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Laporan Tahunan • Annual Report



Commerce Asset-Holding Berhad
(50841-W)

Rasional muka kulit

Jendela kepada Malaysia Jaya.

Tema untuk Laporan Tahunan 1998 Commerce Asset-Holding Berhad (CAHB) adalah berlandaskan kepada perspektif perdagangan, perniagaan, infrastruktur dan perusahaan di mana CAHB sebagai syarikat induk pelaburan dan anak-anak syarikat yang terlibat di dalam perbankan komersial, perbankan saudagar, pembrokeran saham, pengurusan amanah hartanah, pengurusan dana, penglibatan dalam usahasama dana dan lain-lain industri memainkan peranan yang amat penting.

Melalui gambaran sinergi, persembahan gambar adalah berpandukan pada penafsiran tema hitam putih agar menonjolkan intipati kekuatan setiap gambar dengan gaulan kelembutan serta susunatur yang bergaya. Ini melambangkan komitmen CAHB ke arah kemajuan negara yang dibina di atas dua elemen harmoni yang mudah dan cemerlang.



Cover rationale

Window into Malaysia's progress.

The theme for Commerce Asset-Holding Berhad's (CAHB) Annual Report 1998 is based on a perspective of commerce, trade, infrastructure and production where CAHB as an investment holding company and its subsidiaries in commercial banking, merchant banking, stockbroking, property trust management, fund management, venture capital and other industries play a prominent role.

As a visual synergy, the picture renditions are presented in a black and white theme to capture the essence of each photograph while blending with the subtle yet stylish layout. This reflects CAHB's commitment to nation building, executed with the two harmonious elements of simplicity and excellence.

Financial Statement



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Directors' Report

for the year ended 31 December 1998

The Directors have pleasure in submitting their report together with the audited accounts of the Group and of the Company for the financial year ended 31 December 1998.

Principal activities

The principal activities of the Company are those of investment holding, management company, property management, provision of consultancy services and dealing in securities. The principal activities of the subsidiary companies are set out in note II to the accounts. There have been no significant changes in the nature of these activities during the financial year.

Financial results	The Group	Company
	RM' 000	RM' 000
Profit before taxation and zakat	102,455	147,609
Taxation	(54,035)	(36,000)
Zakat	(22)	-
.....		
Profit after taxation and zakat	48,398	111,609
Minority interests	31,451	-
.....		
Profit after taxation and minority interests	79,849	111,609
Transfer to statutory reserve	(21,496)	-
.....		
Retained profit for the year	58,353	111,609
Retained profit brought forward	454,868	138,619
.....		
Profit available for distribution	513,221	250,228
Proposed dividend of 5% less tax	(28,074)	(28,074)
.....		
Retained profit carried forward	485,147	222,154

Dividends

Dividends paid, declared or proposed since the end of the Company's previous financial year were as follows:-

	RM' 000
(a) In respect of the financial year ended 31 December 1997	
As proposed in the report of the Directors for that year, a first and final dividend of 6% less tax at 28% paid on 8 June 1998.	34,930
(b) In respect of the financial year ended 31 December 1998	
A first and final dividend of 5% less tax at 28% payable on a date to be determined by the Board of Directors	28,074

Share capital

During the financial year, the issued and paid up share capital of the Company was increased from 779,832,442 ordinary shares of RM1.00 each to 779,847,465 ordinary shares of RM1.00 each by way of an issue of 15,023 new ordinary shares of RM1.00 each from the exercise of 15,023 Transferable Subscription Rights (TSR) at the exercise price of RM2.97 per share. The newly issued shares rank pari passu in all respects with the existing issued shares.

Directors' Report

for the year ended 31 December 1998

Employees' share option scheme

The main features of the Scheme are:

- (a) Eligible persons are employees of the Group who have been confirmed in the employment of the Group and have been in the employment of the Group for at least one year on or prior to the offering date, the date when an offer is made in writing to an employee to participate in the Scheme. The eligibility for participation in the Scheme shall be at the discretion of the Board of Directors.
- (b) The total number of new ordinary shares available under the Scheme shall not exceed 10% of the total issued and paid-up share capital of the Company at any point of time during the existence of the Scheme, which shall be in force for a period of five years, expiring 20 June 2002.
- (c) No option shall be granted for less than 1,000 shares nor more than 250,000 shares and shall always be in multiples of 1,000 ordinary shares.
- (d) The subscription price for each RMI.00 share shall be the average of the mean market quotation of the shares of the Company as shown in the Daily Official List issued by The Kuala Lumpur Stock Exchange for the five market days preceding the offer date, provided that subscription price shall in no event be less than the par value of the ordinary shares of the Company.

During the financial year, no options have been granted and none of the options granted in the previous year were exercised.

At 31 December 1998, the unissued shares of the Company under the scheme were as follows:-

Number of Ordinary Shares	Subscription price
	R M
61,928,000	6.92
198,000	6.80

The consideration is payable in full on application. The options granted do not confer any right to participate in any share issue of any other company.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the accounts and notes to the accounts.

Bad and doubtful debts and financing

Before the accounts of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of provisions for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate provisions made for doubtful debts and financing.

At the date of this report, the Directors of the Company are not aware of any circumstances which would render the amount written off for bad debts and financing, or the amount of the provision for doubtful debts and financing, in the accounts of the Group and of the Company inadequate to any substantial extent.

Directors' Report

for the year ended 31 December 1998

Current assets

Before the accounts of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts and financing which were unlikely to be realised in the ordinary course of business, 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 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 accounts 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 and 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 in respect of the Group and of the Company that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of any company in the Group 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 affect the ability of the Group and its subsidiary companies to meet their obligations as and when they fall due.

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 accounts of the Group and of the Company, that would render any amount stated in the accounts misleading.

Items of an unusual nature

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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 and of the Company for the financial year in which this report is made.

Directors and their interests in shares, transferable subscription rights, warrants and share options

The Directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Mohd Desa Pachi

Dato' Md Nor Md Yusof

Dr. Rozali Mohamed Ali

Tunku Dato' Abdul Malek Tunku Kassim

Dato' Sulaiman Aris

Mr Koshi Akagi

Directors' Report

for the year ended 31 December 1998

In accordance with Article 94 of the Articles of Association, Dato' Mohd Desa Pachi and Dato' Md Nor Md Yusof retire from the Board at the Annual General Meeting and, being eligible, offer themselves for re-election.

According to the Register of Directors' Shareholdings, the Directors' interests in the Shares, Transferable Subscription Rights, Warrants and Share Options of the Company during the financial year are as follows:

	No. of Ordinary Shares of RMI each			
	Balance	1998		Balance
	as at	Bought	Sold	as at
	1 January			31 December
Dato' Mohd Desa Pachi	24,000	-	(24,000)	-
Dato' Md Nor Md Yusof	721,000	-	-	721,000
Dr. Rozali Mohamed Ali	2,400	-	-	2,400
Tunku Dato' Abdul Malek Tunku Kassim	2,000	-	(2,000)	-
Dato' Sulaiman Aris	5,000	-	-	5,000

	No. of Transferable Subscription Rights			
	Balance			Balance
	as at	Bought	Lapsed	as at
	1 January			31 December
Dato' Md Nor Md Yusof	1,079	-	(1,079)*	-

* Matured on 27.6.1998

	No. of Warrants			
	Balance			Balance
	as at	Bought	Sold	as at
	1 January			31 December
Dato' Mohd Desa Pachi	21,750	-	(21,750)	-
Dato' Md Nor Md Yusof	237,500	-	-	237,500
Dr. Rozali Mohamed Ali	100,000	-	-	100,000

	No. of Employees Share Options			
	Balance			Balance
	as at	Granted	Exercised	as at
	1 January			31 December
Dato' Md Nor Md Yusof	200,000	-	-	200,000**
Dr. Rozali Mohamed Ali	200,000	-	-	200,000**

** At subscription price of RM6.92 per share

According to the Register of Directors' Shareholdings, none of the other Directors in office at the end of the financial year held any interests in the Shares, Transferable Subscription Rights, Warrants and Share Options of the Company and its subsidiary companies during the financial year.

Directors' Report

for the year ended 31 December 1998

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefits (other than the emoluments as shown in note 29 to the accounts) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Company or any of its subsidiary companies is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Year 2000 compliance

The Group has entered its final stages in the implementation of its Y2K project which covers Information Technology (IT) related systems and non-IT related equipments, customers, suppliers and service providers.

As at 31 December 1998, all critical systems have been assessed and tested as Y2K readiness. We are confident that we are able to meet the Y2K project schedules for those systems and activities within our control. Bank of Commerce (M) Berhad (BOC), our commercial banking arm, had incurred a total of RM8.2 million for Y2K expenditure in 1998. BOC further budgeted another RM1.3 million for its 1999 Y2K effort. Our merchant bank, Commerce International Merchant Bankers Berhad (CIMB) has, spent RM2.5 million on the Y2K project. CIMB budgeted a further RM1.1 million for 1999.

IT Steering Committee and Working Committee teams were formed at BOC and CIMB respectively to address the Y2K challenge. External Y2K consultants were engaged to review and monitor the progress of the Y2K project. Where applicable, recommendations made were adopted. Both BOC and CIMB are in the process of formulating its respective Y2K fall-back plans to address any short-coming due to unforeseen Y2K risk that may impact its business operations.

Significant event during the financial year

On 30 November 1998, the Board of Directors of Commerce Asset-Holding Berhad (CAHB) announced that the Company proposed to amend the Deed Poll dated 9 June 1997 ("Deed Poll") constituting the Warrants 1997/2002 ("Warrants") by extending the exercise period from 4 years and 9 months expiring on 16 March 2002 to 5 years expiring on 16 June 2002.

In conjunction with the proposed extension, it is proposed that the Deed Poll be modified to allow the Company to extend the exercise period of the Warrants for any further period and for any further number of extensions, subject to a maximum exercise period not exceeding 10 years.

The proposed extensions are currently pending the relevant approvals.

Events subsequent to balance sheet date

- (a) In a joint statement made to the Kuala Lumpur Stock Exchange on 6 January 1999, the Board of Directors of CAHB and MBf Capital Berhad announced that the Memorandum of Understanding (MOU) entered into on 23 March 1998 between the Commercial Bank and MBf Capital Berhad for a proposed strategic alliance between the Commercial Bank and MBf Finance Berhad has lapsed due to the expiry of the MOU on 31 December 1998.

Directors' Report

for the year ended 31 December 1998

(b) On 8 February 1999, CAHB entered into a Share Exchange Agreement with the shareholders of Bank Bumiputra Malaysia Berhad (BBMB) namely, Ministry of Finance Inc. (MOF) and Khazanah Nasional Berhad (Khazanah) for a merger of the commercial banking units of CAHB and BBMB. The merger will result in MOF and Khazanah holding a 30% stake in CAHB which in turn will hold a 99.99% stake in the merged bank, to be named Bumiputra Commerce Bank Berhad.

