

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2019

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

MANAGEMENT'S CERTIFICATION

I hereby certify that the unaudited interim financial statements for the period from 1 January 2019 to 31 March 2019 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 2 February 2018.

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 FINANCIAL PERIOD ENDED 31 MARCH 2019

	Note	Current quarter ended		Year-to-date ended	
		31-Mar	31-Mar	31-Mar	31-Mar
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	A6	44,320	29,624	44,320	29,624
Interest expense	A7	(27,934)	(17,458)	(27,934)	(17,458)
Net interest income		16,386	12,166	16,386	12,166
Other operating income	A8	4,600	910	4,600	910
Net income		20,986	13,076	20,986	13,076
Other operating expenses	A9	(13,347)	(10,403)	(13,347)	(10,403)
Operating profit before allowances		7,639	2,673	7,639	2,673
Allowance for impairment on loans, and other losses	A10	(507)	(1,619)	(507)	(1,619)
Profit before taxation		7,132	1,054	7,132	1,054
Taxation	B3	(1,874)	(145)	(1,874)	(145)
Net profit for the financial period		5,258	909	5,258	909
Other comprehensive income in respect of:					
(i) Items that will be reclassified subsequently to profit or loss:					
Unrealised net (loss)/gain on revaluation of FVOCI		1,915	(327)	1,915	(327)
Income tax relating to components of other comprehensive income/(loss)		(402)	33	(402)	33
Other comprehensive (loss)/income, net of tax, for the financial period		1,513	(294)	1,513	(294)
Total comprehensive income for the financial period		6,771	615	6,771	615

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	As at 31-Mar 2019 <u>RM'000</u>	As at 31-Dec 2018 <u>RM'000</u>
Bank			
ASSETS			
Cash and short-term funds	A11	415,335	758,544
Deposits and placements with banks and other financial institutions	A11	462,943	461,943
Financial assets at FVOCI	A12	1,216,037	801,465
Loans and advances	A13	2,416,804	2,310,287
Other assets	A14	34,081	7,305
Derivative assets	B5	36,318	27,682
Deferred tax assets		6,185	5,293
Tax recoverable		95	778
Statutory deposits with Bank Negara Malaysia		600	300
Right-of-use assets		8,418	-
Property, plant and equipment	A17	10,893	11,651
Intangible assets		4,762	4,930
TOTAL ASSETS		<u>4,612,471</u>	<u>4,390,178</u>
LIABILITIES			
Deposits from customers	A15/B4	1,499,960	1,445,126
Deposits and placements of banks and other financial institutions		2,182,932	2,053,433
Other liabilities	A16	46,745	45,039
Derivative liabilities	B5	40,179	18,591
Lease liabilities		7,895	-
TOTAL LIABILITIES		<u>3,777,711</u>	<u>3,562,189</u>
EQUITY			
Share capital		822,600	822,600
Reserves		12,160	5,389
TOTAL EQUITY		<u>834,760</u>	<u>827,989</u>
TOTAL LIABILITIES AND EQUITY		<u>4,612,471</u>	<u>4,390,178</u>
		-	
COMMITMENTS AND CONTINGENCIES	A18	<u>7,939,996</u>	<u>6,609,280</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

Bank	Note	Non-Distributable			Distributable	Total Equity	
		Share Capital	Regulatory Reserves	AFS Reserves	FVOCI Reserves		(Accumulated losses)/ Retained profits
		RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2018		822,600	-	840	-	(4,535)	818,905
Changes on initial application of MFRS 9		-	-	(840)	840	(2,220)	(2,220)
Restated balance as at 1 January 2018		822,600	-	-	840	(6,755)	816,685
Net profit for the financial year		-	-	-	-	11,456	11,456
Other comprehensive income, net of tax, for the financial year		-	-	-	(152)	-	(152)
Total comprehensive income for the financial year		-	-	-	(152)	11,456	11,304
Balance as at 31 December 2018		822,600	-	-	688	4,701	827,989
Balance as at 1 January 2019		822,600	-	-	688	4,701	827,989
Net profit for the financial period		-	-	-	-	5,258	5,258
Other comprehensive income, net of tax, for the financial period		-	-	-	1,513	-	1,513
Total comprehensive income for the financial period		-	-	-	1,513	5,258	6,771
Balance as at 31 March 2019		822,600	-	-	2,201	9,959	834,760

* 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 FINANCIAL PERIOD ENDED 31 MARCH 2019

