

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 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 30 June 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 July 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 30 JUNE 2023**

	Note	As at 30 June 2023 <u>RM'000</u>	As at 31 December 2022 <u>RM'000</u>
Assets			
Cash and short-term funds	A8	460,830	585,056
Deposits and placements with banks and other financial institutions	A9	1,053,373	897,025
Debt instruments at fair value through other comprehensive income ("FVOCI")	A10	2,550,490	3,071,739
Other assets	A11	28,784	72,992
Derivative financial assets	A12	201,778	150,725
Loans and advances	A13	1,277,060	1,221,217
Tax recoverable		36,638	37,698
Statutory deposits with Bank Negara Malaysia		4,001	46,001
Right-of-use assets		36,600	38,937
Property and equipment		3,910	3,235
Intangible assets		7,884	8,808
Deferred tax assets		14,926	17,113
Total assets		<u>5,676,274</u>	<u>6,150,546</u>
Liabilities			
Deposits from customers	A14	2,528,360	3,195,291
Deposits and placements of banks and other financial institutions	A15	724,669	807,232
Other liabilities	A16	393,237	132,049
Derivative financial liabilities	A12	115,352	180,064
Lease liabilities		37,056	39,101
Subordinated loan	A17	939,351	882,813
Total liabilities		<u>4,738,025</u>	<u>5,236,550</u>
Equity attributable to equity holder of the Bank			
Share capital		822,600	822,600
Reserves		115,649	91,396
Total equity		<u>938,249</u>	<u>913,996</u>
Total liabilities and equity		<u>5,676,274</u>	<u>6,150,546</u>
Commitments and contingencies	A23	<u>9,608,229</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 30 JUNE 2023**

	Note	Current quarter ended		Year-to-date ended	
		30 June	30 June	30 June	30 June
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Interest income	A18	57,295	36,565	116,085	68,548
Interest expense	A19	(51,552)	(18,739)	(97,579)	(31,417)
Net interest income		5,743	17,826	18,506	37,131
Other operating income/(loss)	A20	12,198	(12,449)	36,151	(8,714)
Net income		17,941	5,377	54,657	28,417
Other operating expenses	A21	(17,275)	(16,725)	(33,847)	(30,914)
Operating profit/(loss) before allowances		666	(11,348)	20,810	(2,497)
Allowance for expected credit losses ("ECL")	A22	(5,128)	(1,046)	(1,266)	(1,112)
Profit/(loss) before taxation		(4,462)	(12,394)	19,544	(3,609)
Taxation		(131)	2,124	(6,081)	(315)
Net profit/(loss) for the financial period		(4,593)	(10,270)	13,463	(3,924)
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		600	(16,744)	15,993	(19,770)
Net gain on debt instruments measured at FVOCI reclassified to profit or loss on disposal		(372)	-	(262)	(204)
Income tax effect		(342)	4,924	(4,045)	4,597
		(114)	(11,820)	11,686	(15,377)
<u>Cash flow hedge</u>					
Net change in cash flow hedge		(222)	(2,866)	(402)	(3,996)
Net change in cost of hedging		2,265	402	(778)	4,025
Income tax effect		(491)	591	284	(7)
		1,552	(1,873)	(896)	22
Total other comprehensive income/(loss), net of tax, for the financial period		1,438	(13,693)	10,790	(15,355)
Total comprehensive income/(loss) for the financial period		(3,155)	(23,963)	24,253	(19,279)

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 30 JUNE 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	-	-	-	-	-	13,463	13,463
Other comprehensive income/(loss), net of tax, for the financial period	-	-	11,686	(305)	(591)	-	10,790
Total comprehensive income/(loss) for financial period	-	-	11,686	(305)	(591)	13,463	24,253
Transfer to regulatory reserve	-	1,500	-	-	-	(1,500)	-
Balance as at 30 June 2023	822,600	4,300	(16,336)	(408)	1,173	126,920	938,249
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	822,600	2,800	(28,022)	(103)	1,764	114,957	913,996

