	**-**	-
Other short-term benefits	**7**	-	**-**	-
Benefits-in-kind	**47**	37	**-**	-
Allowances	**36**	36	**-**	-
	1,144	843	**-**	-
Non-Executive:				
Fees	**155**	155	**-**	-
Total	**2,686**	2,115	**1,268**	979
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 36)	**2,204**	1,635	**1,067**	790
Total non-executive directors' remuneration (Note 39)	**410**	418	**176**	165
Total directors' remuneration excluding benefits-in-kind	**2,614**	2,053	**1,243**	955

38. AMORTISATION

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Amortisation of:				
- intangible assets (Note 9)	**157**	155	**2**	5
- prepaid land lease payments (Note 7)	**4**	4	**-**	-
	161	159	**2**	5

39. OTHER OPERATING EXPENSES

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Other operating expenses include:				
Auditors' remuneration	**284**	270	**54**	60
Non-executive directors' remuneration (Note 37)	**410**	418	**176**	165
Property, plant and equipment written off	**106**	27	**-**	1
Inventories - goods for resale written off	**66**	196	**-**	-
Allowance for inventory obsolescence	**-**	13	**-**	-
Impairment loss of AFS financial assets	**3,172**	3,897	**2,758**	-
Rental of office equipment	**2,092**	1,685	**231**	216
Office rental:				
- subsidiary company	**-**	-	**256**	256
- others	**1,590**	1,510	**-**	-
Loss on foreign exchange:				
- unrealised	**1,377**	1,166	**719**	1,517
- realised	**835**	52	**787**	36
Loss on disposal of property, plant and equipment	**45**	92	**9**	33
Allowance for impairment :				
- insurance receivables	**456**	1,310	**-**	-
- trade and other receivables	**3**	-	**-**	-
- amounts due from subsidiary companies	**-**	-	**-**	34
Amount due from subsidiary written off	**-**	-	**-**	6
Bad debts written off :				
- insurance receivables *	**20,746**	-	**-**	-
- trade and other receivables	**92**	54	**-**	-
Write back in allowance for impairment :				
- insurance receivables	**(5,605)**	(97)	**-**	-
- reinsurance assets	**(1,068)**	(1,055)	**-**	-
- trade and other receivables	**(3)**	(18)	**-**	-
- amounts due from subsidiary companies	**-**	-	**-**	(250)
Bad debts recovered	**-**	(48)	**-**	-

* The one-off bad debt written off of RM20,746,000 was in respect of the commutation of a reinsurance contract with a reinsurer at the insurance subsidiary company during the financial year.

40. FINANCE COSTS

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Interest expense:				
- subsidiary company	**-**	-	**277**	277
- others	**5,752**	4,644	**4,922**	4,540
Others	**134**	73	**129**	67
	5,886	4,717	**5,328**	4,884

41. PROFIT BEFORE TAXATION

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Determined as follows:					
Insurance subsidiary company	42	**61,256**	77,982	**-**	-
Others		**28,964**	26,439	**31,221**	28,323
Before consolidation		**90,220**	104,421	**31,221**	28,323
Consolidation adjustments		**(39,610)**	(35,142)	**-**	-
After consolidation		**50,610**	69,279	**31,221**	28,323

42. PROFIT BEFORE TAXATION - INSURANCE SUBSIDIARY COMPANY

		Group	
		2012	2011
	Note	RM'000	RM'000
Revenue		**543,601**	524,887
Gross premiums	32	**517,317**	501,690
Change in premium liabilities		**13,027**	(15,407)
Gross earned premiums		**530,344**	486,283
Gross premiums ceded to reinsurers		**(184,915)**	(170,964)
Change in premium liabilities		**910**	16,903
Premiums ceded to reinsurers		**(184,005)**	(154,061)
Net earned premiums		**346,339**	332,222
Investment income	43	**26,284**	23,197
Realised gains and losses	44	**643**	531
Commission income		**45,591**	28,380
Other operating expenses	47	**668**	(3,220)
Other income		**73,186**	48,888
Gross claims paid		**(237,445)**	(257,918)
Claims ceded to reinsurers		**59,588**	52,519
Gross change in contract liabilities		**(99,994)**	(36,468)
Change in contract liabilities ceded to reinsurers		**46,596**	44,931
Net claims incurred		**(231,255)**	(196,936)
Commission expense		**(56,685)**	(56,527)
Management expenses	45	**(64,671)**	(45,313)
Finance costs		**(5,658)**	(4,352)
Other expenses		**(127,014)**	(106,192)
Profit before taxation		**61,256**	77,982

