

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.** IF YOU HAVE SOLD ALL YOUR ORDINARY SHARES IN COMMERCE ASSET-HOLDING BERHAD (“CAHB”), YOU SHOULD AT ONCE HAND THIS PROSPECTUS TOGETHER WITH THE APPLICATION FORM TO THE AGENT THROUGH WHOM YOU EFFECTED THE SALE FOR ONWARD TRANSMISSION TO THE PURCHASER. ALL ENQUIRIES CONCERNING THE RESTRICTED OFFER FOR SALE TO THE PUBLIC SHAREHOLDERS OF CAHB SHOULD BE ADDRESSED TO MALAYSIAN ISSUING HOUSE SDN BHD, 27<sup>TH</sup> FLOOR, MENARA MULTI-PURPOSE, CAPITAL SQUARE, NO.8, JALAN MUNSHI ABDULLAH, 50100 KUALA LUMPUR.

THIS PROSPECTUS IS NOT INTENDED TO BE ISSUED, CIRCULATED OR DISTRIBUTED IN COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA AND NO ACTION HAS BEEN OR WILL BE TAKEN TO ENSURE THAT THE RESTRICTED OFFER FOR SALE TO THE PUBLIC SHAREHOLDERS OF CAHB COMPLIES WITH THE LAWS OF ANY COUNTRIES OR JURISDICTIONS OTHER THAN THE LAWS OF MALAYSIA. SHAREHOLDERS RESIDING IN COUNTRIES OTHER THAN MALAYSIA SHOULD THEREFORE IMMEDIATELY CONSULT THEIR LEGAL ADVISERS AS TO WHETHER THE ACCEPTANCE OF THE RESTRICTED OFFER FOR SALE TO THE PUBLIC SHAREHOLDERS OF CAHB WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OF SUCH COUNTRIES OR JURISDICTIONS. CAHB, CIMB, COMMERCE INTERNATIONAL MERCHANT BANKERS BERHAD AND OSK SECURITIES BERHAD SHALL NOT ACCEPT ANY RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY ACCEPTANCE MADE BY THE SAID SHAREHOLDERS IS OR SHALL BECOME ILLEGAL, UNENFORCEABLE, VOIDABLE OR VOID IN SUCH COUNTRIES OR JURISDICTIONS.

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS OF CIMB AND CAHB AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION GIVEN AND CONFIRM THAT, AFTER HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING.

COMMERCE INTERNATIONAL MERCHANT BANKERS BERHAD ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE RESTRICTED OFFER FOR SALE AND THE EMPLOYEE EQUITY SCHEME (AS HEREINAFTER DEFINED).

OSK SECURITIES BERHAD AS THE INDEPENDENT ADVISER AND JOINT MANAGING UNDERWRITER ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE RESTRICTED OFFER FOR SALE AND THE EMPLOYEE EQUITY SCHEME AND ARE SATISFIED THAT ANY CONSOLIDATED PROFIT ESTIMATE AND FORECAST (FOR WHICH THE DIRECTORS OF THE COMPANY ARE FULLY RESPONSIBLE) PREPARED FOR INCLUSION IN THIS PROSPECTUS HAVE BEEN STATED BY THE DIRECTORS OF THE COMPANY AFTER DUE AND CAREFUL ENQUIRY AND HAVE BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS.

J.P. MORGAN MALAYSIA LTD AND MORGAN STANLEY DEAN WITTER ASIA (SINGAPORE) PTE (COLLECTIVELY “INTERNATIONAL FINANCIAL ADVISERS”) HAVE ACTED AS FINANCIAL ADVISERS TO THE COMPANY. THE INTERNATIONAL FINANCIAL ADVISERS ARE NOT ACTING AS UNDERWRITERS, SELLING AGENTS, MANAGERS OR BOOKRUNNERS IN RELATION TO THE SALE OF THE SHARES. NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE INTERNATIONAL FINANCIAL ADVISERS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS PROSPECTUS AND NOTHING IN THIS PROSPECTUS SHOULD BE RELIED UPON AS A PROMISE OR REPRESENTATION BY OR ON BEHALF OF THE INTERNATIONAL FINANCIAL ADVISERS, WHETHER AS TO THE PAST OR THE FUTURE. THE INTERNATIONAL FINANCIAL ADVISERS HAVE NOT INDEPENDENTLY VERIFIED ANY OF SUCH INFORMATION AND ASSUME NO RESPONSIBILITY FOR ITS ACCURACY OR COMPLETENESS. EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT THERE HAS BEEN NO RELIANCE ON EITHER OF THE INTERNATIONAL FINANCIAL ADVISERS OR ANY OF THEIR AFFILIATES IN CONNECTION WITH SUCH PERSON’S INVESTIGATION OF THE ACCURACY OF ANY INFORMATION IN THIS PROSPECTUS OR SUCH PERSONS’ INVESTMENT DECISION BASED ON INFORMATION CONTAINED IN THIS PROSPECTUS.

THE SECURITIES COMMISSION (“SC”) HAS APPROVED THE RESTRICTED OFFER FOR SALE AND THE EMPLOYEE EQUITY SCHEME. THE APPROVAL OF THE SC SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE RESTRICTED OFFER FOR SALE AND/OR THE EMPLOYEE EQUITY SCHEME. THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. **INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.**

THE KUALA LUMPUR STOCK EXCHANGE (“KLSE”) ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE COMPANY OR OF ITS SECURITIES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC AND LODGED WITH THE COMPANIES COMMISSION OF MALAYSIA WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

**INDICATIVE TIMETABLE**

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The indicative timing of events leading up to the listing of and quotation for the entire enlarged issued and paid-up share capital of CIMB on the Main Board of KLSE is as follows:

<b>Events</b>	<b>Indicative Dates</b>
Issue of Prospectus/opening date for the Restricted Offer for Sale	: 2 December 2002
Opening date for the Employee Equity Scheme	: 2 December 2002
Last date and time for acceptance and payment/closing date for the Restricted Offer for Sale	: 18 December 2002 : 8.00 p.m.
Last date and time for acceptance and payment/closing date for the Employee Equity Scheme	: 18 December 2002 : 8.00 p.m.
Tentative date for allotment of securities	: 2 January 2003
Tentative date of listing	: 8 January 2003

**THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES AS THE DIRECTORS OF CIMB AND THE OFFEROR MAY DECIDE IN THEIR ABSOLUTE DISCRETION.**

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## DEFINITIONS

In this Prospectus, unless otherwise stated, the following abbreviation shall have the following meanings:

Acquisition of Commerce International	:	The acquisition by CIMB of 319,242,000 ordinary shares of RM1.00 each in Commerce International after the BPM and UFJ Acquisition, representing 100.00% of the equity interest therein, for a purchase consideration of RM1,343,703,288 which was satisfied wholly by the issuance of 849,999,998 new CIMB Shares, credited as fully paid-up, at an issue price of approximately RM1.58 per CIMB share
Act	:	Companies Act, 1965
ADA	:	Authorised Depository Agent
ADA Code	:	ADA (Broker) Code
Application	:	The application for the Offer Shares and EES Shares by way of Application Form
Application Form	:	The printed application form for the application for the Offer Shares and EES Shares
Approved Transfer	:	An approved transfer of securities where the reason for transfer has been stated in accordance with the Rules of MCD
BAFIA	:	Banking and Financial Institutions Act 1989
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors
BPM	:	Bank Pertanian Malaysia
BPM Acquisition	:	The acquisition by CAHB of 37,342,800 Commerce International Shares representing approximately 11.70% equity interest therein held by BPM for a purchase consideration of RM157,213,188 of which RM90,147,046 was satisfied by cash whilst the balance of RM67,066,142 was satisfied by the issue of 42,415,000 CIMB Shares at an issue price of approximately RM1.58 per CIMB Share
BPM and UFJ Acquisition	:	The BPM Acquisition and UFJ Acquisition collectively
By-Laws	:	The By-laws of the Executive ESOS
CAHB or the Offeror	:	Commerce Asset-Holding Berhad (50841-W)
CAHB Group	:	CAHB and its subsidiaries (which includes the CIMB Group)
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
CEO Option	:	The grant of a share option by CAHB to the Chief Executive of Commerce International of 42,000,000 CIMB Shares held by CAHB representing approximately 4.94% of the issued and paid-up share capital of CIMB in accordance with the terms and conditions of the grant
Chief Executive of Commerce International	:	Encik Mohamed Nazir bin Abdul Razak
CIMB or Company	:	CIMB Berhad (582504-P)

DEFINITIONS (*Cont'd*)

CIMB Group or Group	:	CIMB and its subsidiaries
CIMB Group Employees or Employees	:	The eligible employees of the CIMB Group (excluding Directors of the CIMB Group) as at 15 November 2002 who are eligible to participate in the Employee Equity Scheme
CIMB Shares	:	Ordinary share(s) of RM1.00 each in CIMB
CIMBDH	:	CIMB Discount House Berhad (25399-T)
CIMBF	:	CIMB Futures Sdn Bhd (257674-P)
CIMBL	:	CIMB (L) Limited (LL 02852)
CIMBS	:	CIMB Securities Sdn Bhd (163712-V)
Commerce International	:	Commerce International Merchant Bankers Berhad (18417-M)
Commerce International Group	:	Commerce International and its subsidiaries
Commerce International Shares	:	Ordinary share(s) of RM1.00 each in Commerce International
Eligible Executive	:	An executive (including an Executive Director except for the Chief Executive of Commerce International) of CIMB and/or its subsidiaries who meets the criteria of eligibility for participation in the Executive ESOS as set out in Clause 4 of the By-Laws
Employee Equity Scheme or EES	:	The offer for sale by CAHB of 41,300,000 CIMB Shares representing approximately 4.86% of the issued and paid-up share capital of CIMB to the CIMB Group Employees via a scheme whereby the CIMB Group Employees may pay for the CIMB Shares offered to them over the EES Period in accordance with the terms and conditions of the scheme
EES Period	:	The period the EES is valid which is from the acceptance by the CIMB Group Employees of their EES Shares, pursuant to the EES up to 30 November 2006
EES Shares	:	The 41,300,000 CIMB Shares representing approximately 4.86% of the issued and paid-up capital of CIMB offered for sale by CAHB to the CIMB Group Employees via the Employee Equity Scheme
EPS	:	Earnings per share
EUR	:	Euro Dollar
Executive ESOS Offer	:	An offer made in writing by the Option Committee to an Eligible Executive in the manner indicated in Clause 5 of the By-Laws
Executive ESOS Option	:	The right of a Grantee to subscribe for new CIMB Shares pursuant to the contract constituted by acceptance of an Executive ESOS Offer in the manner indicated in Clause 8 of the By-Laws
Executive ESOS Subscription Price	:	The price at which the Grantee shall be entitled to subscribe for every new CIMB Share by exercising his Executive ESOS Option as determined in accordance with Clause 7 of the By-laws

**DEFINITIONS (Cont'd)**

Executive Director	:	A director (except for the Chief Executive of Commerce International of CIMB and/or its subsidiaries who is on the payroll and who is involved in the day to day management of CIMB and/or its subsidiaries
Executive ESOS or Scheme	:	Executive Employee Share Option Scheme for the Eligible Executives
FIC	:	Foreign Investment Committee
GDP	:	Gross domestic product
Grantee	:	Any Eligible Executive who has accepted an offer made in writing by the Option Committee to an Eligible Executive in the manner indicated in Clause 5 of the By-Laws
HKD	:	Hong Kong Dollar
IPO(s)	:	Initial Public Offering(s)
JP Morgan	:	JP Morgan Malaysia Ltd and its affiliates, as International Financial Adviser in respect of introducing CIMB to investors, outside Malaysia
Khazanah	:	Khazanah Nasional Berhad (275505-K)
KLCI	:	KLSE Composite Index
KLSE	:	Kuala Lumpur Stock Exchange
Listing	:	The listing of and quotation for 850,000,000 CIMB Shares representing the entire issued and paid-up share capital of CIMB and the new CIMB Shares to be issued from the exercise of the Executive ESOS Options on the Main Board of the KLSE
Listing Requirements	:	The Listing Requirements of the KLSE
Market Day	:	A day on which the KLSE is open for trading in securities
MCD or Central Depository	:	Malaysian Central Depository Sdn Bhd (165570-W)
MI	:	Minority interest
MIH	:	Malaysian Issuing House Sdn Bhd (258345-X)
MoF	:	Minister of Finance
MoF Inc.	:	Minister of Finance, a body corporate incorporated under the Minister of Finance (Incorporation) Act, 1957
Morgan Stanley	:	Morgan Stanley Dean Witter Asia (Singapore) Pte and its affiliates, as International Financial Adviser in respect of introducing CIMB to investors, outside Malaysia
NBV	:	Net book value
Non Executive Directors and Company Secretary	:	The Non Executive Directors and Company Secretary of CAHB as at 31 August 2002 and the Non-Executive Directors of CIMB and its subsidiaries as at 31 August 2002
NPL	:	Non-performing loans

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**DEFINITIONS (Cont'd)**


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NTA	:	Net tangible assets								
Offer Shares	:	The 129,935,000 CIMB Shares representing approximately 15.29% of the issued and paid-up capital of CIMB to be offered for sale by the Offeror at an offer price of RM1.75								
Option Committee	:	The committee appointed by the Board of CIMB to administer the Executive ESOS								
PE Multiple	:	Price earnings multiple								
Public Shareholders	:	The shareholders of CAHB as at 5.00 p.m. on 28 November 2002 who are neither an Executive Director of CAHB and/or its subsidiaries and associated companies nor holding 5% or more in the issued and paid-up share capital of CAHB nor persons connected to them								
Restricted Offer for Sale	:	The restricted offer for sale of the Offer Shares to the Public Shareholders and the Non Executive Directors and Company Secretary								
		<table> <thead> <tr> <th style="text-align: left;"><b>Offeree</b></th> <th style="text-align: right;"><b>No. of Offer Shares</b></th> </tr> </thead> <tbody> <tr> <td>Public Shareholders</td> <td style="text-align: right;">128,785,000</td> </tr> <tr> <td>Non Executive Directors and Company Secretary</td> <td style="text-align: right;">1,150,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>129,935,000</u></td> </tr> </tbody> </table>	<b>Offeree</b>	<b>No. of Offer Shares</b>	Public Shareholders	128,785,000	Non Executive Directors and Company Secretary	1,150,000	Total	<u>129,935,000</u>
<b>Offeree</b>	<b>No. of Offer Shares</b>									
Public Shareholders	128,785,000									
Non Executive Directors and Company Secretary	1,150,000									
Total	<u>129,935,000</u>									
Restructuring and Listing Scheme	:	Collectively, the BPM and UFJ Acquisition, Acquisition of Commerce International, Restricted Offer for Sale, Employee Equity Scheme, Executive ESOS and Listing								
RM or Ringgit and sen	:	Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia								
Rules of the MCD	:	The rules of MCD as issued pursuant to the Securities Industry (Central Depositories) Act 1991								
SC	:	Securities Commission								
SC Guidelines	:	The Policies and Guidelines on Issue/Offer of Securities of the SC								
Selling Flexibility	:	The allocation by CAHB of a certain quantum of its CIMB Shares into a specific account with a nominee company to facilitate the immediate selling by Eligible Executives who have exercised their Executive ESOS Options in accordance with the terms and conditions of the Selling Flexibility								
Strike Price(s)	:	The price(s) over the EES Period which is payable to CAHB for the shares offered for sale by way of the EES								
UFJ	:	UFJ Bank Limited ( <i>formerly known as The Sanwa Bank Limited</i> )								
UFJ Acquisition	:	The acquisition by CAHB of 24,288,000 Commerce International Shares representing approximately 7.61% equity interest therein held by UFJ for a cash purchase consideration of RM102,252,480								
USD	:	United States of America Dollar								

