

Statement of Corporate Governance

(Pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad)

INTRODUCTION

The Board of Directors of Commerce Asset-Holding Berhad (CAHB) is supportive of the adoption of principles and best practices as enshrined in the Malaysian Code of Corporate Governance throughout the Group. It is recognised that the adoption of the highest standards of governance is imperative for the enhancement of stakeholders value.

The Board is pleased to present the following report on the application of principles and compliance with best practices as set out in the Malaysian Code of Corporate Governance.

1. BOARD OF DIRECTORS

The Board is the ultimate decision making entity. It leads and controls the Group. The Board is primarily responsible for among other things, the review and adoption of a strategic plan for the Group, oversight of business performance, ensuring the adoption of appropriate risk management systems and ensuring establishment of proper internal control systems.

The Board of Directors meets on a scheduled basis at least once every quarter. When the need arises, Special Board Meetings and Joint Special Board Meetings with subsidiaries are also convened. The quarterly Board Meetings are scheduled prior to the commencement of the financial year.

Among the topics for deliberation include the financial statements and results of the Group and its subsidiaries, operational activities, strategic and corporate initiatives as well as matters specifically reserved for the Board's decision. Reports by Board Committees are also presented and discussed.

In 2004, there were 4 Board Meetings, 9 Special Board Meetings and 2 Joint Special Board Meetings with the Board of BCB. The dates, venues and time of the Board Meetings can be found in the Statement Accompanying Notice of Annual General Meeting on page 4 of this Annual Report. The following are the details of attendance of each individual director in respect of meetings held.

Directors	No. of Meetings Attended	Percentage
Tan Sri Dato' Mohd Desa Pachi	15/15	100%
Dr Rozali Mohamed Ali	15/15	100%
Dato' Anwar Aji	14/15	93%
En Mohd Salleh Mahmud	15/15	100%
Tan Sri Datuk Asmat Kamaludin	12/15	80%
Dr Roslan A. Ghaffar	14/15	93%
En Izlan Izhab (Appointed on 26 July, 2004)	6/7	86%
Mr Masayuki Kunishige (Resigned on 28 June, 2004)	5/7	71%

COMPOSITION OF BOARD OF DIRECTORS / BOARD BALANCE

The Board of CAHB as at the date of this statement consists of seven (7) members. Three (3) directors are independent as defined under the Listing Requirements of Bursa Malaysia Securities Berhad. Three (3) directors represent shareholders namely Employees Provident Fund (EPF), Khazanah Nasional Berhad and Kumpulan Wang Amanah Pencen (KWAP) and one is an Executive Director.

There is optimum board balance and there is compliance with the independent directors criteria of the Bursa Securities Listing Requirements. The current set of Directors with their wide experiences in both the public and private sector and academic background provides a collective range of skills, expertise and experience. The independent directors fulfill their role by providing objective judgment and participation in the decision making process.

Tan Sri Dato' Mohd Desa Pachi who is the Chairman, has been identified as the Senior Independent Director to whom concerns may be conveyed. On 1 September, 2004, Dr Rozali Mohamed Ali was appointed as Executive Director/Group CEO. He was previously the Managing Director/Group Chief Executive Officer of Bumiputra-Commerce Bank Berhad, our commercial banking subsidiary as well as a Non-Independent Non-Executive Director at CAHB. The roles of Chairman and Executive Director are distinct and separate.

SUPPLY OF INFORMATION

Prior to the Board Meetings, all Directors will receive the agenda and a set of Board papers containing information relevant to the matters to be deliberated at the meetings. In 2004, specific number of days prior to Board Meetings were set as targets for Management to deliver the respective papers to the members of the Board. Any deviation from the set timelines will require explanation from Management. The Board will receive information that is not only historical or quantitative but also those that look at qualitative performance factors. Management is responsible to provide the Board with all information of which it is aware. The Chairman of the Board shall undertake primary responsibility for organising information for the agenda of the Board.