43. INVESTMENT INCOME - INSURANCE SUBSIDIARY COMPANY

	Group	
	2012	2011
	RM'000	RM'000
Gross dividends:		
- shares quoted in Malaysia	**1,062**	420
- unit trusts	**324**	300
Interest income:		
- Malaysian Government Securities	**1,192**	2,382
- bankers acceptances	**-**	891
- deposits and placements with financial institutions	**22,743**	18,680
Rental income from investment properties	**270**	276
MMIP investment income	**672**	353
MRB investment income	**96**	32
Amortisation of premiums, net of accretion of discounts	**(75)**	(137)
	26,284	23,197

44. REALISED GAINS AND LOSSES - INSURANCE SUBSIDIARY COMPANY

	Group	
	2012	2011
	RM'000	RM'000
Realised gains/(loss) for:		
- AFS financial assets:		
- Quoted shares	**775**	575
- HTM investments:		
- Malaysian Government Securities	**(2)**	(25)
- Property, plant and equipment	**(116)**	(20)
- Foreign exchange	**(14)**	1
	643	531

45. MANAGEMENT EXPENSES - INSURANCE SUBSIDIARY COMPANY

	Group	
	2012	2011
	RM'000	RM'000
Executive directors' remuneration (Note 46)	**676**	553
Staff salaries and bonus	**16,313**	15,250
Staff short term accumulating compensated absences	**(42)**	13
Staff pension cost – defined contribution plan	**2,028**	1,826
Other staff benefits	**1,928**	1,374
Depreciation of property, plant and equipment	**936**	943
Auditors' remuneration	**160**	144
Amortisation :		
- prepaid land lease payments	**4**	4
- intangible assets	**33**	36
Non-executive directors' remuneration (Note 46)	**245**	263
Directors' training	**-**	50
Bad debt written off - insurance receivables (Note 39)	**20,746**	-
Allowance for impairment of insurance receivables	**456**	1,310
Write back in allowance for impairment :		
- reinsurance assets	**(1,068)**	(1,055)
- insurance receivables	**(5,605)**	(97)
Bad debts recovered	**-**	(48)
Rental of properties	**619**	601
Perbadanan Insurans Deposit Malaysia ("PIDM") levy	**811**	553
Call centre service charges	**542**	612
Rental of equipment	**2,629**	2,036
Printing and EDP expenses	**8,930**	8,267
Business development	**1,753**	1,128
Credit card charges	**5,039**	4,994
Office administration and utilities	**1,584**	1,910
Other expenses	**5,954**	4,646
	64,671	45,313

46. DIRECTORS' REMUNERATION - INSURANCE SUBSIDIARY COMPANY

	Group	
	2012	**2011**
	RM'000	**RM'000**
Executive directors:		
- salaries	**433**	398
- bonus	**135**	64
- defined contribution plan	**72**	60
- benefits-in-kind	**32**	32
- short term accumulating compensated absences	**-**	(5)
- allowances	**36**	36
	708	585
Non-executive directors:		
- fee (Note 45)	**245**	263
- benefits-in-kind	**15**	5
Total directors' remuneration	**968**	853
Total executive directors' remuneration excluding benefits-in-kind (Note 45)	**676**	553

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

	Group	
	2012	**2011**
	RM'000	**RM'000**
Impairment loss on AFS financial assets	**(415)**	(3,897)
Sundry income	**1,206**	680
Gain on fair value adjustments on investment properties	**105**	-
Reversal of revaluation deficit of property, plant and equipment	**110**	-
Property, plant and equipment written off	**(2)**	(2)
Others	**(336)**	(1)
	668	(3,220)

48. INCOME TAX EXPENSE

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax:				
Current year's provision				
- Malaysian tax	**13,418**	20,101	**8,893**	6,945
- foreign tax	**19**	4	**-**	-
Under provision in prior years	**230**	-	**639**	-
	13,667	20,105	**9,532**	6,945
Deferred tax (Note 10):				
Relating to timing differences	**67**	(289)	**(7)**	573
Under/(over) provision in prior years	**11**	4	**2**	(18)
Transferred to/(from) deferred taxation	**78**	(285)	**(5)**	555
	13,745	19,820	**9,527**	7,500

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011 : 25%) of the estimated assessable profit for the year.

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

	Group	
	2012	**2011**
	RM'000	**RM'000**
Profit before taxation	**50,610**	69,279
Taxation at Malaysian statutory tax rate of 25% (2011 : 25%)	**12,653**	17,320
Effects of different tax rates in other countries	**(19)**	(75)
Income not subject to tax	**(2,926)**	(383)
Expenses not deductible for tax purposes	**3,583**	2,479
Deferred tax asset not recognised during the year	**700**	1,284
Under provision of tax expense in prior years	**230**	-
Under/(over) provision of deferred tax in prior years	**12**	(290)
Over provision of deferred tax assets in prior years	**-**	4
Consolidation adjustments	**(67)**	83
Utilisation of previous years' unused tax losses and unabsorbed capital allowances	**(421)**	(602)
Tax expense for the year	**13,745**	19,820

