

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company No. 1203702-U)

(Incorporated in Malaysia)

UNAUDITED CONDENSED FINANCIAL STATEMENTS

31 MARCH 2017

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 31 March 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: 25 April 2017

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENT
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 31 MARCH 2017

		1st Quarter Ended	Six Months Ended
	Note	31-Mar 2017	31-Mar 2017
		RM'000	RM'000
Bank			
Interest income	A6	7,086	13,476
Interest expense	A7	(412)	(412)
Net interest income		6,674	13,064
Other operating income	A8	1,863	1,863
Net income		8,537	14,927
Other operating expenses	A9	(9,885)	(9,885)
Operating (loss)/ profit before allowances		(1,348)	5,042
Allowance for impairment on loans, and other losses	A10	(195)	(195)
(Loss)/ Profit before taxation		(1,543)	4,847
Taxation		-	-
Net (loss)/ profit for the financial period		(1,543)	4,847
Other comprehensive loss in respect of:			
(i) Items that will be reclassified subsequently to profit or loss:			
Unrealised net loss on revaluation of financial investments available-for-sale ('AFS')		(313)	(313)
Other comprehensive loss for the financial period, net of tax		(313)	(313)
Total comprehensive (loss)/ income for the financial period		(1,856)	4,534

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017

		Bank
	Note	As at 31-Mar 2017
		RM'000
ASSETS		
Cash and short-term funds		174,032
Deposits and placements with banks and other financial institutions		605,000
Financial investments available-for-sale ('AFS')	A11	187,483
Loans and advances	A12	97,401
Other assets	A13	3,946
Derivative assets	B4	722
Property, plant and equipment		5,120
TOTAL ASSETS		1,073,704
LIABILITIES		
Deposits from customers	A14/B3	89,292
Deposits and placements of banks and other financial institutions	A15/B3	150,000
Other liabilities	A16	6,497
Derivative liabilities	B4	781
TOTAL LIABILITIES		246,570
EQUITY		
Share capital		822,600
Reserves		4,534
TOTAL EQUITY		827,134
TOTAL LIABILITIES AND EQUITY		1,073,704
COMMITMENTS AND CONTINGENCIES	A18	213,759

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 31 MARCH 2017

Bank	Note	Share	Non-Distributable	AFS	Distributable	Total
		Capital	Regulatory	Reserves	Retained	Equity
		RM'000	Reserves	Reserves	Profits	RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2016 (date of incorporation)	A5	*	-	-	-	*
Issue of shares	A5	822,600	-	-	-	822,600
Profit for the financial period		-	-	-	4,847	4,847
Other comprehensive loss for the financial period, net of tax		-	-	(313)	-	(313)
Total comprehensive income/ (loss) for the financial period		-	-	(313)	4,847	4,534
Transfer to regulatory reserves		-	976	-	(976)	-
Balance as at 31 March 2017		822,600	976	(313)	3,871	827,134

* 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 31 MARCH 2017

	Six Months Ended
	31-Mar
	2017
	RM'000
Bank	
Cash flows from operating activities	
Profit before taxation	4,847
Adjustments for:	
Allowance for impairment on loans and advances	195
Depreciation of property, plant and equipment:	329
Accretion of discounts net of amortisation of premiums on financial investments AFS	134
Net unrealised foreign exchange loss	59
Operating profit before working capital changes	<u>5,564</u>
Increase in operating assets:	
Deposits and placements with banks and other financial institutions	(605,000)
Loans and advances	(97,596)
Other assets	(3,946)
	<u>(706,542)</u>
Increase in operating liabilities:	
Deposits from customers	89,292
Deposits and placements of banks and other financial institutions	150,000
Other liabilities	6,497
	<u>245,789</u>
Cash generated from operations	(455,189)
Net tax paid	-
Net cash generated from operating activities	<u>(455,189)</u>
Cash flows from investing activities	
Net purchase of financial investments AFS	(187,930)
Property, plant and equipment:	
- Purchase	(5,449)
Net cash used in investing activities	<u>(193,379)</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	174,032
Effects of exchange rate differences	
Cash and cash equivalents:	
- at the beginning of the financial period	-
- at the end of the financial period	<u><u>174,032</u></u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 31 MARCH 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 31 March 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 31 March 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 31 March 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 of the Bank, China Construction Bank Corporation for a cash consideration of RM822,600,000.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 31 MARCH 2017

