

**CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD**  
(Company Registration No. 201601032761 (1203702-U))  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**31 MARCH 2023**

**CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD**

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

**MANAGEMENT'S CERTIFICATION**

I hereby certify that the unaudited condensed interim financial statements for the period from 1 January 2023 to 31 March 2023 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Guidelines on Financial Reporting issued by Bank Negara Malaysia.

On behalf of

**CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD**

**Wang Qijie**

Chief Executive Officer

Date: 26 April 2023

**CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD**

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MARCH 2023**

	Note	As at 31 March 2023 <u>RM'000</u>	As at 31 December 2022 <u>RM'000</u>
<b>Assets</b>			
Cash and short-term funds	A8	870,889	585,056
Deposits and placements with banks and other financial institutions	A9	1,098,073	897,025
Debt instruments at fair value through other comprehensive income ("FVOCI")	A10	2,773,682	3,071,739
Other assets	A11	44,168	72,992
Derivative financial assets	A12	127,122	150,725
Loans and advances	A13	1,087,953	1,221,217
Tax recoverable		35,503	37,698
Statutory deposits with Bank Negara Malaysia		4,001	46,001
Right-of-use assets		37,808	38,937
Property and equipment		3,183	3,235
Intangible assets		8,344	8,808
Deferred tax assets		15,104	17,113
<b>Total assets</b>		<u>6,105,830</u>	<u>6,150,546</u>
<b>Liabilities</b>			
Deposits from customers	A14	3,111,500	3,195,291
Deposits and placements of banks and other financial institutions	A15	914,523	807,232
Other liabilities	A16	129,943	132,049
Derivative financial liabilities	A12	82,968	180,064
Lease liabilities		38,124	39,101
Subordinated loan	A17	887,366	882,813
<b>Total liabilities</b>		<u>5,164,424</u>	<u>5,236,550</u>
<b>Equity attributable to equity holder of the Bank</b>			
Share capital		822,600	822,600
Reserves		118,806	91,396
<b>Total equity</b>		<u>941,406</u>	<u>913,996</u>
<b>Total liabilities and equity</b>		<u>6,105,830</u>	<u>6,150,546</u>
<b>Commitments and contingencies</b>	A23	<u>9,112,354</u>	<u>14,289,665</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2022.

**CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD**

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

	Note	Current quarter ended		Year-to-date ended	
		31 March	31 March	31 March	31 March
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Interest income	A18	58,791	31,981	58,791	31,981
Interest expense	A19	(46,027)	(12,678)	(46,027)	(12,678)
Net interest income		12,764	19,303	12,764	19,303
Other operating income	A20	23,954	3,735	23,954	3,735
Net income		36,718	23,038	36,718	23,038
Other operating expenses	A21	(16,572)	(14,187)	(16,572)	(14,187)
Operating profit before allowances		20,146	8,851	20,146	8,851
Writeback of/(Allowance for) expected credit losses ("ECL")	A22	3,862	(66)	3,862	(66)
Profit before taxation		24,008	8,785	24,008	8,785
Taxation		(5,950)	(2,439)	(5,950)	(2,439)
Net profit for the financial period		18,058	6,346	18,058	6,346
Other comprehensive income/(loss) in respect of:					
Items that will be reclassified subsequently to profit or loss:					
<u>Debt instruments at FVOCI</u>					
Net fair value change in debt instruments at FVOCI		15,393	(4,476)	15,393	(4,476)
Net loss/(gain) on debt instruments measured at FVOCI reclassified to profit or loss on disposal		110	(204)	110	(204)
Income tax effect		(3,703)	1,123	(3,703)	1,123
		11,800	(3,557)	11,800	(3,557)
<u>Cash flow hedge</u>					
Net change in cash flow hedge		(179)	(1,130)	(179)	(1,130)
Net change in cost of hedging		(3,044)	3,624	(3,044)	3,624
Income tax effect		775	(598)	775	(598)
		(2,448)	1,896	(2,448)	1,896
Total other comprehensive income/(loss), net of tax, for the financial period		9,352	(1,661)	9,352	(1,661)
Total comprehensive income/(loss) for the financial period		27,410	4,685	27,410	4,685

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2022.

