

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

**UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 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 30 September 2017 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ('MASB') and the BNM/RH/STD 032-5: Financial Reporting issued by Bank Negara Malaysia on 28 January 2015.

On behalf of

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

**Feng Qi**

Chief Executive Officer

Date:

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

		Current Quarter Ended	Twelve Months Ended
	Note	30-Sep 2017	30-Sep 2017
		<u>RM'000</u>	<u>RM'000</u>
<b>Bank</b>			
Interest income	A6	11,869	35,507
Interest expense	A7	<u>(3,278)</u>	<u>(5,491)</u>
Net interest income		8,591	30,016
Other operating income	A8	<u>4,666</u>	<u>9,110</u>
Net income		13,257	39,126
Other operating expenses	A9	<u>(14,235)</u>	<u>(30,801)</u>
Operating (loss)/profit before allowances		(978)	8,325
Allowance for impairment on loans, and other losses	A10	<u>(1,789)</u>	<u>(3,395)</u>
(Loss)/Profit before taxation		(2,767)	4,930
Taxation	B3	<u>(2,101)</u>	<u>(3,751)</u>
Net (loss)/ profit for the financial period		(4,868)	1,179
Other comprehensive income in respect of:			
(i) Items that will be reclassified subsequently to profit or loss:			
Unrealised net gain on revaluation of financial investments available-for-sale ('AFS')		490	646
Income tax relating to components of other comprehensive loss		(103)	(155)
Other comprehensive income, net of tax, for the financial period		<u>388</u>	<u>491</u>
Total comprehensive (loss)/income for the financial period		<u><u>(4,480)</u></u>	<u><u>1,670</u></u>

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

		<b>Bank</b>
	Note	<b>As at 30-Sep 2017</b>
		<b>RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds		492,653
Deposits and placements with banks and other financial institutions		530,590
Financial investments available-for-sale ('AFS')	A11	156,209
Loans and advances	A12	618,350
Other assets	A13	4,457
Derivative assets	B5	9,833
Tax recoverable		900
Deferred tax assets		1,344
Property, plant and equipment	A16	14,872
<b>TOTAL ASSETS</b>		<b>1,829,208</b>
<b>LIABILITIES</b>		
Deposits from customers	A14/B4	228,177
Deposits and placements of banks and other financial institutions		757,176
Other liabilities	A15	5,641
Derivative liabilities	B5	8,689
Tax liabilities		4,865
Deferred tax liabilities		390
<b>TOTAL LIABILITIES</b>		<b>1,004,938</b>
<b>EQUITY</b>		
Share capital		822,600
Reserves		1,670
<b>TOTAL EQUITY</b>		<b>824,270</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,829,208</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A17	<b>1,312,231</b>

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

Bank	Note	Share	Non-Distributable		Distributable	Total
		Capital	Regulatory	AFS	Retained	Equity
		RM'000	Reserves	Reserves	Profits	RM'000
<b>Balance as at 1 October 2016</b>		*				*
Issue of shares		822,600	-	-	-	<b>822,600</b>
Net profit for the financial period		-	-	646	1,179	1,825
Other comprehensive income, net of tax, for the financial period		-	-	(155)	-	(155)
Total comprehensive income for the financial period		-	-	491	1,179	1,670
Transfer to regulatory reserves			4,066		(4,066)	-
<b>Balance as at 30 September 2017</b>		<b>822,600</b>	<b>4,066</b>	<b>491</b>	<b>(2,887)</b>	<b>824,270</b>