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 30 JUNE 2023**

	30 June 2023	30 June 2022
	RM'000	RM'000
Cash flows from operating activities		
Profit/(Loss) before taxation	19,544	(3,609)
Adjustments for:		
Allowance for expected credit losses	1,266	1,112
Net unrealised fair value (gain)/loss on derivatives	(59,788)	11,348
Depreciation of property and equipment	652	690
Depreciation of right-of-use assets	2,239	2,258
Amortisation of intangible assets	924	835
Interest income from debt instruments at FVOCI	(44,985)	(21,273)
Net gain from sale of debt instruments at FVOCI	(262)	(204)
Interest expense from subordinated loan	29,319	8,994
Net foreign exchange loss/(gain) on subordinated loan	56,001	42,126
Interest expense from lease liabilities	651	717
Operating profit before working capital changes	<u>5,561</u>	<u>42,994</u>
Change in derivative financial assets and financial liabilities	(59,165)	(33,382)
Change in loans and advances	(53,632)	(61,756)
Change in statutory deposits with Bank Negara Malaysia	42,000	-
Change in other assets	44,208	18,605
Change in deposits from customers	(666,931)	(97,634)
Change in deposits and placements of banks and other financial institutions	(82,563)	381,187
Change in other liabilities	<u>257,313</u>	<u>82,423</u>
	<u>(518,770)</u>	<u>289,443</u>
Cash (used in)/generated from operations	(513,209)	332,437
Net tax paid	(6,594)	(10,692)
Net cash (used in)/generated from operating activities	<u>(519,803)</u>	<u>321,745</u>
Cash flows from investing activities		
Change in deposits and placements with banks and other financial institutions with original maturity of more than 3 months	(301,214)	-
Purchase of debt investments at FVOCI	(2,320,570)	(1,102,053)
Proceeds from redemption and disposal of debt investments at FVOCI	2,860,614	943,749
Interest received from debt investments at FVOCI	44,398	16,339
Purchase of property and equipment	(1,327)	(973)
Purchase of intangible assets	-	(241)
Net cash generated from/(used in) investing activities	<u>281,901</u>	<u>(143,179)</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 30 JUNE 2023**

	30 June 2023	30 June 2022
	RM'000	RM'000
Cash flows from financing activities		
Interest payment of subordinated loan	(28,782)	(1,863)
Lease payments	(2,598)	(2,618)
Net cash used in financing activities	<u>(31,380)</u>	<u>(4,481)</u>
Net (decrease)/increase in cash and cash equivalents	(269,282)	174,085
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>460,868</u>	<u>1,666,103</u>
Cash and cash equivalents comprise:		
Cash and short-term funds	460,868	1,569,101
Deposits and placements with banks and other financial institutions	<u>1,053,373</u>	<u>97,002</u>
	1,514,241	1,666,103
Less: Deposits and placements with banks and other financial institutions with original maturity of more than 3 months	<u>(1,053,373)</u>	-
	<u>460,868</u>	<u>1,666,103</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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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 Presentation of Financial Statement - Disclosure of Accounting Policies; and

Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reforms - Pillar Two Model Rules

Effective for financial periods beginning on or after 1 January 2024

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

Amendments to MFRS 101 Presentation of Financial Statements - Non-current Liabilities with Covenants

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 30 June 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.

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023****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.

A7. Dividend Paid

No dividend was paid during the period from 1 January 2023 to 30 June 2023.

A8. Cash and Short-Term Funds

	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
Cash and balances with banks and other financial institutions	113,324	258,510
Money at call and deposit placements maturing within one month	347,544	326,774
	<u>460,868</u>	<u>585,284</u>
Less: ECL allowances	(38)	(228)
	<u><u>460,830</u></u>	<u><u>585,056</u></u>

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	Total ECL RM'000
ECL Allowances				
At 1 January 2023	228	-	-	228
Financial assets derecognised during the financial period	(190)	-	-	(190)
New financial assets acquired	-	-	-	-
Net total	<u>(190)</u>	<u>-</u>	<u>-</u>	<u>(190)</u>
At 30 June 2023	<u><u>38</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>38</u></u>
At 1 January 2022	356	-	-	356
Financial assets derecognised during the financial year	(597)	-	-	(597)
New financial assets acquired	469	-	-	469
Net total	<u>(128)</u>	<u>-</u>	<u>-</u>	<u>(128)</u>
At 31 December 2022	<u><u>228</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>228</u></u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023****A9. Deposits and Placements with Banks and Other Financial Institutions**

	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
Licensed banks	1,053,373	897,025

A10. Debt Instruments at Fair Value Through Other Comprehensive Income ("FVOCI")

