

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)

MANAGEMENT'S CERTIFICATION

I hereby certify that the unaudited interim financial statements for the period from 1 October 2016 to 30 June 2017 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ('MASB') and the BNM/RH/STD 032-5: Financial Reporting issued by Bank Negara Malaysia on 28 January 2015.

On behalf of

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)

Feng Qi

Chief Executive Officer

Date:

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENT
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

	Note	Current Quarter Ended	Nine Months Ended
		30-Jun 2017 RM'000	30-Jun 2017 RM'000
Bank			
Interest income	A6	10,162	23,638
Interest expense	A7	(1,801)	(2,213)
Net interest income		8,361	21,425
Other operating income	A8	2,581	4,444
Net income		10,942	25,869
Other operating expenses	A9	(6,681)	(16,566)
Operating profit before allowances and other losses	A10	4,261	9,303
Allowance for impairment on loans, and other losses		(1,411)	(1,606)
Profit before taxation		2,850	7,697
Taxation	B5	(1,650)	(1,650)
Net profit for the financial period		1,200	6,047
Other comprehensive income in respect of:			
(i) Items that will be reclassified subsequently to profit or loss:			
Unrealised net gain on revaluation of financial investments available-for-sale ('AFS')		469	156
Income tax relating to components of other comprehensive loss		(53)	(53)
Other comprehensive income, net of tax, for the financial period		416	103
Total comprehensive income for the financial period		1,616	6,150

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		Bank
	Note	As at 30-Jun 2017
		<u>RM'000</u>
ASSETS		
Cash and short-term funds		236,953
Deposits and placements with banks and other financial institutions		514,418
Financial investments available-for-sale ('AFS')	A11	97,720
Loans and advances	A12	292,505
Other assets	A13	6,910
Derivative assets	B5	3,185
Property, plant and equipment	A16	6,132
TOTAL ASSETS		<u><u>1,157,823</u></u>
LIABILITIES		
Deposits from customers	A14/B4	322,445
Other liabilities	A15	1,500
Derivative liabilities	B5	3,425
Tax liabilities		1,650
Deferred tax liabilities		53
TOTAL LIABILITIES		<u><u>329,073</u></u>
EQUITY		
Share capital		822,600
Reserves		6,150
TOTAL EQUITY		<u><u>828,750</u></u>
TOTAL LIABILITIES AND EQUITY		<u><u>1,157,823</u></u>
COMMITMENTS AND CONTINGENCIES	A17	<u><u>884,233</u></u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

Bank	Note	Share Capital	Non-Distributable Regulatory Reserves	AFS Reserves	Distributable Retained Profits	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 October 2016		*				*
Issue of shares		822,600	-	-	-	822,600
Net profit for the financial period		-	-	156	6,047	6,203
Other comprehensive income, net of tax, for the financial period		-	-	(53)	-	(53)
Total comprehensive income for the financial period		-	-	103	6,047	6,150
Transfer to regulatory reserves			1,923		(1,923)	-
Balance as at 30 June 2017		822,600	1,923	103	4,124	828,750

* On date of incorporation, 2 subscribers' shares were issued for cash consideration of RM1 each

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

Nine Months Ended

	30-Jun 2017
	RM'000
Bank	
Cash flows from operating activities	
Profit before taxation	7,697
Adjustments for:	
Allowance for impairment on loans and advances	1,606
Depreciation of property, plant and equipment:	776
Accretion of discounts net of amortisation of premiums on financial investments AFS	422
Net unrealised foreign exchange gain	(1,145)
Unrealised loss arising from derivatives	1,329
Operating profit before working capital changes	<u>10,685</u>
 (Increase)/Decrease in operating assets:	
Deposits and placements with banks and other financial institutions	(514,418)
Derivative Assets	56
Loans and advances	(294,111)
Other assets	(6,910)
	<u>(815,383)</u>
 Increase in operating liabilities:	
Deposits from customers	322,445
Other liabilities	1,500
	<u>323,945</u>
 Cash used in operations	<u>(480,753)</u>
Net cash used in from operating activities	<u>(480,753)</u>
 Cash flows from investing activities	
Net purchase of financial investments AFS	(97,986)
Property, plant and equipment:	
- Purchase	(6,908)
Net cash used in investing activities	<u>(104,894)</u>
 Cash flows from financing activities	
Proceeds from issuance of share capital	822,600
Net cash generated from financing activities	<u>822,600</u>
 Net increase in cash and cash equivalents	236,953
Cash and cash equivalents:	
- at the beginning of the financial period	-
- at the end of the financial period	<u><u>236,953</u></u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

A1. Basis Of Preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, and 'Interim Financial Reporting' issued by Malaysian Accounting Standards Board ('MASB').