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

Note	← Non-Distributable →					Distributable	
	Share Capital	Regulatory Reserve	FVOCI Reserve	Cash flow hedge Reserve	Cost of hedging Reserve	Retained Profits	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2023	822,600	2,800	(28,022)	(103)	1,764	114,957	913,996
Net profit for the financial period	-	-	-	-	-	18,058	18,058
Other comprehensive income/(loss), net of tax, for the financial period	-	-	11,800	(135)	(2,313)	-	9,352
Total comprehensive income/(loss) for financial period	-	-	11,800	(135)	(2,313)	18,058	27,410
Transfer to regulatory reserve	-	1,500	-	-	-	(1,500)	-
Balance as at 31 March 2023	<u>822,600</u>	<u>4,300</u>	<u>(16,222)</u>	<u>(238)</u>	<u>(549)</u>	<u>131,515</u>	<u>941,406</u>
Balance as at 1 January 2022	822,600	-	(17,686)	2,425	4,090	105,486	916,915
Net profit for the financial year	-	-	-	-	-	12,271	12,271
Other comprehensive income/(loss), net of tax, for the financial year	-	-	(10,336)	(2,528)	(2,326)	-	(15,190)
Total comprehensive income/(loss) for the financial year	-	-	(10,336)	(2,528)	(2,326)	12,271	(2,919)
Transfer to regulatory reserve	-	2,800	-	-	-	(2,800)	-
Balance as at 31 December 2022	<u>822,600</u>	<u>2,800</u>	<u>(28,022)</u>	<u>(103)</u>	<u>1,764</u>	<u>114,957</u>	<u>913,996</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2022.

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	24,008	8,785
Adjustments for:		
(Writeback of)/Allowance for expected credit losses	(3,862)	66
Net unrealised fair value (gain)/loss on derivatives	(71,009)	10,769
Depreciation of property and equipment	320	336
Depreciation of right-of-use assets	1,129	1,129
Amortisation of intangible assets	464	416
Interest income from debt instruments at FVOCI	(24,431)	(9,920)
Net loss/(gain) from sale of debt instruments at FVOCI	110	(204)
Interest expense from subordinated loan	13,717	3,743
Net foreign exchange loss/(gain) on subordinated loan	4,600	4,818
Interest expense from lease liabilities	330	363
Operating profit before working capital changes	<u>(54,624)</u>	<u>20,301</u>
Change in derivative financial assets and financial liabilities	(5,705)	776
Change in loans and advances	136,621	45,611
Change in statutory deposits with Bank Negara Malaysia	42,000	-
Change in other assets	28,824	14,176
Change in deposits from customers	(83,791)	(250,174)
Change in deposits and placements of banks and other financial institutions	107,291	168,293
Change in other liabilities	<u>(1,993)</u>	<u>(52,742)</u>
	<u>223,247</u>	<u>(74,060)</u>
Cash generated from/(used in) operations	168,623	(53,759)
Net tax paid	<u>(4,674)</u>	<u>(5,499)</u>
Net cash generated from/(used in) operating activities	<u>163,949</u>	<u>(59,258)</u>
<b>Cash flows from investing activities</b>		
Change in deposits and placements with banks and other financial institutions with original maturity of more than 3 months	146,708	(1,001,754)
Purchase of debt investments at FVOCI	(1,301,788)	(508,000)
Proceeds from redemption and disposal of debt investments at FVOCI	1,606,858	611,700
Interest received from debt investments at FVOCI	33,017	9,582
Purchase of property and equipment	(268)	(845)
Purchase of intangible assets	-	(226)
Net cash generated from/(used in) investing activities	<u>484,527</u>	<u>(889,543)</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2022.

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STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>		
Interest payment of subordinated loan	(13,765)	(842)
Lease payments	(1,307)	(1,309)
Net cash used in financing activities	<u>(15,072)</u>	<u>(2,151)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	633,404	(950,952)
Cash and cash equivalents, at gross:		
- at the beginning of the financial year	730,150	1,492,018
- at the end of the financial period	<u>1,363,554</u>	<u>541,066</u>
<b>Cash and cash equivalents comprise:</b>		
Cash and short-term funds	870,932	441,388
Deposits and placements with banks and other financial institutions	1,098,073	1,101,432
	<u>1,969,005</u>	<u>1,542,820</u>
Less: Deposits and placements with banks and other financial institutions with original maturity of more than 3 months	<u>(605,451)</u>	<u>(1,001,754)</u>
	<u>1,363,554</u>	<u>541,066</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2022.

## **CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD**

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### **NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

#### **A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB") and the Guidelines on Financial Reporting issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2022. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2022.