The exchange agreement is based on adjusted NTAs of CAHB Group and BBMB Group. CAHB will acquire 99.99% equity interest in BBMB for a purchase consideration of RM1,577,644,000 by the issue of 334,220,342 new shares in CAHB at RM3.04 each amounting to RM1,016,029,840 with the remaining RM561,614,160 or any other amounts based on a final valuation of CAHB Group and BBMB Group as at 31 March 1999, to be settled by cash or other instruments to be agreed upon.

The merger is currently pending the approval of the Finance Minister and other regulatory bodies.

Auditors

Our auditors, Coopers & Lybrand, have merged with Price Waterhouse on 1 July 1998 and a resolution to appoint the new merged firm, PricewaterhouseCoopers, as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board of Directors

Mohd Desa Pachi

Director

Rozali Mohamed Ali

Executive Director

Kuala Lumpur,
19 March 1999

Report Of The Auditors

to the members of Commerce Asset-Holding Berhad

We have audited the accounts set out on pages 91 to 136. These accounts are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these accounts based on our audit.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the accounts give a true and fair view of the state of affairs of the Group and the Company as at 31 December 1998 and of the results of the Group and the Company and cash flows of the Group for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines and comply with the Companies Act, 1965; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

We have considered the accounts and the auditors' report of the subsidiary company of which we have not acted as auditors which is indicated in note II to the accounts.

We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's accounts are in form and content appropriate and proper for the purposes of the preparation of the consolidated accounts and we have received satisfactory information and explanations required by us for those purposes.

Our audit reports on the accounts of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under subsection (3) of Section 174 of the Act.

Coopers & Lybrand

[AF:0178]

Public Accountants

Dato' Cheong Keap Tai

[1129/12/99(I/PH)]

Partner

Kuala Lumpur,

19 March 1999

Consolidated Balance Sheet

as at 31 December 1998

	Note	1998 RM' 000	1997 RM' 000
Assets			
Cash and short-term funds	3	1,293,626	824,920
TSR proceeds account	4	-	147,838
Deposits and placements with financial institutions	5	1,524,991	1,326,331
Dealing securities	6	1,108,204	1,120,781
Investment securities	7	3,654,113	2,996,535
Loans, advances and financing	8	15,108,854	14,443,125
Other assets	9	1,035,570	962,248
Statutory deposits with Bank Negara Malaysia	10	430,771	1,694,398
Associated companies	12	50,365	52,031
Fixed assets	13	194,532	196,045
Goodwill on consolidation	14	16,029	16,827
Total assets		24,417,055	23,781,079
Liabilities and shareholders' funds			
Deposits from customers	15	13,249,011	13,313,846
Deposits and placements of banks and other financial institutions	16	4,746,811	4,296,195
Obligations on securities sold under repurchase agreements		1,253,966	768,099
Bills and acceptances payable		121,415	163,759
Other liabilities	17	893,366	934,273
Bonds	20	742,939	907,269
Irredeemable convertible unsecured loan stocks	21	352	411
Total liabilities		21,007,860	20,383,852
Minority interests		186,238	236,943
Share capital	22	779,847	779,832
Reserves	23	2,443,110	2,380,452
Shareholders' funds		3,222,957	3,160,284
Total liabilities and shareholders' funds		24,417,055	23,781,079
Commitments and contingencies	34	4,301,146	3,939,799

Consolidated Profit And Loss Account

for the year ended 31 December 1998

	Note	1998 RM' 000	1997 RM'000
Interest income	24	2,246,611	1,722,335
Interest expense	25	(1,525,096)	(1,117,495)
Net interest income		721,515	604,840
Income from SPI operation	42	1,807	2,336
Loan and financing loss and provision	26	(437,611)	(214,807)
		285,711	392,369
Non-interest income	27	252,074	321,746
Provision for commitments and contingencies		(10,100)	-
Net income		527,685	714,115
Overhead expense	28	(422,397)	(391,503)
		105,288	322,612
Share of results of associated companies		(2,833)	1,855
Profit before taxation and zakat		102,455	324,467
Taxation	30	(54,035)	(127,933)
Zakat		(22)	(30)
Profit after taxation and zakat		48,398	196,504
Minority interests		31,451	(15,787)
Profit after taxation and minority interests		79,849	180,717
Transfer to statutory reserve	23	(21,496)	(78,962)
Transfer to non-distributable reserve	23	-	(19,055)
Retained profit for the year		58,353	82,700
Retained profit brought forward		454,868	407,098
Profit available for distribution		513,221	489,798
Proposed dividends	31	(28,074)	(34,930)
Retained profit carried forward		485,147	454,868
Retained by:			
The Company		222,154	138,619
Subsidiary companies		266,166	315,256
Associated companies		(3,173)	993
		485,147	454,868
Earnings per share	32		
Basic		10.24 sen	26.06 sen

*The above consolidated profit and loss account is to be read in conjunction with the notes to the accounts on pages 97 to 136.
Auditors' Report - Page 90.*

Balance Sheet

as at 31 December 1998

	Note	1998 RM' 000	1997 RM'000
Assets			
Cash and short-term funds	3	416,513	430,921
TSR proceeds account	4	-	147,838
Dealing securities	6	92,901	100,834
Investment securities	7	1,500	2,500
Loans, advances and financing	8	734	468
Other assets	9	1,771	5,758
Subsidiary companies	11	2,472,735	2,366,009
Associated companies	12	52,900	50,400
Fixed assets	13	68,633	70,222
.....			
Total assets		3,107,687	3,174,950
Liabilities and shareholders' funds			
Other liabilities	17	68,545	55,058
Bonds	20	742,939	907,269
.....			
Total liabilities		811,484	962,327
Share capital	22	779,847	779,832
Reserves	23	1,516,356	1,432,791
Shareholders' funds		2,296,203	2,212,623
.....			
Total liabilities and shareholders' funds		3,107,687	3,174,950

*The above balance sheet is to be read in conjunction with the notes to the accounts on pages 97 to 136.
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Profit And Loss Account

for the year ended 31 December 1998

	Note	1998 RM' 000	1997 RM'000
Interest income	24	83,052	66,159
Interest expense	25	(3,032)	(2,763)
.....			
Net interest income		80,020	63,396
Non-interest income	27	77,149	43,523
.....			
Net income		157,169	106,919
Overhead expense	28	(9,560)	(9,866)
.....			
Profit before taxation		147,609	97,053
Taxation	30	(36,000)	(36,201)
.....			
Profit after taxation		111,609	60,852
Retained profit brought forward		138,619	112,697
.....			
Profit available for distribution		250,228	173,549
Proposed dividends	31	(28,074)	(34,930)
.....			
Retained profit carried forward		222,154	138,619

*The above profit and loss account is to be read in conjunction with the notes to the accounts on pages 97 to 136.
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Consolidated Cash Flow Statement

for the year ended 31 December 1998

	Note	1998 RM' 000	1997 RM'000
Cash flows from /(used in) operating activities			
Net profit before taxation		102,455	324,467
<i>Adjustments for:</i>			
Depreciation of fixed assets		31,170	34,287
Net gain on disposal of fixed assets		(1,716)	(250)
Fixed assets written off		797	-
Dividends from investment securities		(5,596)	(1,030)
Provision for bad and doubtful debts:			
-Loan loss and provision		432,831	214,807
-Other receivables		170,031	103,724
Net interest suspended		126,338	27,812
Gains on sale of investment securities		(16,485)	(14,490)
Provision for diminution in value of investment securities		48,159	23,495
Provision for amounts recoverable from Danaharta		4,780	-
Amortisation of premium less accretion of discounts		(19,293)	5,113
Interest expense on short term borrowings		15,672	32,009
(Gain)/loss on disposal of a subsidiary company		(635)	180
Amortisation of goodwill		797	797
Share of results of associated companies		2,833	(1,855)
		789,683	424,599
Operating profit before changes in working capital		892,138	749,066
Decrease/(increase) in operating assets			
TSR proceeds account		147,838	126,525
Deposits and placements with banks and other financial institutions		(201,075)	(334,746)
Loans, advances and financing		(1,269,263)	(2,903,895)
Dealing securities		12,577	(695,742)
Other assets		(249,543)	(269,504)
Statutory deposits with Bank Negara Malaysia		1,263,627	(250,997)
		(295,839)	(4,328,359)
Increase/(decrease) in operating liabilities			
Deposits from customers		(63,173)	1,185,259
Deposits and placements of banks and other financial institutions		488,734	1,464,356
Obligations on securities sold under repurchase agreement		485,867	768,099
Bills and acceptances payable		(42,344)	(41,491)
Other liabilities		187,289	126,076
		1,056,373	3,502,299
Cash flows from/(used in) operations		1,652,672	(76,994)
Taxation paid		(99,632)	(150,496)
Interest paid		(15,672)	(32,009)
Net cash from/(used in) operating activities		1,537,368	(259,499)

The above consolidated cash flow statement is to be read in conjunction with the notes to the accounts on pages 97 to 136.
Auditors' Report - Page 90.

Consolidated Cash Flow Statement

for the year ended 31 December 1998 (continued)

	Note	1998 RM' 000	1997 RM'000
Cash flows from/(used in) investing activities			
Proceeds from disposal of fixed assets		2,831	2,145
Dividends received from investment securities		5,596	1,030
Dividends received from an associated company		1,377	447
Net purchase of investment securities		(688,393)	(867,347)
Purchase of fixed assets		(32,234)	(53,468)
Net cash from disposal of a subsidiary company	38	2,820	5,226
Investment in an associated company		(2,500)	(50,400)
<i>Net cash used in investing activities</i>		(710,503)	(962,367)
Cash flows from/(used in) financing activities			
Repayment of short term borrowings		(172,000)	(98,000)
Dividends paid		(33,689)	(26,023)
Dividends paid by subsidiary companies to minority shareholders		(3,661)	(3,475)
Payment to bondholders		(142,277)	-
Proceeds from issuance of shares of the Company		45	962,640
Proceeds from issuance of shares to minority shareholders		-	26,540
Proceeds from issuance of Bonds		-	396,800
Proceeds from issuance of ICULS by a subsidiary company to minority shareholders		-	411
Share issue expenses		-	(4,782)
<i>Net cash (used in)/from financing activities</i>		(351,582)	1,254,111
Net increase in cash and cash equivalents during the financial year		475,283	32,245
Effect of exchange rate changes		(6,577)	1,217
Cash and cash equivalents at beginning of the financial year		824,920	791,458
Cash and cash equivalents at end of the financial year	39	1,293,626	824,920

*The above consolidated cash flow statement is to be read in conjunction with the notes to the accounts on pages 97 to 136.
Auditors' Report - Page 90.*

Notes To The Accounts

for the year ended 31 December 1998

1 BASIS OF PREPARATION OF THE ACCOUNTS

The accounts of the Group and of the Company have been prepared in accordance with the applicable approved Accounting Standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965. The accounts incorporate those activities relating to Islamic Banking Scheme (SPI) which have been undertaken by the Group.

SPI refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

2 SIGNIFICANT GROUP ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous year.

Accounting convention

The accounts are prepared under the historical cost convention.