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

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

**Twelve Months Ended**

	<b>30-Sep 2017</b>
	<b>RM'000</b>
<b>Bank</b>	
<b>Cash flows from operating activities</b>	
Profit before taxation	4,930
Adjustments for:	
Allowance for impairment on loans and advances	3,395
Depreciation of property, plant and equipment:	2,608
Accretion of discounts net of amortisation of premiums on financial investments AFS	850
Net unrealised foreign exchange gain	(1,106)
Unrealised loss arising from derivatives	3,020
Operating profit before working capital changes	<u>13,697</u>
 (Increase)/Decrease in operating assets:	
Deposits and placements with banks and other financial institutions	(530,590)
Derivative Assets	(3,053)
Loans and advances	(621,745)
Other assets	(4,457)
	<u>(1,159,845)</u>
 Increase in operating liabilities:	
Deposits from customers	228,177
Deposits and placements of banks and other financial institutions	757,176
Other liabilities	5,641
	<u>990,994</u>
 Cash used in operations	(155,154)
Net tax paid	(900)
Net cash used in from operating activities	<u>(156,054)</u>
 Net proceeds from disposal of financial investments AFS and HTM	-
<b>Cash flows from investing activities</b>	
Net purchase of financial investments AFS	(156,413)
Property, plant and equipment:	
- Purchase	(17,480)
Net cash used in investing activities	<u>(173,893)</u>
 <b>Cash flows from financing activities</b>	
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	492,653
Cash and cash equivalents:	
- at the beginning of the financial period	-
- at the end of the financial period	<u><u>492,653</u></u>

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

**A1. Basis Of Preparation**

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

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

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

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

**A2 Seasonal Or Cyclical Factors**

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

**A3 Exceptional Or Unusual Items**

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

**A4 Changes In Estimates**

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

**A5 Changes In Debt and Equity Securities**

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

(a) Changes in equity securities

- (i) On 1 October 2016, 2 subscribers' shares were issued for cash consideration of RM1 each. The shares were subsequently transferred to China Construction Bank Corporation on 11 October 2016; and
- (ii) On 10 October 2016, the Bank issued 822,600,000 ordinary shares of RM1.00 each at par to the holding corporation 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 30 SEPTEMBER 2017**

**A6. Interest Income**

<b>Bank</b>	<b>Current Quarter Ended 30 September 2017 RM'000</b>	<b>Twelve Months Ended 30 September 2017 RM'000</b>
Loans and advances	4,272	6,585
Deposits and placements with banks and other financial institutions	6,393	26,008
Financial investments AFS	1,204	2,914
	<u>11,869</u>	<u>35,507</u>

**A7. Interest Expense**

<b>Bank</b>		
Deposits and placements of banks and other financial institutions	1,688	2,458
Deposits from customers	1,590	3,033
	<u>3,278</u>	<u>5,491</u>

**A8. Other Operating Income**

<b>Bank</b>		
<b>Fee income</b>		
- Service charges and fees	22	24
- Commission	-	-
- Guarantee fees	4	318
- Commitment fees	22	649
- Other fee income/(expenses)	(1,474)	74
	<u>(1,426)</u>	<u>1,065</u>
<b>Net gain/(loss) arising from derivatives</b>		
- Realised	4,279	7,980
- Unrealised	(1,691)	(3,020)
	<u>2,588</u>	<u>4,960</u>



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

**A8. Other Operating Income (continued)**

	<b>Current Quarter Ended 30 September 2017</b>	<b>Twelve Months Ended 30 September 2017</b>
<b>Bank (continued)</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Other income</b>		
Foreign exchange gain/(loss):		
- Realised	3,527	1,960
- Unrealised	(39)	1,106
Other non-operating income	16	19
	<u>3,504</u>	<u>3,085</u>
	<u>4,666</u>	<u>9,110</u>

**A9. Other Operating Expenses**

**Bank**

**Personnel costs**

- Salaries, allowances and bonuses	5,424	10,927
- Defined contribution plan	260	642
- Other staff related costs	277	581
	<u>5,961</u>	<u>12,150</u>

**Establishment costs**

- Depreciation of property, plant and equipment:	1,832	2,608
- Rental of premises	354	855
- Rental of equipment	12	41
- Insurance	1	25
- Water and electricity	11	28
- Repair and maintenance	1,354	2,595
- Security and escorting expenses	32	56
- Information technology expenses	-	-
- Motor vehicle expenses	25	30
	<u>3,621</u>	<u>6,238</u>