All the significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2022. The following are the accounting standards, interpretations and amendments that have been issued by the MASB but have not been adopted by the Bank:

***Effective for financial periods beginning on or after 1 January 2023***

*MFRS 17 Insurance Contracts;*

*Amendments to MFRS 101 Classification of Liabilities as Current or Non-current;*

*Amendments to MFRS 108 Definition of accounting estimates;*

*Amendments to MFRS 101 and MFRS Practice Statement 2 - Disclosure of Accounting Policies; and*

*Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.*

***Effective for financial periods beginning on or after 1 January 2024***

*Amendments to MFRS 16 Leases - Lease Liability in a Sale and Leaseback*

***Effective for financial periods to be determined by the MASB***

*Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

The Bank plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Bank upon their initial application.

#### **A2. Auditors' Report on Preceding Annual Financial Statements**

The audit report on the audited annual financial statements for the financial year ended 31 December 2022 was not subject to any qualification.

#### **A3. Seasonal or Cyclical Factors**

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

#### **A4. Exceptional or Unusual Items**

There were no exceptional or unusual items for the period from 1 January 2023 to 31 March 2023.

#### **A5. Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial year that have a material effect in the current financial period.

#### **A6. 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 under review.



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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023****A7. Dividend Paid**

No dividend was paid during the period from 1 January 2023 to 31 March 2023.

**A8. Cash and Short-Term Funds**

	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
Cash and balances with banks and other financial institutions	162,612	258,510
Money at call and deposit placements maturing within one month	708,320	326,774
	<u>870,932</u>	<u>585,284</u>
Less: ECL allowances	(43)	(228)
	<u>870,889</u>	<u>585,056</u>

Movements in ECL allowances for cash and short-term funds are as follows:

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	
<b>ECL Allowances</b>				
At 1 January 2023	228	-	-	228
Financial assets derecognised during the financial period	(185)	-	-	(185)
New financial assets acquired	-	-	-	-
Net total	(185)	-	-	(185)
At 31 March 2023	<u>43</u>	<u>-</u>	<u>-</u>	<u>43</u>
At 1 January 2022	356	-	-	356
Financial assets derecognised during the financial year	(597)	-	-	(597)
New financial assets acquired	469	-	-	469
Net total	(128)	-	-	(128)
At 31 December 2022	<u>228</u>	<u>-</u>	<u>-</u>	<u>228</u>

**A9. Deposits and Placements with Banks and Other Financial Institutions**

	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
Licensed banks	1,098,073	897,025

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023****A10. Debt Instruments at Fair Value Through Other Comprehensive Income ("FVOCI")**

	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
<b>At fair value</b>		
<b><u>Money market instruments</u></b>		
Malaysian Government Securities	575,736	579,886
Malaysian Government Investment Issues	447,321	446,927
Government Treasury Bills	24,786	174,186
Negotiable Instruments of Deposits	854,358	800,842
	<u>1,902,201</u>	<u>2,001,841</u>
<b><u>Unquoted securities</u></b>		
Corporate bonds within Malaysia	525,861	670,363
Cagamas debt securities	345,620	399,535
	<u>871,481</u>	<u>1,069,898</u>
	<u>2,773,682</u>	<u>3,071,739</u>

The following ECL for debt instruments are not recognised in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	<b>12-month</b>	<b>Lifetime</b>	<b>Lifetime</b>	<b>Total</b>
	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>
	<b>RM'000</b>	<b>non credit-</b>	<b>credit-</b>	<b>RM'000</b>
		<b>impaired</b>	<b>impaired</b>	
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ECL Allowances</b>				
At 1 January 2023	1,513	-	-	1,513
Financial assets derecognised during the financial period	(207)	-	-	(207)
New financial assets purchased	-	-	-	-
Net total	(207)	-	-	(207)
At 31 March 2023	<u>1,306</u>	<u>-</u>	<u>-</u>	<u>1,306</u>
At 1 January 2022	625	-	-	625
Financial assets derecognised during the financial year	(290)	-	-	(290)
New financial assets purchased	1,178	-	-	1,178
Net total	888	-	-	888
At 31 December 2022	<u>1,513</u>	<u>-</u>	<u>-</u>	<u>1,513</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023****A11. Other Assets**

	As at 31 March 2023 <u>RM'000</u>	As at 31 December 2022 <u>RM'000</u>
Deposits	2,794	2,794
Prepayments	3,667	1,234
Cash collateral pledged for derivative transactions	14,125	52,090
Amount due from ultimate holding company	10,525	7,525
Other receivables	13,057	9,349
	<u>44,168</u>	<u>72,992</u>

**A12. Derivative Financial Assets/(Liabilities)**

The Bank's derivative financial instruments are measured at their fair values together with their corresponding contract/notional amounts as at reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract value on which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the financial period but are not indicative of either the market risk or credit risk inherent in the derivative contracts.