A6. Interest Income

	1st Quarter Ended 31 March 2017	Six Months Ended 31 March 2017
Bank	RM'000	RM'000
Loans and advances	17	17
Deposits and placements with banks and other financial institutions	6,563	12,953
Financial investments AFS	506	506
	<u>7,086</u>	<u>13,476</u>

A7. Interest Expense

Bank		
Deposits and placements of banks and other financial institutions	287	287
Deposits from customers	125	125
	<u>412</u>	<u>412</u>

A8. Other Operating Income

Bank		
Fee income		
- Fees Relating to Credit Commitments	1,624	1,624
	<u>1,624</u>	<u>1,624</u>
Other income		
Foreign exchange gain/(loss):		
- Realised	298	298
- Unrealised	(59)	(59)
	<u>239</u>	<u>239</u>
	<u>1,863</u>	<u>1,863</u>

A9. Other Operating Expenses

Bank		
Personnel costs		
- Salaries, allowances and bonuses	337	337
	<u>337</u>	<u>337</u>
Establishment costs		
- Depreciation of property, plant and equipment:	329	329
- Information technology expenses	1,148	1,148
	<u>1,477</u>	<u>1,477</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
 NOTES TO INTERIM FINANCIAL STATEMENTS
 FOR THE PERIOD FROM 1 OCTOBER 2016 TO 31 MARCH 2017

A9. Other Operating Expenses (continued)

	1st Quarter Ended 31 March 2017 RM'000	Six Months Ended 31 March 2017 RM'000
Bank		
Marketing expenses		
- Sales commission		
- Advertisement and publicity	264	264
- Others		
	<u>264</u>	<u>264</u>
Administration and general expenses		
- Others	7,807	7,807
	<u>7,807</u>	<u>7,807</u>
	<u>9,885</u>	<u>9,885</u>

A10. Allowance for Impairment on Loans and advances

Bank		
Allowance for impaired loans:		
- Collective impairment allowance	195	195
	<u>195</u>	<u>195</u>

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

Bank		As at 31 March 2017 RM'000
At fair value		
Money market instruments:		
Malaysian Government Securities		87,483
Negotiable instruments of deposits		100,000
		<u>187,483</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 31 MARCH 2017

A12. Loans and Advances

(a) By type

	As at 31 March 2017 RM'000
Bank	
At amortised cost	
- Syndicated term loans	97,596
Gross loans and advances	<u>97,596</u>
Allowance for impaired loans and advances	
- Collective impairment allowance	(195)
Net loans and advances	<u><u>97,401</u></u>

(b) By type of customer

Bank	
Domestic business enterprises	<u>97,596</u>
	<u><u>97,596</u></u>

(c) By geographical distribution

Bank	
Malaysia	<u>97,596</u>
	<u><u>97,596</u></u>

(d) By interest/profit rate sensitivity

Bank	
Variable rate	
- Cost-plus	<u>97,596</u>
	<u><u>97,596</u></u>

(e) By purpose

Bank	
Merger and acquisition	70,785
Other purposes	26,811
	<u>97,596</u>

(f) By remaining contractual maturities

Bank	
Three years to five years	70,785
Over five years	26,811
	<u>97,596</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 31 MARCH 2017

A12. Loans and Advances (continued)

(g) Impaired loans and advances

Movement in allowance for impaired loans and advances

	As at 31 March 2017
	RM'000
Bank	
Collective impairment allowance	
Balance as at 1 October 2016	-
Net allowance made	195
Balance as at the end of financial period	<u>195</u>