	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
At fair value		
<u>Money market instruments</u>		
Malaysian Government Securities	477,019	579,886
Malaysian Government Investment Issues	661,084	446,927
Government Treasury Bills	24,971	174,186
Negotiable Instruments of Deposits	458,387	800,842
	<u>1,621,461</u>	<u>2,001,841</u>
<u>Unquoted securities</u>		
Corporate bonds within Malaysia	582,366	670,363
Cagamas debt securities	346,663	399,535
	<u>929,029</u>	<u>1,069,898</u>
	<u>2,550,490</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:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL non credit- impaired RM'000	Stage 3 Lifetime ECL credit- impaired RM'000	Total ECL RM'000
ECL Allowances				
At 1 January 2023	1,513	-	-	1,513
Financial assets derecognised during the financial period	(208)	-	-	(208)
New financial assets purchased	-	-	-	-
Net total	(208)	-	-	(208)
At 30 June 2023	<u>1,305</u>	<u>-</u>	<u>-</u>	<u>1,305</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 30 JUNE 2023****A11. Other Assets**

	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
Deposits	2,789	2,794
Prepayments	2,351	1,234
Cash collateral pledged for derivative transactions	-	52,090
Amount due from ultimate holding company	6,000	7,525
Other receivables	17,644	9,349
	<u>28,784</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>30 June 2023</u>		
	<u>Contract/ Notional Amount RM'000</u>	<u>Fair Value</u>	
		<u>Assets RM'000</u>	<u>Liabilities RM'000</u>
<u>Trading derivatives</u>			
Foreign exchange related contracts:			
- Currency forwards/spot	72,595	520	25
- Currency swaps	5,649,590	158,658	115,327
Interest rate related contracts:			
- Interest rate swaps	75,000	1,280	-
<u>Hedging derivatives - cash flow hedge</u>			
Foreign exchange related contracts:			
- Cross currency interest rate swaps	933,900	41,320	-
	<u>6,731,085</u>	<u>201,778</u>	<u>115,352</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023****A12. Derivative Financial Assets/(Liabilities) (cont'd)**

	31 December 2022		
	Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
<u>Trading derivatives</u>			
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
<u>Hedging derivatives - cash flow hedge</u>			
Foreign exchange related contracts:			
- Cross currency interest rate swaps	878,000	39,873	-
	<u>12,633,377</u>	<u>150,725</u>	<u>180,064</u>
	30 June 2023		
	Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
By remaining period to maturity/next re-pricing date			
<u>Trading derivatives</u>			
Foreign exchange related contracts			
- Less than one year	5,489,205	160,405	10,060
- More than one year	1,166,880	40,093	105,292
Interest rate related contracts:			
- Less than one year	-	-	-
- More than one year	75,000	1,280	-
	<u>6,731,085</u>	<u>201,778</u>	<u>115,352</u>
	31 December 2022		
	Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
By remaining period to maturity/next re-pricing date			
<u>Trading derivatives</u>			
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 30 JUNE 2023****A13. Loans and Advances**

	As at 30 June 2023 <u>RM'000</u>	As at 31 December 2022 <u>RM'000</u>
(i) By type:		
At amortised cost		
Overdrafts	5,308	5,171
Term loans:		
- Syndicated term loans	556,103	609,586
- Other term loans	455,805	363,161
Trust receipts	60,050	-
Revolving credits	212,854	258,570
Gross loans and advances	<u>1,290,120</u>	<u>1,236,488</u>
Less: ECL allowances		
- Stage 1	<u>(13,060)</u>	<u>(15,271)</u>
Net loans and advances	<u><u>1,277,060</u></u>	<u><u>1,221,217</u></u>
(ii) Gross loans and advances by type of customers:		
Business enterprises	<u>1,290,120</u>	<u>1,236,488</u>
(iii) Gross loans and advances by geographical distribution:		
Malaysia	1,165,315	1,038,952
China	124,805	131,929
Singapore	-	65,607
	<u>1,290,120</u>	<u>1,236,488</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023****A13. Loans and Advances (cont'd)**

	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
(iv) Gross loans and advances by interest rate sensitivity:		
Fixed rate	46,343	142,157
Variable rate (cost-plus)	1,243,777	1,094,331
	<u>1,290,120</u>	<u>1,236,488</u>
(v) Gross loans and advances by economic purpose:		
Working capital	313,641	170,775
Merger and acquisition	-	149,786
Purchase of land	24,319	29,241
Construction	489,214	476,844
Lending to related entities	143,781	150,672
Purchase of machinery and equipments	91,648	91,642
Other purposes	227,517	167,528
	<u>1,290,120</u>	<u>1,236,488</u>
(vi) Gross loans and advances by remaining contractual maturity:		
Maturity within one year	300,988	320,535
One year to three years	91,851	74,745
Three years to five years	482,737	245,325
Over five years	414,544	595,883
	<u>1,290,120</u>	<u>1,236,488</u>
(vii) Gross loans and advances by industry:		
Agriculture, hunting, forestry and fishing	45,123	35,600
Manufacturing	596,022	531,241
Electricity, gas and water	126,544	180,448
Construction	24,319	29,241
Transport, storage and communication	354,331	159,501
Finance, insurance and business services	143,781	234,850
Others	-	65,607
	<u>1,290,120</u>	<u>1,236,488</u>