**Marketing expenses**

- Advertisement and publicity	-	264
- Others	159	221
	<u>159</u>	<u>485</u>

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

**A9. Other Operating Expenses (continued)**

<b>Bank</b>	<b>Current Quarter Ended 30 September 2017 RM'000</b>	<b>Twelve Months Ended 30 September 2017 RM'000</b>
<b>Administration and general expenses</b>		
- Communication expenses	109	315
- Legal and professional fee	273	310
- Others	4,112	11,303
	<u>4,494</u>	<u>11,928</u>
	<u>14,235</u>	<u>30,801</u>

**A10. Allowance for Impairment on Loans and advances**

<b>Bank</b>		
Allowance for impaired loans:		
- Collective impairment allowance	1,789	3,395
	<u>1,789</u>	<u>3,395</u>

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

<b>Bank</b>	<b>As at 30 September 2017 RM'000</b>
<b>At fair value</b>	
<b><u>Money market instruments:</u></b>	
Malaysian Government Securities	<u>156,209</u>

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

**A12. Loans and Advances**

**(a) By type**

	<b>As at 30 September 2017</b>
	<b>RM'000</b>
<b>Bank</b>	
<b>At amortised cost</b>	
Term loans	
- Syndicated term loans	359,796
- Other term loans/financing	124,192
Trust receipts	21,352
Revolving credits/financing	116,405
Gross loans and advances	<u>621,745</u>
Allowance for impaired loans and advances	
- Collective impairment allowance	(3,395)
Net loans and advances	<u><u>618,350</u></u>

**(b) By type of customer**

<b>Bank</b>	
Domestic business enterprises	554,849
Government and statutory bodies	66,896
	<u>621,745</u>

**(c) By geographical distribution**

<b>Bank</b>	
Malaysia	293,143
Hong Kong	160,400
Philippines	101,306
United Arab Emirates	66,896
	<u>621,745</u>

**(d) By interest/profit rate sensitivity**

<b>Bank</b>	
Variable rate	
- Cost-plus	621,745
	<u>621,745</u>

**(e) By purpose**

<b>Bank</b>	
Working capital	275,007
Merger and acquisition	71,147
Other purposes	275,591
	<u>621,745</u>

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

**A12. Loans and Advances (continued)**

**(f) By remaining contractual maturities**

	<b>As at 30 September 2017</b>
<b>Bank</b>	<b>RM'000</b>
Maturity within one year	195,053
One year to three years	-
Three years to five years	239,348
Over five years	187,344
	<u>621,745</u>

**(g) Impaired loans and advances**

<b>Collective impairment allowance</b>	
Balance as at 1 October 2016	-
Net allowance made	3,395
Balance as at the end of financial year	<u>3,395</u>

**A13. Other Assets**

<b>Bank</b>	
Other receivables	3,695
Deposit	612
Prepayments	150
	<u>4,457</u>

**A14. Deposits from Customers**

**(a) By type of deposits**

<b>Bank</b>	
Demand deposits	101,564
Fixed/investment deposits	126,613
	<u>228,177</u>

**(b) By type of customer**

<b>Bank</b>	
Business enterprises	<u>228,177</u>

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

**A14. Deposits from Customers (continued)**

	<b>As at 30 September 2017</b>
	<b>RM'000</b>
<b>Bank</b>	
<b>(c) By maturity structure of fixed/investment deposits</b>	
<b>Bank</b>	
Due within six months	37,500
Six months to one year	79,217
One year to three years	9,896
	<u>126,613</u>

**A15. Other Liabilities**

<b>Bank</b>	
Other creditors and accruals	2,423
Deferred Income	3,218
	<u>5,641</u>

**A16. Valuation of Property, Plant and Equipment**

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

**A17. Commitments and Contingencies**

<b>Bank</b>	<b>30 September 2017</b>		
	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Assets RM'000</b>
<b>Trade Related Contingencies</b>	62,718	12,544	12,544
<b>Foreign exchange related contracts</b>			
One year or less	1,068,348	25,780	9,761
<b>Other commitments, such as formal standby facilities</b>			
Maturity not exceeding one year	8,148	1,630	1,513
More than one year	173,017	86,509	67,103
	<u>1,312,231</u>	<u>126,463</u>	<u>90,921</u>