	31-Mar 2019	31-Mar 2018
	RM'000	RM'000
Bank		
Cash flows from operating activities		
Profit before taxation	7,132	1,054
Adjustments for:		
Allowance for impairment on loans and advances	507	1,619
Depreciation of property, plant and equipment:	849	661
Depreciation of right-of-use assets	738	-
Amortisation of intangible assets	168	115
Interest income from financial assets designated at fair value through other comprehensive income	(8,869)	(1,691)
Finance cost	92	-
Operating profit before working capital changes	617	1,758
 (Increase)/Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	(1,000)	(309,932)
Statutory deposits with Bank Negara Malaysia	(300)	-
Derivative Assets	(8,636)	1,495
Loans and advances	(107,220)	(573,936)
Other assets	(26,776)	(1,644)
	<u>(143,932)</u>	<u>(884,017)</u>
 Increase/(Decrease) in operating liabilities:		
Deposits from customers	54,834	654,778
Deposits and placements of banks and other financial institutions	129,499	145,695
Derivative Liabilities	21,588	(6,857)
Other liabilities	1,183	20,899
	<u>207,104</u>	<u>814,515</u>
 Cash used in operations	63,789	(67,744)
Net tax paid	(2,495)	(3,550)
Net cash used in from operating activities	<u>61,294</u>	<u>(71,294)</u>
Cash flows from investing activities		
Purchase of financial investments available-for-sale	(514,299)	(37,367)
Proceeds from redemption of financial investments at FVOCI	100,000	-
Interest received from financial investments at FVOCI	10,401	-
Property, plant and equipment:		
- Purchase	(91)	(382)
Net cash used in investing activities	<u>(403,989)</u>	<u>(37,749)</u>
Cash flows from financing activities		
Payment of lease liabilities	(701)	-
Net cash generated from financing activities	<u>(701)</u>	<u>-</u>
 Net increase in cash and cash equivalents	(343,396)	(109,043)
Cash and cash equivalents:		
- at the beginning of the financial period	758,795	819,618
- at the end of the financial period	<u>415,399</u>	<u>710,575</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

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.

Changes in accounting policies

CCBM had adopted MFRS 16 *Leases* from its mandatory adoption date of 1 January 2019. CCBM did not early adopt any of MFRS 16 in previous years. The Bank intend to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The following table presents the impact of changes to the statement of financial position resulting from the adoption of MFRS 16 *Leases* as at 1 January 2019:

		As at 31 December 2018 RM'000	Changes RM'000	As at 1 January 2019 RM'000
Right-of-use assets	(a)	-	9,155	9,155
Lease liabilities	(b)	-	8,503	8,503

Note:

- (a) The right-of-use assets comprises leased properties, leased printer and car park which recognised during the financial year. Subsequent to initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.
- (b) The lease liabilities arising from the leased properties, leased printer and car park are recognised and discounted using the respective lease term and borrowing rate. Subsequent to initial recognition, CCBM measures the lease liabilities by increasing the carrying amount to reflect the interest on the lease liabilities, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modification.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

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 January 2019 to 31 March 2019.

A4. Changes In Estimates

There were no material changes in estimates that have a material effect for the period from 1 January 2019 to 31 March 2019.

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 January 2019 to 31 March 2019.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A6. Interest Income

	Current quarter ended		Year-to-date ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Bank	RM'000	RM'000	RM'000	RM'000
Loans and advances	24,922	13,530	24,922	13,530
Deposits and placements with banks and other financial institutions	10,529	14,403	10,529	14,403
Financial assets designated at FVOCI	8,869	1,691	8,869	1,691
	<u>44,320</u>	<u>29,624</u>	<u>44,320</u>	<u>29,624</u>

A7. Interest Expense

Bank				
Deposits and placements of banks and other financial institutions	17,037	9,408	17,037	9,408
Deposits from customers	10,897	8,050	10,897	8,050
	<u>27,934</u>	<u>17,458</u>	<u>27,934</u>	<u>17,458</u>

A8. Other Operating Income

Bank				
Fee income				
- Service charges and fees	120	67	120	67
- Guarantee fees	6	-	6	-
- Commitment fees	609	360	609	360
- Other fee income/(expenses)	(54)	232	(54)	232
	<u>681</u>	<u>659</u>	<u>681</u>	<u>659</u>
Net gain/(loss) arising from derivatives				
- Realised	9,386	(31,431)	9,386	(31,431)
- Unrealised	(12,953)	5,361	(12,953)	5,361
	<u>(3,567)</u>	<u>(26,070)</u>	<u>(3,567)</u>	<u>(26,070)</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A8. Other Operating Income (continued)