48. INCOME TAX EXPENSE (Cont'd.)

	Company 2012 RM'000	Company 2011 RM'000
Profit before taxation	**31,221**	28,323
Taxation at Malaysian statutory tax rate of 25% (2011 : 25%)	**7,805**	7,081
Income not subject to tax	**(187)**	(172)
Expenses not deductible for tax purposes	**1,268**	609
Under provision in prior years	**639**	-
Under/(over) provision of deferred tax in prior years	**2**	(18)
Tax expense for the year	**9,527**	7,500

As at 30 September 2012, the Company has:

- unabsorbed capital allowances of approximately RM2,333,000 (2011 : RM2,331,000) 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 (2011 : 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)

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 2012	Group 2011
Net profit for the year attributable to equity holders of the Company	(RM'000)	**36,865**	49,459
Weighted average number of ordinary shares in issue	('000)	**245,062**	245,124
Basic earnings per share	(sen)	**15.04**	20.18

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares at the reporting date.

50. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Company	
	2012	2011
	RM'000	RM'000
Subsidiary companies - Income:		
Interest income on loans	**4,891**	4,952
Interest income on Subordinated Notes	**704**	-
Management fee income	**2,969**	2,694
Subsidiary companies - Expenditure:		
Office rental	**256**	256
Interest expense on loans	**277**	277
Rental of office equipment	**218**	207
Information technology advisory services	**1,100**	1,098
Subsidiary company - Capital Transaction:		
Subscription of Subordinated Notes of a subsidiary company	**34,672**	-

Information regarding outstanding balances arising from related party transactions and subsidiary companies as at 30 September 2012 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.

(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	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits:				
- Salary and other remuneration	**1,581**	1,387	**750**	660
- Bonus	**337**	109	**203**	45
- Short term accumulating compensated absences	**-**	(5)	**-**	-
- Benefits-in-kind	**72**	61	**25**	24
Post-employment benefits:				
- Pension cost:				
- defined contribution plan	**186**	145	**114**	85
- defined benefit plan	**93**	-	**-**	-
Other short-term benefits	**7**	-	**-**	-
	2,276	1,697	**1,092**	814

51. COMMITMENTS AND CONTINGENCIES

(a) Contingent liabilities

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Performance guarantees – secured	**242**	228	**-**	-
Guarantees given to financial institutions for facilities extended to subsidiary companies – secured	**-**	-	**3,928**	3,920
	242	228	**3,928**	3,920

(b) Non-cancellable operating lease commitments

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Future minimum lease payments are as follows:				
Not later than 1 year	**3,654**	2,676	**78**	90
Later than 1 year and not later than 5 years	**4,001**	2,570	**41**	117
	7,655	5,246	**119**	207

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

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

	Group	
	2012	**2011**
	RM'000	**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 2012:				
Financial assets				
HTM investments	**15,137**	**15,186**	-	-
Financial liabilities				
Hire purchase creditors	**1,839**	**1,857**	**489**	**491**
At 30 September 2011:				
Financial assets				
HTM investments	40,213	40,423	-	-
Financial liabilities				
Hire purchase creditors	1,596	1,651	464	466

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

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

(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.

(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) Subordinated Notes

The fair value of the subordinated note is determined by the present value of the estimated future cash flow at the end of the tenure of the subordinated notes.

(vii) 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.

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

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

(c) FRS 7 Financial Instruments: Disclosures requires the classification of financial instruments held at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of the Group and of the Company's financial instruments:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data.

2012	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
AFS financial assets				
Quoted shares	36,032	-	-	36,032
Unit trusts	13,817	-	-	13,817
Unquoted shares	-	803	-	803
Club membership	-	470	-	470
	49,849	1,273	-	51,122
Company				
AFS financial assets				
Quoted shares	11,925	-	-	11,925
	11,925	-	-	11,925

Comparative figures have not been presented for 30 September 2011 by virtue of the exemption provided in paragraph 44G of FRS 7.

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.

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.

53. INSURANCE RISK (Cont'd.)

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

General insurance business	2012			2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
Motor	**446,579**	**(150,495)**	**296,084**	401,297	(121,632)	279,665
Personal Accident	**33,210**	**(1,889)**	**31,321**	33,401	(2,778)	30,623
Fire	**1,944**	**(854)**	**1,090**	2,382	(1,151)	1,231
Miscellaneous	**48,611**	**(30,767)**	**17,844**	49,203	(28,500)	20,703
	530,344	**(184,005)**	**346,339**	486,283	(154,061)	332,222

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

Premium liabilities	2012			2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
Motor	**207,342**	**(62,607)**	**144,735**	211,686	(63,829)	147,857
Personal Accident	**9,636**	**(52)**	**9,584**	10,217	(612)	9,605
Fire	**784**	**(238)**	**546**	868	(406)	462
Miscellaneous	**27,210**	**(13,303)**	**13,907**	35,228	(10,443)	24,785
	244,972	**(76,200)**	**168,772**	257,999	(75,290)	182,709