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**TABLE OF CONTENTS**


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	<b>PAGE</b>
1. CORPORATE DIRECTORY	1
2. INTRODUCTION	5
3. PROSPECTUS SUMMARY	6
3.1 History and Business	6
3.2 Shareholdings of Substantial Shareholders, Directors and Key Management	9
3.3 Prospects and Future Plans	10
3.4 Financial Highlights	12
3.5 Proforma Consolidated Balance Sheets	13
3.6 Investment Considerations	13
3.7 Principal Statistics Relating to the Restricted Offer for Sale and EES	14
3.8 Material Litigation, Material Capital Commitment and Contingent Liabilities	16
4. DETAILS OF THE RESTRICTED OFFER FOR SALE AND EES	17
4.1 Opening and Closing of Applications	17
4.2 Indicative Timetable	17
4.3 Share Capital	17
4.4 Particulars of the Restricted Offer for Sale and EES	18
4.5 Basis of Arriving at the Offer Share Price and the Strike Price(s) for the EES	18
4.6 Purposes of the Restricted Offer for Sale and EES	19
4.7 Estimated Listing Expenses	19
4.8 Underwriting Commission	19
4.9 Details of the Underwriting Agreement	20
5. INVESTMENT CONSIDERATIONS	22
6. RESTRUCTURING AND LISTING SCHEME	32
6.1 Restructuring and Listing Scheme	32
6.2 CEO Option	46
7. INFORMATION ON THE CIMB GROUP	48
7.1 Incorporation	48
7.2 Business Overview, Future Prospects, Plans and Strategies	48
7.3 Subsidiaries and Associated Companies	62
7.4 Description of Landed Properties	71
7.5 Substantial Shareholders	72
7.6 Directors, Management Team and Employees	76
7.7 Relationships and Associations	83
7.8 Declarations from the Directors and the Management Team	83
7.9 Service Contracts	83
8. INDUSTRY OVERVIEW AND OUTLOOK	84
8.1 Malaysian Capital Markets: Policy and trends	84
8.2 Malaysian Capital Markets: Overview for 2002 and Outlook	87



---

**TABLE OF CONTENTS (Cont'd)**


---

9.	APPROVALS AND CONDITIONS	95
10.	RELATED PARTY TRANSACTIONS/CONFLICT OF INTERESTS	97
10.1	Related Party Transactions	97
10.2	Interest in Similar Business	100
10.3	Declaration by Advisers	100
10.4	Conflict of Interest	101
11.	OTHER INFORMATION CONCERNING THE CIMB GROUP	102
11.1	Major Licences and Permits	102
11.2	Landed Properties	102
11.3	Acquisition of Properties	102
12.	FINANCIAL INFORMATION	103
12.1	Historical Financial Information	103
12.2	Future Financial Information	115
12.3	Reporting Accountants' Letter on the Consolidated Profit Estimate and Forecast	119
12.4	Dividend Estimate and Forecast	121
12.5	Sensitivity Analysis	121
12.6	Proforma Consolidated Balance Sheets	123
12.7	Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets	127
13.	ACCOUNTANTS' REPORT	128
14.	DIRECTORS' REPORT	210
15.	BY-LAWS OF THE EXECUTIVE ESOS	211
16.	STATUTORY AND GENERAL INFORMATION	225
16.1	Share Capital	225
16.2	Articles of Association	225
16.3	Directors and Substantial Shareholders	232
16.4	General	234
16.5	Material Litigation	237
16.6	Material Contracts	237
16.7	Material Agreements	238
16.8	Material Capital Commitments	238
16.9	Contingent Liabilities	238
16.10	Consents	238
16.11	Documents for inspection	239
16.12	Responsibility	239
17.	PROCEDURE FOR APPLICATION AND ACCEPTANCE	240

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**1. CORPORATE DIRECTORY**


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***Directors***

<b>Name</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Dr. Rozali bin Mohamed Ali	27, Lengkok Setiabudi Bukit Damansara 50490 Kuala Lumpur	Banker	Malaysian
Mohamed Nazir bin Abdul Razak	6, Jalan Eaton 50540 Kuala Lumpur	Banker	Malaysian
Cheim Dau Meng	12, Jalan SS1/27 47300 Petaling Jaya Selangor Darul Ehsan	Banker	Malaysian
Dato' Hamzah bin Bakar	14 Jalan Bola Lisut 13/17 40100 Shah Alam Selangor Darul Ehsan	Company Director	Malaysian
Dato' Halim @ Ahmad bin Muhamat	5 Lorong 11/6A Section 11 46200 Petaling Jaya Selangor Darul Ehsan	Banker	Malaysian
Charon Wardini bin Mokhzani	15 Jalan 17/21-F 46400 Petaling Jaya Selangor Darul Ehsan	Advocate and Solicitor	Malaysian

***Audit Committee***

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Dato' Hamzah bin Bakar	Chairman of the Committee	Independent Non-Executive Director
Charon Wardini bin Mokhzani	Member of the Committee	Independent Non-Executive Director
Cheim Dau Meng	Member of the Committee	Non-Independent Director

***Joint Company Secretaries*** :

Tan Ae Luh (MIA 4123)  
No. 3, Jalan Setia Kasih  
Bukit Damansara  
50490 Kuala Lumpur

Jamil Hajar bin Abdul Muttalib (LS 000656)  
No. 7, Jalan SS 3/86  
47300 Petaling Jaya  
Selangor Darul Ehsan

***Registered Office*** :

7<sup>th</sup> Floor, Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur  
Telephone : 03 2084 8888  
Website : [www.cimb.com.my](http://www.cimb.com.my)

## 1. CORPORATE DIRECTORY (Cont'd)

<b>Registrar</b>	:	Signet Share Registration Services Sdn Bhd 11 <sup>th</sup> Floor, Tower Block Kompleks Antarabangsa Jalan Sultan Ismail 50250 Kuala Lumpur
<b>Auditors and Reporting Accountants</b>	:	PricewaterhouseCoopers 11 <sup>th</sup> Floor, Wisma Sime Darby Jalan Raja Laut 50706 Kuala Lumpur
<b>Principal Banker</b>	:	Bumiputra-Commerce Bank Berhad Bumiputra-Commerce Bank Berhad Head Office Jalan Tun Perak 50050 Kuala Lumpur
<b>Solicitor for the Listing</b>	:	Zaid Ibrahim & Co Level 19 Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur
<b>Adviser</b>	:	Commerce International Merchant Bankers Berhad 7 <sup>th</sup> Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur
<b>Independent Adviser and Joint Managing Underwriter</b>	:	OSK Securities Berhad 19 <sup>th</sup> Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur
<b>Joint Managing Underwriter</b>	:	AmMerchant Bank Berhad 22 <sup>nd</sup> Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur
<b>International Financial Advisers</b>	:	J.P. Morgan Malaysia Ltd Licensed Offshore Bank (970063 B) Unit 5(F), Level 5, Main Office Tower Financial Park Labuan Complex Jalan Merdeka, 87000 Labuan F.T  Morgan Stanley Dean Witter Asia (Singapore) Pte 23 Church Street #16-01 Capital Square Singapore 049481
<b>Underwriters</b>	:	A.A. Anthony Securities Sdn Bhd Suite 8.2, Level 8, Menara Sarawak Enterprise 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim  Affin UOB Securities Sdn Bhd Level 3, Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur

1. CORPORATE DIRECTORY (Cont'd)

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Alliance Merchant Bank Berhad  
Level 19, Menara Multi-Purpose, Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur

AmSecurities Sdn Bhd  
15<sup>th</sup> Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur

Aseambankers Malaysia Berhad  
33<sup>rd</sup> Floor, Menara Maybank Enterprise  
100, Jalan Tun Perak  
50050 Kuala Lumpur

BBMB Securities Sdn Bhd  
Level 2, Menara Olympia  
8, Jalan Raja Chulan  
50200 Kuala Lumpur

Hwang-DBS Securities Berhad  
Suite 12-01, 12<sup>th</sup> Floor  
Menara Keck Seng  
203, Jalan Bukit Bintang  
55100 Kuala Lumpur

JF Apex Securities Sdn Bhd  
3<sup>rd</sup> Floor, Wisma Apex  
145A-C Jalan Bukit  
43000 Kajang  
Selangor Darul Ehsan

Kuala Lumpur City Securities Sdn Bhd  
No. 8, Jalan Binjai  
Off Jalan Ampang  
50450 Kuala Lumpur

Malaysian International Merchant Bankers Berhad  
21<sup>st</sup> Floor, Wisma Cyclecarri  
288 Jalan Raja Laut  
50350 Kuala Lumpur

Mayban Securities Sdn Bhd  
Level 8, MaybanLife Tower  
Dataran Maybank  
No. 1, Jalan Maarof  
59000 Kuala Lumpur

PM Securities Sdn Bhd  
5<sup>th</sup> Floor, MUI Plaza  
Jalan P. Ramlee  
50250 Kuala Lumpur

Southern Investment Bank Berhad  
16<sup>th</sup> Floor, Wisma Genting  
Jalan Sultan Ismail  
50250 Kuala Lumpur

1. CORPORATE DIRECTORY (Cont'd)

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TA Securities Sdn Bhd  
TA One Tower  
No 22, Jalan P. Ramlee  
50250 Kuala Lumpur

Thong & Kay Hian Securities Sdn Bhd  
Level 5 & 6, Wisma Sri Pinang  
60, Green Hall  
10200 Pulau Pinang

*Issuing House* : Malaysian Issuing House Sdn Bhd  
27<sup>th</sup> Floor, Menara Multi-Purpose  
Capital Square  
8, Jalan Munshi Abdullah  
50100 Kuala Lumpur

*Listing Sought* : Main Board of the KLSE

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## 2. INTRODUCTION

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This Prospectus is dated 2 December 2002.

A copy of this Prospectus has been registered by the SC and lodged with the CCM, and neither the SC nor the CCM takes any responsibility for its contents.

An application will be made to the KLSE within 3 Market Days from the date of this Prospectus for admission to the Official List of the Main Board of the KLSE and for the listing of and quotation for the entire enlarged issued and fully paid-up share capital of the Company, including the Offer Shares and the EES Shares, which are the subject of this Prospectus and the approval-in-principle for the listing of the new CIMB Shares that may be issued upon the exercise of the Executive ESOS Options. Acceptance of applications will be conditional upon permission being granted by the KLSE for admission to the Official List, to deal in and for the quotation of the entire issued and fully paid-up ordinary shares of the Company, including the Offer Shares and the EES Shares within 6 weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC. Accordingly, monies paid in respect of any applications accepted will be returned without interest if the said permission from the KLSE is not granted. The CIMB Shares will be admitted to the Official List of the Main Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

The KLSE assumes no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Main Board of the KLSE is not to be taken as an indication of the merits of the Company or of the CIMB Shares.

Pursuant to the SC Guidelines, the Company needs to have at least 25% of the issued and paid-up share capital in the hands of public shareholders and a minimum of 1,250 public shareholders (of which at least 750 shareholders are members of the public who are not employees of the Company) holding not less than 1,000 shares each upon completion of the Restricted Offer for Sale, EES and at the point of listing. The Company is expected to achieve this at the point of listing. In the event that the above requirement is not met pursuant to the Restricted Offer for Sale and the EES, the Company may not be allowed to proceed with its listing on the Main Board of the KLSE. In the event thereof, monies paid in respect of all applications will be returned without interest if the said permission is not granted.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed CIMB as a CDS counter. In consequence thereof, the CIMB Shares offered through this Prospectus will be deposited directly with MCD and any dealings in CIMB Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of MCD.

Non-Executive Directors and Company Secretary should state their CDS account number in the space provided in the Application Form if they presently have such an account and should not complete the preferred ADA code. Where any Non-Executive Directors and Company Secretary does not presently have a CDS account, he/she should state in the Application Form his/her preferred ADA Code.

No person is authorised to give any information or to make any representation not contained herein in connection with the Restricted Offer for Sale and EES and if given or made, such information or representation must not be relied upon as having been authorised by CIMB and/or the Offeror. Neither the delivery of this Prospectus nor any issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the CIMB Group since the date hereof.

The distribution of this Prospectus, the sale of the Offer Shares and the EES Shares are subject to Malaysian law and the Company takes no responsibility for the distribution of this Prospectus and/or sale of any part of the Offer Shares and/or the EES Shares outside Malaysia. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation of an offer to buy any Offer Shares or EES Shares in any jurisdiction in which such offer is not authorised or lawful or to any person to whom it is unlawful to make such offer.

**If you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser immediately.**

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### 3. PROSPECTUS SUMMARY

**THIS SECTION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE CIMB GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE OFFER SHARES AND/OR EES SHARES**

#### 3.1 History and Business

CIMB was incorporated in Malaysia under the Companies Act, 1965 on 11 June 2002 as a public company under the name of CIMB Berhad. The authorised share capital of the Company is RM2,000,000,000 comprising 2,000,000,000 ordinary shares of RM1.00 each. The existing issued and paid-up share capital of the Company is RM850,000,000 comprising 850,000,000 ordinary shares of RM1.00 each.

The principal activity of the Company is that of investment holding while the principal activities of its subsidiaries are as follows:

Company	Date and place of incorporation	Issued and paid-up share capital RM (Unless otherwise stated)	Effective equity interest %	Principal activities
Commerce International	24.04.1974 Malaysia	319,242,000	100.00	Merchant banking and the provision of related financial services
<b>Held through Commerce International</b>				
CIMB Holdings Sdn Bhd	05.05.1984 Malaysia	10,370,000	100.00	Investment holding
CIMBF	05.02.1993 Malaysia	9,000,000	100.00	Futures broker
CIMB Nominees (Tempatan) Sdn Bhd	31.01.1977 Malaysia	10,000	100.00	Nominee services
CIMB Nominees (Asing) Sdn Bhd	27.05.1993 Malaysia	10,000	100.00	Nominee services
CIMBDH	22.11.1975 Malaysia	62,900,000	100.00	Discount house
CIMBL	23.05.2001 Federal Territory of Labuan	USD25,000,000	100.00	Offshore banking
iCIMB Sdn Bhd	21.09.2001 Malaysia	2	100.00	Dormant
<b>Held through CIMB Holdings Sdn Bhd</b>				
CIMB Securities (Hong Kong) Limited	06.02.1996 Hong Kong	HKD5,000,000	100.00 <sup>*1</sup>	Trading in securities

## 3. PROSPECTUS SUMMARY (Cont'd)

Company	Date and place of incorporation	Issued and paid-up share capital RM (Unless otherwise stated)	Effective equity interest %	Principal activities
CIMBS	22.08.1987 Malaysia	40,000,000	100.00	Stock and sharebroking
<b>Held through CIMBS</b>				
CIMSEC Nominees (Tempatan) Sdn Bhd	27.05.1993 Malaysia	10,000	100.00	Nominee services
CIMSEC Nominees (Asing) Sdn Bhd	27.05.1993 Malaysia	10,000	100.00	Nominee services
CIMSEC Nominees Sdn Bhd	09.01.1988 Malaysia	10,000	100.00	Nominee services
CIMB ShareTech Sdn Bhd (formerly known as ShareTech Securities Sdn Bhd)	07.05.1992 Malaysia	40,003,120 (ordinary shares) 300* <sup>3</sup> (preference shares)	100.00* <sup>2</sup>	Trading in securities
<b>Held through CIMB ShareTech Sdn Bhd (formerly known as ShareTech Securities Sdn Bhd)</b>				
ShareTech Nominees (Tempatan) Sdn Bhd	19.01.2001 Malaysia	10,002	100.00	Nominee services
ShareTech Nominees (Asing) Sdn Bhd	19.01.2001 Malaysia	10,002	100.00	Nominee services
<b>Held through CIMBL</b>				
Halyconia Asia Fund Limited	07.12.1998 British Virgin Islands	USD100 (ordinary shares) USD2 (preference shares)	100.00	Open-ended investment fund



### 3. PROSPECTUS SUMMARY (Cont'd)

The associated companies of CIMB are as follows:

Company	Date and place of incorporation	Issued and paid-up share capital RM (Unless otherwise stated)	Effective equity interest %	Principal activities
<b>Held through Commerce International</b>				
MIH	20.02.1993 Malaysia	2,500,000	25.50	Share issues administrator
Banyan Ventures Sdn Bhd	10.04.2000 Malaysia	2,700,000	37.04	Fund management and investment holding
<b>Held through CIMBL</b>				
Navis-CIMB General Partner Ltd	12.10.2001 Federal Territory of Labuan	USD300,000	25.00	Fund management

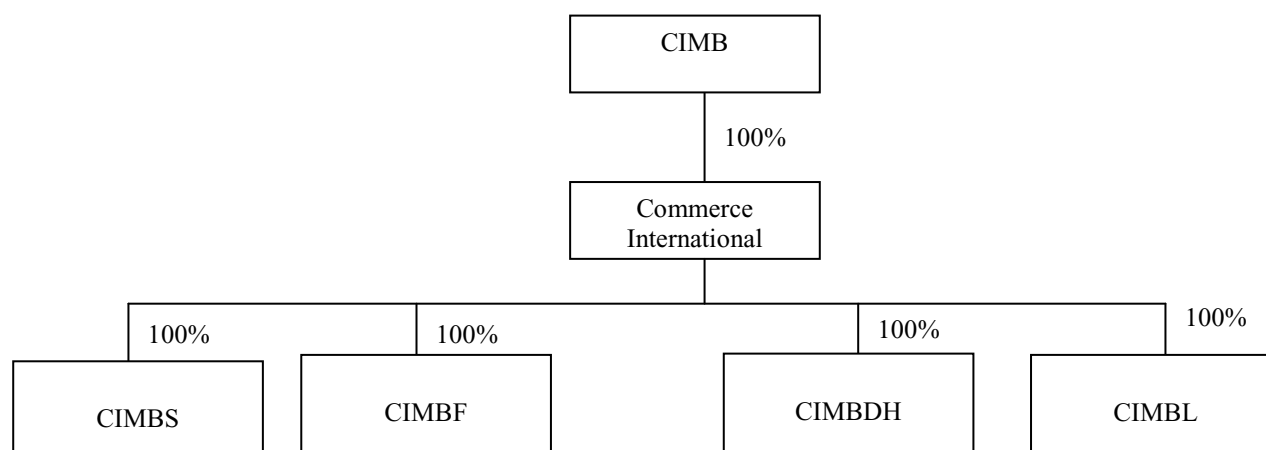
**Notes:**

\*1 1 ordinary share is held by Loong Sze Tung in trust for CIMB Holdings Sdn Bhd

\*2 Relates to equity interest in ordinary shares only

\*3 Preference shares of RM1.00 each are held entirely by minority shareholder

The summarised group structure of CIMB and its major subsidiaries is as follows:



### 3. PROSPECTUS SUMMARY (Cont'd)

Further information on the history and business of the key subsidiaries of the CIMB Group is disclosed in Section 7 of this Prospectus.

#### 3.2 Shareholdings of Substantial Shareholders, Directors and Key Management

Substantial Shareholders	Nationality/Country of incorporation	After the Restricted Offer for Sale and EES			
		<-----Direct----->		<-----Indirect----->	
		No. of CIMB Shares held	%	No. of CIMB Shares held	%
CAHB	Malaysia	636,350,000	74.86	-	-
Employees Provident Fund Board	Malaysia	-	-	636,350,000	74.86 <sup>*1</sup>
MoF Inc.	Malaysia	-	-	636,350,000	74.86 <sup>*1</sup>
Khazanah	Malaysia	-	-	636,350,000	74.86 <sup>*1</sup>

**Note:**

<sup>\*1</sup> Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of their interest in CAHB based on CAHB's record of depositors as at 21 November 2002.

Directors	Designation	After the Restricted Offer for Sale and EES			
		<-----Direct----->		<-----Indirect----->	
		No. of CIMB Shares held	%	No. of CIMB Shares held	%
Dr. Rozali bin Mohamed Ali	Non Executive Chairman and Director	150,000	(i)	-	-
Mohamed Nazir bin Abdul Razak <sup>#</sup>	Non Executive Director	-	-	-	-
Cheim Dau Meng	Non Executive Director	-	-	-	-
Dato' Hamzah bin Bakar	Independent Non Executive Director	50,000	(i)	-	-
Dato' Halim @ Ahmad bin Muhamat	Non Executive Director	50,000	(i)	-	-
Charon Wardini bin Mokhzani	Independent Non Executive Director	50,000	(i)	-	-

**Key Management**

Mohamed Nazir bin Abdul Razak <sup>#</sup>	Chief Executive and Managing Director (Commerce International)	-	-	-	-
Cheim Dau Meng <sup>*</sup>	Executive Director (Commerce International)	-	-	-	-
Dr. Gan Wee Beng <sup>*</sup>	Executive Director (Commerce International)	-	-	-	-
Yusli bin Mohamed Yusoff <sup>*</sup>	Chief Executive Director (CIMBS)	-	-	-	-

## 3. PROSPECTUS SUMMARY (Cont'd)

Key Management		After the Restricted Offer for Sale and EES			
		<-----Direct----->		<-----Indirect----->	
Name	Designation	No. of CIMB Shares held	%	No. of CIMB Shares held	%
Kok Kong Chin*	Head of Equity Markets and Derivatives (Commerce International)	-	-	-	-
Lee Kok Kwan*	Director, CEO's Office (Commerce International)	-	-	-	-
Loh Shai Weng*	Co-Head of Corporate Finance (Commerce International)	-	-	-	-
Tan Choon Thye*	Co-Head of Corporate Finance (Commerce International)	-	-	-	-
Noripah binti Kamso*	Director, Corporate Finance (Commerce International)	-	-	-	-
Ng Ing Peng*	Director, Finance and Operations (Commerce International)	-	-	-	-
Thomas Meow Yoke Nean*	Co-Head of Debt Markets and Derivatives (Commerce International)	-	-	-	-
Iswaraan Suppiah*	Head of Strategic Risk and Compliance (Commerce International)	-	-	-	-

**Notes:**

# The shareholding of Mohamed Nazir bin Abdul Razak does not include the share options granted under the CEO Option.

\* None of the Key Management are entitled to the EES.

(i) Less than 1% of the issued and paid-up share capital of the Company.

All the Directors and Key Management of CIMB are Malaysians. Further information on the Substantial Shareholders, Directors and Key Management of the Company is disclosed in Sections 7.5 and 7.6 of this Prospectus.

### 3.3 Prospects and Future Plans

As an investment banking group, the CIMB Group is susceptible to the vagaries of the Ringgit debt and equity capital markets. In recent years, the Group has taken advantage of a low interest rate regime and strong growth of the debt capital markets. This has more than offset the effects of the weak equities markets in 2001. In 2002, while margins in equities have come down sharply with the liberalisation of brokerage rates, the uptrend in interest rates and slower primary market has affected profitability from debt capital markets. This view has been reflected in the Group's estimate of lower earnings in 2002 compared to previous years.

**3. PROSPECTUS SUMMARY (Cont'd)**

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The Group will continue to leverage on its strong track record to win new mandates in corporate finance as well as in debt and equity primary issues. Investment and trading capabilities will continue to be developed and strengthened in tandem with continuous enhancement of the Group's risk management and measurement infrastructure. Various projects are also on-going to improve operations processes and procedures.

On 1 January 2002, the current organisation structure was introduced which departed from the traditional "merchant bank" mould in favour of an "investment banking" model. This new structure is designed to strengthen Commerce International's client orientation, deference to financial markets and product specialisation as well as to enhance corporate governance.

The Group has taken significant steps to further diversify its revenue base with the launch of its private banking and private equity businesses in 2001/2. The Group is also looking at opportunities to increase its non-Ringgit activities primarily via CIMBL but also potentially by establishing a presence in other regional markets.

The Group recognises that its ability to attract and retain talent is extremely important. This will be enhanced by the listing of the Commerce International Group via CIMB and the accompanying staff share ownership schemes through the EES and Executive ESOS.

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### 3. PROSPECTUS SUMMARY (Cont'd)

#### 3.4 Financial Highlights

The following is a summary of the proforma financial performance of the CIMB Group for the past 5 financial years ended 31 December 2001 and 6 month ended 30 June 2002, prepared on the assumption that the structure of the CIMB Group had been in existence throughout the financial years/period under review. The proforma consolidated profit and dividend records should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 13 of this Prospectus.

Certain figures were reclassified for comparative purposes.

	←----- Year ended 31 December----->					6 month
	1997	1998	1999	2000	2001 <sup>#</sup>	ended 30 June 2002
	RM 000	RM 000	RM 000	RM 000	RM 000	RM 000
Financial advisory, underwriting and other fees	94,123	45,985	84,136	104,687	107,666	52,863
Interest income	258,003	317,250	198,279	196,957	388,845	185,663
Interest expense	(187,795)	(230,294)	(150,864)	(134,523)	(278,537)	(127,880)
(Loss)/gain and (provision)/writeback for diminution of investment securities – debt	-	(1,993)	8,507	273	12,254	4,810
Net trading income – debt	8,835	18,893	87,860	60,582	228,056	6,861
Net income from debt	79,043	103,856	143,782	123,289	350,618	69,454
Dividend income	303	550	222	328	765	1,132
Brokerage income	171,576	44,037	61,170	69,646	18,545	19,216
Gain/(loss) and writeback/(provision) for diminution of investment securities – equity	15,259	-	2,178	-	(4,806)	368
Net trading (loss)/income – equity	(124,665)	18,424	11,133	2,397	(16,122)	116
Net income/(loss) from equity	62,473	63,011	74,703	72,371	(1,618)	20,832
Income from Islamic Banking operations	-	-	-	-	2,199	1,587
Other non-interest income	345	410	1,477	4,498	4,217	9,150
Total income	235,984	213,262	304,098	304,845	463,082	153,886
Specific provision/(reversal):						
Loans and advances	(9,926)	(58,455)	(27,456)	(1,176)	(33,559)	(3,137)
Share margin debtors	(12,976)	(25,673)	12,910	511	(377)	(13)
Commitments & contingencies	-	(10,100)	-	-	-	-
Other receivables	(90,749)	(143,966)	6,834	(709)	(40,101)	(4,264)
	(113,651)	(238,194)	(7,712)	(1,374)	(74,037)	(7,414)
General provision	(3,600)	-	(35,400)	(1)	(128)	-
Net income/(loss)	118,733	(24,932)	260,986	303,470	388,917	146,472
Overhead expenses	(61,648)	(61,656)	(71,780)	(93,106)	(136,312)	(67,890)
	57,085	(86,588)	189,206	210,364	252,605	78,582
Share of profit/(loss) of associates	2,330	(280)	220	145	(424)	182
Profit/(loss) before taxation and zakat	59,415	(86,868)	189,426	210,509	252,181	78,764
Taxation	(21,916)	(531)	(268)	(65,892)	(73,955)	(25,880)
Zakat	-	-	-	-	(21)	-
Share of taxation of associates	(1,398)	43	-	(2)	-	(78)
Profit/(loss) after taxation and zakat	36,101	(87,356)	189,158	144,615	178,205	52,806
Minority interests	137	291	65	(550)	-	-
<b>Net profit/(loss) for the financial year/period</b>	<b>36,238</b>	<b>(87,065)</b>	<b>189,223</b>	<b>144,065</b>	<b>178,205</b>	<b>52,806</b>

**3. PROSPECTUS SUMMARY (Cont'd)**

	<----- Year ended 31 December ----->					6 month
	1997	1998	1999	2000	2001 <sup>#</sup>	ended 30 June 2002
	RM 000	RM 000	RM 000	RM 000	RM 000	RM 000
No. of CIMB Shares assumed in issue (000) <sup>(i)</sup>	151,800	217,151	250,197	250,197	319,242	319,242
Gross EPS/(loss) per share (RM)	0.39	(0.40)	0.76	0.84	0.79	0.49 <sup>(iii)</sup>
Net EPS/(loss) per share (RM)	0.24	(0.40)	0.76	0.58	0.56	0.33 <sup>(iii)</sup>
Gross dividend rate (%)	7.0	-	5.0	5.0	18.0	-
Shareholders' funds (RM) <sup>(iv)</sup>	641,500	648,357	837,580	969,134	1,385,077	1,396,509
Average shareholders' funds (RM)	548,544	643,624	742,969	903,357	1,211,628	1,390,793
Gross return on average shareholders' funds (%)	10.8	(13.5)	25.5 <sup>(ii)</sup>	23.3	20.8	11.3 <sup>(iii)</sup>
Net return on average shareholders' funds (%)	6.6	(13.5)	25.5 <sup>(ii)</sup>	16.0	14.7	7.6 <sup>(iii)</sup>

**Notes:**

<sup>(i)</sup> The assumed number of ordinary shares in issue is based on Commerce International's weighted average number of shares in issue for the relevant years.

<sup>(ii)</sup> Tax exempt year.

<sup>(iii)</sup> Annualised for comparison purpose.

<sup>(iv)</sup> The shareholders' funds is after adjusting for dividends declared after balance sheet date pursuant to Malaysian Accounting Standards Board 19-Events After Balance Sheet Date

<sup>\*1</sup> The above figures have been reclassified for comparative purposes.

<sup>\*</sup> There are no exceptional or extraordinary items throughout the financial years under review.

<sup>#</sup> The results of CIMBDH have only been consolidated from the financial year ended 31 December 2001.

Further information on the financial performance of the CIMB Group is set out in Section 12 of this Prospectus.

**3.5 Proforma Consolidated Balance Sheets**

Please refer to Section 12.6 of this Prospectus.

**3.6 Investment Considerations**

Applicants for the Offer Shares or the EES Shares should carefully consider the following risk factors (which may not be exhaustive and which are elaborated in Section 5 of this Prospectus) in addition to the other information contained elsewhere in this Prospectus before applying for the Offer Shares or accepting the EES:

- (i) Market volatility;
- (ii) Risk management policies and procedures;
- (iii) Credit exposures;
- (iv) Liquidity risk;
- (v) Operational risks;
- (vi) Legal and regulatory risks;
- (vii) Employee misconduct;

### 3. PROSPECTUS SUMMARY (Cont'd)

- (viii) Competition;
- (ix) Political, economic and regulatory considerations;
- (x) Personnel;
- (xi) Shares eligible for future sale;
- (xii) No prior market for CIMB Shares;
- (xiii) No market making by the CIMB Group;
- (xiv) Post-listing price;
- (xv) Forward-looking statements;
- (xvi) Influence by shareholder;
- (xvii) Accounting policy;
- (xviii) Maintenance of 25% public spread; and
- (xix) Insurance cover.