Basis of consolidation

The consolidated accounts include the audited accounts of the Company and all its subsidiary companies made up to the end of the financial year. Intercompany transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only. The Company adopts both the acquisition and merger methods of consolidation.

When the acquisition method is adopted, the excess of the purchase price over the fair value of the net assets of subsidiary companies at the date of acquisition is included in the consolidated accounts as goodwill on consolidation and is amortised over a period of 25 years.

Subsidiary companies acquired which meet the criteria for merger accounting under the Malaysian Accounting Standard 2, Accounting for Acquisitions and Mergers, are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded as the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares transferred is treated as merger reserves in accordance with merger relief provisions under Section 60(4) of the Companies Act, 1965. The results of the companies being merged are included for the full financial year.

Except for Bank of Commerce (M) Berhad which is consolidated under the merger method, all the other subsidiary companies are consolidated under the acquisition method.

Subsidiary companies

The Company treats as subsidiary companies, those companies in which the Company controls the composition of its Board of Directors or more than half of its voting power, or holds more than half of its issued ordinary share capital.

Investments in subsidiary companies are stated at cost and written down when the Directors consider that there is a permanent diminution in the value of such investments.

Recognition of interest income

Interest income is recognised on an accrual basis. Interest income on housing and term loans is recognised by reference to rest periods which are either monthly or yearly.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for 6 months (1997: 3 months) or more for loans and overdrafts, and 30 days (1997: 14 days) from maturity date for trade bills, bankers' acceptances and trust receipts.

The policy on suspension of interest is in conformity with Bank Negara Malaysia's 'Guidelines on the classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts' issued on 23 September 1998.

Notes To The Accounts

for the year ended 31 December 1998

Recognition of fees and other income

Loan arrangement, management and participation fees, acceptance and underwriting commissions are recognised as income when all conditions precedent are fulfilled.

Portfolio management fees, commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

Brokerage fees which are material are recognised as income based on inception of such transactions.

Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the engagement and issuance of invoice.

Dividend from subsidiary companies are recognised on receivable basis. Dividends from dealing securities are recognised when received. Dividends from investment securities are recognised when declared.

Provision for bad and doubtful debts and financing

Specific provisions are made for doubtful debts and financing which have been individually reviewed and specifically identified as bad or doubtful.

A general provision based on a percentage of the loan and financing portfolio is also made to cover possible losses which are not specifically identified.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

With effect from the financial year ended 31 December 1998, the Commercial Bank and Merchant Bank have revised the default period for non-performing loans from 3 months to 6 months and have provided 20% on defaulted non-performing loans for 6 months but less than 9 months, as against a 50% provision on defaulted non-performing loans for 6 months but less than 12 months previously. For defaulted non-performing loans for 9 months but less than 12 months and defaulted non-performing loans for 12 months and above, the provision of 50% and 100% respectively remained unchanged.

The Policy on provision for non-performing debts and financing is in conformity with the minimum requirements of Bank Negara Malaysia's "Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts" issued on 23 September 1998.

Repurchase agreements

Securities purchased under resale agreements are securities which the Group had purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset in the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the balance sheet.

Dealing securities

Dealing securities are marketable securities that are acquired and held with the intention for resale in the short term, and are stated at the lower of cost and market value.

Transfers, if any, between dealing and investment securities are made at the lower of cost and market value.

Notes To The Accounts

for the year ended 31 December 1998

Investments securities

Investment securities are securities that are acquired and held for yield or capital growth or to meet minimum liquid assets requirements pursuant to Section 38 of the Banking and Financial Institutions Act, 1989, and are usually held to maturity.

Malaysian Government Securities, Malaysian Government Investment Certificates, Cagamas Bonds, other Government Securities, and Bank Guaranteed Private Debt Securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount to maturity date. Other Private Debt Securities are valued at the lower of cost and market value. Other investment securities are stated at cost and provision is made for any permanent diminution in value.

Transfers, if any, between investment and dealing securities are made at the lower of cost and market value.

Depreciation

Freehold land and leasehold land with lease period of 800 years and above and capital work-in-progress are not depreciated. Depreciation of other fixed assets is calculated to write-off the cost of the fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates are:-

Long term leasehold land - 50 years or more	Over the lease period
Short term leasehold land - less than 50 years	Over the lease period
Buildings on freehold land	2.5%
Buildings on leasehold land	2.5% or over the balance period of the lease, whichever is shorter
Office equipment, furniture and fixtures	10% - 20%
Computer equipment and software	20% - 33 1/3%
Personal computers, software and peripherals	33 1/3%
Motor vehicles	20%
Renovations to rented premises	20% or over the period of the tenancy, whichever is shorter

Associated companies

The Group treats as an associated company, a company in which the Company has a long term equity interest of between 20% to 50% and where the Company can exercise significant influence through management participation.

Investments in associated companies are stated at cost less provision for diminution in value of investments of a permanent nature, if any.

The Group's share of profits less losses of associated companies is included in the consolidated profit and loss account and the Group's share of post-acquisition retained profits and reserves are added to the cost of investments in the consolidated balance sheet. These amounts are taken from the latest management accounts of the associated companies concerned, made up to the end of the financial year of the Group.

Assets under lease

Assets under lease which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under fixed assets. The assets and the corresponding lease obligations are recorded at the lower of present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation consistent with that of depreciable assets which are owned.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the profit and loss account as incurred.

Notes To The Accounts

for the year ended 31 December 1998

Bills and acceptances payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

Forward exchange contracts

Unmatured forward exchange contracts are valued at forward rates as at balance sheet date, applicable to their respective dates of maturity, and unrealised losses and gains are recognised in the profit and loss account for the financial year.

Gains and losses, arising from swap transactions are amortised over the period to maturity.

Interest rate swap contracts

The subsidiary companies act as intermediary with counterparties who wish to swap their interest obligations. The subsidiary companies also use interest rate swaps in their trading account activities and in overall interest rate risk management.

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense.

Derivative financial instruments

Transactions are undertaken in derivative financial instruments ('derivatives') which include interest rate swaps, cross currency swaps, futures, warrants and similar instruments, for trading and non-trading purposes. Derivatives classified as non-trading are held for the purpose of hedging exposures relating to the Group's Assets and Liabilities Management.

Gains and losses arising from specific hedging transactions are released to the profit and loss account over the life of the asset, liability or position against which the hedge is held. Where a transaction originally entered into as a hedge no longer represents a hedge, its value is restated and any change in value is taken to the profit and loss account.

Gains and losses on instruments purchased or sold for trading and market making purposes are taken directly to the profit and loss account. Any such transactions outstanding at the balance sheet date are stated at market value.

Bonds

Bonds issued by the Company are stated at the issue price. When the convertible Bonds are converted, the amount recognised in the shareholders' funds in respect of the shares issued will be the amount at which the liability for the Bonds is stated as at the date of conversion. No gain or loss will be recognised on conversion.

The premium over the principal amount arising from the put option of the Bonds not previously redeemed, purchased and cancelled, or converted, are provided over the period from the date of initial issue to the date of option to redeem and are set aside to the non-distributable reserve.

Gain or loss on the redemption or purchase of Bonds by the Company are taken to the profit and loss account in the financial year it arises.

Currency translations

Individual foreign currency assets and liabilities are stated in the balance sheet at spot rates of exchange which closely approximate to those ruling at the balance sheet date. Profit and loss items are converted at rates prevailing on transaction dates. Exchange gains and losses are recognised in the profit and loss account in the financial year they arise.

The accounts of the foreign subsidiary company incorporated in the Federal Territory of Labuan and related foreign currency borrowings are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date. Exchange differences arising from this translation are dealt with through the exchange fluctuation reserve account.

Notes To The Accounts

for the year ended 31 December 1998

Amounts recoverable from Danaharta

The total consideration from loans sold to Pengurusan Danaharta Nasional Berhad ('Danaharta') is received in two portions: upon the sale of the loans ('initial consideration') and upon the recovery of the loans ('final consideration'). The final consideration amount represents the Bank's predetermined share of the surplus over the initial consideration upon recovery of the loan.

The difference between the carrying value of the loans and the initial consideration is recognised as 'Amounts Recoverable from Danaharta' within the 'Other Assets' component of the balance sheet. Provision against these amounts are made to reflect the Directors' assessment of the realisable value of the final consideration as at the balance sheet date.

Deferred taxation

Provision is made, by the liability method, for taxation deferred in respect of all material timing differences except where timing differences give rise to deferred tax benefits, these net benefits are not recognised.

Staff retirement benefits

A subsidiary company has established an approved Retirement Benefit Scheme (RBS) to provide for the subsidiary company's liability in respect of retirement benefits for all its eligible employees.

The contribution rate to the RBS by the subsidiary company is set and charged to the profit and loss account so as to be sufficient to meet all the liabilities of the RBS over the future working lifetime of existing employees. The contribution rate is determined using the 'Attained Age Method' and is reviewed at intervals of three years by an independent actuary.

3 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	1998	1997	1998	1997
	RM' 000	RM' 000	RM' 000	RM' 000
Cash and balances with banks and other				
financial institutions	188,083	300,470	55	263
Money at call and deposits placements				
maturing within one month	1,105,543	524,450	416,458	430,658
.....				
	1,293,626	824,920	416,513	430,921

4 TRANSFERABLE SUBSCRIPTION RIGHTS (TSR) PROCEEDS ACCOUNT

This was in respect of monies received from the exercise of Transferable Subscription Rights by the TSR-holders during the subscription period, which was held by a Trustee in relation to the 1993/98 Bonds. This account was used for the purchase of the 1993/98 Bonds and/or the repayment, redemption of principal amount of the outstanding Bonds upon maturity of the 1993/98 Bonds.

Notes To The Accounts

for the year ended 31 December 1998

5 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	The Group	
	1998	1997
	RM' 000	RM'000
Licensed banks	647,767	550,464
Licensed finance companies	55,000	220,000
Other financial institutions	822,224	555,867
	1,524,991	1,326,331

6 DEALING SECURITIES

	The Group		The Company	
	1998	1997	1998	1997
	RM' 000	RM'000	RM' 000	RM'000
Money market instruments:-				
Malaysian Government securities	16,340	-	-	-
Malaysian Government treasury bills	9,726	15,342	-	-
Cagamas bonds	34,818	49,505	-	-
Cagamas notes	11,817	76,569	-	-
Negotiable instruments of deposits	678,023	648,853	-	-
Bankers' acceptances	31,222	76,688	-	-
Private debt securities	73,742	123,202	-	-
	855,688	990,159	-	-
Quoted securities in Malaysia:-				
Warrants	14,507	18,676	-	-
Corporate bonds	54,509	4,350	-	-
Shares	75,990	107,596	72,090	100,834
	1,000,694	1,120,781	72,090	100,834
Unquoted securities in Malaysia:-				
Corporate bonds *	107,510	-	20,811	-
	1,108,204	1,120,781	92,901	100,834
Market value of money market instruments and quoted securities:-				
Malaysian Government securities	16,388	-	-	-
Malaysian Government treasury bills	9,760	15,460	-	-
Cagamas bonds	34,921	49,086	-	-
Cagamas notes	11,880	77,474	-	-
Warrants	14,507	18,676	-	-
Corporate bonds	57,323	4,350	-	-
Shares in Malaysia	76,212	109,716	72,090	102,955
	220,991	274,762	72,090	102,955

* Included in the Group and the Company current year's unquoted Bonds in Malaysia is Zero Coupon Redeemable Unsecured USD Bonds 1997/2002 of RM20,811,000 (1997: Nil) in nominal value issued by the Company.