	Current quarter ended		Year-to-date ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Bank (continued)	RM'000	RM'000	RM'000	RM'000
Other income				
Foreign exchange gain/(loss):				
- Realised	7,362	26,253	7,362	26,253
Other non-operating income	124	68	124	68
	<u>7,486</u>	<u>26,321</u>	<u>7,486</u>	<u>26,321</u>
	<u>4,600</u>	<u>910</u>	<u>4,600</u>	<u>910</u>

A9. Other Operating Expenses

Bank

Personnel costs

- Salaries, allowances and bonuses	7,342	4,845	7,342	4,845
- Defined contribution plan	633	421	633	421
- Other staff related costs	709	168	709	168
	<u>8,684</u>	<u>5,434</u>	<u>8,684</u>	<u>5,434</u>

Establishment costs

- Depreciation of property, plant and equipment:	849	661	849	661
- Depreciation of right-of-use assets	738	-	738	-
- Amortisation of intangible assets	168	115	168	115
- Rental	-	663	-	663
- Insurance	9	25	9	25
- Water and electricity	24	6	24	6
- Repair and maintenance	525	1,044	525	1,044
- Security and escorting expenses	27	24	27	24
- Motor vehicle expenses	18	-	18	-
	<u>2,358</u>	<u>2,538</u>	<u>2,358</u>	<u>2,538</u>

Marketing expenses

- Advertisement and publicity	253	252	253	252
- Others	188	170	188	170
	<u>441</u>	<u>422</u>	<u>441</u>	<u>422</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A9. Other Operating Expenses (continued)

Bank	Current quarter ended		Year-to-date ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Administration and general expenses				
- Communication expenses	281	230	281	230
- Legal and professional fee	245	345	245	345
- Others	1,338	1,434	1,338	1,434
	<u>1,864</u>	<u>2,009</u>	<u>1,864</u>	<u>2,009</u>
	<u>13,347</u>	<u>10,403</u>	<u>13,347</u>	<u>10,403</u>

A10. Allowance for Impairment on Loans and Other Losses

Bank	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
31 March 2019				
Cash and short-term funds	(186)	-	-	(186)
Financial assets at FVOCI	119	-	-	119
Loans and advances	703	-	-	703
Commitments and contingencies	(129)	-	-	(129)
	<u>507</u>	<u>-</u>	<u>-</u>	<u>507</u>
31 March 2018				
Cash and short-term funds	(171)	-	-	(171)
Financial assets at FVOCI	247	-	-	247
Loans and advances	2,276	-	-	2,276
Commitments and contingencies	(733)	-	-	(733)
	<u>1,619</u>	<u>-</u>	<u>-</u>	<u>1,619</u>
	Current quarter ended		Year-to-date ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
Bank	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and other losses:				
- Collective impairment allowance	507	1,619	507	1,619
	<u>507</u>	<u>1,619</u>	<u>507</u>	<u>1,619</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A11. Cash and short-term funds

	As at 31 March 2019	As at 31 December 2018
	RM'000	RM'000
Bank		
Cash and short-term funds	415,399	758,795
Deposits and placements with banks and other financial institutions	462,943	461,943
	878,342	1,220,738
Less: ECL Allowance	(64)	(251)
	878,278	1,220,487

Movement of allowance for credit loss on cash and short-term funds and deposit and placements with banks and other financial institutions

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL Allowance				
Balance as at 1 January 2019	251	-	-	251
Financial assets derecognised during the financial year	(656)	-	-	(656)
New financial assets purchased	469	-	-	469
Balance as at 31 March 2019	<u>64</u>	<u>-</u>	<u>-</u>	<u>64</u>
Balance as at 1 January 2018	-	-	-	-
Effect of adoption of MFRS 9	174	-	-	174
Restated balance as at 1 January 2018	<u>174</u>	<u>-</u>	<u>-</u>	<u>174</u>
Financial assets derecognised during the financial year	(628)	-	-	(628)
New financial assets purchased	705	-	-	705
Balance as at 31 December 2018	<u>251</u>	<u>-</u>	<u>-</u>	<u>251</u>