#### 3.7 Principal Statistics Relating to the Restricted Offer for Sale and EES

<b>(i) Share Capital</b>	<b>RM</b>
<i>Authorised:</i>	
2,000,000,000 ordinary shares of RM1.00 each	<u>2,000,000,000</u>
<i>Issued and fully paid-up:</i>	
850,000,000 ordinary shares of RM1.00 each	<u>850,000,000</u>
<i>To be offered pursuant to the Restricted Offer for Sale:</i>	
129,935,000 ordinary shares of RM1.00 each	<u>129,935,000</u>
<i>To be offered by the Offeror pursuant to the EES:</i>	
41,300,000 ordinary shares of RM1.00 each	<u>41,300,000</u>
<b>(ii) Offer Price per CIMB Share (RM)</b>	1.75
<b>(iii) Proforma Group NTA</b>	
Proforma Group NTA as at 30 June 2002 <i>(after deducting estimated listing expenses of RM2.5 million and a dividend of RM9.769 million paid by Commerce International on 20 September 2002)</i>	1,352,340,132
Proforma Group NTA per CIMB Share as at 30 June 2002 <i>(based on the issued and paid-up share capital of 850,000,000 CIMB Shares)</i>	1.59
Premium of offer price of RM1.75 over the proforma Group NTA per CIMB Share	10.1%

## 3. PROSPECTUS SUMMARY (Cont'd)

## (iv) Consolidated Profit Estimate and Forecast

The consolidated profit estimate for the 1.5 month financial period ending 31 December 2002 and consolidated profit forecast for the financial year ending 31 December 2003 respectively are as follows:

	<b>1.5 month financial period ending 31.12.2002 RM 000</b>	<b>Financial year ending 31.12.2003 RM 000</b>
Consolidated profit before taxation	160,097	190,016
Less: Taxation	(47,358)	(54,339)
Consolidated profit after taxation	112,739	135,677
Less: pre-acquisition profit	(98,647)	-
	<u>14,092</u>	<u>135,677</u>
Weighted average number of CIMB Shares in issue (000)	182,143 <sup>*1</sup>	850,000
Net EPS (sen)	13.26 <sup>*2</sup>	15.96 <sup>*3</sup>
Net PE Multiple based on the offer price of RM1.75 per CIMB Share (times)	13.20	10.96

**Notes:**

<sup>\*1</sup> *Weighted average number of 182,142,859 CIMB Shares is calculated based on a weightage of 7 months and on the assumption that the Acquisition of Commerce International was completed on 15 November 2002.*

<sup>\*2</sup> *The net EPS has been annualised. The annualised fully diluted net EPS for the 1.5 month financial period ending 31 December 2002 is 13.26 sen.*

<sup>\*3</sup> *For the fully diluted EPS calculation for the financial year ending 31 December 2003, the number of shares in issue is adjusted after assuming full exercise of 85,000,000 Executive ESOS Options under the Executive ESOS on 1 January 2003, which will increase the issued and paid-up share capital to RM935,000,000. For illustrative purposes, the Executive ESOS Options are to be exercised at RM1.75 and the net profit is adjusted to reflect the interest earned (interest earned net of tax for the computation of the fully diluted net EPS) assuming the proceeds were invested in fixed deposit at a rate of 4% per annum. Based on the above the fully diluted net EPS is 14.97 sen.*

For further details, please refer to the Reporting Accountants' letter on the consolidated profit estimate and forecast in Section 12.3 of this Prospectus.

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### 3. PROSPECTUS SUMMARY (Cont'd)

#### (v) Dividend Estimate and Forecast

The Directors of CIMB do not intend to declare any dividends for the financial year ending 31 December 2002.

The dividend forecast for the financial year ending 31 December 2003 is as follows:

	<b>Forecast 31.12.2003</b>
Gross dividend per CIMB Share (sen)	3.00
Gross dividend yield (based on the offer price of RM1.75 per CIMB Share) (%)	1.71
Gross dividend cover (times)	7.45
Net dividend per CIMB Share (sen)	2.16
Net dividend yield (based on the offer price of RM1.75 per CIMB Share) (%)	1.23
Net dividend cover (times)	7.39

A dividend of RM9,768,805 net of income tax was paid by Commerce International on 20 September 2002.

For further details on the dividend forecast, please refer to Section 12.4 of this Prospectus.

### 3.8 Material Litigation, Material Capital Commitment and Contingent Liabilities

#### (i) Material Litigation

Save as disclosed in Section 16.5 of this Prospectus, the Company and its subsidiaries are not engaged in any material litigation, either as plaintiff or defendant, and the Directors of the Company do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the CIMB Group.

#### (ii) Material Capital Commitment

The Directors of the CIMB Group are not aware of any material capital commitment as at the date hereof, which, upon becoming enforceable, may have a material impact on the profit or net assets value of the CIMB Group.

#### (iii) Contingent Liabilities

Save as disclosed in Section 16.9 of this Prospectus, the Directors of the Company are not aware of any contingent liabilities (not in the ordinary course of business of the CIMB Group) which, upon becoming enforceable, may have a material adverse impact on the profit or net asset values of the CIMB Group.

#### 4. DETAILS OF THE RESTRICTED OFFER FOR SALE AND EES

##### 4.1 Opening and Closing of Applications

The Application for the Offer Shares will open at 10.00 a.m. on 2 December 2002 and will remain open until 8.00 p.m. on 18 December 2002 or such later date(s) as the Directors of the Company and the Offeror in their absolute discretion may decide.

##### 4.2 Indicative Timetable

The indicative timing of events leading-up to the Listing is as follows:

Event	Indicative Date
Issue of Prospectus/opening date for the Restricted Offer for Sale	: 2 December 2002
Opening date for the EES	: 2 December 2002
Last date and time for acceptance and payment/closing date for the Restricted Offer for Sale	: 18 December 2002 : 8.00 p.m.
Last date and time for acceptance and payment/closing date for the EES	: 18 December 2002 : 8.00 p.m.
Tentative date for allotment of securities	: 2 January 2003
Tentative date of Listing	: 8 January 2003

##### 4.3 Share Capital

	RM
<i>Authorised:</i>	
2,000,000,000 ordinary shares of RM1.00 each	<u>2,000,000,000</u>
<i>Issued and fully paid-up:</i>	
850,000,000 ordinary shares of RM1.00 each	<u>850,000,000</u>
<i>To be offered pursuant to the Restricted Offer for Sale:</i>	
129,935,000 ordinary shares of RM1.00 each	<u>129,935,000</u>
<i>To be offered by the Offeror pursuant to the EES:</i>	
41,300,000 ordinary shares of RM1.00 each	<u>41,300,000</u>

The offer price of RM1.75 for each Offer Share is payable in full on application.

There is only 1 class of shares in CIMB, being ordinary shares of RM1.00 each, all of which rank pari passu with one another.

The Company proposes to establish an Executive ESOS in order to retain and motivate Eligible Executives whose services are important to the continued success of the CIMB Group. The Executive ESOS will allow the granting of Executive ESOS Options to Eligible Executives of the Group to subscribe for new CIMB Shares of up to a maximum of 10% of the Company's issued and paid-up capital.

Assuming Executive ESOS Options of up to 85,000,000 CIMB Shares are granted under the Executive ESOS, the issued and paid-up share capital of the Company may increase to RM935,000,000 comprising 935,000,000 CIMB Shares.

Further details of the Executive ESOS are set out in Section 6.1.6 of this Prospectus.

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**4. DETAILS OF THE RESTRICTED OFFER FOR SALE AND EES (Cont'd)**

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Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company in accordance with its Articles of Association.

At every general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney to a shareholder shall have 1 vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have 1 vote for each CIMB Share held. A proxy need not be a shareholder of the Company.

**4.4 Particulars of the Restricted Offer for Sale and EES**

The Restricted Offer for Sale and EES are subject to the terms and conditions of this Prospectus. Upon acceptance, the Offer Shares will be allotted to the Public Shareholders and Non Executive Directors and Company Secretary while the EES Shares will be allotted to the CIMB Group Employees.

The Offer Shares made to the Public Shareholders have been fully underwritten.

**4.5 Basis of Arriving at the Offer Share Price and Strike Price(s) for the EES****4.5.1 Offer Share Price**

The offer price of RM1.75 per Offer Share was determined and agreed upon by the Company and the Offeror, Commerce International and the Underwriters, after taking into account, *inter-alia*, the following factors:

- (i) The Commerce International Group's financial and operating history and conditions;
- (ii) The future prospects of the CIMB Group and of the financial services industry;
- (iii) The estimated and forecast net PE Multiple of 13.20 times and 10.96 times based on the estimated (annualised) and forecast net EPS of 13.26 and 15.96 sen for the 2 financial period and year ending 2003 respectively;
- (iv) The forecast gross dividend yield of approximately 1.71% based on the forecast gross dividend per CIMB Share of 3% for the financial year ending 31 December 2003 and the offer price of RM1.75 per CIMB Share;
- (v) The proforma consolidated NTA per CIMB Share as at 30 June 2002 of RM1.59, after adjusting for a dividend paid on 20 September 2002 of RM9.769 million by Commerce International; and
- (vi) The qualitative and quantitative factors of the CIMB Group as outlined in Sections 7, 8 and 12 of this Prospectus.

**4.5.2 Strike Price for the EES**

The Strike Price will be on a step-up basis starting with the offer price for the Offer Shares and increasing on a step-up basis from 1 December for every calendar year of the EES Period. Please refer to clause (viii) of Section 6.1.5 of this Prospectus for illustration of the Strike Price over the EES Period.

#### 4. DETAILS OF THE RESTRICTED OFFER FOR SALE AND EES (Cont'd)

However, investors should note that the market prices of the CIMB Shares upon and subsequent to the listing on the Main Board of the KLSE are subject to the vagaries of market forces and other uncertainties, which may affect the price of the CIMB Shares being traded. Investors should also bear in mind the investment considerations as set out in Section 5 of this Prospectus before deciding on whether or not to invest in the Offer Shares and/or the EES Shares.

##### 4.6 Purposes of the Restricted Offer for Sale and EES

The purposes of the Restricted Offer for Sale and EES are as follows:

- (i) To provide an opportunity for the Public Shareholders, CIMB Group Employees and Non Executive Directors and Company Secretary, to have direct participation in the equity and the continued growth of the CIMB Group.

The EES is a variant of the traditional “pink form share” issued to employees as part of a listing exercise. The EES is superior in the way that it is structured to align the interest of the CIMB Group Employees to that of the CIMB Group whereby it will enhance the retention of employees; and

- (ii) To enable CIMB, as a listed company, to have access to the equity capital market for funds required for its future expansion and continued growth.

##### 4.7 Estimated Listing Expenses

The breakdown of the estimated listing expenses are as follows:

	<b>RM 000</b>
Professional fees	800
Printing, marketing and advertising	1,000
Authorities' processing fee	450
Contingencies	250
	2,500

##### 4.8 Underwriting Commission

The Underwriters have agreed to underwrite the 128,785,000 Offer Shares which are made available for application by the Public Shareholders (“Underwritten Shares”). Underwriting commission relating to the Underwritten Shares is payable by CAHB, being the Offeror for the Underwritten Shares at the rate of 0.75% of price which shall be within the range of RM1.63 and RM2.00 per Underwritten Share. Pursuant to the UFJ Acquisition, a portion of the underwriting commission amounting to RM848,770 will be borne by UFJ.

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**4. DETAILS OF THE RESTRICTED OFFER FOR SALE AND EES (Cont'd)**

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**4.9 Details of the Underwriting Agreement**

An Underwriting Agreement dated 11 November 2002 (“Underwriting Agreement”) was entered into between CAHB, the Joint Managing Underwriters and the other Underwriters in connection with the underwriting of the Underwritten Shares. Some of the salient terms of the Underwriting Agreement are as follows:

- (i) Under the provisions of the Underwriting Agreement, the obligations each of the Underwriters (including the Joint Managing Underwriters) and the Offeror are conditional upon:
  - (a) the listing of and quotation for the entire issued and paid-up capital of CIMB on the Main Board of the KLSE having been approved in principle by KLSE;
  - (b) the registration with the SC and the lodgement with the CCM of the Prospectus in its final form in accordance with the requirements of the Act;
  - (c) the offering of the Underwritten Shares pursuant to the Restricted Offer for Sale in accordance with the provisions of the Prospectus not being prohibited by statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including SC and KLSE);
  - (d) the Restricted Offer for Sale and the listing of and quotation of the entire issued and paid up capital of CIMB including the Offer Shares on the Main Board of the KLSE having been approved by the SC; and
  - (e) all necessary approvals and consents required from the relevant authorities in relation to the offering of the Underwritten Shares pursuant to the Restricted Offer for Sale having been obtained.

If any of the conditions stated above are not satisfied on or before the last day for the acceptance of and payment for the Restricted Offer for Sale as stated in the Prospectus (“Closing Date”) or any further period as the Offeror and the Joint Managing Underwriters may otherwise mutually determine (“Cut-Off Date”), any party to the Underwriting Agreement shall be entitled, following prior consultation with the other parties to the Underwriting Agreement, to terminate the Underwriting Agreement by giving notice to CAHB and the Joint Managing Underwriters not later than 3 Market Days from the Cut-Off Date.

- (ii) Notwithstanding anything contained in the Underwriting Agreement, if in the reasonable opinion of 2 or more Underwriters which have agreed to underwrite not less than 75% of all the Underwritten Shares and shall include the Joint Managing Underwriters (“Majority Underwriters”) that there shall have occurred, happened or come into effect any of the following circumstances:
  - (a) there shall have been such a change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates which have a material adverse effect on the business or the operations of CIMB Group or the success of the offering of the Underwritten Shares pursuant to the Restricted Offer for Sale;

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**4. DETAILS OF THE RESTRICTED OFFER FOR SALE AND EES (Cont'd)**

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- (b) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters by reason of Force Majeure (as defined below) which would have or can reasonably be expected to have, a material adverse effect on the business or the operations of CIMB Group or the success of the offering of the Underwritten Shares pursuant to the Restricted Offer for Sale or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

“**Force Majeure**” means causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation (including war, hostilities, riot, uprising, flood, fire, storm, epidemic, explosion, disease, earthquake, hijacking, sabotage crime, and acts of God);

- (c) there is any breach by CAHB of any of its representations, warranties, undertakings or material obligations under the Underwriting Agreement which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to CAHB;
- (d) CAHB has withheld any information from the Joint Managing Underwriters, which would have or can reasonably be expected to have, a material and adverse effect on the business, operations or prospect of the CIMB Group or the success of the offering of the Underwritten Shares pursuant to the Restricted Offer for Sale;
- (e) there shall have been any government requisition or other occurrence of any nature whatsoever which would have or can reasonably be expected to have, a material and adverse effect on the business, operations, financial condition or prospect of the CIMB Group or the success of the offering of the Underwritten Shares pursuant to the Restricted Offer for Sale;
- (f) there shall have been any change in law, regulation, directive, policy or ruling in any jurisdiction which would have or can reasonably be expected to have, a material and adverse effect on the success of the offering of the Underwritten Shares pursuant to the Restricted Offer for Sale or which has or likely to have the effect of making any material obligation under the Underwriting Agreement incapable of performance in accordance with its terms;

then the Majority Underwriters may by notice in writing to the Joint Managing Underwriters require the Joint Managing Underwriters to terminate the Underwriting Agreement and terminate, cancel and withdraw their commitment to underwrite the Underwritten Shares by giving written notice to CAHB before 5.00 p.m. on the Closing Date.

- (iii) The offer price per Offer Share (“Offer Price”) shall be determined and fixed by CAHB at its own discretion, without any need for prior consultation with any of the Underwriters, no later than 2 clear Market Days before books closing date (i.e. the time and date set by the board of CAHB for the purpose of determining the Public Shareholders who are entitled to the Restricted Offer for Sale) provided that the Offer Price shall be within the range of RM1.63 and RM2.00 (inclusive) and provided that if CAHB intends to determine and fix the Offer Price at above RM1.85, CAHB shall seek the prior approval of the Underwriters.

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**5. INVESTMENT CONSIDERATIONS**

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Prior to making an investment decision, prospective investors should consider carefully the factors described below (which are not intended to be exhaustive) in addition to all other relevant information contained elsewhere in the Prospectus in evaluating the Company, its business, the Restricted Offer for Sale and EES before making an application to purchase any of the Offer Shares and/or EES Shares.

If any of the following considerations and uncertainties develop into actual events, the Company's business, financial condition and/or results of operations could be materially and adversely affected. In such a case, the trading price of CIMB Shares could decline due to any of those considerations and prospective investors may lose all or part of their investment.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risks described below and elsewhere in this Prospectus.

**(i) Market Volatility**

The CIMB Group's principal business activities of investment banking, which includes securities trading are materially affected by financial markets, economic conditions and other conditions that are inherent in the investment banking environment generally, both in Malaysia and elsewhere around the world. Examples of financial and economic conditions which could materially affect the CIMB Group's business are changes in global economic and political trends, industry competition and substantial fluctuations in the volume and price level of securities held in trading and underwriting positions.