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FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 January 2023	1,236,488	-	-	1,236,488
Financial assets derecognised during the financial period	(1,517,635)	-	-	(1,517,635)
New financial assets originated	1,571,267	-	-	1,571,267
At 30 June 2023	<u>1,290,120</u>	<u>-</u>	<u>-</u>	<u>1,290,120</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>Stage 2</u>	<u>Stage 3</u>	
	<u>12-month</u>	<u>Lifetime</u>	<u>Lifetime</u>	<u>Total</u>
	<u>ECL</u>	<u>ECL non</u>	<u>ECL</u>	<u>ECL</u>
	<u>RM'000</u>	<u>credit-</u>	<u>credit-</u>	<u>RM'000</u>
		<u>impaired</u>	<u>impaired</u>	
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 January 2023	15,271	-	-	15,271
Financial assets derecognised during the financial period	(9,003)	-	-	(9,003)
New financial assets originated	6,792	-	-	6,792
Net total	(2,211)	-	-	(2,211)
At 30 June 2023	<u>13,060</u>	<u>-</u>	<u>-</u>	<u>13,060</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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	As at 30 June 2023 <u>RM'000</u>	As at 31 December 2022 <u>RM'000</u>
A14. Deposits from Customers		
(i) By type of deposits:		
Demand deposits	794,895	1,628,297
Saving deposits	17,167	17,917
Fixed/investment deposits	1,716,298	1,549,077
	<u>2,528,360</u>	<u>3,195,291</u>
(ii) By type of customer:		
Business enterprises	2,243,380	2,719,830
Domestic non-banking financial institutions	256,690	369,831
Local government and statutory authorities	-	73,705
Individuals	28,290	31,925
	<u>2,528,360</u>	<u>3,195,291</u>
(iii) By maturity structure of fixed deposits:		
Due within six months	1,716,050	1,548,967
Six months to one year	248	110
	<u>1,716,298</u>	<u>1,549,077</u>
A15. Deposits and Placements of Banks and Other Financial Institutions		
Licensed banks in Malaysia	724,576	807,215
Other financial institutions	93	17
	<u>724,669</u>	<u>807,232</u>

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	As at 30 June 2023	As at 31 December 2022
	RM'000	RM'000
Other payables and accruals	23,525	20,260
Deferred Income	11,185	6,940
Cash collateral received for derivative transactions	193,569	85,525
Cash collateral placements	158,333	16,574
ECL allowances for loan commitments and financial guarantees	6,625	2,750
	<u>393,237</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	(1,911)	-	-	(1,911)
Credit exposures assumed	5,786	-	-	5,786
Net total	3,875	-	-	3,875
At 30 June 2023	<u>6,625</u>	<u>-</u>	<u>-</u>	<u>6,625</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 30 June 2023	As at 31 December 2022
	RM'000	RM'000

A17. Subordinated Loan

At amortised cost

USD200 million subordinated loan 2019/2029, at par	<u>939,351</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	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
A18. Interest Income				
Loans and advances	19,396	14,015	37,259	25,922
Deposits and placements with banks and other financial institutions	16,579	10,302	31,447	18,228
Debt instruments at FVOCI	20,554	11,353	44,985	21,273
Derivative financial instruments	766	895	2,394	3,125
	<u>57,295</u>	<u>36,565</u>	<u>116,085</u>	<u>68,548</u>
A19. Interest Expense				
Deposits and placements of banks and other financial institutions	15,521	2,837	28,017	3,325
Deposits from customers	20,108	10,297	39,592	18,381
Subordinated loan	15,602	5,251	29,319	8,994
Lease liabilities	321	354	651	717
	<u>51,552</u>	<u>18,739</u>	<u>97,579</u>	<u>31,417</u>
A20. Other Operating Income				
Fee income:				
Service charges and fees	46	13	64	37
Guarantee fees	674	251	870	622
Commitment fees	188	2,725	662	2,943
Syndication fees	307	3,421	681	7,201
Management fees	3,156	290	6,156	6,990
	<u>4,371</u>	<u>6,700</u>	<u>8,433</u>	<u>17,793</u>
Less: Fees expense	(85)	(63)	(177)	(133)
Net fee income	<u>4,286</u>	<u>6,637</u>	<u>8,256</u>	<u>17,660</u>
Trading and investment income:				
Net realised gain on derivatives	89,728	67,193	54,168	70,232
Net unrealised fair value (loss)/gain on derivatives	(11,221)	(578)	59,788	(11,348)
Net foreign exchange loss	(71,119)	(85,609)	(87,197)	(85,421)
	<u>7,388</u>	<u>(18,994)</u>	<u>26,759</u>	<u>(26,537)</u>
Net gain from sale of debt instruments at FVOCI	372	-	262	204
Less: Brokerage charges	(128)	(127)	(198)	(144)
	<u>7,632</u>	<u>(19,121)</u>	<u>26,823</u>	<u>(26,477)</u>
Other income:				
Rental income	212	-	424	-
Other non-operating income	68	35	648	103
	<u>280</u>	<u>35</u>	<u>1,072</u>	<u>103</u>
	<u>12,198</u>	<u>(12,449)</u>	<u>36,151</u>	<u>(8,714)</u>