53. INSURANCE RISK (Cont'd.)

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

Claims liabilities

	2012			2011		
	Gross RM'000	**Reinsurance RM'000**	**Net RM'000**	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
Group						
Motor	**474,533**	**(123,477)**	**351,056**	378,876	(84,055)	294,821
Personal Accident	**3,235**	**(195)**	**3,040**	3,057	(384)	2,673
Fire	**716**	**(183)**	**533**	954	(133)	821
Miscellaneous	**37,996**	**(30,923)**	**7,073**	33,599	(23,610)	9,989
	516,480	**(154,778)**	**361,702**	416,486	(108,182)	308,304

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.

53. INSURANCE RISK (Cont'd.)

Sensitivities (Cont'd.)

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 2012					
Average claim cost	**+1%**	**5,165**	**3,617**	**3,617**	**2,713**
Average number of claim	**+1%**	**5,165**	**3,617**	**3,617**	**2,713**
Average claims settlement period	**decreased by 6 months**	**7,503**	**5,422**	**5,422**	**4,067**
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

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

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 2012 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.

53. INSURANCE RISK (Cont'd.)

Gross general insurance contract liabilities for 2012:

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year		148,941	151,087	162,214	196,979	244,459	248,638	258,790	
One year later		154,577	147,069	167,906	219,140	224,613	258,486	-	
Two years later		152,267	150,671	175,999	229,690	248,128	-	-	
Three years later		156,386	155,691	184,415	240,169	-	-	-	
Four years later		161,649	156,174	189,681	-	-	-	-	
Five years later		168,863	159,278	-	-	-	-	-	
Six years later		169,998	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		169,998	159,278	189,681	240,169	248,128	258,486	258,790	
At end of accident year		(41,663)	(44,902)	(49,370)	(50,154)	(53,559)	(56,892)	(59,518)	
One year later		(91,570)	(88,759)	(97,337)	(115,161)	(128,273)	(139,326)	-	
Two years later		(102,259)	(99,359)	(131,466)	(167,843)	(176,648)	-	-	
Three years later		(117,503)	(141,543)	(161,286)	(198,971)	-	-	-	
Four years later		(151,465)	(150,637)	(173,133)	-	-	-	-	
Five years later		(161,885)	(150,864)	-	-	-	-	-	
Six years later		(161,352)	-	-	-	-	-	-	
Cumulative payments to-date		(161,352)	(150,864)	(173,133)	(198,971)	(176,648)	(139,326)	(59,518)	
Gross general insurance outstanding liability (direct and facultative)	13,387	8,646	8,414	16,548	41,198	71,480	119,160	199,272	478,105

53. INSURANCE RISK (Cont'd.)

Gross general insurance contract liabilities for 2012: (Cont'd.)

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Gross general insurance outstanding liability (treaty inward)									**25,971**
Best estimate of claims liabilities									**504,076**
Claims handling expenses									**10,082**
PRAD at 75% confidence level									**47,740**
Effects of discount									**(45,418)**
Gross general insurance contract liabilities per statement of financial position									**516,480**

53. INSURANCE RISK (Cont'd.)

Net general insurance contract liabilities for 2012:

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year		135,820	136,809	149,493	181,995	200,596	173,248	168,193	
One year later		146,840	138,655	154,419	191,742	191,470	177,930	-	
Two years later		144,957	138,977	159,251	206,975	209,032	-	-	
Three years later		148,670	143,414	167,316	215,442	-	-	-	
Four years later		150,836	143,648	172,480	-	-	-	-	
Five years later		153,671	147,232	-	-	-	-	-	
Six years later		154,962	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		154,962	147,232	172,480	215,442	209,032	177,930	168,193	
At end of accident year		(39,761)	(42,701)	(45,880)	(47,147)	(47,979)	(41,748)	(42,761)	
One year later		(87,471)	(84,274)	(90,963)	(107,204)	(111,233)	(99,202)	-	
Two years later		(97,702)	(93,739)	(122,373)	(155,194)	(153,500)	-	-	
Three years later		(112,157)	(132,197)	(150,088)	(183,493)	-	-	-	
Four years later		(14,465)	(139,280)	(159,150)	-	-	-	-	
Five years later		(150,819)	(139,031)	-	-	-	-	-	
Six years later		(150,120)	-	-	-	-	-	-	
Cumulative payments to-date		(150,120)	(139,031)	(159,150)	(183,493)	(153,500)	(99,202)	(42,761)	
Net general insurance outstanding liability (direct and facultative)	11,776	4,842	8,201	13,330	31,949	55,532	78,728	125,432	329,790

53. INSURANCE RISK (Cont'd.)

Net general insurance contract liabilities for 2012: (Cont'd.)