A13. Other Assets

Bank

Interest receivable	2,855
Other receivables	791
Prepayments	300
	<u>3,946</u>

A14. Deposits from Customers

(a) By type of deposits

Bank

Demand deposits	37,214
Fixed deposits	52,078
	<u>89,292</u>

(b) By type of customer

Bank

Business enterprises	89,282
Individuals	10
	<u>89,292</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 31 MARCH 2017

A14. Deposits from Customers (continued)

	As at 31 March 2017
	RM'000
Bank	
(c) By maturity structure of fixed deposits	
Bank	
Six months to one year	52,078
	<u>52,078</u>

A15. Deposits and Placements of Banks and Other Financial Institutions

Bank	
Licensed banks	150,000
	<u>150,000</u>

A16. Other Liabilities

Bank	
Interest payable	235
Other creditors and accruals	94
Amount due to holding company	6,168
	<u>6,497</u>

A17. Valuation of Property, Plant and Equipment

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

A18. Commitments and Contingencies

Bank	31 March 2017		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Foreign exchange related contracts			
One year or less	159,085	5,494	2,393
Other commitments, such as formal standby facilities and credit lines			
Maturity not exceeding one year	54,674	10,935	-
	<u>213,759</u>	<u>16,429</u>	<u>2,393</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 31 MARCH 2017

A19. 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 31 March 2017
Bank	RM'000
Common Equity Tier I ('CET I')/Tier I Capital	
Paid-up ordinary share capital	822,600
Regulatory reserves	976
AFS reserves	(313)
	<u>823,263</u>
Regulatory adjustment applied in the calculation of CET 1 Capital	
Regulatory reserve attributable to loans/financing	(976)
Total Tier I Capital	<u>822,287</u>
Tier II Capital	
Collective impairment allowance and regulatory reserves [^]	1,171
Total Tier II Capital	<u>1,171</u>
Total Capital	<u><u>823,458</u></u>
<u>Capital ratios</u>	
CET I Capital Ratio	261.768%
Tier I Capital Ratio	261.768%
Total Capital Ratio	262.140%

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'.

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

	As at 31 March 2017
Bank	RM'000
Credit risk	283,122
Market risk	3,021
Operational risk	27,986
Total risk-weighted assets	<u><u>314,129</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).

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 31 MARCH 2017

B1. Review of Bank's Results

As of the end of March 2017, China Construction Bank (Malaysia) Berhad ("CCBM")'s total assets is MYR 1.07 billion with stable execution progress. The main assets components are syndicated loans (MYR 98 million), interbank placement (MYR 761 million), debt securities (MYR 190 million). Whilst total liabilities is MYR 240 million, which consists of corporate deposit (MYR 90 million), and interbank borrowing (MYR 150 million).

In the first quarter, CCBM achieved profit before tax of MYR 4.8 million, of which net interest income is MYR13.06 million, and commission income MYR 1.62 million.

Based on the average balance of incremental assets in first quarter, the return on assets is about 0.7%. 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. 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 31 March 2017 RM'000
Deposits from customers	
- One year or less	89,292
	<u>89,292</u>
Deposits and placements of banks and other financial institutions	
- One year or less	150,000
	<u>150,000</u>

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

B4. 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 contract/notional amounts

Bank	As at 31 March 2017		
	Contract/ Notional Amount	Fair Value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
By type			
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Forwards/swaps	159,085	722	781
Total	159,085	722	781

	As at 31 March 2017		
	Contract/ Notional Amount	Fair Value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
By remaining period to maturity/next re-pricing date			
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Less than 1 year	159,085	722	781
	159,085	722	781

B5. 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.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 OCTOBER 2016 TO 31 MARCH

B5. Fair Value of Financial Instruments (continued)

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

Bank	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 March 2017				
<u>Financial assets</u>				
Financial investments AFS:	-	187,483	-	187,483
- Debt securities	-	87,483	-	87,483
- Negotiable instruments of deposits	-	100,000	-	100,000
Derivative assets	-	722	-	722
	-	188,205	-	188,205

(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.

B6. Significant Events During the Financial Period

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

B7. Dividends

The Directors have not proposed for any dividend for the six months ended 31 March 2017.