Notes To The Accounts

for the year ended 31 December 1998

7 INVESTMENT SECURITIES

	The Group		The Company	
	1998 RM'000	1997 RM'000	1998 RM'000	1997 RM'000
Money market instruments:				
Malaysian Government securities	378,685	436,503	-	-
Malaysian Government treasury bills	54,498	75,650	-	-
Cagamas bonds	687,450	760,791	-	-
Cagamas Mudharabah bonds	1,000	1,000	-	-
Cagamas notes	435,077	49,095	-	-
Negotiable instruments of deposits	923,400	900,869	-	-
Bills and Notes receivables	122,120	96,731	-	-
Bankers' acceptances and Islamic accepted bills	12,961	-	-	-
Khazanah bonds	69,730	-	-	-
Danaharta bonds	61,941	-	-	-
Danamodal bonds	90,493	-	-	-
Floating rate notes	324,900	338,474	-	-
Floating rate certificates of deposits	27,360	-	-	-
	3,189,615	2,659,113	-	-
Quoted securities :				
In Malaysia				
Shares	32,076	4,850	1,315	1,315
Bonds	-	22,542	-	-
Property trust units	-	5	-	-
Outside Malaysia				
Bonds	53,106	-	-	-
Shares	2,498	2,498	-	-
Unquoted securities:				
In Malaysia				
Shares	86,622	80,614	185	1,185
Bonds*	224,514	249	-	-
Promissory notes	15,000	12,683	-	-
Loan stocks	5,000	600	-	-
Others	2,000	-	-	-
Outside Malaysia				
Shares	21,624	20,311	-	-
Bonds	158,920	231,691	-	-
	3,790,975	3,035,156	1,500	2,500
Amortisation of premiums less accretion of discounts	(61,384)	(15,842)	-	-
Provision for diminution in value of investment securities:				
- Unquoted shares	(4,019)	(4,019)	-	-
- Bonds	(71,459)	(18,760)	-	-
	3,654,113	2,996,535	1,500	2,500

Notes To The Accounts

for the year ended 31 December 1998

	The Group		The Company	
	1998 RM'000	1997 RM'000	1998 RM'000	1997 RM'000
(i) Market value of quoted securities and money market instruments:				
Malaysian Government securities	359,110	398,051	-	-
Cagamas bonds	680,873	736,051	-	-
Quoted shares in Malaysia	27,780	4,568	440	502
Quoted bonds in Malaysia	-	23,334	-	-
Quoted shares outside Malaysia	2,850	2,935	-	-
Quoted bonds outside Malaysia	46,188	-	-	-
Quoted property trust units	-	4	-	-
Khazanah bonds	70,743	-	-	-
Danaharta bonds	62,578	-	-	-
Danamodal bonds	92,787	-	-	-
	1,342,909	1,164,943	440	502
(ii) The maturity structure of money market instruments held for investment is as follows:				
Maturing within one year	1,788,650	1,293,856	-	-
One year to three years	733,138	646,030	-	-
Three years to five years	561,045	445,960	-	-
Over five years	106,782	273,267	-	-
	3,189,615	2,659,113	-	-

* Included in the Group current year's unquoted bonds in Malaysia is Zero Coupon Redeemable Unsecured USD Bonds 1997/2002 issued by the Company held as investment by a subsidiary company amounting to RM83,600,000 (1997: Nil) in nominal value.

Notes To The Accounts

for the year ended 31 December 1998

8 LOANS, ADVANCES AND FINANCING

	The Group		The Company	
	1998	1997	1998	1997
	RM'000	RM'000	RM'000	RM'000
Overdrafts	1,308,122	1,739,118	-	-
Term loans				
- fixed rate	403,600	634,057	-	-
- floating rate	10,483,402	9,257,783	-	-
Bills receivable	108,672	72,684	-	-
Trust receipts	287,058	337,159	-	-
Claims on customers under acceptance credits	1,869,212	1,769,650	-	-
Staff loans [of which RM826,007 (1997: RM1,167,392) is to a director]	116,388	114,704	734	468
Other loans	1,206,964	1,044,859	-	-
	15,783,418	14,970,014	734	468
Less:				
Unearned interest and income	(25,085)	(22,433)	-	-
Gross loans, advances and financing	15,758,333	14,947,581	734	468
Provision for bad and doubtful debts and financing				
- specific	(244,627)	(90,831)	-	-
- general	(289,903)	(364,399)	-	-
Interest-in-suspense/income-in-suspense	(114,949)	(49,226)	-	-
Total net loans, advances and financing	15,108,854	14,443,125	734	468

The maturity structure of loans, advances and financing is as follows:-

Maturing within one year	5,732,905	9,427,897	-	71
One year to three years	2,594,991	600,488	49	96
Three years to five years	4,045,318	1,209,252	104	51
Over five years	3,385,119	3,709,944	581	250
	15,758,333	14,947,581	734	468

Notes To The Accounts

for the year ended 31 December 1998

Loans, advances and financing analysed by their economic purposes are as follows:

	The Group		The Company	
	1998 RM'000	1997 RM'000	1998 RM'000	1997 RM'000
Agriculture	347,066	176,070	-	-
Mining and quarrying	13,657	12,046	-	-
Manufacturing	3,714,037	4,016,124	-	-
Electricity, gas and water	221,631	112,696	-	-
Construction	1,852,783	2,040,300	-	-
Real estate	707,688	859,885	-	-
Purchase of landed property				
- Residential	1,608,448	1,381,937	-	-
- Non-residential	817,592	706,676	-	-
General commerce	1,743,759	1,119,874	-	-
Transport, storage and communication	962,279	717,078	-	-
Finance, insurance and business services	1,648,162	1,362,563	-	-
Purchase of securities	1,441,314	1,717,828	-	-
Purchase of transport vehicles	15,472	14,446	-	-
Consumption credit	228,303	181,825	-	-
Others	436,142	528,233	734	468
	15,758,333	14,947,581	734	468

Movements in the non performing loans and financing (including interest and income receivable) are as follows :

	The Group	
	1998 RM'000	1997 RM'000
At 1 January	546,582	419,933
Non performing during the year	4,309,534	1,938,167
Performing during the year	(1,428,402)	(735,577)
Amount sold to Danaharta	(662,540)	-
Recoveries	(1,308,212)	(933,578)
Amount written off	(194,230)	(142,363)
At 31 December	1,262,732	546,582

Total loans, financing and advances (net of SP and IIS)	15,398,757	14,807,524
Cagamas loans	718,003	809,108
	16,116,760	15,616,632
Net non-performing loans and financing	903,156	406,525
Ratio of net non-performing loans and financing to total loans (including Cagamas loans less SP and IIS)	5.6%	2.6%

Notes To The Accounts

for the year ended 31 December 1998

Movements in the provision for bad and doubtful debts and financing and interest-in-suspense/ income-in-suspense accounts are as follows:

	The Group	
	1998 RM' 000	1997 RM'000
General provision		
At 1 January	364,399	249,648
Provisions/(reversal) made during the year	(72,280)	108,140
Exchange fluctuation	(2,216)	6,611
At 31 December	289,903	364,399
(as % of total loans less SP and IIS)	1.8%	2.5%
Specific provision (SP)		
At 1 January	90,831	71,322
Provisions made during the year	607,145	137,284
Amount sold to Danaharta	(208,742)	-
Amount written back in respect of recoveries	(85,130)	(9,739)
Amount written off	(159,376)	(108,036)
Exchange fluctuation	(101)	-
At 31 December	244,627	90,831
Interest-in-suspense/Income-in-suspense (IIS)		
At 1 January	49,226	56,744
Interest/income suspended during the year	235,353	52,009
Amount sold to Danaharta	(35,552)	-
Amount written back in respect of recoveries	(108,907)	(24,197)
Amount written back in respect of non-performing loans reclassified as performing during the year	(108)	-
Amount written off	(25,063)	(35,330)
At 31 December	114,949	49,226

Notes To The Accounts

for the year ended 31 December 1998

9 OTHER ASSETS

	The Group		The Company	
	1998 RM'000	1997 RM'000	1998 RM'000	1997 RM'000
Due from brokers and clients net of provision for doubtful debts of RM119,606,000 (1997: RM60,888,000)	300,489	496,799	-	-
Other debtors, deposits and prepayments net of provision for doubtful debts of RM160,980,000 (1997: RM49,667,000)	402,825	465,411	1,771	5,758
Unit trust stocks	22	38	-	-
Amount recoverable from Danaharta	332,234	-	-	-
	1,035,570	962,248	1,771	5,758

Amount recoverable from Danaharta

	The Group	
	1998 RM'000	1997 RM'000
At 1 January	-	-
Amount arising during the year	337,014	-
Provision made during the year	(4,780)	-
At 31 December	332,234	-

10 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained by certain subsidiary companies with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined at set percentages of total eligible liabilities.

Notes To The Accounts

for the year ended 31 December 1998

II SUBSIDIARY COMPANIES

	The Company	
	1998	1997
	RM'000	RM'000
Shares, at cost (unquoted)	1,520,830	1,330,678
Provision for diminution in value of a subsidiary company	(1,275)	(1,275)
	1,519,555	1,329,403
Amounts due from subsidiary companies net of provision for doubtful debts of RM510,000 (1997:RM510,000)	953,180	1,077,542
	2,472,735	2,406,945
Amounts due to subsidiary companies	-	(40,936)
	2,472,735	2,366,009

The direct subsidiary companies are:-

Name of Company	Principal activities	Percentage of equity held		Paid-up capital as at
		1998	1997	31.12.1998
		%	%	R M
Bank of Commerce (M) Berhad	Commercial banking and related financial services	98.51	98.32	855,776,000
Commerce International Merchant Bankers Berhad	Merchant banking and the provision of related services	75.37	66.99	250,196,760
Commerce Asset Fund Managers Sdn. Bhd.	Fund management	*65.07	*63.40	5,500,000
Commerce MGI Sdn. Bhd.	Islamic investment advisory, consultancy and promotion of Islamic investment products (dormant)	51	51	2,500,000
Commerce Asset Ventures Sdn. Bhd.	Providing management services	100	100	500,000
Commerce Asset Realty Sdn. Bhd.	Holding of properties for letting to a related company	100	100	240,000
Commerce Asset Nominees Sdn. Bhd.	Nominee services	100	100	10,000

*Effective shareholding

The subsidiary companies, held through its subsidiary company, Bank of Commerce (M) Berhad are:-

Name of Company	Principal activities	Percentage of equity held		Paid-up capital as at
		1998	1997	31.12.1998
		%	%	R M
BOC Nominees Sdn. Bhd.	Nominee services	100	100	25,000
BOC Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100	10,000
BOC Nominees (Asing) Sdn. Bhd.	Nominee services	100	100	10,000
United Asian Services Sdn. Bhd.	Dormant	100	100	3
BOC Properties Sdn. Bhd.	Dormant	100	100	2
Bank of Commerce (L) Limited (Incorporated in the Federal Territory of Labuan)	Offshore banking	100	100	USD15,000,000 (Ordinary shares)
				USD10,700,000 (Preference shares)*

* The 70% cumulative redeemable preference shares of USD0.10 each are held directly by Commerce Asset-Holding Berhad.