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
Net general insurance outstanding liability (treaty inward)									25,971
Best estimate of claims liabilities									355,761
Claims handling expenses									8,830
PRAD at 75% confidence level									29,935
Effects of discount									(32,824)
Net general insurance contract liabilities per statement of financial position									361,702

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.

54. FINANCIAL RISKS (Cont'd.)

(a) Credit risk (Cont'd.)

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Held-to-maturity investments	**15,137**	40,213	**-**	-
Loans	**132**	245	**-**	-
Reinsurance assets	**230,978**	182,404	**-**	-
Insurance receivables	**19,944**	109,385	**-**	-
Trade receivables	**1,497**	1,128	**-**	-
Other receivables	**36,017**	21,594	**3,150**	1,967
Due from subsidiary companies	**-**	-	**24,915**	92,843
Deposits and placements with financial institutions	**718,570**	550,410	**-**	1,561
Cash and bank balances	**18,649**	59,106	**2**	1,907
	1,040,924	964,485	**28,067**	98,278

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

(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
2012						
Held-to-maturity investments	**-**	**-**	**-**	**-**	**15,137**	**15,137**
Loans	**-**	**-**	**-**	**-**	**132**	**132**
Reinsurance assets	**92,613**	**3,284**	**9,288**	**2,884**	**122,909**	**230,978**
Insurance receivables	**3,483**	**986**	**5,988**	**138**	**9,349**	**19,944**
Trade receivables	**-**	**-**	**-**	**-**	**1,497**	**1,497**
Other receivables	**-**	**-**	**-**	**-**	**36,017**	**36,017**
Deposits and placements with financial institutions	**288,596**	**305,435**	**23,543**	**-**	**100,996**	**718,570**
Cash and bank balances	**16,808**	**1,408**	**-**	**-**	**433**	**18,649**
	401,500	**311,113**	**38,819**	**3,022**	**286,470**	**1,040,924**

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.)

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	99,221	2,696	8,501	897	71,089	182,404
Insurance receivables	92,613	2,034	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
	421,062	189,241	123,494	900	229,788	964,485

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
2012						
Held-to-maturity investments	**-**	**-**	**34,672**	**-**	**-**	**34,672**
Other receivables	**-**	**-**	**-**	**-**	**3,150**	**3,150**
Due from subsidiary companies	**-**	**-**	**-**	**-**	**24,915**	**24,915**
Cash and bank balances	**-**	**1**	**-**	**-**	**1**	**2**
	-	**1**	**34,672**	**-**	**28,066**	**62,739**
2011						
Other receivables	-	-	-	-	1,967	1,967
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	-	94,811	98,278

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
2012							
Insurance receivables	(i)	**8,005**	**88**	**162**	**1,736**	**6,900**	**16,891**
Trade receivables		**753**	**429**	**55**	**169**	**91**	**1,497**
		8,758	**517**	**217**	**1,905**	**6,991**	**18,388**
2011							
Insurance receivables	(i)	9,296	34	358	27,040	30,298	67,026
Trade receivables		247	138	508	172	63	1,128
		9,543	172	866	27,212	30,361	68,154

(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 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Insurance receivables	(i)	**3,053**	42,359	**-**	-
Trade receivables	(i)	**-**	-	**-**	-
Due from subsidiary companies	(ii)	**-**	-	**24,915**	92,843
		3,053	42,359	**24,915**	92,843

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

(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.)

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	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Movement in allowance accounts:						
Insurance receivables						
At beginning of year	**9,478**	8,323	**-**	-	**9,478**	8,323
Impairment loss (Note 39)	**456**	1,310	**-**	-	**456**	1,310
Write back of allowance for impairment loss (Note 39)	**(5,605)**	(97)	**-**	-	**(5,605)**	(97)
Write-offs	**(3,262)**	(58)	**-**	-	**(3,262)**	(58)
At end of year	**1,067**	9,478	**-**	-	**1,067**	9,478
Trade receivables						
At beginning of year	**1,096**	1,136	**-**	-	**1,096**	1,136
Impairment loss (Note 39)	**-**	-	**3**	-	**3**	-
Write back of allowance for impairment loss (Note 39)	**(3)**	(18)	**-**	-	**(3)**	(18)
Write-offs	**-**	(31)	**-**	-	**-**	(31)
Translation differences	**(28)**	9	**-**	-	**(28)**	9
At end of year	**1,065**	1,096	**3**	-	**1,068**	1,096
Total	**2,132**	10,574	**3**	-	**2,135**	10,574

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.