In addition, in the event of a market downturn or market volatility, the CIMB Group's business could be adversely affected in many ways, including those described further below. The CIMB Group's revenue is likely to decline in such circumstances.

***Adverse Markets and Volatility Resulting in Losses from Trading and Investment Activities***

As part of the CIMB Group's business activities, it generally maintains large trading and investment positions in fixed income, currency, and equity markets. To the extent that the CIMB Group has long positions i.e. it owns assets in any of those markets, a downturn of those markets could result in significant losses from a decline in value of those long positions.

The CIMB Group may from time to time have a trading strategy consisting of holding a long position in one asset and short position in another, from which the CIMB Group expects to earn revenue based on changes in the relative value of the two assets. If, however, the relative value of the two assets changes in a direction or manner that the CIMB Group does not anticipate or against which it is not hedged, it might realise a loss in these spread trades.

In addition, the CIMB Group maintains substantial trading positions that can be adversely affected by the level of volatility in the financial markets, i.e. the degree to which trading prices fluctuate over a particular period, in a particular market.

***Lower Revenues from Investment Banking Activity***

Adverse financial and economic conditions would likely reduce the number, size of transactions and fees to be charged in which the CIMB Group provides underwriting, mergers and acquisitions, advisory and other services. The CIMB Group's investment banking revenues, in the form of financial and corporate advisory and underwriting fees, are directly related to the number and size of the transactions in which the CIMB Group participates in and would therefore be adversely affected by a prolonged adverse financial and economic conditions.

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**5. INVESTMENT CONSIDERATIONS (Cont'd)**

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***Lower Revenues from Broking in a Market Downturn and Liberalisation of Fees***

A market downturn could lead to a decline in the price and/or volume of transactions executed for clients, resulting in a decline in brokerages revenues. A prolonged downturn in market activity could result in a prolonged slump in broking revenues. With the liberalisation of commission rates, it is anticipated that broking revenues will decline further unless market activity increases (which may include price and/or volume) or there is an increase in pace in the consolidation of the broking industry resulting in less number of stock brokers in the industry.

***Dependence on the Ringgit Debt and Equity Capital Markets***

A large proportion of the CIMB Group's income is currently dependent on the conditions and activities of the Malaysian debt and equity capital markets. While the CIMB Group has recently increased its level of non-Ringgit capital market business activities, it is unlikely that these business activities will generate significant revenue or profit contribution to the CIMB Group in the near term.

***Concentration of Risks***

The CIMB Group has committed substantial amounts of capital to its arbitrage, market making, block trading, underwriting and lending businesses. These activities often require the CIMB Group to take large positions in the securities of one or more issuers in one or more industries. Therefore, these commitments are subjected to the risk factors associated and inherent in those industries.

***Ineffectiveness of Hedges***

The CIMB Group utilises a variety of instruments such as derivative contracts and strategies to hedge its exposure to various types of risks. However, these strategies may not be fully effective in mitigating the risk exposure in all market environments or against all types of risks. Many of these strategies are based on historical trading patterns and correlation and as such unexpected market developments or trading patterns will affect the effectiveness of these hedging strategies, potentially resulting in the CIMB Group incurring significant losses on positions taken.

***Settlement risks***

The CIMB Group deals with various type of clients and counterparties in its trading. There is always a risk that some of the trades may fail due to the client or counterparty failing to deliver securities. A client or the counterparty may also give wrong instructions on the type or quantity. The client or counterparty could even fail to settle or buy or even deny a contract.

***Market risks might lead to other risks***

In addition to the potentially adverse effects on the CIMB Group's businesses described above, market risks could exacerbate other risks that the CIMB Group faces. For example, if the CIMB Group incurs substantial trading losses, its need for liquidity could rise sharply while its access to liquidity could be impaired as a result thereof. In addition, in conjunction with a market downturn, its customers and counterparties could incur substantial losses of their own, thereby weakening their financial condition and increasing the CIMB Group's credit risk to them. The CIMB Group's liquidity and credit risk are described further below.

**(ii) Risk Management**

The CIMB Group allocates a large amount of resources to develop its risk measurement and management capabilities as well as operating risks processes (see section 7.2.1. (iii)). This risk management framework, as a whole may not however be fully effective. Also, there may be risks that have not been anticipated or identified and risks may be significantly greater than indicated by historical data.



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**5. INVESTMENT CONSIDERATIONS (Cont'd)**

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The data that the CIMB Group relies upon to formulate its risk management framework may in some cases not be accurate, complete, up-to-date or properly evaluated. The processes to manage operational, legal and regulatory risks requires, among other things, proper recording and verifying a large number of transactions and events. These processes may not be fully effective in all cases.

**(iii) Credit Exposures**

The CIMB Group is exposed to the risk that third parties who owe money, securities or other assets will not perform their obligations resulting in significant losses to the Group. These parties include trading counterparties, borrowers and other financial intermediaries as well as issuers whose securities the CIMB Group holds. The credit risk arises from the probability that any one of these counterparties may not perform its contractual obligations to the CIMB Group due to bankruptcy, winding-up, lack of liquidity, operational failure or other reasons.

This risk may arise, for example, from holding securities of third parties, entering into swap or other derivative contracts under which counterparties have long-term obligations to make payments, executing securities, futures, or currency trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries, and extending credit facilities to the CIMB Group's clients through margin financing or other arrangements.

***Systemic Credit Risk***

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about or a default by one institution could lead to significant liquidity problems or losses in or defaults by other institutions and subsequently leads to liquidity problems. This is sometimes referred to as "systemic risk".

Actual defaults, increases in perceived default risk and other similar events could arise in the future and could have an adverse effect on the financial markets and on the CIMB Group.

***Credit Risk Management Uncertainty***

Although the CIMB Group regularly reviews its credit exposure to specific clients and counterparties and to specific industries that the CIMB Group believes may present credit concerns, default risk may arise from events or circumstances that are difficult to detect, such as fraud. The CIMB Group may also fail to receive full and accurate information with respect to trading risks of a counterparty. In addition, in cases where credit has been extended against collateral, it may be found to be undersecured, for example, as a result of sudden declines in market values of the collateral.

**(iv) Liquidity Risk**

Liquidity, i.e. ready access to funds, is essential to the CIMB Group's businesses. In addition to maintaining a cash position, the CIMB Group's principal sources of liquidity include deposits derived from corporate and institutional clients and inter-bank sources, borrowing in the debt markets and access to certain other funding sources such as repurchase of securities. Commerce International, licensed as a merchant bank, is prohibited from taking retail deposits unless the amount is greater than RM1 million and corporate deposits which exceeds RM250,000. As such, Commerce International has limited access to retail deposits and is reliant on funding sources that are potentially more expensive and credit sensitive.

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**5. INVESTMENT CONSIDERATIONS (Cont'd)**

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***Continuous Borrowing Needs***

The CIMB Group's ability to raise funds from deposits and access to debt markets in amounts adequate to finance its activities could be impaired due to factors that affect the CIMB Group in particular or the financial services industry in general. For example, depositors or lenders could develop a negative perception of the CIMB Group's long-term or short-term financial prospects if the CIMB Group incurred large trading losses, if the level of its business activities decreased due to a market downturn, if regulatory authorities took significant action against any member of the CIMB Group or if it is discovered that one of its employees had engaged in unauthorised or illegal activities.

The CIMB Group's ability to borrow in the debt markets could also be impaired by factors that are not specific to the CIMB Group, such as a severe disruption of the financial markets or negative views about the prospects for the investment banking, securities or financial services industries generally.

***Dependence on Access to Short-Term Funding Markets***

The CIMB Group depends on short term deposits and repurchase agreements as a principal source of short-term funding for its operations. The CIMB Group's liquidity is also dependent on its ability to refinance these borrowings on a continuous basis. Investors who lend money to the CIMB Group via repurchase agreements as well as depositors have no obligation to renew their lending or deposits with the CIMB Group when the instruments mature.

***Dependence on Credit Ratings***

The CIMB Group's borrowing costs and access to the debt capital markets depend significantly on its credit ratings. These ratings are assigned by rating agencies, which may reduce or withdraw their ratings or place the CIMB Group on "credit watch" with negative implications at any time. Credit ratings are also important to the CIMB Group when competing in certain markets and when seeking to engage in longer-term transactions, including over-the-counter derivatives. A reduction in the CIMB Group's credit ratings could increase its borrowing costs and limit its access to the capital markets. This, in turn, could reduce its earnings and adversely affect its liquidity.

***Dependence on Ability to Sell Assets***

If the CIMB Group were unable to borrow via sources as mentioned above, it would need to liquidate assets in order to meet its maturing liabilities. In certain market environments, such as times of market volatility or uncertainty, overall market liquidity may decline where the CIMB Group may not be able to sell certain assets, or it may have to sell assets at prices substantially lower than its book value, which could adversely affect the results of operations and financial condition.

**(v) Operational Risks**

Operational risk is the risk of direct and indirect loss arising from the inadequacies of business processes, procedures or security and human error. The CIMB Group faces operational risk arising from mistakes made in the confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted for. The CIMB Group's businesses are highly dependent on its ability to process, on a daily basis, a large number of transactions and the transactions' processes have become increasingly complex. Consequently, it relies heavily on its financial, accounting and other data processing systems. If any of these systems do not operate properly or malfunction, it could suffer financial loss, a disruption of its businesses, liability to clients, regulatory intervention or damage to its reputation. The inability of the CIMB Group's systems to accommodate an increasing volume of transactions could also constrain its ability to expand its businesses. In recent years, it has substantially upgraded and expanded the capabilities of its data processing systems and other operating technology. The CIMB Group expects to continue to upgrade and expand the capabilities of its data processing systems and other operating technology in the future to avoid disruption or constraints on its operations.

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**5. INVESTMENT CONSIDERATIONS (Cont'd)**

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**(vi) Legal and Regulatory Risks**

Substantial legal liability or significant regulatory action against the CIMB Group could have a material financial effect on the CIMB Group or cause significant reputational harm to it, which in turn could seriously harm its business prospects.

***Exposure to Legal Liability***

The CIMB Group is exposed to significant legal risks in its businesses. These risks include potential liability under securities or other related laws for material omission, false or misleading statements made in connection with a proposal to issue securities and other transactions. It could also be potentially liable for the “fairness opinions” and other advice that the CIMB Group provide to participants in corporate transactions and disputes over the terms and conditions of complex trading arrangements.

The CIMB Group also faces the possibility that counterparties in complex or risky trading transactions taking actions against the CIMB Group and/or its personnel for failing to advise them professionally.

***Regulatory Framework***

The CIMB Group’s operations are subject to rules and regulations of the financial services industry and the securities industry and are also extensively regulated by governmental and self-regulations. A failure to comply with any of these regulations could result in regulatory investigations, fines and restrictions on some of the CIMB Group’s business activities or other sanctions.

In Malaysia, financial institutions are generally subject to the supervision and regulation of BNM whereas the trading and dealing in securities are supervised and regulated by the SC. BNM is vested with comprehensive legal powers under various laws to regulate and supervise the Malaysian financial systems and has the ability to influence banking and financial markets generally. For example, BNM has the ability to limit the interest rate banks may charge on certain types of loans, to determine the components of base lending rates, to establish caps on lending and caps on the holding of securities of individual groups or entities and limits to share financing in furtherance of certain economic and social objectives. Similarly, the SC is vested with comprehensive legal powers under various laws to regulate and supervise the securities industry.

The requirements imposed by the regulators are designed to ensure the integrity of the financial markets which also accords protection to customers and other third parties who deal with the financial institutions, including the CIMB Group. Consequently, these regulations often will affect the CIMB Group’s operations as they serve to limit its activities.

In addition, as a listed entity, the CIMB Group will be subject to the KLSE Listing Requirements and related securities guidelines, rules and legislations. These requirements and regulations may limit the CIMB Group’s activities or result in high compliance costs.

Under the Financial Sector Master Plan (“FSMP”), it is envisaged that investment banking groups will be allowed to consolidate into one legal entity to be known as an “investment bank” in the near future. On its part, Commerce International Group has already functionally organised itself along the lines of an investment bank. The consolidation could be accompanied by changes in regulatory framework which may result in some form of co-regulation by BNM and the SC.

No assurance can be given that any future changes to present law, regulation or any introduction of new regulation by relevant authorities will not have a material adverse impact on the CIMB Group’s business.

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**5. INVESTMENT CONSIDERATIONS (Cont'd)**

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***Legal Restrictions on Group Clients***

New laws or regulations or changes in enforcement of existing laws or regulations applicable to the CIMB Group's clients may also adversely affect its businesses. For example, changes in regulation could restrict the activities of the CIMB Group's clients and, therefore, the CIMB Group's services on their behalf.

**(vii) Employee Misconduct**

The CIMB Group runs the risk of cases involving fraud or other misconduct by employees. Misconduct by employees could include binding the CIMB Group to transactions that exceed authorised limits or taking unacceptable risks, or hiding from the CIMB Group unauthorised or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious damage to its reputation or financial harm. It is not always possible to eliminate employee misconduct and the precautions the CIMB Group takes to prevent and detect these activity may not be effective in all cases.

**(viii) Competition**

The financial services industry and all of the CIMB Group's businesses are intensely competitive and the CIMB Group expects them to remain so. In addition, it is Government policy to liberalise financial and banking markets by allowing a wider range of services, permitting increased competition from foreign banks and other financial institutions as well as non-financial institutions, where universal brokers have been allowed to offer and perform a range of capital markets and corporate advisory services and also broadening the range of investment instruments available to the public. Although these policies are designed, in part, to encourage development of financial institutions in Malaysia and to strengthen domestic financial institutions in preparation for increased foreign competition, it will also result in increased competition. Increased competition could have an adverse effect on the CIMB Group's operations in future periods including reduced margins and smaller market share.

Securities and futures transactions are now gradually being conducted through the internet and other alternative, non-traditional trading systems, and it appears that the trend towards alternative trading systems will continue and probably accelerate. A dramatic increase in computer-based or other electronic trading may adversely affect the CIMB Group's commission and trading revenues, reduce the CIMB Group's participation in the trading markets and associated access to market information and lead to the creation of new and stronger competitors.

Although the CIMB Group has plans for expansion and growth to remain competitive, no assurance can be given that it will be able to maintain or increase its market share in the future as a result of such proposals.

**(ix) Political, Economic and Regulatory Considerations**

Adverse developments in political, economic and social conditions in Malaysia and other countries in Southeast Asia may materially affect the financial prospects of the CIMB Group and the market value and liquidity of CIMB Shares. Political and economic uncertainties include risks of war, expropriation, nationalisation or nullification of existing contracts, changes in interest rates and methods of taxation and currency exchange. There can be no assurance that such adverse political and economic factors will not materially affect the CIMB Group.

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**5. INVESTMENT CONSIDERATIONS (Cont'd)**

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In the past several years, Malaysia and other emerging market countries have experienced severe economic and financial disruptions, including significant devaluation of their currencies and low or negative growth rates in their economies. The possible effects of these conditions include an adverse impact on the CIMB Group's businesses and increased volatility in financial markets generally. Moreover, economic or market problems in a single country or region are increasingly affecting other markets generally. A continuation of these situations could adversely affect global economic conditions and world markets and, in turn, could cause a chain reaction effect and thus adversely affect the CIMB Group's businesses.

**(x) Personnel**

The CIMB Group's performance is largely dependent on the talents and efforts of highly skilled individuals. The CIMB Group's continued ability to compete effectively in its businesses depends on its ability to attract new employees and to retain and motivate its existing employees. The CIMB Group devotes considerable resources to recruiting, training and compensating such individuals. Individuals employed by the CIMB Group may, however, choose to leave the CIMB Group at any time to pursue other opportunities. The CIMB Group has attempted to reduce this possibility by creating incentives for employees to remain with the CIMB Group, which includes the EES to CIMB Group Employees and the Executive ESOS.