Notes To The Accounts

for the year ended 31 December 1998

The subsidiary companies, held through its subsidiary company, Commerce International Merchant Bankers Berhad are:-

Name of Company	Principal activities	Percentage of equity held				Paid-up capital as at 31.12.1998
		Directly by the company		Through subsidiary company		
		1998	1997	1998	1997	
		%	%	%	%	R M
CIMB Holdings Sdn Bhd	Investment holding	100	100	-	-	10,370,000
CIMB Futures Sdn Bhd	Futures broking	100	100	-	-	9,000,000
Commerce - BT Unit Trust Management Bhd (Formerly known as CIMB-OCBC Unit Trust Management Bhd)	Unit trust manager	70	70	-	-	7,000,000
CIMB Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	-	-	10,000
CIMB Nominees (Asing) Sdn Bhd	Nominee services	100	100	-	-	10,000
CIMB Securities Sdn Bhd	Stock and share broking	-	-	100	100	40,000,000
CIMB Securities (Hong Kong) Limited (Incorporated in Hong Kong) #	Stock and share broking	-	-	100	100	HKD5,000,000
CIMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	-	-	100	100	10,000
CIMSEC Nominees (Asing) Sdn Bhd	Nominee services	-	-	100	100	10,000
CIMSEC Nominees Sdn Bhd	Nominee services	-	-	100	100	10,000

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The subsidiary companies, held through its subsidiary company, Commerce MGI Sdn Bhd are:

Name of Company	Principal activities	Percentage of equity held		Paid-up capital as at 31.12.1998
		1998	1997	
		%	%	
				R M
Commerce MGI Nominee (Tempatan) Sdn Bhd	Nominee services (dormant)	100	100	2
Commerce MGI Nominee (Asing) Sdn Bhd	Nominee services (dormant)	100	100	2

All the subsidiary companies, unless otherwise stated, are incorporated in Malaysia.

Notes To The Accounts

for the year ended 31 December 1998

12 ASSOCIATED COMPANIES

	The Group		The Company	
	1998	1997	1998	1997
	RM'000	RM'000	RM'000	RM'000
Shares, at cost (unquoted)	53,538	51,038	52,900	50,400
Group's share of post-acquisition profits less losses	(3,173)	993	-	-
	50,365	52,031	52,900	50,400

The direct associated companies are:

Name of Company	Principal activities	Percentage of equity held		Financial year end
		1998	1997	
		%	%	
AMAL Assurance Berhad	Life assurance business	30	30	31 August
Rangkaian Segar Sdn Bhd	Establishment, operation and management of an electronic collection system for toll and transport operator	20	-	30 June

The associated company, held through its subsidiary company, Commerce International Merchant Bankers Berhad is:

Name of Company	Principal activities	Percentage of equity held		Financial year end
		1998	1997	
		%	%	
Malaysian Issuing House Sdn Bhd	Share registry, share issue and consultancy services	25.5	25.5	30 June

All the associated companies are incorporated in Malaysia.

Notes To The Accounts

for the year ended 31 December 1998

13 Fixed assets

	The Group										Total		
	Freehold land RM' 000	Leasehold land 50 years or more RM' 000	Leasehold land less than 50 years RM' 000	Buildings on freehold land RM' 000	Buildings on leasehold land 50 years or more RM' 000	Buildings on leasehold land less than 50 years RM' 000	Office furniture and fittings RM' 000	Computer equipment and software RM' 000	Motor vehicles RM' 000	Computer equipment and software under lease RM' 000		Renovations RM' 000	Capital WIP RM' 000
Cost													
At 1 January 1998	30,828	6,872	165	45,696	46,418	1,663	102,466	59,587	13,761	24,712	1,329	2,210	335,707
Additions	31	-	-	2,601	390	-	12,191	15,949	493	-	15	564	32,234
Disposals	(57)	-	-	(1,474)	-	-	(2,884)	(1,360)	(576)	(16)	(950)	-	(7,317)
Transfer/reclassification	90	-	-	3,400	-	(1,349)	-	-	-	-	-	(2,141)	-
Exchange adjustments	-	(5)	-	-	(61)	-	(41)	(19)	(6)	-	-	-	(132)
At 31 December 1998	30,892	6,867	165	50,223	46,747	314	111,732	74,157	13,672	24,696	394	633	360,492
Depreciation													
At 1 January 1998	-	544	73	14,637	3,414	691	60,352	32,769	6,447	20,438	297	-	139,662
Charge for the year	-	145	4	1,213	1,460	150	11,298	11,576	2,469	2,779	76	-	31,170
Disposals	-	-	-	(671)	-	-	(2,352)	(1,174)	(426)	(17)	(206)	-	(4,846)
Transfer/reclassification	-	-	-	722	-	(722)	-	-	-	-	-	-	-
Exchange adjustments	-	-	-	-	(1)	-	(7)	(16)	(2)	-	-	-	(26)
At 31 December 1998	-	689	77	15,901	4,873	119	69,291	43,155	8,488	23,200	167	-	165,960
Net book value as at 31 December 1998	30,892	6,178	88	34,322	41,874	195	42,441	31,002	5,184	1,496	227	633	194,532

Notes To The Accounts

for the year ended 31 December 1998

13 Fixed assets (Continued)

	Freehold land RM' 000	Leasehold land 50 years or more RM' 000	Buildings on freehold land RM' 000	Buildings on leasehold land 50 years or more RM' 000	Office equipment, furniture and fittings RM' 000	Computer equipment and software RM' 000	Motor vehicles RM' 000	Capital WIP RM' 000	Total RM' 000
The Company									
Cost									
At 1 January 1998	18,915	6,568	2,066	43,957	489	128	1,081	2,210	75,414
Additions	31	-	-	390	42	108	-	564	1,135
Disposals	(57)	-	(1,474)	-	-	(21)	-	-	(1,552)
Transfer/reclassification	90	-	2,051	-	-	-	-	(2,141)	-
At 31 December 1998	18,979	6,568	2,643	44,347	531	215	1,081	633	74,997
Depreciation									
At 1 January 1998	-	523	731	3,230	144	105	459	-	5,192
Charge for the year	-	142	84	1,324	53	43	217	-	1,863
Disposals	-	-	(671)	-	-	(20)	-	-	(691)
At 31 December 1998	-	665	144	4,554	197	128	676	-	6,364
Net book value as at 31 December 1998	18,979	5,903	2,499	39,793	334	87	405	633	68,633

Notes To The Accounts

for the year ended 31 December 1998

13 Fixed assets (Continued)

The Group	Buildings										Computer equipment and software under lease	Motor vehicles	Renovations	Capital WIP	Total
	Freehold land	Leasehold land 50 years or more	Leasehold land less than 50 years	Buildings on freehold land	Buildings on leasehold land 50 years or more	Buildings on leasehold land less than 50 years	Office equipment, furniture and fittings	Computer equipment and software	Computer equipment and software	Motor vehicles					
Cost	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
At 1 January 1997	30,193	6,376	165	45,665	31,270	1,663	89,012	42,984	12,460	24,712	1,192	3,059	288,751		
Additions	635	438	-	-	-	-	18,383	17,460	2,399	-	573	13,580	53,468		
Disposals	-	-	-	-	-	-	(5,364)	(1,062)	(1,168)	-	(436)	-	(8,030)		
Transfer/reclassification	-	-	-	31	14,398	-	-	-	-	-	-	(14,429)	-		
Exchange adjustments	-	58	-	-	750	-	435	205	70	-	-	-	1,518		
At 31 December 1997	30,828	6,872	165	45,696	46,418	1,663	102,466	59,587	13,761	24,712	1,329	2,210	335,707		
Depreciation															
At 1 January 1997	-	395	69	13,442	2,519	520	56,781	21,292	4,832	10,550	177	-	110,577		
Charge for the year	-	148	4	1,195	887	171	7,315	12,081	2,354	9,888	244	-	34,287		
Disposals	-	-	-	-	-	-	(3,788)	(703)	(750)	-	(124)	-	(5,365)		
Exchange adjustments	-	1	-	-	8	-	44	99	11	-	-	-	163		
At 31 December 1997	-	544	73	14,637	3,414	691	60,352	32,769	6,447	20,438	297	-	139,662		
Net book value as at 31 December 1997	30,828	6,328	92	31,059	43,004	972	42,114	26,818	7,314	4,274	1,032	2,210	196,045		

Notes To The Accounts

for the year ended 31 December 1998

13 Fixed assets (Continued)

	Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings freehold land RM'000	Buildings on leasehold land 50 years or more RM'000		Office equipment, furniture and fittings RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital WIP RM'000	Total RM'000
				Buildings on leasehold land 50 years or more RM'000	Office equipment, furniture and fittings RM'000					
The Company										
Cost										
At 1 January 1997	18,280	6,130	2,035	29,559	397	108	877	3,059	60,445	
Additions	635	438	-	-	92	20	204	13,580	14,969	
Disposals	-	-	-	-	-	-	-	-	-	
Transfer/reclassification	-	-	31	14,398	-	-	-	(14,429)	-	
At 31 December 1997	18,915	6,568	2,066	43,957	489	128	1,081	2,210	75,414	
Depreciation										
At 1 January 1997	-	380	639	2,376	97	48	261	-	3,801	
Charge for the year	-	143	92	854	47	57	198	-	1,391	
Disposals	-	-	-	-	-	-	-	-	-	
At 31 December 1997	-	523	731	3,230	144	105	459	-	5,192	
Net book value as at 31 December 1997	18,915	6,045	1,335	40,727	345	23	622	2,210	70,222	

Notes To The Accounts

for the year ended 31 December 1998

14 GOODWILL ON CONSOLIDATION

	The Group	
	1998 RM' 000	1997 RM'000
Goodwill arising from acquisition of subsidiary companies	19,942	19,942
Amortisation	(3,913)	(3,115)
	16,029	16,827

15 DEPOSITS FROM CUSTOMERS

	The Group	
	1998 RM' 000	1997 RM'000
Demand deposits	1,271,450	1,621,224
Savings deposits	420,952	448,530
Fixed deposits	10,056,961	9,422,478
Negotiable instruments of deposits	1,383,650	1,746,698
Others	115,998	74,916
	13,249,011	13,313,846