	Individually impaired		Collectively impaired		Total	
Company	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Movement in allowance accounts:						
Due from subsidiary companies						
At beginning of year	**17,947**	18,244	-	-	**17,947**	18,244
Impairment loss (Note 39)	**-**	34	-	-	**-**	34
Write back of allowance for impairment loss (Note 39)	**-**	(250)	-	-	**-**	(250)
Write-offs	**-**	(81)	-	-	**-**	(81)
At end of year	**17,947**	17,947	-	-	**17,947**	17,947

(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.

54. FINANCIAL RISKS (Cont'd.)

(b) Liquidity risk (Cont'd.)

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk: (Cont'd.)

- 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.

(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
2012							
Insurance contract liabilities	**516,480**	**191,050**	**91,806**	**138,159**	**92,744**	**2,721**	**516,480**
Insurance payables	**16,229**	**16,229**	**-**	**-**	**-**	**-**	**16,229**
Trade payables	**49**	**49**	**-**	**-**	**-**	**-**	**49**
Other payables	**11,975**	**11,975**	**-**	**-**	**-**	**-**	**11,975**
Hire purchase creditors	**1,839**	**623**	**954**	**262**	**-**	**-**	**1,839**
Borrowings	**86,238**	**52,780**	**-**	**-**	**33,458**	**-**	**86,238**
Total liabilities	**632,810**	**272,706**	**92,760**	**138,421**	**126,202**	**2,721**	**632,810**

* 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.)

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
Company							
2012							
Due to a subsidiary company	**3,146**	**-**	**-**	**-**	**-**	**3,146**	**3,146**
Other payables	**3,341**	**3,341**	**-**	**-**	**-**	**-**	**3,341**
Hire purchase creditors	**489**	**167**	**248**	**74**	**-**	**-**	**489**
Borrowings	**52,280**	**52,280**	**-**	**-**	**-**	**-**	**52,280**
Total liabilities	**59,256**	**55,788**	**248**	**74**	**-**	**3,146**	**59,256**
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

* 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:

	2012 Exposure in		2011 Exposure in	
	USD RM'000	Baht RM'000	USD RM'000	Baht RM'000
Trade and other receivables	**59**	**1,772**	86	1,255
Deposits and placements with financial institutions	**-**	**99**	68	100
Cash and bank balances	**204**	**365**	101	253
Trade and other payables	**112**	**649**	49	529
	375	**2,885**	304	2,137

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	
		2012 Profit net of tax RM'000	**2011 Profit net of tax RM'000**	**2012 Profit net of tax RM'000**	**2011 Profit net of tax RM'000**
USD/RM	- strengthened 3%	**1,202**	(1,241)	**569**	(1,579)
	- weakened 3%	**(1,213)**	1,250	**(569)**	1,579
USD/Baht	- strengthened 3%	**(413)**	(418)	**-**	-
	- weakened 3%	**413**	418	**-**	-
RM/Baht	- strengthened 3%	**(42)**	(8)	**-**	-
	- weakened 3%	**42**	8	**-**	-

54. FINANCIAL RISKS (Cont'd.)

(c) Market risk (Cont'd.)

(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:

	2012 Impact on		2011 Impact on	
Group	**Profit before tax RM'000**	**Equity * RM'000**	**Profit before tax RM'000**	**Equity * RM'000**
+ 25 basis points	**1,695**	**1,271**	1,268	951
- 25 basis points	**(1,695)**	**(1,271)**	(1,268)	(951)
Company				
+ 25 basis points	**(131)**	**(98)**	(232)	(174)
- 25 basis points	**131**	**98**	232	174

* 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:

		2012 Impact on		2011 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%	**-**	**4,097**	-	2,570
Market price	-10%	**-**	**(4,097)**	-	(2,570)
Company					
Market price	+10%	**-**	**1,193**	-	590
Market price	-10%	**-**	**(1,193)**	-	(590)

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

There is no impact on profit before tax for the year ended 30 September 2012 and 30 September 2011 due to the adoption of FRS 139 for which all the Group's investments in quoted shares and unit trusts have been classified as AFS financial assets with fair value movements recorded in the AFS reseve in equity accordingly.

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 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 2012, as prescribed under the RBC Framework is provided below:

	2012 RM'000	2011 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	**100,000**	100,000
Retained earnings	**134,805**	117,660
	234,805	217,660
Tier 2 Capital		
Capital instruments which qualify as Tier 2 Capital	**68,130**	69,606
Revaluation reserve	**8,799**	5,222
AFS reserve	**687**	(1,611)
	77,616	73,217
Amounts deducted from Capital	**(2,471)**	(4,450)
Total Capital Available	**309,950**	286,427

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.