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since incorporation. The interim financial statements does not include notes of the type normally included in an annual financial report.

The adoption of the new standards, amendments to published standards and interpretations are not expected to have significant impact on the financial results of the Bank.

The preparation of unaudited interim financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

A2 Seasonal Or Cyclical Factors

The business operations of the Bank have not been affected by any material seasonal or cyclical factors.

A3 Exceptional Or Unusual Items

There were no exceptional or unusual items for the period from 1 October 2016 to 30 June 2017.

A4 Changes In Estimates

There were no material changes in estimates that have a material effect for the period from 1 October 2016 to 30 June 2017.

A5 Changes In Debt and Equity Securities

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period from 1 October 2016 to 30 June 2017, other than as disclosed below:

(a) Changes in equity securities

- (i) On 1 October 2016, 2 subscribers' shares were issued for cash consideration of RM1 each. The shares were subsequently transferred to China Construction Bank Corporation on 11 October 2016; and
- (ii) On 10 October 2016, the Bank issued 822,600,000 ordinary shares of RM1.00 each at par to the holding corporation

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

A6. Interest Income

	Current Quarter Ended	Nine Months Ended
	30 June	30 June
	2017	2017
Bank	RM'000	RM'000
Loans and advances	2,296	2,313
Deposits and placements with banks and other financial institutions	6,662	19,615
Financial investments AFS	1,204	1,710
	<u>10,162</u>	<u>23,638</u>

A7. Interest Expense

Bank		
Deposits and placements of banks and other financial institutions	483	770
Deposits from customers	1,318	1,443
	<u>1,801</u>	<u>2,213</u>

A8. Other Operating Income

Bank		
Fee income		
- Service charges and fees	2	2
- Guarantee fees	260	314
- Commitment fees	627	627
- Other fee income/(expenses)	(22)	1,548
	<u>867</u>	<u>2,491</u>
Net gain/(loss) arising from derivatives		
- Realised	3,701	3,701
- Unrealised	(1,329)	(1,329)
	<u>2,372</u>	<u>2,372</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

A8. Other Operating Income (continued)

	Current Quarter Ended	Nine Months Ended
	30 June	30 June
	2017	2017
Bank (continued)	RM'000	RM'000
Other income		
Foreign exchange gain/(loss):		
- Realised	(1,865)	(1,567)
- Unrealised	1,204	1,145
Other non-operating income	3	3
	<u>(658)</u>	<u>(419)</u>
	<u>2,581</u>	<u>4,444</u>

A9. Other Operating Expenses

Bank

Personnel costs

- Salaries, allowances and bonuses	4,103	5,503
- Defined contribution plan	382	382
- Other staff related costs	304	304
	<u>4,789</u>	<u>6,189</u>

Establishment costs

- Depreciation of property, plant and equipment:	447	776
- Rental of premises	501	501
- Rental of equipment	29	29
- Insurance	24	24
- Water and electricity	17	17
- Repair and maintenance	8	8
- Security and escorting expenses	24	24
- Information technology expenses	85	1,233
	<u>1,135</u>	<u>2,612</u>

Marketing expenses

- Advertisement and publicity	-	264
- Others	62	62
	<u>62</u>	<u>326</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

A9. Other Operating Expenses (continued)

Bank	Current Quarter Ended 30 June 2017 RM'000	Nine Months Ended 30 June 2017 RM'000
Administration and general expenses		
- Communication expenses	206	206
- Legal and professional fee	37	37
- Others	452	7,196
	<u>695</u>	<u>7,439</u>
	<u>6,681</u>	<u>16,566</u>

A10. Allowance for Impairment on Loans and advances

Bank		
Allowance for impaired loans:		
- Collective impairment allowance	<u>1,411</u>	<u>1,606</u>
	<u>1,411</u>	<u>1,606</u>

A11. Financial Investments Available-For-Sale ('AFS')