A12. Financial assets at FVOCI

	As at 31 March 2019	As at 31 December 2018
	RM'000	RM'000
Bank		
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Securities	152,759	153,386
Malaysian Government Investment Issues	538,755	305,624
Negotiable instruments of deposits	483,886	301,276
	1,175,400	760,286
<u>Quoted securities:</u>		
In Malaysia		
Corporate bond	40,637	41,179
	1,216,037	801,465

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A12. Financial assets at FVOCI (continued)

Movement of allowance for credit loss to comprehensive income (continued)

ECL Allowance	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000
Balance as at 1 January 2019	251	-	-
Financial assets derecognised during the financial year	(5)	-	-
New financial assets purchased	124	-	-
Balance as at 31 March 2019	370	-	-
Financial assets derecognised during the financial year	(6)	-	-
New financial assets purchased	257	-	-
Balance as at 31 December 2018	251	-	-

A13. Loans and Advances

(a) By type

Bank	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
At amortised cost		
Overdrafts	5,084	5,137
Term loans		
- Syndicated term loans	1,039,430	980,928
- Other term loans/financing	454,508	430,317
Trust receipts	425,581	427,753
Revolving credits/financing	506,342	479,590
Gross loans and advances	2,430,945	2,323,725
Allowance for impaired loans and advances		
- ECL allowance	(14,141)	(13,438)
Net loans and advances	2,416,804	2,310,287

(b) By type of customer

Business enterprises	2,371,987	2,264,021
Government and statutory bodies	58,958	59,704
	2,430,945	2,323,725

(c) By geographical distribution

Malaysia	1,361,606	1,295,023
Hong Kong	260,832	271,855
Philippines	155,199	157,229
United Arab Emirates	58,958	59,704
China	367,331	293,813
Indonesia	159,124	163,318
Singapore	67,895	82,783
	2,430,945	2,323,725

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A13. Loans and Advances (continued)

Bank	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
(d) By interest/profit rate sensitivity		
Fixed rate		
- Fixed rate loans	765,207	783,728
Variable rate		
- Cost-plus	1,665,738	1,539,997
	<u>2,430,945</u>	<u>2,323,725</u>
(e) By purpose		
Working capital	910,356	974,070
Merger and acquisition	81,079	81,526
Purchase of transport vehicle	272,170	286,075
Other purposes	1,167,340	982,054
	<u>2,430,945</u>	<u>2,323,725</u>
(f) By remaining contractual maturities		
Maturity within one year	1,263,254	1,103,261
One year to three years	479,485	393,628
Three years to five years	398,386	522,881
Over five years	289,820	303,955
	<u>2,430,945</u>	<u>2,323,725</u>

(g) Movement of allowance for credit loss

An analysis of changes in the gross carrying amount and the corresponding ECL allowance is as follows:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross Carrying Amount				
Balance as at 1 January 2019	2,323,725	-	-	2,323,725
Financial assets derecognised during the financial year	(594,221)	-	-	(594,221)
New financial assets originated	701,441	-	-	701,441
Balance as at 31 March 2019	<u>2,430,945</u>	<u>-</u>	<u>-</u>	<u>2,430,945</u>
Balance as at 1 January 2018	1,297,747	-	-	1,297,747
Financial assets derecognised during the financial year	(1,114,260)	-	-	(1,114,260)
New financial assets originated	2,140,238	-	-	2,140,238
Balance as at 31 December 2018	<u>2,323,725</u>	<u>-</u>	<u>-</u>	<u>2,323,725</u>
ECL Allowance				
Balance as at 1 January 2019	13,438	-	-	13,438
Financial assets derecognised during the financial year	(2,055)	-	-	(2,055)
New financial assets originated	2,758	-	-	2,758
Balance as at 31 March 2019	<u>14,141</u>	<u>-</u>	<u>-</u>	<u>14,141</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A13. Loans and Advances (continued)

(g) Movement of allowance for credit loss (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowance is as follows:

ECL Allowance	Stage 1	Stage 2	Stage 3
	RM'000	RM'000	RM'000
Balance as at 1 January 2018	6,520	-	-
Effect of adoption of MFRS 9	809	-	-
Restated balance as at 1 January 2018	7,329	-	-
Financial assets derecognised during the financial year	(8,997)	-	-
New financial assets originated	15,106	-	-
Balance as at 31 December 2018	13,438	-	-