	The Group	
	1998 RM' 000	1997 RM'000
Maturity structure of fixed deposits and negotiable instruments of deposits is as follows:-		
Due within six months	9,559,375	7,769,156
Six months to one year	1,540,017	2,083,599
One year to three years	239,273	1,295,170
Three years to five years	101,946	21,251
	11,440,611	11,169,176

	The Group	
	1998 RM' 000	1997 RM'000
The deposits are sourced from the following customers:		
Business enterprises	6,745,177	6,444,246
Individuals	2,720,018	2,576,194
Others	3,783,816	4,293,406
	13,249,011	13,313,846

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	1998 RM' 000	1997 RM'000
Licensed banks	2,016,224	2,392,192
Licensed finance companies	329,879	295,869
Other financial institutions	2,400,708	1,608,134
	4,746,811	4,296,195

Notes To The Accounts

for the year ended 31 December 1998

17 OTHER LIABILITIES

	The Group		The Company	
	1998 RM'000	1997 RM'000	1998 RM'000	1997 RM'000
Proposed dividends	28,074	33,689	28,074	33,689
Taxation	69,391	114,988	38,248	20,298
Deferred taxation (note 18)	14,348	14,330	-	-
Due to brokers and clients	200,323	122,348	-	-
Short term borrowings (note 19)	-	172,000	-	-
Other liabilities	571,108	476,888	2,223	1,071
Provision for commitments and contingencies	10,100	-	-	-
Zakat (note 42)	22	30	-	-
	893,366	934,273	68,545	55,058

Movements in provision for commitments and contingencies are as follows:-

	The Group	
	1998 RM'000	1997 RM'000
At 1 January	-	-
Provision made during the year	10,100	-
At 31 December	10,100	-

18 DEFERRED TAXATION

	The Group	
	1998 RM'000	1997 RM'000
At 1 January	14,330	2,728
Transfer from profit and loss account	18	12,950
Disposal of a subsidiary company	-	(1,348)
At 31 December	14,348	14,330

The deferred taxation is in respect of the following:

Timing differences between depreciation and corresponding capital allowances on fixed assets	13,738	14,330
Timing differences on provisions	610	-
	14,348	14,330

19 SHORT TERM BORROWINGS

	The Group	
	1998 RM'000	1997 RM'000
Revolving credits	-	70,000
Floating rate notes	-	102,000
	-	172,000

Notes To The Accounts

for the year ended 31 December 1998

20 BONDS

	The Group and The Company	
	1998	1997
	RM'000	RM'000
1.75% Redeemable Euro-Convertible Bonds due 2004	134,907	138,912
Zero Coupon Redeemable Unsecured USD Bonds 1997/2002	608,032	626,080
15% Redeemable Bank Guaranteed Bonds 1993/1998	-	142,277
	742,939	907,269

(a) The 1.75% Redeemable Euro-Convertible Bonds due in 2004 have the following main features:-

- (i) The Bonds are in denominations of USD5,000 or integral multiples thereof, constituted by a Trust Deed, bear interest at the rate of 1.75% per annum payable annually in arrears on 26 September each year.
- (ii) Unless previously redeemed, purchased and cancelled, the Bonds may be converted on or after 26 October 1994 up to and including 19 September 2004 into fully-paid up ordinary shares of RM1.00 each of the Company at an initial conversion price, subject to adjustment in certain circumstances, of RM13.60 per ordinary share and with a fixed exchange rate of RM2.554 to USD1.00.

As a result of the bonus issue, rights issue and offer for sale of warrants 1997/2002, the conversion price of the Bonds has been adjusted in accordance with the Trust Deed dated 26 September 1994 constituting the Bonds from RM13.60 per share to RM6.20 per share at the fixed exchange rate of RM2.554 to USD1.00 with effect from 6 August 1997.

- (iii) Unless previously redeemed, purchased and cancelled or converted, each Bond will be redeemed on 26 September 2004 at its principal amount. The Company will, at the option of the bondholders redeem the Bonds at 131.75 per cent of its principal amount on 26 September 1999. The Bonds may also be redeemed, in whole or in part, by the Company at any time on or after 26 September 1996 at fixed redemption prices.

(b) The zero coupon redeemable unsecured USD Bonds 1997/2002 are issued with 81,231,175 detachable Warrants. The main features of the Bonds are as follows:

- (i) Nominal value of the Bonds are USD160 million in denominations or multiples of USD 250,000 and constituted by a Trust Deed.
- (ii) Each Warrant entitles its registered holder the right, exercisable in whole or in part, to subscribe for one new ordinary share at an exercise price of RM7.45 (subject to adjustments under certain circumstances in accordance with the Deed Poll) at any time during the subscription period, expiring on 16 March 2002.
- (iii) Unless previously purchased and cancelled, the Bonds will be redeemed by the Company at 100% of its nominal value on maturity date.

As at 31 December 1998, all the Warrants remained unexercised.

21 IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (ICULS)

The 6% Irredeemable Convertible Unsecured Loan Stocks (ICULS) 1997/2002 were issued by a subsidiary company, Bank of Commerce (M) Berhad. The main features of the ICULS are as follows:

- (i) Nominal value of the ICULS are RM605,715,100 in denominations or multiples of RM1.00 and constituted by a Trust Deed.
- (ii) The ICULS bear interest at the rate of 6.0% per annum payable annually in arrears on 31 December each year provided that the subsidiary company may defer the payment of interest until the subsidiary company has sufficient retained earnings. The first interest payment was made on 31 December 1998.

Notes To The Accounts

for the year ended 31 December 1998

- (iii) The registered holder of the ICULS has the right to convert the ICULS at the conversion price into new ordinary shares during the conversion period (months of March, June, September and December) of the ICULS.
- (iv) The ICULS are not redeemable for cash or otherwise. Unless previously converted, all outstanding ICULS will be mandatorily converted by the subsidiary company into new ordinary shares at the conversion price on the basis of the equivalent nominal value of ICULS for every one (1) new ordinary share in the subsidiary company on 15 December 2002 (or on such other date as may be approved by the Board).
- (v) The ICULS shall constitute unsecured and subordinated obligations of the subsidiary company.
- (vi) All new ordinary shares issued upon conversion of ICULS will rank pari passu in all respects with the existing ordinary shares of the subsidiary company except that they are not entitled for any dividends declared for the subsequent financial years ending before the conversion dates and any other distributions unless the ICULS are converted prior to or on the entitlement date.

22 SHARE CAPITAL

	The Group and The Company	
	1998 RM'000	1997 RM'000
Ordinary shares of RM1.00 each:-		
Authorised:		
At 1 January	1,500,000	500,000
Created during the year	-	1,000,000
At 31 December	1,500,000	1,500,000
Issued and fully paid:		
At 1 January	779,832	295,028
Issued upon exercise of Transferable Subscription Rights	15	8,351
Bonus issue of 1 : 1	-	319,235
Rights issue of 1 : 5	-	129,970
Special issue to approved Bumiputra investors	-	11,379
Conversion of Euro-Convertible Bonds	-	15,869
At 31 December	779,847	779,832

Notes To The Accounts

for the year ended 31 December 1998

23 RESERVES

	The Group		The Company	
	1998 RM' 000	1997 RM'000	1998 RM' 000	1997 RM'000
Distributable				
Retained profit	485,147	454,868	222,154	138,619
Non-distributable				
Share premium	1,294,202	1,294,172	1,294,202	1,294,172
Statutory reserves	440,058	418,562	-	-
Merger reserve	65,746	65,746	-	-
Capital reserve arising on consolidation	22,158	3,995	-	-
Exchange fluctuation reserve	73,534	80,844	-	-
Other non-distributable reserve	62,265	62,265	-	-
	1,957,963	1,925,584	1,294,202	1,294,172
Total reserves	2,443,110	2,380,452	1,516,356	1,432,791
Share premium				
At 1 January	1,294,172	596,608	1,294,172	596,498
Issue of shares upon exercise of Transferable Subscription Rights	30	44,219	30	44,219
Rights issue	-	714,834	-	714,834
Special issue	-	62,584	-	62,584
Conversion of Euro-Convertible Bonds	-	199,944	-	199,944
Capitalisation pursuant to the bonus issue	-	(319,235)	-	(319,235)
Share issue expenses	-	(4,782)	-	(4,672)
At 31 December	1,294,202	1,294,172	1,294,202	1,294,172
Statutory reserves				
At 1 January	418,562	339,600	-	-
Transfer from profit and loss account	21,496	78,962	-	-
At 31 December	440,058	418,562	-	-
Capital reserve arising on consolidation				
At 1 January	3,995	-	-	-
Arising from accretion of equity interest in subsidiary companies	18,163	3,995	-	-
At 31 December	22,158	3,995	-	-
Exchange fluctuation reserve				
At 1 January	80,844	(4,085)	-	-
Arising from translation of net assets of a foreign subsidiary company and Labuan Offshore Bank	(7,310)	84,929	-	-
At 31 December	73,534	80,844	-	-
Other non-distributable reserve				
At 1 January	62,265	43,210	-	-
Transfer from profit and loss account	-	19,055	-	-
At 31 December	62,265	62,265	-	-

Notes To The Accounts

for the year ended 31 December 1998

- (a) RM445,726,000 (1997:RM417,931,000) of the statutory reserve is maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and RM631,000 (1997:RM631,000) is maintained in compliance with the Kuala Lumpur Stock Exchange Rules and Regulations. These reserves are not distributable by way of cash dividends.
- (b) The other non-distributable reserve represents a reserve set aside to meet a 31.75% premium relating to the 1.75% Redeemable Euro-Convertible Bonds due 2004 which may arise in the event of the exercise of a put option so attached on 26 September 1999.
- (c) The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of all its retained profit as at 31 December 1998.
- (d) Pursuant to the requirements of subsection 365 (1A) of the Companies Act, 1965, the future distribution of dividends out of the company's retained profit may only be declared for a financial year up to an amount not exceeding the after-tax profit of that financial year, or not exceeding the average dividends declared in respect of the two financial years immediately preceding that financial year, whichever is the greater.