	<u>31 March 2023</u>		
	<u>Contract/ Notional Amount RM'000</u>	<u>Fair Value</u>	
		<u>Assets RM'000</u>	<u>Liabilities RM'000</u>
<b><u>Trading derivatives</u></b>			
Foreign exchange related contracts:			
- Currency forwards/spot	72,595	55	170
- Currency swaps	6,121,722	84,282	82,798
Interest rate related contracts:			
- Interest rate swaps	175,000	1,465	-
<b><u>Hedging derivatives - cash flow hedge</u></b>			
Foreign exchange related contracts:			
- Cross currency interest rate swaps	882,600	41,320	-
Total	<u>7,251,917</u>	<u>127,122</u>	<u>82,968</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023****A12. Derivative Financial Assets/(Liabilities) (cont'd)**

	<b>31 December 2022</b>		
	<b>Contract/ Notional Amount</b>	<b>Fair Value</b>	
		<b>Assets</b>	<b>Liabilities</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Trading derivatives</u></b>			
Foreign exchange related contracts:			
- Currency forwards/spot	213,995	2,422	189
- Currency swaps	10,401,782	102,876	177,232
Interest rate related contracts:			
- Interest rate swaps	1,139,600	5,554	2,643
<b><u>Hedging derivatives - cash flow hedge</u></b>			
Foreign exchange related contracts:			
- Cross currency interest rate swaps	878,000	39,873	-
Total	<u>12,633,377</u>	<u>150,725</u>	<u>180,064</u>

	<b>31 March 2023</b>		
	<b>Contract/ Notional Amount</b>	<b>Fair Value</b>	
		<b>Assets</b>	<b>Liabilities</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>By remaining period to maturity/next re-pricing date</b>			
<b><u>Trading derivatives</u></b>			
Foreign exchange related contracts			
- Less than one year	5,886,427	104,842	29,643
- More than one year	1,190,490	20,815	53,325
Interest rate related contracts:			
- Less than one year	100,000	127	-
- More than one year	75,000	1,338	-
	<u>7,251,917</u>	<u>127,122</u>	<u>82,968</u>

	<b>31 December 2022</b>		
	<b>Contract/ Notional Amount</b>	<b>Fair Value</b>	
		<b>Assets</b>	<b>Liabilities</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>By remaining period to maturity/next re-pricing date</b>			
<b><u>Trading derivatives</u></b>			
Foreign exchange related contracts			
- Less than one year	9,822,457	105,501	124,239
- More than one year	1,671,320	39,670	53,182
Interest rate related contracts:			
- Less than one year	1,064,600	3,834	2,643
- More than one year	75,000	1,720	-
	<u>12,633,377</u>	<u>150,725</u>	<u>180,064</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023****A13. Loans and Advances**

	<b>As at 31 March 2023 RM'000</b>	<b>As at 31 December 2022 RM'000</b>
<b>(i) By type:</b>		
<b>At amortised cost</b>		
Overdrafts	3,076	5,171
Term loans:		
- Syndicated term loans	557,785	609,586
- Other term loans	367,061	363,161
Revolving credits	171,945	258,570
Gross loans and advances	<u>1,099,867</u>	<u>1,236,488</u>
Less: ECL allowances		
- Stage 1	<u>(11,914)</u>	<u>(15,271)</u>
Net loans and advances	<u><u>1,087,953</u></u>	<u><u>1,221,217</u></u>
<b>(ii) Gross loans and advances by type of customers:</b>		
Business enterprises	<u>1,099,867</u>	<u>1,236,488</u>
<b>(iii) Gross loans and advances by geographical distribution:</b>		
Malaysia	964,943	1,038,952
China	134,924	131,929
Singapore	-	65,607
	<u>1,099,867</u>	<u>1,236,488</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023****A13. Loans and Advances (cont'd)**

	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
<b>(iv) Gross loans and advances by interest rate sensitivity:</b>		
Fixed rate	46,341	142,157
Variable rate (cost-plus)	1,053,526	1,094,331
	<u>1,099,867</u>	<u>1,236,488</u>
<b>(v) Gross loans and advances by economic purpose:</b>		
Working capital	175,020	170,775
Merger and acquisition	-	149,786
Purchase of land	24,319	29,241
Construction	481,137	476,844
Lending to related entities	147,713	150,672
Purchase of machinery and equipments	91,636	91,642
Other purposes	180,042	167,528
	<u>1,099,867</u>	<u>1,236,488</u>
<b>(vi) Gross loans and advances by remaining contractual maturity:</b>		
Maturity within one year	174,853	320,535
One year to three years	69,781	74,745
Three years to five years	248,292	245,325
Over five years	606,941	595,883
	<u>1,099,867</u>	<u>1,236,488</u>
<b>(vii) Gross loans and advances by industry:</b>		
Agriculture, hunting, forestry and fishing	45,118	35,600
Manufacturing	593,040	531,241
Electricity, gas and water	134,924	180,448
Construction	24,319	29,241
Transport, storage and communication	154,753	159,501
Finance, insurance and business services	147,713	234,850
Others	-	65,607
	<u>1,099,867</u>	<u>1,236,488</u>