A14. Other Assets

	As at	As at
	31 March	31 December
	2019	2018
	RM'000	RM'000
Other receivables	679	2,952
Deposits	782	782
Prepayments	2,283	2,351
Cash collateral pledged for derivative transactions	30,337	1,220
	<u>34,081</u>	<u>7,305</u>

A15. Deposits from Customers

(a) By type of deposits

Bank

Demand deposits	491,478	279,684
Fixed/investment deposits	1,008,482	1,165,442
	<u>1,499,960</u>	<u>1,445,126</u>

(b) By type of customer

Bank

Business enterprises	<u>1,499,960</u>	<u>1,445,126</u>
----------------------	------------------	------------------

(c) By maturity structure of fixed/investment deposits

Bank

Due within six months	995,438	1,157,654
Six months to one year	13,044	7,788
	<u>1,008,482</u>	<u>1,165,442</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A16. Other Liabilities

	As at 31 March 2019	As at 31 December 2018
	RM'000	RM'000
Bank		
Other creditors and accruals	9,123	5,826
Deferred Income	11,632	7,784
Expected credit loss - loan commitments	760	889
Cash collateral pledged for derivative transactions	25,230	30,540
	<u>46,745</u>	<u>45,039</u>

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>Movement in loss allowance for contingencies and commitments</u>				
Balance as at 1 January 2019	889	-	-	889
Financial assets derecognised during the financial year	(177)	-	-	(177)
New financial assets originated	48	-	-	48
Balance as at 31 March 2019	<u>760</u>	<u>-</u>	<u>-</u>	<u>760</u>
Balance as at 1 January 2018	-	-	-	-
Effect of adoption of MFRS 9	1,237	-	-	1,237
Restated balance as at 1 January 2018	1,237	-	-	1,237
Financial assets derecognised during the financial year	(952)	-	-	(952)
New financial assets originated	604	-	-	604
Balance as at 31 December 2018	<u>889</u>	<u>-</u>	<u>-</u>	<u>889</u>

A17. Valuation of Property, Plant and Equipment

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

A18. Commitments and Contingencies

Bank	31 March 2019		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Short-term self-liquidating trade-related contingencies	2,225	445	445
Transaction-related contingent items	118,113	59,056	32,296
Irrevocable commitments to extend credit			
- Less than one year	15,066	1,988	1,988
- More than one year	237,810	68,224	68,224
Foreign exchange-related contracts:			
- Less than one year	7,566,782	109,462	40,513
	<u>7,939,996</u>	<u>239,175</u>	<u>143,466</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A18. Commitments and Contingencies (Continued)

Bank	31 December 2018		
	Principal Amount	Credit	Risk Weighted
	RM'000	Equivalent	Assets
		Amount	RM'000
		RM'000	
Short-term self-liquidating trade-related contingencies	343	171	171
Transaction-related contingent items	124,945	62,473	36,942
Irrevocable commitments to extend credit			
- Less than one year	9,942	1,988	1,988
- More than one year	376,293	125,045	125,045
Foreign exchange-related contracts:			
- Less than one year	6,097,757	99,251	37,416
	<u>6,609,280</u>	<u>288,928</u>	<u>201,562</u>

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:

Bank	As at	As at
	31 March	31 December
	2019	2018
	RM'000	RM'000
Common Equity Tier I ('CET I')/Tier I Capital		
Paid-up ordinary share capital	822,600	822,600
Retained profits	4,701	4,701
FVOCI reserves	2,201	688
	<u>829,502</u>	<u>827,989</u>
Regulatory adjustment applied in the calculation of CET 1 Capital		
(Less): 55% of cumulative gains of FVOCI financial instruments	(1,210)	(378)
(Less): Other Intangibles	(5,957)	(5,957)
(Less): Deferred tax assets	(6,185)	(5,293)
	<u>816,150</u>	<u>816,361</u>
Common Equity Tier 1 (CET1) and Tier 1 Capital		
Tier II Capital		
Collective impairment allowance and regulatory reserves	15,335	14,829
	<u>15,335</u>	<u>14,829</u>
Total Tier II Capital		
	<u>15,335</u>	<u>14,829</u>
Total Capital	<u>831,485</u>	<u>831,190</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A19. Capital Adequacy Ratio (continued)

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

Bank	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
<u>Capital ratios</u>		
Before proposed dividends:		
CET I Capital Ratio	31.683%	34.397%
Tier I Capital Ratio	31.683%	34.397%
Total Capital Ratio	32.279%	35.022%