2012	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	543,345	5,345	66	11	-	-	548,767
Inter-segment sales	256	10,732	48,544	331	5	(59,868)	-
Total segment revenue	543,601	16,077	48,610	342	5	(59,868)	548,767
RESULTS							
Segment profit before tax after accounting for:	61,256	(2,375)	31,221	146	(28)	(39,610)	50,610
Interest income	-	19	-	-	-	-	19
Finance cost	(5,658)	(848)	(5,329)	-	-	5,949	(5,886)
Depreciation	(936)	(489)	(116)	-	-	60	(1,481)
Amortisation	(37)	(130)	(2)	-	-	8	(161)
Other non-cash items	14,101	843	3,502	64	-	(111)	18,399

56. SEGMENT REPORTING (Cont'd.)

2012	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
ASSETS							
Segment assets	1,090,242	12,097	7,143	3,314	6	-	1,112,802
Unallocated corporate assets							12,582
Consolidated total assets							1,125,384
LIABILITIES							
Segment liabilities	783,080	1,632	2,578	929	18	-	788,237
Unallocated corporate liabilities							89,549
Consolidated total liabilities							877,786
OTHER INFORMATION							
Capital expenditure	471	847	650	-	-	-	1,968

56. SEGMENT REPORTING (Cont'd.)

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.)

Other non-cash items include the following items:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Impairment loss of AFS securities	**3,172**	3,897
Unrealised foreign exchange losses	**1,377**	1,166
Gain on disposal of investments	**(773)**	(550)
Reversal of revaluation deficit in property, plant and equipment	**(110)**	-
Gain on fair value of investment properties	**(110)**	-
Gain on acquisition of a subsidiary company	**(60)**	-
Allowance for impairment of :		
- insurance receivables	**456**	1,310
- trade receivables	**3**	-
Write back in allowance for impairment :		
- insurance receivables	**(5,605)**	(97)
- reinsurance assets	**(1,068)**	(1,055)
- trade receivables	**(3)**	(18)
Bad debts written off :		
- insurance receivables (Note 39)	**20,746**	-
- trade receivables	**92**	54
Amortisation of premiums, net of accretion of discounts	**75**	137
Inventories written off	**66**	196
Loss on disposal of property, plant and equipment	**45**	92
Short term accumulating absences	**(16)**	4
Property, plant and equipment written off	**106**	27
Allowance for inventories obsolescene	**-**	13
	18,393	5,176

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	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	**544,901**	526,580	**1,109,285**	1,015,344	**1,498**	1,014
Thailand	**3,392**	2,529	**2,932**	1,960	**385**	5
United States of America	**474**	185	**585**	662	**85**	34
	548,767	529,294	**1,112,802**	1,017,966	**1,968**	1,053

(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 (2011 : None).

57. SIGNIFICANT AND SUBSEQUENT EVENT

The Minister of Finance of Malaysia had, by a letter from Bank Negara Malaysia dated 26 November 2012, pursuant to Section 67 of the Insurance Act 1996, approved the following:

(i) The Company to dispose 49% of its equity interest in Pacific & Orient Insurance Co. Berhad ("POI") to Sanlam Emerging Markets Proprietary Limited; and

(ii) The Company to transfer one share of POI to its wholly owned subsidiary company, Pacific & Orient Nominees Services (Tempatan) Sdn. Bhd.

The above disposal is subject to the execution of a sale and purchase agreement.

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained profits/(accumulated losses)				
- Realised	**36,445**	12,569	**23,187**	16,593
- Unrealised	**861**	1,852	**(1,381)**	(2,891)
	37,306	14,421	**21,806**	13,702
Less: Consolidation adjustments	**10,181**	9,791	-	-
Total retained profits as per statement of financial position	**47,487**	24,212	**21,806**	13,702

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 2012

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2012 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	10,590	Leasehold expiring 8.4.2074	Office	5,100	27	Unit 10-A 1.7.1993/ 30.09.2012
	10th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan						Unit 10-B 1.4.1995/ 30.09.2012
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 Floor 10,589 12th Floor 10,589	Leasehold expiring 8.4.2074	Office	10,200	27	21.12.1982/ 30.09.2012
	11th and 12th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan						
3.	Geran 5815/M1/16/132 Lot No. 262 Mukim of Ampang District and State of Wilayah Persekutuan	1,615	Freehold	Condominium/ Residential	355	27	14.4.1986/ 17.08.2011
	Unit 332B-15A, 15th Floor, GCB Court Off Jalan Ampang 50450 Kuala Lumpur Wilayah Persekutuan						

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2012 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	45	33	1.12.1986/ 18.08.2011
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	925	28	8.12.1984/ 30.09.2012
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	200	29	13.2.1991/ 30.09.2012
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	948	14	18.9.1998/ 30.09.2012

LIST OF GROUP'S PROPERTIES As at 30 September 2012

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.9.2012 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	21	4.1.1996/ 25.08.2011
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	1,430	13	3.12.1999/ 30.09.2012
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	910	13	3.12.1999/ 30.09.2012

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	433	17,998	0.01
100 to 1,000	447	199,960	0.08
1,001 to 10,000	3,340	15,775,944	6.46
10,001 to 100,000	1,218	35,867,188	14.68
100,001 to less than 5% of issued shares	154	113,661,638	46.53
5% and above of issued shares	3	78,773,272	32.24
Total	**5,595**	**244,296,000***	**100**

*The number of 244,296,000 ordinary shares is exclusive of treasury shares retained by the Company.