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	Current quarter ended		Year-to-date ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RM'000	RM'000	RM'000	RM'000
A21. Other Operating Expenses				
Personnel costs				
Salaries, bonuses, wages and allowances	10,196	10,181	20,014	18,008
Defined contribution plan	885	741	1,696	1,418
Other staff related costs	936	854	1,945	1,856
	<u>12,017</u>	<u>11,776</u>	<u>23,655</u>	<u>21,282</u>
Establishment costs				
Depreciation of property and equipment	332	354	652	690
Depreciation of right-of-use assets	1,110	1,129	2,239	2,258
Amortisation of intangible assets	461	420	924	835
Repair and maintenance	1,229	991	2,379	1,969
Short-term leases expenses	607	599	1,185	1,164
Others	100	88	188	142
	<u>3,839</u>	<u>3,581</u>	<u>7,567</u>	<u>7,058</u>
Promotion and marketing expenses				
Advertisement and publicity	246	183	350	239
Administration and general expenses				
Communication expenses	159	261	441	418
Auditors' remuneration				
- Statutory audit fees	93	95	186	180
- Regulatory audit fees	105	-	105	-
Legal and professional fees	43	38	68	75
Travelling and accommodation expenses	136	75	202	120
Employee recruitment costs	27	78	59	129
Subscription fees	199	265	505	524
Directors' fees and allowances	156	154	307	311
Insurance premium	63	53	101	93
Printing, stationery and postage	57	31	94	83
Others	135	135	207	402
	<u>1,173</u>	<u>1,185</u>	<u>2,275</u>	<u>2,335</u>
	<u>17,275</u>	<u>16,725</u>	<u>33,847</u>	<u>30,914</u>
A22. (Writeback of)/Allowance for Expected Credit Losses ("ECL")				
Stage 1:				
- Cash and short-term funds	(4)	(260)	(190)	(343)
- Debt instruments at FVOCI	(2)	(171)	(208)	(12)
- Loans and advances	1,146	525	(2,211)	(386)
- Loan commitments and financial guarantees	3,988	952	3,875	1,853
	<u>5,128</u>	<u>1,046</u>	<u>1,266</u>	<u>1,112</u>

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	As at 30 June 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	187,907	18,819
Transaction-related contingent items	201,451	185,970
Irrevocable commitments to extend credit:		
- Less than one year	358,569	244,229
- More than one year	2,129,217	1,207,270
Foreign exchange related contracts:		
- Less than one year	5,489,205	9,822,457
- More than one year	1,166,880	1,671,320
Interest rate related contracts:		
- Less than one year	-	1,064,600
- More than one year	75,000	75,000
	<u>9,608,229</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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	As at 30 June 2023	As at 31 December 2022
	RM'000	RM'000
CET I/Tier I Capital		
Paid-up ordinary share capital	822,600	822,600
Retained profits	126,920	114,957
Regulatory reserve	4,300	2,800
Other reserves	(15,571)	(26,361)
Regulatory adjustments applied in the calculation of CET I Capital	(35,611)	(37,401)
Total CET I/Tier I Capital	<u>902,638</u>	<u>876,595</u>
Tier II Capital		
Tier II capital instruments meeting all relevant criteria	933,900	878,000
Loss provisions	21,028	19,763
Regulatory reserve	4,300	2,800
Total Tier II Capital	<u>959,228</u>	<u>900,563</u>
Total Capital	<u>1,861,866</u>	<u>1,777,158</u>
Analysis of risk-weighted assets		
Credit risk	2,694,293	2,275,368
Market risk	202,977	127,371
Operational risk	341,597	203,581
Total risk-weighted assets	<u>3,238,867</u>	<u>2,606,320</u>
With and without transitional arrangements:		
Capital adequacy ratio (before proposed dividends)		
CET I Capital Ratio	27.869%	33.633%
Tier I Capital Ratio	27.869%	33.633%
Total Capital Ratio	57.485%	68.186%
Capital adequacy ratio (after proposed dividends)		
CET I Capital Ratio	27.869%	33.633%
Tier I Capital Ratio	27.869%	33.633%
Total Capital Ratio	57.485%	68.186%