24 INTEREST INCOME

	The Group		The Company	
	1998 RM' 000	1997 RM'000	1998 RM' 000	1997 RM'000
Loans and advances	1,863,092	1,413,967	17,553	12,892
Money at call and deposit placements with				
financial institutions	122,589	97,730	43,956	53,267
Dealing securities	67,027	54,569	-	-
Investment securities	239,316	168,435	-	-
Others	61,632	20,559	21,543	-
	2,353,656	1,755,260	83,052	66,159
Amortisation of premium less accretion of discount	19,293	(5,113)	-	-
Net interest suspended	(126,338)	(27,812)	-	-
	2,246,611	1,722,335	83,052	66,159

25 INTEREST EXPENSE

	The Group		The Company	
	1998 RM' 000	1997 RM'000	1998 RM' 000	1997 RM'000
Deposits and placements of banks and				
other financial institutions	478,667	322,793	-	-
Deposits from other customers	1,011,221	761,306	-	-
Subordinated term loans	5,268	6,245	-	-
Others	29,940	27,151	3,032	2,763
	1,525,096	1,117,495	3,032	2,763

Notes To The Accounts

for the year ended 31 December 1998

26 LOAN AND FINANCING LOSS AND PROVISION

	The Group	
	1998	1997
	RM' 000	RM'000
Provision for bad and doubtful debts and financing:-		
- specific provision (net)	522,015	127,545
- general provision	(72,280)	108,140
Bad debts and financing:-		
- recovered	(16,904)	(20,878)
.....	432,831	214,807
Provision for amounts recoverable from Danaharta	4,780	-
.....	437,611	214,807

Notes To The Accounts

for the year ended 31 December 1998

27 NON-INTEREST INCOME

	The Group		The Company	
	1998 RM' 000	1997 RM'000	1998 RM' 000	1997 RM'000
Fee income:				
Commissions	27,126	44,244	-	-
Fee on loans and advances	24,458	36,639	-	-
Portfolio management fees	3,979	2,938	-	-
Service charges and fees	22,163	23,009	-	-
Corporate advisory fees	10,484	19,508	-	-
Guarantee fees	24,012	22,090	-	-
Other fee income	5,732	27,506	90	-
	117,954	175,934	90	-
Investment income:-				
Gains from sale of investment securities	16,485	14,490	-	-
Net trading income from money market institution	118	-	-	-
Net profit/(loss) from dealing securities:				
- Treasury	20,938	9,254	-	-
- Equity	20,901	(104,707)	465	-
Loss on write down of dealing securities	(4,529)	(44,896)	(470)	(26,049)
Gross dividends from:				
- Subsidiary companies	-	-	66,399	60,455
- Investment and dealing securities	5,596	1,030	922	294
	59,509	(124,829)	67,316	34,700
Provision for diminutions in value of investment securities	(48,159)	(23,495)	-	-
	11,350	(148,324)	67,316	34,700
Other income:-				
Foreign exchange profit	56,088	47,703	-	-
Rental income	750	441	4,733	4,496
Gain on disposal of fixed assets	1,716	250	1,609	-
Gain/(loss) on disposal of a subsidiary company	635	(180)	2,650	3,226
Net interest income on loans sold to Cagamas	13,796	12,077	-	-
Net brokerage fee	44,037	131,080	-	-
Other non-operating income	5,748	102,765	751	1,101
	122,770	294,136	9,743	8,823
	252,074	321,746	77,149	43,523

Notes To The Accounts

for the year ended 31 December 1998

28 OVERHEAD EXPENSE

	The Group		The Company	
	1998 RM' 000	1997 RM'000	1998 RM' 000	1997 RM'000
Personnel costs	122,370	126,015	1,470	1,447
Establishment costs	62,654	71,174	-	-
Marketing expenses	8,491	13,082	-	-
Administration and general expenses	228,882	181,232	8,090	8,419
	422,397	391,503	9,560	9,866

The above expenditure includes

the following statutory disclosures:-

Directors' remuneration (note 29)	1,280	1,302	532	528
Rental of premises	12,298	12,004	-	-
Hire of equipment	1,384	944	-	-
Auditors' remuneration	422	400	20	20
Depreciation of fixed assets	31,170	34,287	1,863	1,391
Fixed assets written off	797	-	-	-
Interest expense on short term borrowings	15,672	32,009	-	-
Amortisation of goodwill	797	797	-	-
Provision for diminution in a subsidiary company	-	-	-	1,275
Provision for other receivables	170,031	103,724	-	510

29 DIRECTORS' REMUNERATION

	The Group		The Company	
	1998 RM' 000	1997 RM'000	1998 RM' 000	1997 RM'000
Fees	228	210	102	102
Other remuneration:-				
- Executive directors	326	333	326	333
- Non-executive directors	726	759	104	93
	1,280	1,302	532	528

The estimated cash value of benefits-in-kind of Directors amounted to RM27,203 (1997: RM59,000)

Notes To The Accounts

for the year ended 31 December 1998

30 TAXATION

	The Group		The Company	
	1998 RM'000	1997 RM'000	1998 RM'000	1997 RM'000
Taxation based on the profit for the year:				
Malaysian income tax	54,044	111,550	36,000	35,639
Overseas tax	5	169	-	-
Transfer to deferred taxation	18	12,950	-	-
	54,067	124,669	36,000	35,639
Prior year under provision	12	1,866	-	562
	54,079	126,535	36,000	36,201
Share of tax of associated companies	(44)	1,398	-	-
	54,035	127,933	36,000	36,201

The effective rate of taxation for the Group is higher than the standard rate of tax mainly due to certain charges and provisions being non deductible for tax purposes and there is no Group relief in respect of tax losses suffered by certain subsidiary companies of the Group.

31 PROPOSED DIVIDENDS

	The Group and The Company	
	1998 RM'000	1997 RM'000
Proposed first and final dividend of 5% (1997: 6%) less tax	28,074	33,689
Under provision of final dividend declared in respect of the financial year ended 31 December 1996	-	1,241
	28,074	34,930

32 EARNINGS PER SHARE

The basic earnings per ordinary share have been calculated based on the Group's net profit after taxation and minority interests of RM79,849,000 (1997: RM180,717,000) and on the weighted average number of ordinary shares in issue during the year of 779,840,105 (1997: 693,415,063).

The fully diluted earnings per share calculated based on adjusted earnings of RM148,620,000 (1997: RM209,622,000) after adding back notional savings after tax on interest on the 1.75% redeemable USD120 million Euro-Convertible Bonds Due 2004 and on the assumption that no redemption, purchase or cancellation of the 1.75% Euro-Convertible Bonds and Zero Coupon Bonds 1997/2002 were made, and on the weighted average number of ordinary shares issued and issuable for the year of 937,820,990 (1997: 885,412,223) shares, inclusive of shares issuable on the assumption that rights to conversion attaching to the:

- (i) Euro-Convertible Bonds of shares 14,623,710 ordinary shares (1997: 14,623,710) and
- (ii) Warrants of shares 81,231,175 (1997: 81,231,175), and
- (iii) Employee Share Options of 62,126,000 (1997: 62,126,000) shares

were exercised on 1 January 1998, would be antidilutive. Accordingly the basic and fully diluted earnings per share are the same.

Notes To The Accounts

for the year ended 31 December 1998

33 SIGNIFICANT INTER-COMPANY TRANSACTIONS AND BALANCES

	The Company	
	1998	1997
	RM' 000	RM'000
Income from subsidiary companies:		
Interest on fixed deposits and money market	47,154	44,167
Interest on loans and advances	39,108	13,696
Dividend income	68,584	60,455
Rental income	4,571	4,496
<hr/>		
Amount due from subsidiary companies:		
Current account fixed deposits and placements	416,513	430,919
Subordinated term loans	460,691	572,876
Loans and advances	54,500	5,360
Convertible unsecured loan stocks	355,302	455,305
Inter-company balances	82,688	983
<hr/>		
Amount due to subsidiary companies:		
Inter-company balances	-	40,936
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Notes To The Accounts

for the year ended 31 December 1998

34 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group made various commitments and incurred certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

	1998		1997	
	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000
The Group				
Direct credit substitutes	2,066,717	2,066,717	1,757,060	1,757,060
Certain transaction related contingent items	699,937	349,969	721,314	360,658
Short-term self-liquidating trade-related contingencies	484,007	96,801	501,733	100,347
Housing loans sold directly and indirectly to Cagamas Berhad	718,003	718,003	809,108	809,108
Obligations under underwriting agreement	134,760	67,380	285,580	142,790
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	6,705,952	-	6,542,522	-
- Maturity exceeding one year	1,388,521	694,261	831,642	415,821
Credit derivatives	30,400	30,400	89,125	89,125
	12,228,297	4,023,531	11,538,084	3,674,909
Foreign exchange related contracts:				
- less than one year	2,523,742	135,981	2,966,782	214,423
- one year to less than five years	60,700	6,677	155,000	36,297
	2,584,442	142,658	3,121,782	250,720
Interest rate related contracts:				
- less than one year	1,665,500	18,078	2,350,930	3,597
- one year to less than five years	573,200	16,879	233,500	10,573
	2,238,700	34,957	2,584,430	14,170
	4,823,142	177,615	5,706,212	264,890
Asset sold under recourse	100,000	100,000	-	-
	17,151,439	4,301,146	17,244,296	3,939,799

Breakdown of foreign exchange contract and interest rate contracts:

	1998		1997	
	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000
Foreign exchange related contracts:				
- Forward exchange contracts	2,265,635	119,472	2,966,782	214,423
- Cross currency swaps	81,700	9,838	155,000	36,297
- Others	237,107	13,348	-	-
	2,584,442	142,658	3,121,782	250,720
Interest rate related contracts:				
- Interest rate futures	896,000	-	1,409,000	-
- Interest rate swaps	1,342,700	34,957	1,175,430	14,170
	2,238,700	34,957	2,584,430	14,170
	4,823,142	177,615	5,706,212	264,890

Notes To The Accounts

for the year ended 31 December 1998

The Group is contingently liable in respect of housing loans sold to Cagamas Berhad, under the condition that the Group undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudential criteria.

The Group has also given a continuing guarantee to Bank Negara Malaysia to meet the liabilities and financial obligations and requirements of its subsidiary company, Bank of Commerce (L) Limited, arising from its offshore banking business in the Federal Territory of Labuan.

Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of 1998, the amount of contracts which were not hedged and, hence, exposed to market risk was RM3,745,477 (1997: RM29,735,953).

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group have a gain position. As at end of 1998, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM81,169,624 (1997: RM352,775,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

35 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the accounts amounted to approximately:-

	The Group		The Company	
	1998 RM'000	1997 RM'000	1998 RM'000	1997 RM'000
Authorised and contracted for	9,169	18,559	-	557
Authorised but not contracted for	39,769	8,613	-	-

36 LEASE COMMITMENTS

The lease commitments are in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments net of sub-leases are as follows:

	The Group	
	1998 RM'000	1997 RM'000
1998	-	10,186
1999	9,486	5,725
2000	6,644	3,520
>2000	23,787	11,828
	39,917	31,259

Notes To The Accounts

for the year ended 31 December 1998

37 SEGMENTAL ANALYSIS BY ACTIVITIES

	Operating revenue RM'000	The Group Profit before taxation and zakat RM'000	Assets employed RM'000
1998:			
Commercial banking	1,958,933	71,748	19,298,647
Offshore banking	144,537	44,292	2,570,066
Investment holding	151,006	144,966	3,088,568
Merchant banking	366,989	(57,149)	3,375,870
Stock and sharebroking	70,790	(28,958)	400,178
Property trust management	765	109	-
Nominee services	8	6	1,682
Property holding	5,505	3,354	75,804
Fund management	3,378	(1,288)	54,404
Futures broking	7,639	1,922	23,572
Investment advisory and consultancy	20	(1,761)	26
Unit trust management	1,218	(968)	36,374
	2,710,788	176,273	28,925,191
Consolidation adjustments	(153,941)	(73,818)	(4,508,136)
	2,556,847	102,455	24,417,055
1997:			
Commercial banking	1,559,292	235,053	18,644,176
Offshore banking	183,589	1,023	2,380,061
Investment holding	144,668	138,870	3,197,388
Merchant banking	292,304	55,921	2,960,499
Stock and sharebroking	177,302	6,067	674,542
Property trust management	1,954	522	3,979
Nominee services	-	-	4,544
Property holding	4,851	1,926	55,286
Fund management	1,819	(1,409)	3,966
Futures broking	2,775	6	32,951
Investment advisory and consultancy	94	(3,939)	3,147
Unit trust management	895	(457)	7,094
	2,369,543	433,583	27,967,633
Consolidation adjustments	(236,929)	(109,116)	(4,186,554)
	2,132,614	324,467	23,781,079

Included in investment holding segment is dividend income from other segments which amounted to RM66,399,000 (1997: RM60,455,000).