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FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023****A13. Loans and Advances (cont'd)****(viii) Movements in the gross carrying amount of loans and advances that contributed to changes in the ECL allowances:**

	<u>Stage 1</u> <u>RM'000</u>	<u>Stage 2</u> <u>RM'000</u>	<u>Stage 3</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
At 1 January 2023	1,236,488	-	-	1,236,488
Financial assets derecognised during the financial period	(709,535)	-	-	(709,535)
New financial assets originated	572,914	-	-	572,914
At 31 March 2023	<u>1,099,867</u>	<u>-</u>	<u>-</u>	<u>1,099,867</u>
At 1 January 2022	1,629,588	-	-	1,629,588
Financial assets derecognised during the financial year	(3,080,240)	-	-	(3,080,240)
New financial assets originated	2,687,140	-	-	2,687,140
At 31 December 2022	<u>1,236,488</u>	<u>-</u>	<u>-</u>	<u>1,236,488</u>

**(ix) Movements in ECL allowances for loans and advances:**

	<u>Stage 1</u> <u>12-month</u> <u>ECL</u> <u>RM'000</u>	<u>Stage 2</u> <u>Lifetime</u> <u>ECL non</u> <u>credit-</u> <u>impaired</u> <u>RM'000</u>	<u>Stage 3</u> <u>Lifetime</u> <u>ECL</u> <u>credit-</u> <u>impaired</u> <u>RM'000</u>	<u>Total</u> <u>ECL</u> <u>RM'000</u>
At 1 January 2023	15,271	-	-	15,271
Financial assets derecognised during the financial period	(5,218)	-	-	(5,218)
New financial assets originated	1,861	-	-	1,861
Net total	(3,357)	-	-	(3,357)
At 31 March 2023	<u>11,914</u>	<u>-</u>	<u>-</u>	<u>11,914</u>
At 1 January 2022	24,719	-	-	24,719
Financial assets derecognised during the financial year	(21,682)	-	-	(21,682)
New financial assets originated	12,234	-	-	12,234
Net total	(9,448)	-	-	(9,448)
At 31 December 2022	<u>15,271</u>	<u>-</u>	<u>-</u>	<u>15,271</u>

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	<b>As at 31 March 2023 RM'000</b>	<b>As at 31 December 2022 RM'000</b>
<b>A14. Deposits from Customers</b>		
<b>(i) By type of deposits:</b>		
Demand deposits	1,105,668	1,628,297
Saving deposits	16,290	17,917
Fixed/investment deposits	1,989,542	1,549,077
	<u>3,111,500</u>	<u>3,195,291</u>
<b>(ii) By type of customer:</b>		
Business enterprises	2,578,297	2,719,830
Domestic non-banking financial institutions	515,335	369,831
Local government and statutory authorities	-	73,705
Individuals	17,868	31,925
	<u>3,111,500</u>	<u>3,195,291</u>
<b>(iii) By maturity structure of fixed deposits:</b>		
Due within six months	1,989,341	1,548,967
Six months to one year	201	110
	<u>1,989,542</u>	<u>1,549,077</u>
<b>A15. Deposits and Placements of Banks and Other Financial Institutions</b>		
Licensed banks in Malaysia	914,425	807,215
Other financial institutions	98	17
	<u>914,523</u>	<u>807,232</u>



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	As at 31 March 2023	As at 31 December 2022
	<u>RM'000</u>	<u>RM'000</u>
Other payables and accruals	26,525	20,260
Deferred Income	10,453	6,940
Cash collateral received for derivative transactions	73,837	85,525
Cash collateral from corporate customers	16,491	16,574
ECL allowances for loan commitments and financial guarantees	2,637	2,750
	<u>129,943</u>	<u>132,049</u>