For the year 2001, the Commerce International Group experienced a monthly group turnover of employees of 1.1% which did not have any material adverse effects on the operations of the Group.

**(xi) Shares Eligible for Future Sale**

The Company is unable to make any prediction as to the effect, if any, that future sales or distributions of CIMB Shares in the open market or the availability of CIMB Shares for sale or distribution including the Executive ESOS shares will have on the market price of CIMB Shares prevailing from time to time.

However, sales of substantial amounts of CIMB Shares in the public market following the Restricted Offer for Sale, or the perception that such sales might occur, could adversely affect market prices of CIMB Shares and may impede the Company's ability to raise capital through the issuance of equity securities.

**(xii) No Prior Market for CIMB Shares**

Prior to the Restricted Offer for Sale, there was no market for the CIMB Shares. Accordingly, there can be no assurance that an active market for CIMB Shares will develop upon their listing on the Main Board of the KLSE and, if developed, that such a market will be sustained.

The offer price of the Offer Shares was determined after taking into consideration a number of factors, including but not limited to, the CIMB Group's financial and operating history and conditions, its prospects and the prospects for the industry in which the CIMB Group operates, the management of the CIMB Group, the market prices for shares of companies engaged in businesses similar to that of the CIMB Group and prevailing market conditions.

The price of CIMB Shares after the Restricted Offer for Sale may fluctuate widely, depending upon many factors, including the perceived prospects of the CIMB Group and the securities and financial services industries in general, differences between the CIMB Group's actual financial and operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general economic or market conditions and broad market fluctuations. CIMB Shares may trade at prices significantly below the initial public offering price. There can be no assurance that the offer price of the Offer Shares will correspond to the price at which CIMB Shares will trade on the Main Board of the KLSE upon or subsequent to their listing.

In addition, the listing of CIMB Shares does not guarantee that a trading market for CIMB Shares will develop or, if a market does develop, the liquidity of the market for CIMB Shares.

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## 5. INVESTMENT CONSIDERATIONS *(Cont'd)*

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### (xiii) Post-Listing Price

There can be no assurance that the CIMB Shares will be traded at a price higher than the offer price following the listing and quotation of the CIMB Shares on the KLSE. There can be no assurance that an active market for the CIMB Shares will develop upon the listing and quotation of the CIMB Shares on the KLSE or, if developed, such a market will be sustained.

None of the underwriters or the Offeror or CIMB are obligated to carry out any price stabilisation or make a market in the CIMB Shares. Although the Offeror has not indicated that it has any intention of selling all or any of its CIMB Shares following the offering, any such sales may affect the price of the CIMB Shares. Similarly, sales of a significant number of CIMB Shares by employees or directors may also affect the price of the CIMB Shares.

### (xiv) Forward-Looking Statements

This Prospectus contains estimate and forecast financial results of the CIMB Group for the 2 years ending 31 December 2003, based on assumptions made by the Directors of the Company and considered by them to be reasonable at the time of the issuance of this Prospectus but which are nevertheless subject to numerous uncertainties and contingencies. There can be no assurance that the estimate and forecast results contained herein will be realised due to the subjective judgments and inherent uncertainties of estimates and forecasts. Actual results may be materially different from those shown because events and circumstances may not occur as expected. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecasts contained herein.

The forward-looking statements in this Prospectus involve known and unknown risks, uncertainties and other factors, which may affect actual outcomes, many of which are outside the control of the Company. These factors include economic conditions in the markets in which the CIMB Group operates and achievements of the Company's business forecasts. These factors will cause the actual results, performance or achievements of the Company to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forward-looking statements.

The forward-looking statements do not constitute a representation that future results will be achieved in the amounts or by the dates indicated. The inclusion thereof in this Prospectus should not be regarded as a representation or warranty by the Company, its advisers or its reporting accountant that the plans and objectives of the CIMB Group will be achieved. Further, such parties are not under any obligation to update or revise such forward-looking statements to reflect any change in expectations or circumstances.

### (xv) Influence by Shareholder

Subsequent to the Restricted Offer for Sale and EES, CAHB will directly own 74.86% of the Company's issued and paid-up share capital. As a result, CAHB is likely to be able to influence the outcome of many matters requiring the vote of the Company's shareholders, including the election of directors and the approval of certain mergers or other business transactions unless they are required to abstain from voting by law and/or by the relevant authorities.

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**5. INVESTMENT CONSIDERATIONS (Cont'd)**

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**(xvi) Accounting Policy**

On 21 March 2002, the Malaysian Accounting Standards Board issued Exposure Draft No. 35 ("ED35") on Financial Instruments: Recognition and Measurement which is expected to become operative in 2003/2004. This standard significantly increases the use of fair value in accounting for financial instruments, compared to the current existing practice.

Currently, the accounting policy of the Commerce International Group (based on the audited accounts for the 6-month period ended 30 June 2002) for financial instruments are as follows:

**(a) Dealing securities**

Dealing securities are marketable securities that are acquired and held with the intention of resale in the short term, and are stated at the lower of cost and market value. All related realised gains and losses and unrealised losses are included in the net trading income. Interest earned while holding dealing securities are reported as interest income. Dividends received are included in dividend income.

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

**(b) Investment securities**

Investment securities are securities that are acquired and held for yield or capital growth or to meet minimum liquid assets requirement 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 lower of cost and market value. Other investment securities are stated at cost and provision is made in the event of any permanent diminution in value.

Amortisation of premium or accretion of discount is recognised using effective yield method. Interest earned while holding investment securities are reported as interest income. Dividends received are included in dividend income.

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

**(c) Derivative financial instruments - trading**

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently remeasured at their fair value. The fair value of trading derivative financial instruments are included in the balance sheet and gains and losses on these instruments are taken directly to the income statement.

Foreign exchange and interest rate forwards, futures and forward purchases and sales of securities entered into for trading purposes are valued at prevailing market rates based on quoted and observable market prices. Interest rate and currency swap agreements are valued at their net present value based on discounted cash flow models. Interest rate and equity option contracts are valued using options pricing models.

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**5. INVESTMENT CONSIDERATIONS (Cont'd)**

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**(d) Derivative financial instruments - hedging**

Foreign exchange and interest rate forwards, futures, swaps and options entered into for hedging purposes are accounted for in a manner consistent with the accounting treatment of the hedged item. To qualify as a hedge, the forwards, futures and swaps position must be designated as a hedge and be effective in reducing the market risk of an existing asset, liability, firm commitment, or anticipated transaction where there is a high probability of the transaction occurring and the extent, term and nature of the exposure is capable of being estimated.

Where the hedged item ceases to exist, the corresponding derivative hedge contract is restated at fair value and any resulting unrecognised gains and losses are taken to the income statement.

In contrast, under ED35, financial assets will generally be categorised as being held for trading, available for sale or held to maturity. Assets held for trading and assets available for sale, will be carried at fair value, while held to maturity assets, originated loans and most financial liabilities will be carried at amortised cost. All derivatives, whether held for trading or for hedging, will be accounted for at fair value except where derivatives qualify for and are accounted for under hedge accounting.

CIMB Group's accounting policy in trading securities are stated at the lower of cost and market value. The fair value of trading derivatives financial instruments are included in the balance sheet and gains and losses on these instruments are taken directly to the income statement.

The adoption of ED35 will allow CIMB to recognise unrealised gains from dealing securities and at the same time imposes a stricter criteria for implementation of hedge accounting. Such effects may impact the volatility in reported earnings.

**(xvii) Maintenance of 25% public spread**

In the event CIMB Shares under the EES or any part thereof are sold to non public shareholders ("Disposal"), CAHB is obliged to sell an equivalent number of its CIMB Shares which in any event need not be more than the total number of CIMB Shares under the EES (being approximately 4.84% of the paid up capital of CIMB) to the public within 10 Market Days to make up for the shortfall in the public shareholding spread resulting from the Disposal. This represents a condition which was imposed by the KLSE for the recognition of the EES Shares in determining CIMB's public shareholding spread. In this respect, the obligation by CAHB to sell CIMB Shares equivalent to the amount under the Disposal may or may not have a downward pressure on the price of CIMB Shares.

**(xviii) Insurance Cover**

Although the CIMB Group has taken the necessary measures to ensure that all its assets and operations are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the assets or any consequential costs arising therefrom.



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**6. RESTRUCTURING AND LISTING SCHEME**

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**6.1 Restructuring and Listing Scheme**

As an integral part of the Listing, the Company implemented a restructuring exercise which was approved by the FIC on 7 August 2002, 11 September 2002 and 23 November 2002, BNM on 9 October 2002 and the SC on 27 August 2002, 28 August 2002 and 11 November 2002 respectively. The approval of KLSE for the recognition of the EES Shares as public was obtained on 7 August 2002, 30 August 2002 and 1 October 2002 and the recognition of BPM as public on 20 September 2002. MCD's approval for certain transfers of CIMB Shares pursuant to the EES and Executive ESOS were both obtained on 27 November 2002. The salient terms of the restructuring exercise are as follows:

**6.1.1 UFJ Acquisition**

On 28 August 2002, CAHB entered into a Share Sale Agreement with UFJ for the acquisition of 24,288,000 Commerce International Shares representing approximately 7.61% equity interest therein from UFJ for a cash purchase consideration of RM102,252,480 or RM4.21 per Commerce International Share. The purchase consideration was arrived at on a willing buyer willing seller basis after taking into consideration the audited net assets per share of the Commerce International Group as at 31 December 2001 of RM4.21.

In addition, in view of the Listing, an additional payment may be payable by CAHB to UFJ in cash ("Additional Payment 1") based on the following formula:

- (a) Where the Prospectus is issued on or before 31 December 2002 (being a cut-off date mutually agreed upon between CAHB and UFJ) and the offer consideration (computed based on the offer price for the Restricted Offer for Sale and the number of CIMB Shares equivalent to the Commerce International Shares acquired under the UFJ Acquisition) ("Offer Consideration 1") is greater than the purchase consideration of RM102,252,480, the additional payment is calculated based on the difference between the Offer Consideration 1 and the purchase consideration (after deducting CAHB's holding costs calculated at 5% per annum and underwriting expenses); or
- (b) Where the Prospectus is not issued on or before 31 December 2002 and the net asset value as at 31 December 2002 (computed based on the net asset value per Commerce International Share based on the Commerce International Group's management accounts as at 31 December 2002 and the number of Commerce International Shares acquired under the UFJ Acquisition) ("2002 NAV") is greater than the purchase consideration of RM102,252,480, the additional payment is calculated based on the difference between the 2002 NAV and the purchase price (after deducting CAHB's holding costs calculated at 5% per annum and an assumed underwriting expense).

The UFJ Acquisition was completed on 4 September 2002 save and except that the Additional Payment 1 if applicable, is payable in accordance with the terms as set out above. In the event the Additional Payment 1 is payable but not paid, UFJ shall only have a right to claim for the payment of the Additional Payment 1 and shall have no claim whatsoever on the 24,288,000 Commerce International Shares which are the subject of the UFJ Acquisition.

## 6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

The 24,288,000 Commerce International Shares were acquired by CAHB free from any mortgage, charge, pledge, lien or other security interest and any other third party interests or rights and shall not be subject to any options and/or pre-emptive rights other than to CAHB, and together with all rights and benefits attaching thereto from the date of completion of the UFJ Acquisition. Other than as stated above and arising from further consolidation of Commerce International as a subsidiary of CAHB, CAHB will not assume any further liabilities arising from the UFJ Acquisition.

CAHB's equity interest in Commerce International increased from 257,611,200 Commerce International Shares representing approximately 80.69% equity interest therein to 281,899,200 representing approximately 88.30% equity interest therein upon completion of the UFJ Acquisition.

### 6.1.2 BPM Acquisition

On 2 October 2002, CAHB entered into a Share Sale Agreement with BPM for the acquisition of 37,342,800 Commerce International Shares representing approximately 11.70% equity interest therein from BPM for a purchase consideration of RM157,213,188 or RM4.21 per Commerce International Share. The purchase consideration was arrived at on a willing buyer willing seller basis after taking into consideration the audited net assets per share of the Commerce International Group as at 31 December 2001 of RM4.21.

The total consideration of RM157,213,188 was satisfied as follows:

No. of Commerce International Shares	% equity interest in Commerce International %	Purchase consideration RM	Mode of satisfaction
15,930,200	4.99	67,066,142	42,415,000 CIMB Shares at an issue price of approximately RM1.58 per CIMB Share*
21,412,600	6.71	90,147,046	Cash
<b>37,342,800</b>	<b>11.70</b>	<b>157,213,188</b>	

**Note:**

\* Representing 4.99% of the enlarged issued and paid-up share capital of CIMB. The CIMB Shares rank *pari passu* in all respect with the existing CIMB Shares except that they were not entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which was prior to the date of allotment of the new CIMB Shares.

In addition, in view of the Listing, an additional payment may be payable by CAHB to BPM in cash ("Additional Payment 2") in respect of the 21,412,600 Commerce International Shares acquired by cash. Where the offer consideration (computed based on the offer price for the Restricted Offer for Sale and the number of CIMB Shares equivalent to the Commerce International Shares acquired by cash under the BPM Acquisition) ("Offer Consideration 2") is greater than the cash purchase consideration of RM90,147,046, the additional payment is calculated based on the difference between the Offer Consideration 2 and the cash purchase consideration.

**6. RESTRUCTURING AND LISTING SCHEME (Cont'd)**

The Additional Payment 2 shall be paid by CAHB to BPM no later than 7 days from the date of CAHB's receipt of proceeds from the Restricted Offer for Sale. However, CAHB is to compensate interest foregone ("Interest") to BPM calculated based on the 3-month fixed deposit rate of Malayan Banking Berhad prevailing on the date the 37,342,800 Commerce International Shares are transferred to CAHB ("Transfer Date") as follows:

- (a) in respect of the cash consideration, from the Transfer Date to the actual payment of the cash consideration; and
- (b) in respect of the Additional Payment 2, if applicable, from the date of signing of the underwriting agreement in respect of the Restricted Offer for Sale to the actual payment of the Additional Payment 2.

The relevant Interest shall be paid by CAHB to BPM within 7 days of the actual payment date of the cash consideration and Additional Payment 2.

The BPM Acquisition shall be aborted and the Share Sale Agreement signed will be terminated in the event any of the following takes place:

- (a) the Prospectus is not issued on or before 31 January 2003; and
- (b) the Prospectus is issued on or before 31 January 2003 but the Listing does not take place within 6 months or such mutually extended period from its issuance.

Upon termination of the BPM Acquisition the following shall ensue:

- (a) CAHB shall procure the transfer by CIMB to BPM the 37,342,800 Commerce International Shares in exchange of the transfer of the CIMB Shares issued to BPM as part consideration of the BPM Acquisition; and
- (b) CAHB shall be released from its obligation to pay the cash consideration, which forms part of the purchase consideration of the BPM Acquisition, the Additional Payment 2 and the Interest.

The BPM Acquisition was completed on 26 November 2002 save and except that the Additional Payment 2, if applicable, is payable in accordance with the terms as set out above. In the event the Additional Payment 2 is payable but not paid, BPM shall only have a right to claim for the payment of the Additional Payment 2 and shall have no claim whatsoever on the 21,412,600 Commerce International Shares, which are the subject of the BPM Acquisition which were acquired by cash.

The cash portion of the purchase consideration for the BPM Acquisition was funded from CAHB's internally generated funds.

The 37,342,800 Commerce International Shares were acquired by CAHB free from any mortgage, charge, pledge, lien or other security interest and any other third party interests or rights and shall not be subject to any options and/or pre-emptive rights other than to CAHB and together with all rights and benefits attaching thereto from the date of completion of the BPM Acquisition. Other than as stated above and arising from further consolidation of Commerce International as a subsidiary of CAHB, CAHB will not assume any further liabilities arising from the BPM Acquisition.