Bank	As at 30 June 2017 RM'000
At fair value	
<u>Money market instruments:</u>	
Malaysian Government Securities	<u>97,720</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

A12. Loans and Advances

(a) By type

	As at 30 June 2017
	RM'000
Bank	
At amortised cost	
Term loans	
- Syndicated term loans	97,595
- Other term loans/financing	77,317
Trust receipts	21,603
Revolving credits/financing	97,596
Gross loans and advances	<u>294,111</u>
Allowance for impaired loans and advances	
- Collective impairment allowance	(1,606)
Net loans and advances	<u><u>292,505</u></u>

(b) By type of customer

Bank	
Domestic business enterprises	216,794
Government and statutory bodies	77,317
	<u>294,111</u>

(c) By geographical distribution

Bank	
Malaysia	216,794
United Arab Emirates	77,317
	<u>294,111</u>

(d) By interest/profit rate sensitivity

Bank	
Variable rate	
- Cost-plus	294,111
	<u>294,111</u>

(e) By purpose

Bank	
Working capital	77,399
Merger and acquisition	70,784
Other purposes	145,928
	<u>294,111</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

A12. Loans and Advances (continued)

(f) By remaining contractual maturities

Bank	As at 30 June 2017 RM'000
Maturity within one year	119,199
One year to three years	-
Three years to five years	148,101
Over five years	26,811
	<u>294,111</u>

(g) Impaired loans and advances

Collective impairment allowance

Balance as at 1 October 2016	-
Net allowance made	1,606
Balance as at the end of financial year	<u>1,606</u>

A13. Other Assets

Bank

Interest receivables	3,512
Other receivables	3,248
Prepayments	150
	<u>6,910</u>

A14. Deposits from Customers

(a) By type of deposits

Bank

Demand deposits	239,595
Fixed/investment deposits	82,850
	<u>322,445</u>

(b) By type of customer

Bank

Business enterprises	<u>322,445</u>
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CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

A14. Deposits from Customers (continued)

	As at 30 June 2017
Bank	RM'000
(c) By maturity structure of fixed/investment deposits	
Bank	
Due within six months	3,029
Six months to one year	77,477
One year to three years	2,344
	<u>82,850</u>

A15. Other Liabilities

Bank	
Interest payable	823
Other creditors and accruals	581
Amount due to related companies	96
	<u>1,500</u>

A16. Valuation of Property, Plant and Equipment

The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

A17. Commitments and Contingencies

Bank	30 June 2017		
	Principal	Credit	Risk Weighted
	Amount	Amount	Assets
	RM'000	RM'000	RM'000
Trade Related Contingencies	69,251	13,850	13,850
Foreign exchange related contracts			
One year or less	776,118	10,245	4,809
Other commitments, such as formal standby facilities			
Maturity not exceeding one year	32,322	16,161	16,161
More than one year	6,542	1,308	664
	<u>884,233</u>	<u>41,564</u>	<u>35,484</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

A18. Capital Adequacy Ratio

BNM Guidelines on capital adequacy requires the Bank to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

(a) The capital adequacy ratios of the Bank is as follow:

	As at 30 June 2017
Bank	RM'000
Common Equity Tier I ('CET I')/Tier I Capital	
Paid-up ordinary share capital	822,600
Available-for-sale reserves	103
	<hr/> 822,703
Regulatory adjustment applied in the calculation of CET 1 Capital	
(Less): Regulatory reserve attributable to loans/financing	(1,923)
(Less): 55% of cumulative gains of AFS instruments	(57)
(Less): Other Intangibles	(1,992)
	<hr/> 818,731
Common Equity Tier 1 (CET1) and Tier 1 Capital	
Tier II Capital	
Collective impairment allowance and regulatory reserves	3,529
	<hr/> 3,529
Total Tier II Capital	<hr/> 3,529
Total Capital	<hr/> <hr/> 822,260
<u>Capital ratios</u>	
Before proposed dividends:	
CET I Capital Ratio	139.595%
Tier I Capital Ratio	139.595%
Total Capital Ratio	140.197%

Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II - RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

^ Excludes collective impairment allowance attributable to loans and advances classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on 'Classification and Impairment Provisions for Loans/Financing'.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

A18. Capital Adequacy Ratio (continued)

(b) The breakdown of risk-weighted assets in the various categories of risk-weights are as follows;