Movements in ECL allowances for loan commitments and financial guarantees are as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	Total ECL RM'000
At 1 January 2023	2,750	-	-	2,750
Credit exposures relinquished	(338)	-	-	(338)
Credit exposures assumed	225	-	-	225
Net total	(113)	-	-	(113)
At 31 March 2023	<u>2,637</u>	<u>-</u>	<u>-</u>	<u>2,637</u>
At 1 January 2022	1,703	-	-	1,703
Credit exposures relinquished	(1,251)	-	-	(1,251)
Credit exposures assumed	2,298	-	-	2,298
Net total	1,047	-	-	1,047
At 31 December 2022	<u>2,750</u>	<u>-</u>	<u>-</u>	<u>2,750</u>

	As at 31 March 2023	As at 31 December 2022
	<u>RM'000</u>	<u>RM'000</u>

**A17. Subordinated Loan**

At amortised cost

USD200 million subordinated loan 2019/2029, at par	<u>887,366</u>	<u>882,813</u>
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On 29 August 2019, the Bank has issued an USD200 million Tier II subordinated loan with 10 years maturity, non-callable 5 years and the interest payable every 3 months throughout the tenure. The USD200 million subordinated loan bear an interest rate at SOFR plus 1.75% (31 December 2022: LIBOR plus 1.49%).

The issuance of the subordinated loan was approved by BNM as Basel III compliant Tier II subordinated loan, and to be classified as Tier II capital of the Bank pursuant to BNM's Capital Adequacy Framework (Capital Components).

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	Current quarter ended		Year-to-date ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<b>A18. Interest Income</b>				
Loans and advances	17,863	11,907	17,863	11,907
Deposits and placements with banks and other financial institutions	14,868	7,925	14,868	7,925
Debt instruments at FVOCI	24,431	9,920	24,431	9,920
Derivative financial instruments	1,629	2,229	1,629	2,229
	<u>58,791</u>	<u>31,981</u>	<u>58,791</u>	<u>31,981</u>
<b>A19. Interest Expense</b>				
Deposits and placements of banks and other financial institutions	12,496	488	12,496	488
Deposits from customers	19,484	8,084	19,484	8,084
Subordinated loan	13,717	3,743	13,717	3,743
Lease liabilities	330	363	330	363
	<u>46,027</u>	<u>12,678</u>	<u>46,027</u>	<u>12,678</u>
<b>A20. Other Operating Income</b>				
<b>Fee income:</b>				
Service charges and fees	18	24	18	24
Guarantee fees	197	370	197	370
Commitment fees	474	219	474	219
Syndication fees	373	3,779	373	3,779
Management fees	3,000	6,700	3,000	6,700
	<u>4,062</u>	<u>11,092</u>	<u>4,062</u>	<u>11,092</u>
Less: Fees expense	(92)	(70)	(92)	(70)
Net fee income	<u>3,970</u>	<u>11,022</u>	<u>3,970</u>	<u>11,022</u>
<b>Trading and investment income:</b>				
Net realised (loss)/gain on derivatives	(35,559)	3,039	(35,559)	3,039
Net unrealised fair value gain/(loss) on derivatives	71,009	(10,769)	71,009	(10,769)
Net foreign exchange (loss)/gain	(16,078)	188	(16,078)	188
Net (loss)/gain from sale of debt instruments at FVOCI	(110)	204	(110)	204
Less: Brokerage charges	(70)	(17)	(70)	(17)
	<u>19,192</u>	<u>(7,355)</u>	<u>19,192</u>	<u>(7,355)</u>
<b>Other income:</b>				
Rental income	212	-	212	-
Other non-operating income	580	68	580	68
	<u>792</u>	<u>68</u>	<u>792</u>	<u>68</u>
	<u>23,954</u>	<u>3,735</u>	<u>23,954</u>	<u>3,735</u>