Upon completion of the BPM Acquisition, Commerce International became a wholly-owned subsidiary of CAHB.

## 6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

### 6.1.3 Acquisition of Commerce International

On 27 November 2002, CAHB entered into a Share Sale Agreement with its wholly-owned subsidiary, CIMB, for the disposal of CAHB's entire equity interest in Commerce International comprising 319,242,000 Commerce International Shares to CIMB upon completion of the BPM Acquisition for a total purchase consideration of RM1,343,703,288 which was satisfied wholly by the issuance of 849,999,998 new CIMB Shares, credited as fully paid-up, at an issue price of approximately RM1.58 per new CIMB Share. The Acquisition of Commerce International was completed on 27 November 2002.

The purchase consideration was arrived at based on the audited net assets of the Commerce International Group as at 31 December 2001 of RM1,343,703,288.

The 319,242,000 Commerce International Shares were acquired free from any mortgage, charge, pledge, lien or other security interest and any other third party interests or rights, and together with all rights and benefits attaching thereto from the date of completion of the Acquisition of Commerce International.

The new CIMB Shares issued pursuant to the Acquisition of Commerce International ranks pari passu in all respect with each other and with the existing CIMB Shares except that they were not entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which was prior to the date of allotment of the new CIMB Shares.

Upon completion of the Acquisition of Commerce International, the issued and paid-up share capital of CIMB increased from RM2 comprising 2 CIMB Shares to RM850,000,000 comprising 850,000,000 CIMB Shares.

Subsequent to the UFJ Acquisition, BPM Acquisition and the Acquisition of Commerce International, Commerce International became wholly-owned by CIMB, which in turn is 95.01% owned by CAHB. The balance of the 4.99% equity interest in CIMB is held by BPM.

BPM, as one of the founder shareholders of Commerce International has shown continued support for the CIMB Group by keeping a 4.99% equity in CIMB.

Further, BPM takes a long term view in relation to its investment in CIMB. Pursuant thereto, it has indicated that it would not dispose off any of its 42,415,000 CIMB Shares within a 6 month period from the date of admission of CIMB to the Official List of the KLSE.

### 6.1.4 Restricted Offer for Sale

Following the Acquisition of Commerce International and in conjunction with the Listing, the Offeror proposes to undertake a restricted offer for sale of 128,785,000 CIMB Shares to the Public Shareholders and 1,150,000 CIMB Shares to the Non Executive Directors and Company Secretary at an offer price of RM1.75 as follows:

	<b>No. of CIMB Shares to be offered</b>	<b>Percentage of CIMB's enlarged share capital (%)</b>
Public Shareholders	128,785,000	15.15
Non Executive Directors and Company Secretary	1,150,000	0.14
	129,935,000	15.29

## 6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

The 128,785,000 CIMB Shares is offered to the Public Shareholders on a pro-rata basis based on their respective shareholdings in CAHB as at 28 November 2002. The basis of allocation is 1 CIMB Share for every 8 existing CAHB Shares held by the Public Shareholders based on the 903,820,660 CAHB Shares held by shareholders of CAHB falling within the definition of Public Shareholders as at 28 November 2002.

Fractions of a share arising from the Restricted Offer for Sale to Public Shareholders will be dealt with by the Board of CAHB and CIMB as they may deem fit. **Based on the entitled shareholders as at 28 November 2002 and the offer ratio above, there will be 15,807,417 CIMB Shares available for excess application.** The initial allocation of the CIMB Shares available for excess application shall be for the purpose of minimising the incidences of odd lots whilst the balance shall be allocated at the discretion of the Board of CIMB and/or the Offeror.

The allocation of CIMB Shares to the Non-Executive Directors is based on their respective length of service computed from the date of appointment up to 31 August 2002 (applicable to Non-Executive Directors of CAHB) and up to the entitlement date of 31 August 2002 (applicable to Non-Executive Directors of CIMB and its subsidiaries) by the Board of CAHB as follows:

<b>Duration</b>	<b>Entitlement No. of CIMB Shares (up to)</b>
Less than 2 years	50,000
2 to less than 5 years	100,000
5 to 10 years	150,000
> 10 years	200,000

The proposed allocation to the Non-Executive Directors of CAHB and CIMB and its subsidiaries for the aforesaid, is as follows:

### CAHB

<b>Name</b>	<b>Designation</b>	<b>Length of service as at 31 August 2002</b>	<b>Allocation No. of CIMB Shares</b>
Dato' Mohd Desa bin Pachi	Director of CAHB	19 years and 11 months	200,000
Dr. Rozali bin Mohamed Ali	Director of CAHB and CIMB	9 years and 1 month	150,000
Dato' Anwar bin Aji	Director of CAHB	3 years and 3 months	100,000
Mohd Salleh bin Mahmud	Director of CAHB	1 year and 6 months	50,000
Tan Sri Datuk Asmat bin Kamaludin	Director of CAHB	1 year and 2 months	50,000
Masayuki Kunishige	Director of CAHB	3 months	50,000
Azizan bin Mohd Noor	Director of CAHB	2 months	50,000
			650,000

## 6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

### CIMB and its subsidiaries

Name	Designation	Length of service as at 31 August 2002	Allocation No. of CIMB Shares
Dato' Mohd Rosli bin Abdul Aziz	Director of Commerce International	9 years 8 months	150,000
Dato' Hamzah bin Bakar	Director of CIMB	1 year 11 months	50,000
Dato' Halim @ Ahmad bin Muhamat	Director of CIMB	1 year 7 months	50,000
Nicholas Rupert Heylett Bloy	Director of Commerce International	1 year 6 months	50,000
Dato' Dr. M. Shanmughalingam	Director of CIMBDH and CIMBL	1 month	50,000
Charon Wardini bin Mokhzani	Director of CIMB	*	50,000
			400,000

Note:

\* Charon Wardini bin Mokhzani was only appointed to the Board of Directors of CIMB on 27 November 2002

The proposed allocation to the Company Secretary of CAHB is as follows:

Name	Designation	Length of service as at 31 August 2002	Allocation No. of CIMB Shares
Jamil Hajar bin Abdul Muttalib	Company Secretary of CAHB	10 years 9 months	100,000

All the Non-Executive Directors and Company Secretary have undertaken to take-up in full their respective entitlements to be allocated to them.

### The Restricted Offer for Sale to the Public Shareholders is non-renounceable.

The total gross proceeds from the Restricted Offer for Sale shall accrue entirely to CAHB and all expenses relating to the Offer Shares (which includes the underwriting expenses) shall be borne by CAHB, save and except for the portion of underwriting expense which shall be borne by UFJ in accordance with the terms of the Share Sale Agreement entered into between CAHB and UFJ on 28 August 2002.

#### 6.1.5 Employee Equity Scheme

Concurrent with the Listing and to facilitate the CIMB Group Employees' equity participation in the Group, CAHB will establish an employee equity scheme for the CIMB Group Employees to reward their contribution to the CIMB Group.

The salient details of the EES are as follows:

- (i) to participate in the EES, each Employee will be required to pay RM2.00 as acceptance of the CIMB Shares offered pursuant to the terms of EES ("Entitlements"). With the payment of RM2.00 by each Employee, they are deemed to have accepted CAHB's offer to sell the CIMB Shares to them vide the EES and legal ownership to those CIMB Shares would pass from CAHB to the Employees;

**6. RESTRUCTURING AND LISTING SCHEME (Cont'd)**

- (ii) Entitlements which are not accepted by certain Employees will be re-allocated to the remaining Employees at the discretion of the Board of Directors of CIMB and CAHB;
- (iii) on the allotment date for the Restricted Offer for Sale, the issuing house for the Listing would allocate the 41,300,000 CIMB Shares under the EES to the respective Employees who will participate in the EES according to their Entitlements;
- (iv) the tenure of the EES is from the acceptance of the Entitlements by Employees up to 30 November 2006;
- (v) as the Employees have not paid for their CIMB Shares at the point of acceptance of Entitlements, the Employees will be required, as part of the EES to do the following:
  - (a) assign all distributions which are made by CIMB to CAHB (e.g. dividends and bonus). The assignment is in respect of distributions only and do not affect the Employees' other rights such as the right to vote and the right to sell their CIMB Shares;
  - (b) open a CDS account with a nominee company, which will either be CIMSEC Nominees (Tempatan) Sdn Bhd or CIMSEC Nominees (Asing) Sdn Bhd (collectively known as the "Nominee") with whom their Entitlements will be allotted to by the issuing house;
  - (c) provide an irrevocable undertaking that they will not transfer their CIMB Shares in their CDS accounts with the Nominee to any other CDS accounts; and
  - (d) provide an irrevocable undertaking that in the event they leave the employment of the CIMB Group, become bankrupt or die during the EES Period, authority is given to the Nominee to allow the Nominee to accept instructions from CAHB to either:
    - sell their Entitlements or any balance thereof remaining unexercised within 10 Market Days after the last day of the Employee's employment. Net proceeds from such disposals will accrue to CAHB; or
    - re-allocate all their Entitlements or any balance thereof remaining unexercised to other Employees within the EES nominated by CAHB at its discretion within 10 Market Days;
- (vi) as the Employees have not paid for their CIMB Shares at the point of acceptance of their Entitlements, a charge will be created over the CIMB Shares in favour of CAHB;
- (vii) the Employees can sell any of their CIMB Shares at any time subject to the selling price being equal to or above the aggregate of the Strike Price and relevant transaction costs. Where the Employees wishes to sell below the Strike Price, the Employees will be required to deposit an amount equivalent to the aggregate of the Strike Price and the transaction costs relating to such sale with the Nominee at the point of issuing the selling instructions;
- (viii) the Strike Price will be on a step-up basis starting with the same price as the offer price of the Restricted Offer for Sale and increasing on a step-up basis of approximately 5% from 1 December of every calendar year during the EES Period;

## 6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

As an illustration, based on the Restricted Offer for Sale price of RM1.75 per share, the Strike Price over the EES Period is as follows:

<i>Timing</i>	<i>From acceptance of Entitlements up to 30 November 2003</i>	<i>From 1 December 2003 to 30 November 2004</i>	<i>From 1 December 2004 to 30 November 2005</i>	<i>From 1 December 2005 to 30 November 2006</i>
	<i>Strike Price</i>	1.75	1.84	1.93

- (ix) there is no restriction on the Employees selling any of their CIMB Shares. Proceeds from all disposals will be received by the Nominee. The Nominee will then release the proceeds from the disposals to the Employees (less the total Strike Price and transaction costs, i.e. "Net Proceeds") over the EES Period subject to the following percentages:

<i>From acceptance of Entitlements up to 30 November 2003</i>	<i>From 1 December 2003 to 30 November 2004</i>	<i>From 1 December 2004 to 30 November 2005</i>	<i>From 1 December 2005 to 30 November 2006</i>
25% <sup>*1</sup>	25% <sup>*1/*2</sup>	25% <sup>*1/*2</sup>	25% <sup>*1/*2</sup>

**Notes:**

<sup>\*1</sup> Based on the Net Proceeds from disposal(s) of up to 25% of total Entitlements.

<sup>\*2</sup> Where the percentage for a particular period is not fully utilised, the percentage not utilised shall be carried forward to the next period and shall not be subject to the maximum percentage for the next period.

- (x) the balance of any Net Proceeds not released to an Employee will be placed in an interest bearing account for the benefit of the Employee. On 1 December of each calendar year, the Nominee will release the Net Proceeds attributable to that period together with the relevant interest earned to the Employee;
- (xi) in the event of any capital distribution (as defined hereunder), rights issues, consolidation of shares or capital reduction exercises by CIMB during the EES Period, CAHB may, as it deems fit, adjust the Employees' Entitlements and/or the Strike Price to ensure that the Employees continue to enjoy an equitable proportion of the capital of CIMB.

For the purpose of this clause, "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of CIMB Shares. Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless the aggregate dividends for the financial year is less than 3% of the nominal value of the CIMB Shares;

- (xii) Employees who leave the employment of the CIMB Group, becomes bankrupt or die will "forfeit" (will not be entitled to) their Entitlements or any balance thereof remaining unexercised. Any Net Proceeds remaining in an interest bearing account for the account of such Employees will also be forfeited in favour of CAHB. The Nominee may dispose of the relevant CIMB Shares on the KLSE or place them out to investors who are deemed to be public within 10 Market Days at the instructions of CAHB. Alternatively, CAHB may, at its discretion instruct the Nominee to transfer the CIMB Shares to other Employees subject to the other Employees' Entitlements not exceeding 5% of CIMB's issued share capital upon re-allocation;



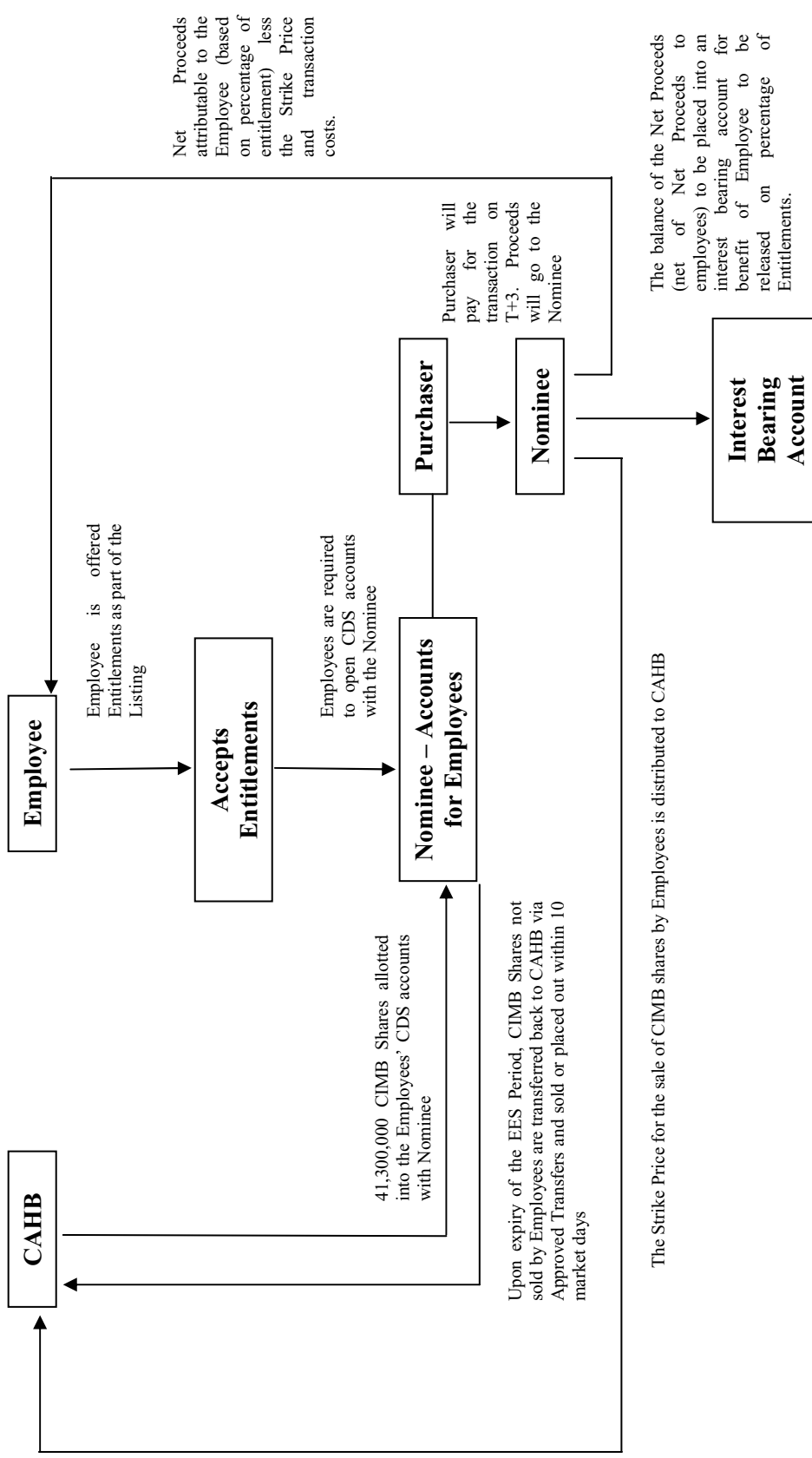
**6. RESTRUCTURING AND LISTING SCHEME (Cont'd)**

- (xiii) on the expiry of the EES Period, any CIMB Shares in the EES not sold by the Employees would be transferred back to CAHB via Approved Transfers and these shares may be sold on the KLSE or placed out to investors who are deemed to be public at the prerogative of CAHB within 10 Market Days;
- (xiv) the allocation of the Entitlements are based on certain criteria which are accorded a number of points, the total of which would determine an Employee's Entitlements. The criteria which have been taken into consideration are as follows:
- the performance of the Employees. Employees' performance for the past 3 years are taken into consideration with particular emphasis on current year's performance. The Employees' performances are graded in the following bands:  
  
Below Average; or  
Average; or  
Good; or  
Excellent;
  - the seniority of the Employees. Employees are ranked in accordance with their job grades and their level of seniority within that grade;
  - the length of service of the Employees. A base of 4 different bands of length of service have been used in determining this criteria, as set out below:  
  
0 - 2 years; or  
>2 - 5 years; or  
>5 - 10 years; or  
>10 years; and
- (xv) the total number of Employees eligible for the EES will be based on the Employees as at 15 November 2002.