Directors have access to all the information within the Company and the Group, whether as a full board or in their individual capacity, in the furtherance of their duties. Directors whether acting as a full board or in their individual capacity can take independent professional advice at the Company's expense.

All the Directors have direct access to the advice and services of the Company Secretary. The Company Secretary is someone who is capable of carrying out the duties to which the post entails. The Directors are regularly updated on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors. The Board recognises that the Chairman is entitled to the full support of the Company Secretary.

APPOINTMENTS TO THE BOARD

There is in place a formal and transparent procedure for the appointment of new directors to the Board. The proposed appointment of new member (s) of the Board as well as the proposed re-appointment/re-election of Directors seeking re-appointment or re-election at the Annual General Meeting, are recommended by the Nomination and Remuneration Committee to the Board for their approval. The Board makes the final decision on appointment and the approval from Bank Negara Malaysia is then sought.

The Nomination and Remuneration Committee is made up entirely of non-executive directors with the majority being independent. The members of the Nomination and Remuneration Committee are as follows:-

Tan Sri Dato' Mohd Desa Pachi (Chairman)
Independent Non-Executive Director

Dato' Anwar Aji
Non-Independent Non-Executive Director

Tan Sri Datuk Asmat Kamaludin
Independent Non-Executive Director

In 2004, there were five meetings held by this committee. Two Directors were not able to attend one of the five meetings scheduled during the year.

The terms of reference of the Nomination and Remuneration Committee with regards to the nomination role are as follows:-

- To review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary within the Group and to recommend Directors to the Committees of the Board.
- To be responsible for identifying and nominating candidates for the approval of the Board to fill Board vacancies within the Group as and when they arise as well as to put in place plans of succession in particular of the Chairman and the Managing Director/Executive Director/Chief Executive. The responsibility of the Committee shall be extended to all subsidiaries of CAHB. All subsidiaries shall submit the names of new directors proposed for the respective Boards to the Committee for recommendation.
- To review the required mix skills and experience and other qualities and competencies, which Non-Executive Directors shall bring to the Board, and to assess the effectiveness of the Board Committees of the Board and contributions of Directors of the Board within the Group.
- To recommend to the Board for the appointment and continued tenure of service of Managing Director/Executive Director/Chief Executive for the Company and subsidiaries.
- To recommend to the Board for the appointment and continuation (or otherwise) in service of any Director who has reached the age of 70.
- To recommend directors who are retiring by rotation for re-election.
- To sack the services of such advisors or consultants as it deems necessary to fulfill its responsibilities.

The Board through the Nomination and Remuneration Committee periodically reviews the relevant mix of skills and experiences inherent in the Board. With regards to assessing the effectiveness of the Board as a whole, the committees of the Board as a whole, and for assessing the contribution of each individual director, an appropriate framework has been put forward to the Board for adoption.

The Company Secretary will ensure that all appointments are properly made, that all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Rules or other regulatory requirements. The Board will periodically examine the effectiveness of its present size in discharging its duties.

All Directors have attended the Mandatory Accreditation Programme and various courses linked to the Continuing Education Programme. The Company has on an ongoing basis identified conferences and seminars both locally and regionally with particular emphasis on the financial services sector which will be beneficial to the Directors. Bursa Securities has informed via its circular dated 28 September, 2004, that effective 1 January 2005 the Board of public listed companies will assume the onus of determining or overseeing the training needs of the directors. For the first quarter 2005, the Board has identified two executive education programmes on corporate governance. Further relevant conferences will be identified throughout 2005. A Commerce Group Director's retreat was held in Hanoi, Vietnam in August 2004. The main issues discussed were on risk management initiatives.

All directors are required to submit themselves for re-election in accordance with the Articles of Association that is at regular intervals subject to approval being obtained from Bank Negara Malaysia and at least once every three years.

2. BOARD COMMITTEES

To assist the Board in the discharging of its duties, various Board Committees were established. The functions and terms of references of the Board Committees are clearly defined.