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;

Credit risk	2,358,348	2,225,234
Market risk	129,883	36,197
Operational risk	87,728	111,916
Total risk-weighted assets	<u><u>2,575,959</u></u>	<u><u>2,373,347</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 FINANCIAL PERIOD ENDED 31 MARCH 2019

B1. Review of Bank's Results

China Construction Bank (Malaysia) Berhad ("CCBM")'s total assets stood at MYR 4.6 billion with stable execution progress. The main assets components are loans (MYR 2.4 billion), interbank placement (MYR 878 million) and debt securities (MYR 1.2 billion). Whilst total liabilities is MYR 3.8 billion mainly consists of corporate deposit (MYR 1.5 billion) and interbank borrowing (MYR 2.2 billion).

As of the end of March 2019, CCBM recorded operating income of MYR 21.0 million, of which net interest income is MYR 16.4 million, and non interest income MYR 4.6 million.

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

B2. Prospects for Financial Year 2019

In year 2019 CCBM will focus on parent bank's direction for overseas development strategy based on the Malaysian and the ASEAN market that includes the following:

- 1) Actively cooperate with "Belt & Road" Initiative, in supporting the development of related infrastructure projects, trade financing business, and strengthen product innovation mainly in Malaysia.
- 2) Cooperation with local banks to expand cross-border CNY settlements business and strengthen CNY capital market in the local financial market, actively promote RQFII investment, China Interbank Bond Market ("CIBM"), increase the volume of foreign CNY funds, enrich Renminbi's investment channels.
- 3) Develop and strengthen cash management business with corporate customers, provide short term financing, investment, FX settlement, transaction-based business and related financial services riding on the supply chain relationship.
- 4) Strive to develop overseas markets, cooperate with CCBC foreign branches and subsidiaries, provide global solutions and diversified financial services for cross-border corporate clients.

B3. Taxation

	Current quarter ended		Year-to-date ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Bank	RM'000	RM'000	RM'000	RM'000
Income tax	1,874	145	1,874	145
	<u>1,874</u>	<u>145</u>	<u>1,874</u>	<u>145</u>

The effective tax rate of the Bank for the three months ended 31 March 2019 was higher than the statutory tax rate.

**CHINA CONSTRUCTION BANK (MALAYSIA)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

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

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

	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Bank		
Deposits from customers		
- One year or less	1,499,960	1,445,126

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 contract/notional amounts

	<u>As at 31 March 2019</u>		
Bank	Contract/ Notional Amount RM'000	Fair Value	
By type		Assets RM'000	Liabilities RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Forwards/swaps	7,566,782	36,318	40,179
Total	7,566,782	36,318	40,179

	<u>As at 31 December 2018</u>		
Bank	Contract/ Notional Amount RM'000	Fair Value	
By type		Assets RM'000	Liabilities RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Forwards/swaps	6,097,757	27,682	18,591
Total	6,097,757	27,682	18,591

	<u>As at 31 March 2019</u>		
By remaining period to maturity/next re-pricing date	Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Less than 1 year	7,566,782	36,318	40,179
	7,566,782	36,318	40,179

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

B5. Derivative Financial Instruments (Continued)

- (a) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued)

	As at 31 December 2018		
	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	6,097,757	27,682	18,591
	<u>6,097,757</u>	<u>27,682</u>	<u>18,591</u>

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 hierarchy:

Bank	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 March 2019				
<u>Financial assets</u>				
Financial assets at FVOCI	-	1,216,037	-	1,216,037
- Debt Securities	-	1,216,037	-	1,216,037
Derivative assets	-	36,318	-	36,318
	<u>-</u>	<u>1,252,355</u>	<u>-</u>	<u>1,252,355</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	40,179	-	40,179

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

B6. Fair Value of Financial Instruments (Continued)

Bank	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2018				
<u>Financial assets</u>				
Financial assets at FVOCI	-	801,465	-	801,465
- Debt Securities	-	801,465	-	801,465
Derivative assets	-	27,682	-	27,682
	-	829,147	-	829,147
<u>Financial liabilities</u>				
Derivative liabilities	-	18,591	-	18,591

(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.

B7. Significant Events During the Financial Year

There were no significant events that had occurred between 1 January 2019 to the date of this announcement.

B8. Dividends

(a) The Directors have not proposed for any dividend for the three months ended 31 March 2019.