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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 2023	As at 31 December 2022
Outstanding credit exposures with connected parties (RM'000)	<u>229,186</u>	<u>325,387</u>
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures (%)	<u>5.81</u>	<u>7.82</u>
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	<u>-</u>	<u>-</u>

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B1. Performance Review

For the second quarter ended 30 June 2023, China Construction Bank (Malaysia) Berhad's (the Bank) registered higher profit before tax ("PBT") of RM19.5 million. The higher PBT was mainly attributable to higher operating income of RM44.9 million, which was partially offset by lower net interest income of RM18.6 million and higher operating expenses of RM2.9 million. The Bank recorded a profit after tax ("PAT") of RM13.5 million for the current quarter under review.

As at 30 June 2023, the Bank's total assets stood at RM5.68 billion, decreased of RM0.47 billion or 7.7% as compared to the previous financial year, mainly due to lower FVOCI debt instruments of RM521 million, which was mitigated by higher deposits and placements of RM156 million. Gross impaired loan ratio remained at 0% as at 30 June 2023. The Bank's deposits from customers stood at RM2.53 billion, decreased of RM0.67 billion or 20.9% 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 27.87% and 57.49% respectively as at 30 June 2023, which remained above the minimum regulatory requirements.

B2. Prospects for 2023

The Malaysian economy grew by 5.6% in the 1st quarter of 2023, outperforming expectations of 4.0%-5.0% (BNM May 2023 forecast: between 4.0% and 5.0%) and recorded a lower headline inflation of 3.6% due to moderating core inflation.

BNM raised the overnight policy rate by 25 basis point in May 2023 to 3%, restoring the pre-pandemic rate. Adjustments in monetary policy help manage inflation and promote financial stability. The strong performance suggests a positive start to the year and sets a foundation for further economic expansion.

With a strong start to the year, the Malaysian economy is expected to expand further in 2023 supported by strong household spending as income and employment remain favourable. The improvement in the tourism sector continues to support domestic businesses, contributing to economic growth. Additionally, favourable prospects for investments are expected, particularly with the continued implementation of transportation infrastructure projects.

The risk to the inflation outlook is still tilted to the upside subject to any changes to domestic policy on subsidies and price controls, financial market developments, as well as global commodity prices. The potential downside risks stemming from a possible deceleration in the global economy in the second half. This disruption is rather remote since the opening of China, Malaysia's biggest trading partner, and that the Organisation for Economic Co-operation and Development ("OECD") Composite Leading Indicators (CLIs) for G20 countries which is designed to provide early signals of turning point in economic activities rebounded to 99.20 in May 2023, the highest level since August 2022.

China Construction Bank (Malaysia) Berhad remain focus with its growth strategy, particularly on the infrastructure developments aligned with the Belt and Road Initiatives on infrastructure sector and Renminbi ("RMB") settlements and clearings services given the continued bilateral trade with China, particularly on manufacturing Electrical and Electronics ("E&E") sectors and from commodity exports of palm oil, crude petroleum and liquefied natural gas ("LNG"), as the prices of crude palm oil and Brent crude oil are expected to stay elevated for 2023.

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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:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 June 2023				
Financial assets				
Debt instruments at FVOCI	-	2,550,490	-	2,550,490
Derivative financial assets	-	201,778	-	201,778
	<u>-</u>	<u>2,752,268</u>	<u>-</u>	<u>2,752,268</u>
Financial liabilities				
Derivative financial liabilities	<u>-</u>	<u>115,352</u>	<u>-</u>	<u>115,352</u>
31 December 2022				
Financial assets				
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>
Financial liabilities				
Derivative financial liabilities	<u>-</u>	<u>180,064</u>	<u>-</u>	<u>180,064</u>

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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.