The Group operates mainly in Malaysia, and accordingly, no information on the Group's operations by geographical segments has been provided.

Notes To The Accounts

for the year ended 31 December 1998

38 SUMMARY OF EFFECTS OF THE DISPOSAL OF A SUBSIDIARY COMPANY

	The Group	
	1998	1997
	RM'000	RM'000
Loans and advances	407	83,221
Cash and bank balances	180	-
Fixed assets	560	770
Other assets	2,974	670
Subordinated term loan	-	(5,000)
Other liabilities	(742)	(74,255)
	3,379	5,406
Less: Minority interests	(1,014)	-
	2,365	5,406
Gain/(loss) on disposal	635	(180)
Proceeds from the disposal	3,000	5,226
Less: Cash and bank balances disposed	(180)	-
Net cash from disposal of a subsidiary	2,820	5,226

39 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise the following:

	The Group	
	1998	1997
	RM'000	RM'000
Cash and balances with banks and other financial institutions	188,083	300,470
Money at call and deposits placements maturing within one month	1,105,543	524,450
	1,293,626	824,920

40 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

41 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) In a joint statement made to the Kuala Lumpur Stock Exchange on 6 January 1999, the Board of Directors of Commerce Asset-Holding Berhad (CAHB) and MBf Capital Berhad announced that the Memorandum of Understanding (MOU) entered into on 23 March 1998 between the Commercial Bank and MBf Capital Berhad for a proposed strategic alliance between the Commercial Bank and MBf Finance Berhad has lapsed due to the expiry of the MOU on 31 December 1998.
- (b) On 8 February 1999, CAHB entered into a Share Exchange Agreement with the shareholders of Bank Bumiputra Malaysia Berhad (BBMB) namely, Ministry of Finance Inc. (MOF) and Khazanah Nasional Berhad (Khazanah) for a merger of the commercial banking units of CAHB and BBMB. The merger will result in MOF and Khazanah holding a 30% stake in CAHB which in turn will hold a 99.99% stake in the merged bank, to be named Bumiputra Commerce Bank Berhad.

The exchange agreement is based on adjusted NTAs of CAHB Group and BBMB Group. CAHB will acquire 99.99% equity interest in BBMB for a purchase consideration of RM1,577,644,000 by the issue of 334,220,342 new shares in CAHB at RM3.04 each amounting to RM1,016,029,840 with the remaining RM561,614,160 or any other amounts based on a final valuation of CAHB Group and BBMB Group as at 31 March 1999, to be settled by cash or other instruments to be agreed upon.

The merger is currently pending the approval of the Finance Minister and other regulatory bodies.

Notes To The Accounts

for the year ended 31 December 1998

42 THE OPERATIONS OF SPI

Balance sheet as at 31 December 1998

	Note	The Group	
		1998	1997
		RM'000	RM'000
Assets			
Cash and short-term funds	(a)	7,586	2,798
Deposits and placements with financial institutions	(b)	-	19,166
Investment securities	(c)	12,961	-
Loans, advances and financing	(d)	208,110	173,250
Total assets		228,657	195,214
Liabilities and shareholders' funds			
Deposits from customers	(e)	198,080	65,523
Deposits and placements of banks and other financial institutions	(f)	15,000	117,000
Other liabilities	(g)	2,556	1,295
Total liabilities		215,636	183,818
Islamic banking fund	(h)	13,021	11,396
Total liabilities and islamic banking funds		228,657	195,214
Commitments and contingencies	(k)	18,118	7,004

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

Profit and loss account for the year ended 31 December 1998

	Note	The Group	
		1998	1997
		RM'000	RM'000
Income	(i)	1,807	2,336
Overhead expenses	(j)	(160)	(134)
Profit before taxation and zakat		1,647	2,202
Zakat		(22)	(30)
Profit after zakat		1,625	2,172
Transfer to statutory reserve	(h)	(812)	(1,086)
Profit after transfer to statutory reserve		813	1,086
Retained profit brought forward		3,613	2,527
Retained profit carried forward		4,426	3,613

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

Notes To The Accounts

for the year ended 31 December 1998

(a) Cash and short-term funds

	The Group	
	1998	1997
	RM' 000	RM'000
Cash and balances with banks and other financial institutions	7,586	2,798

(b) Deposits and placements with financial institutions

	The Group	
	1998	1997
	RM' 000	RM'000
Licensed banks	-	19,166

(c) Investment securities

	The Group	
	1998	1997
	RM' 000	RM'000
Money market instruments:		
Islamic accepted bills	12,961	-

	The Group	
	1998	1997
	RM' 000	RM'000
(i) The maturity structure of money market instruments held for investment is as follows:		
Maturing within one year	12,961	-
	12,961	-

(d) Loans, advances and financing

	The Group	
	1998	1997
	RM' 000	RM'000
Overdrafts	8,000	4,061
Term financing	227,030	191,184
	235,030	195,245
Unearned income	(24,873)	(21,995)
Gross loans, advances and financing	210,157	173,250
Income-in-suspense	(2,047)	-
	208,110	173,250

	The Group	
	1998	1997
	RM' 000	RM'000
(i) Loans, advances and financing analysed by concepts are as follows:		
Al-Bai' Bithaman Ajil	96,813	84,210
Other principles	113,344	89,040
	210,157	173,250

Notes To The Accounts

for the year ended 31 December 1998

	The Group	
	1998	1997
	RM' 000	RM'000
(ii) The maturity structure of loans, advances and financing is as follows:		
Maturing within one year	60,802	20,000
One year to three years	122,489	20,000
Three years to five years	10,529	31,881
Over five years	16,337	101,369
	210,157	173,250

	The Group	
	1998	1997
	RM' 000	RM'000
(iii) Loans, advances and financing analysed by their economic purposes are as follows:		
Manufacturing	28,473	26,085
Infrastructure construction	104,510	90,836
Housing	11,477	6,489
General commerce	32,301	20,000
Finance, insurance and business services	33,396	29,500
Consumption credit	-	340
	210,157	173,250

	The Group	
	1998	1997
	RM' 000	RM'000
(iv) Movement in the non-performing loans financing (including income receivable) are as follows:		
At 1 January	-	-
Non-performing during the year	22,423	-
At 31 December	22,423	-

(e) Deposits from customers

Types	The Group	
	1998	1997
	RM' 000	RM'000
Demand deposits	6,324	6,239
Savings deposits	2,440	1,635
General investment deposits	184,178	50,949
Special investment deposits	-	6,000
Others	5,138	700
Total deposits	198,080	65,523

Notes To The Accounts

for the year ended 31 December 1998

	The Group	
	1998	1997
	RM' 000	RM'000
(i) Maturity structure of investment deposits from customers are as follows:		
Due within six months	117,709	44,364
Six months to one year	65,122	8,509
One year to three years	1,347	4,076
	184,178	56,949

	The Group	
	1998	1997
	RM' 000	RM'000
(ii) The deposits are sourced from the following customers:		
Business enterprises	73,071	22,663
Individuals	57,058	27,663
Others	67,951	15,197
	198,080	65,523

(f) Deposits and placements of banks and other financial institutions

	The Group	
	1998	1997
	RM' 000	RM'000
Licensed banks	15,000	117,000

(g) Other liabilities

	The Group	
	1998	1997
	RM' 000	RM'000
Zakat	22	30
Other liabilities	2,534	1,265
	2,556	1,295

(h) Islamic banking fund (IBF)

	The Group	
	1998	1997
	RM' 000	RM'000
Funds allocated from Head Office	5,000	5,000
Statutory reserve	3,595	2,783
Retained profit	4,426	3,613
	13,021	11,396
Statutory reserve		
At 1 January	2,783	1,697
Transfer from profit and loss account	812	1,086
	3,595	2,783

Notes To The Accounts

for the year ended 31 December 1998

(i) Income from SPI operation

	The Group	
	1998	1997
	RM'000	RM'000
Income derived from investment of depositors' fund and IBF	20,489	11,367
Income attributable to depositors:		
- Other customer	(9,495)	(3,496)
- Banks and financial institutions	(9,187)	(5,535)
Income attributable to bank	1,807	2,336

Details of the income derived from investment of depositors' and funds allocated from Head Office are as follows:

	The Group	
	Depositors' funds	IBF
	RM'000	RM'000
1998		
Income from financing	18,891	-
Investment income :		
Gains from sale of investment securities	1,460	-
Fee income:		
Commission	120	-
Service charges and fees	14	-
Other fee income	4	-
	138	-
	20,489	-
1997		
Income from financing	10,235	-
Investment income :		
Gains from sale of investment securities	833	82
Fee income:		
Commission	103	-
Service charges and fees	112	-
Other fee income	2	-
	217	-
	11,285	82

Notes To The Accounts

for the year ended 31 December 1998

(j) Overhead expenses

	The Group	
	1998 RM'000	1997 RM'000
Personnel costs	113	90
Marketing expenses	3	-
Administration and general expenses	44	44
Total overhead expenses	160	134

(k) Commitments and contingencies

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies constitute the following :

	1998 RM'000	1997 RM'000
Direct credit substitutes	18,118	7,004

Notes To The Accounts

for the year ended 31 December 1998

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Mohd Desa Pachi and Rozali Mohamed Ali, being two of the Directors of Commerce Asset-Holding Berhad state that, in the opinion of the Directors, the accounts set out on pages 91 to 136 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and of the Company as at 31 December 1998 and of the results of the Group and of the Company and cash flows of the Group for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines.

Signed at Kuala Lumpur on 19 March 1999

On behalf of the Board of Directors

Mohd Desa Pachi

Director

Rozali Mohamed Ali

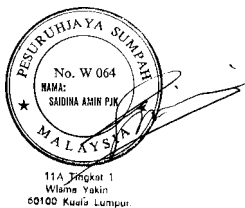
Executive Director

Statutory declaration

I, Jamil Hajar Abdul Muttalib, being the Officer primarily responsible for the financial management of Commerce Asset-Holding Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accounts set out on pages 91 to 136 are 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, 1960.

Jamil Hajar Abdul Muttalib

Subscribed and solemnly declared at Kuala Lumpur on 19 March 1999



Before me:
Commissioner for Oaths