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	Current quarter ended		Year-to-date ended	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<b>A21. Other Operating Expenses</b>				
<b>Personnel costs</b>				
Salaries, bonuses, wages and allowances	9,818	7,827	9,818	7,827
Defined contribution plan	811	678	811	678
Other staff related costs	1,009	1,002	1,009	1,002
	<u>11,638</u>	<u>9,507</u>	<u>11,638</u>	<u>9,507</u>
<b>Establishment costs</b>				
Depreciation of property and equipment	320	336	320	336
Depreciation of right-of-use assets	1,129	1,129	1,129	1,129
Amortisation of intangible assets	464	416	464	416
Repair and maintenance	1,150	977	1,150	977
Short-term leases expenses	578	565	578	565
Others	88	54	88	54
	<u>3,729</u>	<u>3,477</u>	<u>3,729</u>	<u>3,477</u>
<b>Promotion and marketing expenses</b>				
Advertisement and publicity	103	55	103	55
<b>Administration and general expenses</b>				
Communication expenses	282	157	282	157
Auditors' remuneration				
- Audit related fees	93	85	93	85
Legal and professional fees	25	37	25	37
Travelling and accommodation expenses	66	44	66	44
Employee recruitment costs	32	51	32	51
Subscription fees	306	259	306	259
Directors' fees and allowances	151	156	151	156
Insurance premium	38	40	38	40
Printing, stationery and postage	37	52	37	52
Others	72	267	72	267
	<u>1,102</u>	<u>1,148</u>	<u>1,102</u>	<u>1,148</u>
	<u>16,572</u>	<u>14,187</u>	<u>16,572</u>	<u>14,187</u>
<b>A22. (Writeback of)/Allowance for Expected Credit Losses ("ECL")</b>				
Stage 1:				
- Cash and short-term funds	(185)	(83)	(185)	(83)
- Debt instruments at FVOCI	(207)	159	(207)	159
- Loans and advances	(3,357)	(911)	(3,357)	(911)
- Loan commitments and financial guarantees	(113)	901	(113)	901
	<u>(3,862)</u>	<u>66</u>	<u>(3,862)</u>	<u>66</u>

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	As at 31 March 2023 <u>RM'000</u>	As at 31 December 2022 <u>RM'000</u>
The notional amounts of the commitments and contingencies are as follows:		
Short-term self-liquidating trade-related contingencies	37,764	18,819
Transaction-related contingent items	188,320	185,970
Irrevocable commitments to extend credit:		
- Less than one year	275,197	244,229
- More than one year	1,359,156	1,207,270
Foreign exchange related contracts:		
- Less than one year	5,886,427	9,822,457
- More than one year	1,190,490	1,671,320
Interest rate related contracts:		
- Less than one year	100,000	1,064,600
- More than one year	75,000	75,000
	<u>9,112,354</u>	<u>14,289,665</u>

**A24. Capital Adequacy Ratio**

The total capital and capital adequacy ratios of the Bank is computed in accordance with BNM's Capital Adequacy Framework (Capital Components). The Bank is currently adopting the Standardised Approach for Credit Risk and Market Risk while adopting the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy and capital buffer requirement for Common Equity Tier I Capital Ratio ("CET I"), Tier I Capital Ratio and Total Capital Ratio are 7.000%, 8.500% and 10.500% respectively.

As allowed under the BNM's Capital Adequacy Frameworks (Capital Components), financial institutions which elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to CET I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021. The Bank has elected the said transitional arrangements over a three-years period since 1 January 2021.

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	<b>As at 31 March 2023 RM'000</b>	<b>As at 31 December 2022 RM'000</b>
<b>CET I/Tier I Capital</b>		
Paid-up ordinary share capital	822,600	822,600
Retained profits	131,515	114,957
Regulatory reserve	4,300	2,800
Other reserves	(17,009)	(26,361)
Regulatory adjustments applied in the calculation of CET I Capital	(34,238)	(37,401)
Total CET I/Tier I Capital	<u>907,168</u>	<u>876,595</u>
<b>Tier II Capital</b>		
Tier II capital instruments meeting all relevant criteria	882,600	878,000
Loss provisions	15,900	19,763
Regulatory reserve	4,300	2,800
Total Tier II Capital	<u>902,800</u>	<u>900,563</u>
<b>Total Capital</b>	<u>1,809,968</u>	<u>1,777,158</u>
<b>Analysis of risk-weighted assets</b>		
Credit risk	2,319,886	2,275,368
Market risk	166,138	127,371
Operational risk	211,811	203,581
Total risk-weighted assets	<u>2,697,835</u>	<u>2,606,320</u>
<b>With and without transitional arrangements:</b>		
<b>Capital adequacy ratio (before proposed dividends)</b>		
CET I Capital Ratio	33.626%	33.633%
Tier I Capital Ratio	33.626%	33.633%
Total Capital Ratio	67.090%	68.186%
<b>Capital adequacy ratio (after proposed dividends)</b>		
CET I Capital Ratio	33.626%	33.633%
Tier I Capital Ratio	33.626%	33.633%
Total Capital Ratio	67.090%	68.186%

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### **NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

#### **B1. Performance Review**

For the first quarter ended 31 March 2023, China Construction Bank (Malaysia) Berhad's (the Bank) registered higher profit before tax ("PBT") of RM24.0 million, an increase of RM15.2 million or 173% as compared to RM8.8 million for the previous year corresponding period. The higher PBT was mainly attributable to higher operating income of RM20.2 million and writeback of ECL of RM3.9 million, which was partially offset by lower net interest income of RM6.5 million and higher operating expenses of RM2.4 million.