Bank	As at 30 June 2017 RM'000
Credit risk	438,121
Market risk	99,877
Operational risk	48,505
Total risk-weighted assets	<u><u>586,503</u></u>

The total risk-weighted assets of the Bank are computed based on BNM's Guideline on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

A19. Credit exposures arising from transactions with connected parties

Credit exposures with connected parties as per BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

Bank	As at 30 June 2017
Outstanding credit exposures with connected parties (RM'000)	<u><u>4,584</u></u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<u><u>0.39%</u></u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default (%)	<u><u>-</u></u>

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

B1. Review of Bank's Results

As of the end of June 2017, China Construction Bank (Malaysia) Berhad ("CCBM")'s total assets is MYR 1.16 billion with stable execution progress. The main assets components are loans (MYR 293 million), interbank placement (MYR 751 million) and debt securities (MYR 97 million). Whilst total liabilities is MYR 329 million mainly consists of corporate deposit (MYR 322 million).

In the current quarter, CCBM achieved profit before tax of MYR 2.8 million, of which net interest income is MYR8.4 million, and non interest income MYR 2.6 million with incremental of 32 % revenue quarter to quarter.

Based on the average balance of incremental assets in current quarter, the return on assets is about 0.5%. The overall ROE is expected to gradually improve quarter to quarter following the growth of the loan size of CCBM.

CCBM will continue to settle the remaining preparatory expenses with Head Office and the impact of the settlement would be gradually reflected in the subsequent quarterly result.

B2. Prospects for Financial Year 2017

In year 2017 CCBM will focus on head office direction for overseas development strategy based on the Malaysian and the ASEAN market that includes the following:

- 1) Actively cooperate with "One Belt One Road" strategy, in supporting the development of related infrastructure projects, trade financing business, strengthen product innovation.
- 2) Cooperation with local banks to expand cross-border RMB settlements business and strengthen RMB capital market in the local financial market, actively promote QFII / RQFII investment, increase the volume of foreign RMB funds, enrich the overseas RMB investment channels.
- 3) Develop and strengthen cash management business with corporate customers, provide short-term financing, investment and related financial services riding on the supply chain relationship.
- 4) Strive to develop overseas markets, cooperate with CCB foreign branches and subsidiaries, provide more opportunities and diversified financial services for cross-border corporate clients.

B3. Taxation

Bank	Current Quarter Ended 30 June 2017 RM'000	Nine Months Ended 30 June 2017 RM'000
Income tax	1,650	1,650
	<u>1,650</u>	<u>1,650</u>

The effective tax rate of the Bank for the nine months ended 30 June 2017 was lower than the statutory tax rate.

CHINA CONSTRUCTION BANK (MALAYSIA)
NOTES TO INTERIM FINANCIAL
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

B4. Deposits from Customers and Placements of Banks and Other Financial Institutions

**(a) Deposits from customers and placements of banks
and other financial institutions**

Bank	As at 30 June 2017 RM'000
Deposits from customers	
- One year or less	320,101
- More than one year	2,344
	<u>322,445</u>

B5. Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

(a) Derivative financial instruments measured at their fair values together with their corresponding

Bank	As at 30 June 2017		
	Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Forwards/swaps	776,118	3,185	3,425
Total	<u>776,118</u>	<u>3,185</u>	<u>3,425</u>

By remaining period to maturity/next re-pricing date	As at 30 June 2017		
	Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Less than 1 year	776,118	3,185	3,425
	<u>776,118</u>	<u>3,185</u>	<u>3,425</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 30 JUNE 2017

B6. Fair Value of Financial Instruments

The Group and the Bank analyses its financial instruments measured at fair value into three categories as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

The table below analyses financial instruments carried at fair value analysed by level within the fair value

Bank	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
30 June 2017				
<u>Financial assets</u>				
Financial investments AFS:	-	97,720	-	97,720
- Debt Securities	-	97,720		97,720
Derivative assets		3,185		3,185
	-	100,905	-	100,905

(i) Valuation techniques

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determines fair value based upon valuation techniques that use market parameters including but not limited to yield curves, volatilities and foreign exchange rates as inputs. The majority of valuation techniques employ only observable market data.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical

B7. Significant Events During the Financial Year

There were no significant events that had occurred between 1 October 2016 and the date of this announcement.

B8. Dividends

(a) The Directors have not proposed for any dividend for the six months ended 30 June 2017.