(a) Audit Committee

In 2004, the members of the Audit Committee were as follows:-

Tan Sri Datuk Asmat Kamaludin (Chairman)
Independent Non-Executive Director

En Mohd Salleh Mahmud
Non-Independent Non-Executive Director

En Izlan Izhab
Independent Non-Executive Director
(Appointed on 26 July, 2004)

The Audit Committee met four (4) times during the year. The Audit Committee Report is presented on page 86 of the Annual Report. Its principal function is to assist the Board in maintaining a sound system of internal control.

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(b) Building Committee

The Committee was established in October, 2003 with the principal role of reviewing and approving issues pertaining to the purchase and development of the new CAHB Group corporate headquarters before recommending to the Board for final approval. In broad terms, the three phases involved would be firstly, the clarification of design and sale agreement documentation, followed by design development and finally the implementation stage.

The members of the Building Committee are as follows:

En Mohd Salleh Mahmud (Chairman)
Non-Independent Non-Executive Director

Dr Rozali Mohamed Ali
Executive Director/Group CEO

Datuk Hamzah Bakar
Independent Non-Executive Director of CIMB

(c) Group Risk Management Committee

The Committee was established on 30 July, 2003 with the primary responsibility of ensuring the effective functioning of the integrated risk management function within the organisation.

The terms of reference of the Committee are as follows:-

- Formulating and reviewing the risk strategy of the organisation.
- Approving and periodically reviewing the organisation's risk management policies in line with risk strategy.
- Defining the risk management objectives across risk categories and business lines.
- Setting the risk appetite (namely the confidence level to be used for quantifiable risks, maximum size and frequency of losses for risks, etc) of the organisation along specific business lines.
- Reviewing the risk-based economic capital of the organisation.
- Reviewing the overall risk profile of the organisation and specific market risk and credit risk portfolio profile on a periodic basis.
- Approving the methodology to be followed for risk based economic capital computation.
- Approving the contingency plan for dealing with various extreme internal/external events and disasters.
- Ensuring a risk aware culture in the organisation.
- Any other related issues.

The members of the Committee are as follows:-

Tan Sri Datuk Asmat Kamaludin (Chairman)
Independent Non-Executive Director

En Mohd Salleh Mahmud
Non-Independent Non-Executive Director

Dr Rozali Mohamed Ali
Executive Director/Group CEO

(d) Nomination and Remuneration Committee

This committee was formed on 31 October, 2001. It is made up entirely of non-executive directors as stated on page 73. The terms of reference with regards to the remuneration role are as follows:-

- To determine and recommend to the Board the Company's or the Group's director fees, allowances and other remuneration.
- To determine and recommend to the Board the framework or broad policy for the remuneration of the Company's or Group Managing Director (MD), Executive Director (ED), Chief Executive Officer (CEO) and Senior management reporting directly to the MD/ED/CEO.
- To determine and recommend to the Board of any performance related scheme for the Company or the Group.
- To determine the policy for the scope of services and terms and conditions of service agreements for the executive and non-executive directors.
- To recommend to the Board the services of such advisers or consultants as it deems necessary to fulfill its responsibilities.

(e) Employee Share Option Scheme (ESOS) Committee

The CAHB Group ESOS Committee was established to administer CAHB's Employee Share Option Scheme. The Committee's principal function is to ensure that the Scheme is administered in accordance with the by-laws approved by the shareholders of the Company. The present ESOS Scheme (ESOS 2002/2007) was implemented on 20 November, 2002 and is governed by the by-laws that were approved by the shareholders on 26 April, 2002.

3. DIRECTORS REMUNERATION

The level of remuneration of the Directors is sufficient to attract and retain the Directors needed to run the Group successfully. The Nomination and Remuneration Committee will review the remuneration framework of Directors and senior management of the Group. This will include fee and allowance structure as well as performance linked rewards or compensation. External advisers or consultants may be engaged by the Nomination and Remuneration Committee to advise on specific areas where necessary.