The Bank recorded a profit after tax ("PAT") of RM18.1 million for the current quarter under review, a higher of RM11.7 million or 185% as compared to the previous year corresponding period of RM6.3 million.

As at 31 March 2023, the Bank's total assets stood at RM6.11 billion, slightly decreased of RM45 million or 0.73% as compared to the previous financial year, mainly due to lower FVOCI debt instruments of RM298 million and loan & advances of RM133 million, which was mitigated by higher deposits and placements of RM487 million. Gross impaired loan ratio remained at 0% as at 31 March 2023. The Bank's deposits from customers stood at RM3.11 billion, slightly decreased of RM84 million or 2.6% as compared to previous financial year.

The Bank maintained healthy capital position and ample liquidity buffer. The Bank's Common Equity Tier I capital ratio/Tier I capital ratio and Total capital ratio stood at 33.63% and 67.09% respectively as at 31 March 2023, which remained above the minimum regulatory requirements.

#### **B2. Prospects for 2023**

The Malaysian economy is expected to expand further in 2023, albeit at a more moderate rate at 4.0%-5.0% (BNM March 2023 forecast: between 4.0% and 5.0%; Budget 2023 forecast: 4.5%), driven mainly by domestic demand, particularly household spending and corporate investment activities. Improvements in labour market conditions, to be supported by growing retail and tourism-related activities, and continued income growth, underpinned by Government targeted policy measures, including direct cash assistances, are key factors supporting this positive outlook. Meanwhile, prospects for investment, including foreign direct investment, remains favourable following two consecutive years of high level of approved investment by the Malaysian Investment Development Authority (2022: RM264.6 billion; 2021: RM306.5 billion). The largest ever budget allocation for 2023, in particular for the continued implementation of transportation infrastructure and support measures for business sector, as well as the gradual easing of labour supply are other impetus which would lend support to the economy.

The key headwinds which may impact this overall economic outlook are weaker-than-expected global growth arising from higher financial market volatility and tighter monetary policy; further escalation of geopolitical conflicts which affect Malaysian trade; and elevated costs of living and input that dampen domestic household and business spending.

The further strengthening of relations between Malaysia and China following the recent visit of the Prime Minister to China and fruitful meetings held between the top leaders and business communities of both countries, is likely to contribute positively to the Malaysian economy, in particular in trade, investment and tourism sectors. The projected improvement in domestic economic activities and strengthened bilateral ties between Malaysia and China bode well for China Construction Bank (Malaysia) Berhad ("the Bank") to continue with its trajectory to expand business, given the Bank's strong linkages with corporations in China and Malaysia and a customer base which cut across several key economic sectors. The Bank should be able to ride on this opportunity to further grow its business and expand the provision of financing and financial services, including Renminbi ("RMB") settlements and clearings.

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Malaysian Rating Corporation Berhad ("MARC") has affirmed the Bank's long-term and short-term financial institution ratings of AA+ and MARC-1, respectively with stable outlook.

**B4. Fair Value of Financial Instruments**

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 hierarchy:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 March 2023</b>				
<b>Financial assets</b>				
Debt instruments at FVOCI	-	2,773,682	-	2,773,682
Derivative financial assets	-	127,122	-	127,122
	<u>-</u>	<u>2,900,804</u>	<u>-</u>	<u>2,900,804</u>
<b>Financial liabilities</b>				
Derivative financial liabilities	<u>-</u>	<u>82,968</u>	<u>-</u>	<u>82,968</u>
<b>31 December 2022</b>				
<b>Financial assets</b>				
Debt instruments at FVOCI	-	3,071,739	-	3,071,739
Derivative financial assets	-	150,725	-	150,725
	<u>-</u>	<u>3,222,464</u>	<u>-</u>	<u>3,222,464</u>
<b>Financial liabilities</b>				
Derivative financial liabilities	<u>-</u>	<u>180,064</u>	<u>-</u>	<u>180,064</u>

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### **NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023**

#### **B4. Fair Value of Financial Instruments (cont'd)**

##### **(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 techniques.

#### **B5. Valuation of Property and Equipment**

The property and equipment are stated at cost less accumulated depreciation on straight line method.

#### **B6. Significant Events**

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the unaudited interim financial statements.

#### **B7. Changes in the Composition**

There were no significant change in the composition of the Bank in the current financial period.

#### **B8. Dividends**

No dividend has been proposed for the quarter under review.