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

**A18. Capital Adequacy Ratio**

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

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

	<b>As at 30 September 2017</b>
<b>Bank</b>	<b>RM'000</b>
<b>Common Equity Tier I ('CET I')/Tier I Capital</b>	
Paid-up ordinary share capital	822,600
Available-for-sale reserves	491
	<u>823,091</u>
<b>Regulatory adjustment applied in the calculation of CET 1 Capital</b>	
(Less): Regulatory reserve attributable to loans/financing	(4,066)
(Less): 55% of cumulative gains of AFS instruments	(270)
(Less): Other Intangibles	(5,012)
(Less): Deferred tax assets	(1,344)
	<u>812,399</u>
<b>Common Equity Tier 1 (CET1) and Tier 1 Capital</b>	
<b>Tier II Capital</b>	
Collective impairment allowance and regulatory reserves	7,461
	<u>7,461</u>
Total Tier II Capital	<u>7,461</u>
<b>Total Capital</b>	<u><u>819,860</u></u>
 <u>Capital ratios</u>	
Before proposed dividends:	
CET I Capital Ratio	94.727%
Tier I Capital Ratio	94.727%
Total Capital Ratio	95.597%

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

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

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

**A18. Capital Adequacy Ratio (continued)**

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

	<b>As at 30 September 2017</b>
<b>Bank</b>	<b>RM'000</b>
Credit risk	774,569
Market risk	9,687
Operational risk	<u>73,362</u>
Total risk-weighted assets	<u><u>857,618</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 30 SEPTEMBER 2017**

**B1. Review of Bank's Results**

China Construction Bank (Malaysia) Berhad ("CCBM")'s total assets stood at MYR 1.83 billion with stable execution progress. The main assets components are loans (MYR 622 million), interbank placement (MYR 1.01 billion) and debt securities (MYR 156 million). Whilst total liabilities is MYR 1,004 million mainly consists of corporate deposit (MYR 228 million) and interbank borrowing (MYR 757 million).

As of the end of September 2017, CCBM recorded profit before tax of MYR 4.9 million, of which net interest income is MYR30.0 million, and non interest income MYR 9.1 million.

Based on the average balance of incremental assets quarter to quarter, the return on assets and return on equity are expected to gradually improve following the growth of the loan size of CCBM.

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

**B2. Prospects for Financial Year 2017**

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

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

**B3. Taxation**

	<b>Current Quarter Ended 30 September 2017</b>	<b>Twelve Months Ended 30 September 2017</b>
<b>Bank</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax	2,101	3,751
	<u>2,101</u>	<u>3,751</u>

The effective tax rate of the Bank for the twelfth months ended 30 September 2017 was higher than the statutory tax rate.



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

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

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

	<b>As at 30 September 2017</b>
<b>Bank</b>	<b>RM'000</b>
Deposits from customers	
- One year or less	218,281
- More than one year	9,896
	<u>228,177</u>

**B5. Derivative Financial Instruments**

Details of derivative financial instruments outstanding are as follows:

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

	<b>As at 30 September 2017</b>		
<b>Bank</b>	<b>Contract/ Notional Amount</b>	<b>Fair Value</b>	
<b>By type</b>	<b>RM'000</b>	<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Forwards/swaps	1,068,348	9,833	8,689
Total	<u>1,068,348</u>	<u>9,833</u>	<u>8,689</u>

	<b>As at 30 September 2017</b>		
<b>By remaining period to maturity/next re-pricing date</b>	<b>Contract/ Notional Amount</b>	<b>Fair Value</b>	
	<b>RM'000</b>	<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Less than 1 year	1,068,348	9,833	8,689
	<u>1,068,348</u>	<u>9,833</u>	<u>8,689</u>

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

**B6. Fair Value of Financial Instruments**

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

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

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

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

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

<b>Bank</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>30 June 2017</b>				
<b><u>Financial assets</u></b>				
Financial investments AFS:	-	156,209	-	156,209
- Debt Securities	-	156,209	-	156,209
Derivative assets	-	9,833	-	9,833
	-	166,042	-	166,042

(i) Valuation techniques

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

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

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

**B7. Significant Events During the Financial Year**

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

**B8. Dividends**

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