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 31 December 2012 were as follows:

	No. of RM0.50 Shares			
Name	**Direct Interest**	**%**	**Indirect Interest**	**%**
Chan Thye Seng	27,898,736	11.42	108,771,818(2)	44.52
Mah Wing Holdings Sdn Bhd	54,289,202	22.22	–	–
Mah Wing Investments Limited	49,262,660	20.17	–	–

DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings, the Directors' shareholdings as at 31 December 2012 were as follows:

	No. of RM0.50 Shares			
Name	**Direct Interest**	**%**	**Indirect Interest**	**%**
Chan Hua Eng	284,198	0.12	5,349,522(1)	2.19
Chan Thye Seng	27,898,736	11.42	108,771,818(2)	44.52
Michael Yee Kim Shing	–	–	1,442,802(3)	0.59
Y.M. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed	–	–	4,570,252(4)	1.87
Dato' Abu Hanifah bin Noordin	–	–	659,332(5)	0.27
Dr Zaha Rina binti Zahari	–	–	–	–

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	20.17
2.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	16,405,714	6.72
3.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mah Wing Holdings Sdn Bhd	13,104,898	5.36
4.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	10,800,000	4.42
5.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mah Wing Holdings Sdn Bhd	9,217,104	3.77
6.	ECML Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chan Thye Seng	6,584,032	2.70
7.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Thye Seng	6,099,682	2.50
8.	Chan Thye Seng	6,000,000	2.46
9.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamed Ayub Bin Mohamed Ali	5,136,000	2.10
10.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Chan Kok Tien Realty Sdn. Bhd.	4,810,688	1.97
11.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Tunku Mu'tamir Bin Tunku Tan Sri Mohamed	4,570,252	1.87
12.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad For Mah Wing Holdings Sdn Bhd	4,091,390	1.67
13.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Thye Seng	3,645,100	1.49
14.	Neoh Choo Ee & Company, Sdn. Berhad	3,140,000	1.29
15.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Chan Thye Seng	3,052,220	1.25
16.	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad For Chan Thye Seng	2,350,000	0.96
17.	Electroscon Coletra Sdn Bhd	2,000,000	0.82
18.	Tan Teong Han	1,787,242	0.73
19.	Yeoh Kean Hua	1,708,802	0.70
20.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ihsan Bin Osman	1,352,100	0.55
21.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Fong Siling	1,300,000	0.53
22.	Lee Sik Pin	1,201,204	0.49
23.	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd For Michael Yee Kim Shing	1,068,612	0.44
24.	Yayasan Kedah Berhad	1,011,264	0.41
25.	Yap Lim Sen	1,000,000	0.41
26.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Deva Dassan Solomon	977,000	0.40
27.	Kumpulan Wang Simpanan Guru-Guru	881,034	0.36
28.	Ong Lee Veng @ Ong Chuan Heng	688,000	0.28
29.	Mah Wing Holdings Sdn Bhd	670,096	0.27
30.	UOBM Nominees (Asing) Sdn Bhd Exempt An For Societe Generale Bank & Trust, Singapore Branch	660,000	0.27
	Total	164,575,094	67.36

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 Nineteenth Annual General Meeting of the Company to be held at the Ballroom 1, Level 1, Corus Hotel Kuala Lumpur, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 6 March 2013 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 Dr Zaha Rina binti Zahari as Director		
3.	To re-elect YBhg. Dato' Abu Hanifah bin Noordin as Director		
4.	To re-appoint Mr Chan Hua Eng as Director		
5.	To re-appoint Mr Michael Yee Kim Shing as Director		
6.	To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to fix their remuneration		
7.	Authority under Section 132D of the Companies Act 1965, to issue shares		
8.	Proposed Renewal of Authority for the Purchase by the Company of its Own Shares		
9.	To retain Y.M. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed as Independent Non-Executive Director		
10.	To retain YBhg. Dato' Abu Hanifah bin Noordin as Independent Non-Executive Director		
11.	To retain Mr Michael Yee Kim Shing as Independent Non-Executive Director		
12.	Proposed Amendments to the Articles of Association of the Company		

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

*Delete if not applicable.

As witness my hand this _______ day of __________ 2013

____
Signature/Common Seal of Member(s)

Notes:
1. Depositors whose names appear in the Record of Depositors as at 27 February 2013 shall be regarded as members of the Company entitled to attend the Annual General Meeting or appoint proxies to attend and vote on their behalf.
2. 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.
3. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
4. 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.
5. 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.

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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