The determination of remuneration packages of non-executive directors is a matter for the Board as a whole. All Non-Executive Directors of the Company receive annual fees of RM60,000 per director which are subject to shareholders approval at the Annual General Meeting. Meeting allowances have been fixed at RM1,000 per meeting per director for a Board/Special Board Meeting and RM500 per meeting per Director for Board Committee Meetings. For Executive Director and those who head operating subsidiary, the remuneration will be based on level of responsibilities, skills, experience and job performance. The remuneration package is also governed by the relevant human resource policy of the entity. For Non-Executive Directors, the level of remuneration will reflect the level of responsibilities and experience involved.

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The aggregate remuneration of the Directors of the Company categorised into the appropriate components are as follows:-

	Group RM'000	Company RM'000
Executive Director		
Salary and other remuneration	450	224
Benefits-in-kind	14	14
	464	238
Non-Executive Directors*		
Fees	1,246	411
Other remuneration	1,477	228
Benefits-in-kind	46	-
	2,769	639
	3,233	877

* Included in the Non-Executive Directors' remuneration are amounts paid to a Director in his capacity as executive director for the subsidiary.

The aggregate remuneration of directors of CAHB for the financial year ended 31 December, 2004, in respective bands of RM50,000 are as follows:-

Range of Remuneration	Number of Directors
Non-Executive Directors	
RM50,000 and below	1
RM50,001 - RM100,000	2
RM100,001 - RM150,000	2
RM200,001 - RM250,000	1
RM400,001 - RM450,000	1
Executive Director	
RM2,150,001 - RM2,200,000	1

4. SHAREHOLDERS

CAHB has an Investor Relations Unit which provides a platform for two way communication between the Company with shareholders and investors. This is described in a separate section of this Annual Report on page 53.

The Annual Report of CAHB is also an important channel of communication to reach shareholders and investors. There is a determined effort to enhance the contents of the Annual Report in line with best corporate governance practices.

The Annual General Meeting of the Company is still the principal avenue for shareholders to communicate and engage in dialogue with the Board and senior management. There has always been a reasonable turnout at the Company's Annual General Meeting with around 500 shareholders attending the meeting held in 2004. Notices and agenda of the meeting are sent in accordance with the rules. There is always a healthy dialogue and interaction with shareholders, which is greatly encouraged.

Another aspect of effective communications is through early and timely dissemination of material information, financial results, corporate proposals and other announcement to Bursa Securities. Our website www.commerz.com.my can also be accessed for the relevant announcement and corporate information. With regards to the release of quarterly results we will strive to consistently meet the financial results deadline as specified in the Bursa Malaysia Securities Berhad Rules and Regulations.

5. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board intends to present a balanced, clear and understandable assessment of the Group's financial position and its future prospects in its reports to shareholders, investment community and regulators. This is done through the release of quarterly results accompanying press releases and statement of responsibility for preparing the financial statements which can be found on page 84 of this Annual Report. The Audit Committee assists the Board in overseeing the financial reporting process.

Audit Committee

A report on the Audit Committee and its terms of reference is included on pages 78 and 79 of this Annual Report. The minutes of the Audit Committee meetings are tabled to the Board. The Board and the Audit Committee maintain a formal and appropriate relationship with the external auditors.

Internal Controls

The Board of Directors have overall responsibility for maintaining sound internal control systems that cover financial controls, effective and efficient operations, compliance with law and regulations as well as risk management. The size and complexity of the CAHB Group necessitates the managing of a wide and diverse spectrum of risks. The nature of these risks means that events may occur which would give rise to unanticipated or unavoidable losses. The inherent system of internal control is designed to provide reasonable assurance but not absolute assurance against the risk of material errors, fraud or losses occurring. The Statement on Internal Control which provides an overview of the state of internal control is set out on pages 76 and 77. The internal audit function of the Group which rests with the group internal audit division (GIAD) which is based at Bumiputra-Commerce Bank Berhad is described in the audit committee report on page 79 of this annual report.

CONCLUSION

CAHB has been in compliance with the Malaysian Code of Corporate Governance during the financial year under review.

This statement is made in accordance with a resolution of the Board of Directors dated 28 February, 2005.