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6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

A diagrammatic illustration of the implementation of the EES is set out below:



## 6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

### 6.1.6 Executive ESOS

CIMB had on 27 August 2002 and 11 November 2002 obtained the approval of the SC to establish an Executive ESOS to motivate, reward and retain Eligible Executives, whose services are vital to the operation and continued growth of the CIMB Group. The Company had on 26 November 2002 obtained its shareholder's approvals to establish the Executive ESOS and allocation to members of the Key Management as set out in Section 3.2 herein.

The number of Executive ESOS Options to be offered under the Executive ESOS shall not exceed 10% of the issued and paid-up share capital of CIMB at any one time. Based on the enlarged issued and paid-up share capital of CIMB of RM850,000,000 comprising 850,000,000 CIMB Shares, the number of new CIMB Shares to be issued pursuant to the Executive ESOS is 85,000,000.

The new CIMB Shares to be issued pursuant to the Executive ESOS shall, upon issue and allotment rank *pari passu* in all respects with the existing CIMB Shares save and except that they will not be entitled to participate in any dividends, rights, allotments, and/or any other distributions that may be declared where the entitlement date precedes the date of allotment of the new CIMB Shares.

In accordance with the SC Guidelines on Employee Share Option Schemes, the Executive ESOS can be launched or implemented upon receipt of relevant approvals from the SC, KLSE and shareholder(s) of CIMB, the fulfilment of any conditions attached thereto and upon the adviser for the Executive ESOS submitting to the SC the following

- (i) a final copy of the By-Laws; and
- (ii) a confirmation letter from the adviser that CIMB has:
  - (a) fulfilled the SC's conditions of approval for the Executive ESOS and that its By-Laws do not contravene any of the provision of the SC Guidelines on Employees Share Option Scheme; and
  - (b) obtained other relevant approvals for the Executive ESOS and has fulfilled any conditions imposed therein;

and shall thereafter continue for a period of 5 years from the date the Executive ESOS is implemented, subject however, to extensions at the discretion of the Option Committee for a period of up to 5 years commencing from the day after the date of expiration of the original 5 year period.

An application will be made to the KLSE within 3 market days from the date of this Prospectus, to procure the KLSE's approval-in-principle for the listing of the new CIMB Shares that may be issued upon the exercise of the Executive ESOS Options together with the application for admission of CIMB Shares to the Official List of the Main Board of the KLSE and for permission to deal in and for the listing of and quotation for the entire issued and paid-up share capital of CIMB.

Under SC Guidelines, the exercise/conversion price of any options or convertibles that are intended to be issued as part of the listing scheme should be set at a price not lower than the public offer price of the ordinary shares of the company. Accordingly, where the Executive ESOS Options are granted before the Company is listed on the KLSE, the Executive ESOS Subscription Price shall not be less than the offer price. Where the Executive ESOS Options are granted on or after the Company is listed on the KLSE, the Executive ESOS Subscription Price shall be at the higher of:

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**6. RESTRUCTURING AND LISTING SCHEME (Cont'd)**

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- (i) the weighted average market price of the CIMB Shares as shown in the Daily Official List of the KLSE for the 5 market days immediately preceding the date at which Executive ESOS Options are granted to an Eligible Executive to participate in the Scheme by the Option Committee with an allowance for a discount of not more than 10% subject to adjustments in accordance with the By-Laws; or
- (ii) the par value of the CIMB Shares.

Generally, under an employee share option scheme, an employee who exercises his options will normally experience a time lag of approximately 3 weeks before the new shares are credited into his CDS account. The employee always runs the risk that in the period subsequent to him exercising his options but prior to the crediting of the new shares into his CDS account, there is an adverse movement in the market price of the shares.

As part of the Executive ESOS, CAHB (who is a substantial shareholder of CIMB) will allocate a certain quantum of its CIMB Shares (up to 10% of the issued and paid-up share capital of CIMB at any one time) into a specific CDS account with a nominee company (the same Nominee as for the EES) to facilitate the immediate selling by the Eligible Executives who are granted Executive ESOS Options and wish to exercise their Executive ESOS Options.

The Selling Flexibility is proposed to mitigate the above risk for the Grantees of the Executive ESOS. As such, it represents a buffer against adverse movement in the market price of CIMB Shares that CAHB will accord to the Eligible Executives.

The salient terms of the Selling Flexibility are as follows:

- (i) CAHB will set aside a pool of shares into a CDS account with the Nominee for the purpose of facilitating the selling by the Grantees;
- (ii) Grantees who wish to participate in the Selling Flexibility are required to open a CDS account with the Nominee;
- (iii) a Grantee may elect not to participate in the Selling Flexibility;
- (iv) Grantees will be given the opportunity to participate in the Selling Flexibility upon exercising their Executive ESOS Options. To exercise their Executive ESOS Options the Grantee must give an exercise notice to CIMB. In each of the exercise notice, there will also be an irrevocable authorisation and instruction for the Nominee to sell CIMB Shares at any price not below a certain strike price ("Minimum Price"). The Minimum Price represents the aggregate of the Executive ESOS Subscription Price and relevant transaction costs;
- (v) upon receipt of the exercise notice ("Exercise Date"), the Nominee must transfer CIMB Shares via Approved Transfers equivalent to the Executive ESOS Options exercised from CAHB's CDS account with the Nominee to the Grantee's CDS account with the Nominee;
- (vi) simultaneous with the transfer, the Nominee must sell the CIMB Shares at a price not below the Minimum Price. The CIMB Shares exercised must be transferred and deposited into the Grantee's CDS account no later than 12.30pm on the 2nd Market Day following the Exercise Date or within such time period as to ensure that the CIMB Shares shall be transferred to the purchaser's securities account and vested in him within the time period provided under the KLSE's trading rules;

**6. RESTRUCTURING AND LISTING SCHEME (Cont'd)**

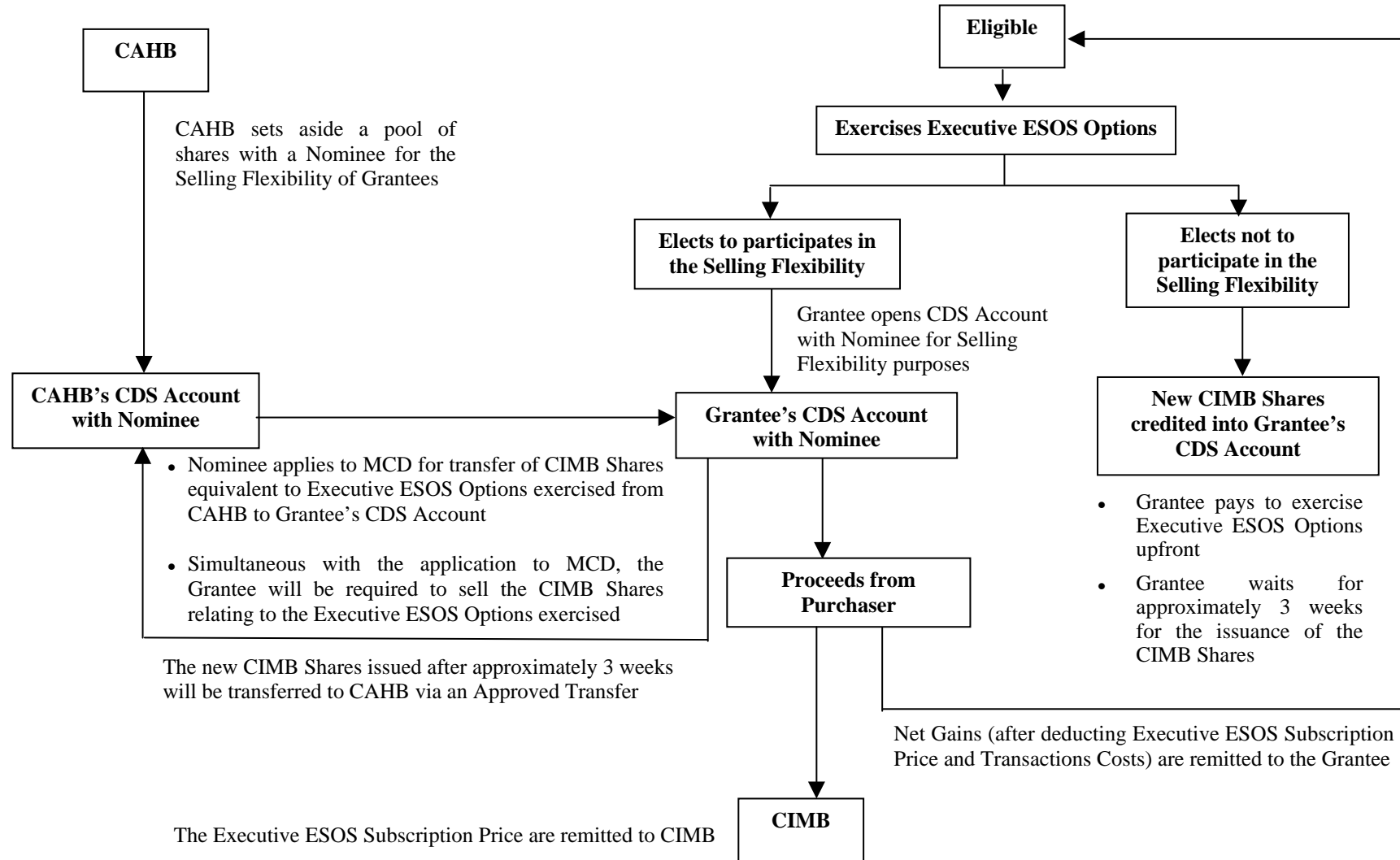
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- (vii) proceeds from all disposals will be received by the Nominee. The Nominee will release the proceeds to the Eligible Executives (net of transaction costs and the Executive ESOS Subscription Price which is remitted to CIMB) after the new CIMB Shares pursuant to the exercise of the Executive ESOS Options have been transferred back to CAHB as described in note (viii) below;
- (viii) upon the issue and allotment of the new CIMB Shares arising from the exercise of the Executive ESOS Options to the Eligible Executives, these shares would be transferred back to CAHB via Approved Transfer; and
- (ix) if any of the CIMB Shares cannot be sold within 2 Market Days from and including the Exercise Date, the Nominee must transfer the unsold CIMB Shares back to the Executive ESOS pool account by way of an Approved Transfer. These shares transferred back shall be deemed not to be exercised by the Eligible Executive, and therefore shall be exercisable by the Eligible Executive at a later date.

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6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

A diagrammatic illustration of the implementation of the Selling Flexibility is set out below:



## 6. RESTRUCTURING AND LISTING SCHEME (Cont'd)

The Directors of CIMB intend to utilise the proceeds from the exercise of the Executive ESOS Options as and when received for working capital purposes.

Further details of the Scheme, which are contained in the By-Laws, are set out in Section 15 of this Prospectus.

### 6.1.7 Listing and Quotation

Pursuant to paragraphs 6.1.1 to 6.1.6, an application will be made for the admission to the Official List of the KLSE and the listing of and quotation for the entire issued and paid-up share capital of CIMB of RM850,000,000 comprising 850,000,000 ordinary shares of RM1.00 each and of the new CIMB Shares that may be issued upon the exercise of the Executive ESOS Options on the Main Board of the KLSE.

## 6.2 CEO Option

In conjunction with the Listing, the Board of CAHB granted a share option to the Chief Executive of Commerce International to purchase 42,000,000 CIMB Shares ("Option Shares") held by CAHB representing approximately 4.94% of the issued and paid-up share capital of CIMB as at the date of the listing of CIMB.

The salient terms of the CEO Option are as follows:

- (i) The option period shall commence on the date of the listing of and quotation for the issued and paid-up share capital of Commerce International on the KLSE and ending on the earlier of:
  - (a) the day prior to the 5th anniversary thereof; and
  - (b) the date on which the Chief Executive of Commerce International ceases to hold any executive post in any company within the CAHB Group or the CIMB Group only by reason of his voluntary resignation becoming effective or the lawful termination of his employment with just cause or excuse ("Option Period").
- (ii) The exercise price of the option granted pursuant to the CEO Option will be on a step-up basis starting with the initial exercise price and increasing on a step-up basis of 5% for each subsequent annual period of the Option Period ("Option Price"). The initial Option Price is RM1.63 and is based on the audited net asset value of the Commerce International Group as at 30 June 2002 of RM1.38 billion over the enlarged share capital of CIMB. Proforma NTA per share of the CIMB Group as at 30 June 2002 is RM1.59 per CIMB Share after adjusting for estimated listing expenses of RM2.5 million and a payment of net dividend amounting to RM9.769 million by Commerce International on 20 September 2002.
- (iii) The Option Price of the CEO Option shall increase annually as follows:

Timing	Period commencing on the date of listing of CIMB up to the date prior to the next anniversary				
	Second annual period	Third annual period	Fourth annual period	Fifth annual period	
Option Price	RM1.63	RM1.71	RM1.80	RM1.89	RM1.98

- (iv) The Option may be exercised by the Chief Executive of Commerce International at any time and from time to time during the Option Period up to a maximum of 20% of the total Option Shares per annual period of the Option Period. Any CEO Option unexercised can be carried forward to the next period without reducing the maximum exercisable in the next period.

**6. RESTRUCTURING AND LISTING SCHEME (Cont'd)**

Any carried forward CEO Option will be subject to the Option Price prevailing in the next period.

- (v) The Option Price and/or the number of Option Shares shall be adjusted by the Directors of CAHB after consultation with and certification by the auditors of CIMB or any other firm of auditors acceptable to CAHB and the Chief Executive of Commerce International in the event of:
- (a) an alteration of the par value of CIMB Shares by reason of any consolidation, subdivision or conversion;
  - (b) an issue of CIMB Shares by CIMB to its shareholders, credited as fully paid, by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve fund);
  - (c) a Capital Distribution (as defined below) to shareholders made by CIMB whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
  - (d) an offer or invitation made by CIMB to its shareholders whereunder they may acquire or subscribe for new CIMB shares by way of rights; or
  - (e) an offer or invitation made by CIMB to its shareholders whereunder they may acquire or subscribe for securities convertible into CIMB Shares or securities with rights to acquire or subscribe for CIMB Shares.

“Capital Distribution” shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of CIMB Shares. Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless the aggregate dividends for the financial year is less than 3% of the nominal value of the CIMB Shares.

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