

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 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 30 September 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 30 SEPTEMBER 2019

	Note	Current quarter ended		Year-to-date ended	
		30-Sep	30-Sep	30-Sep	30-Sep
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	A6	46,467	36,212	136,424	99,231
Interest expense	A7	(28,228)	(21,006)	(82,981)	(57,177)
Net interest income		18,239	15,206	53,443	42,054
Other operating income	A8	2,670	3,500	8,902	6,132
Net income		20,909	18,706	62,345	48,186
Other operating expenses	A9	(14,893)	(15,650)	(40,981)	(38,478)
Operating profit before allowances Allowance for impairment on loans, and other losses	A10	6,016	3,056	21,364	9,708
Profit before taxation		979	(388)	(331)	(5,041)
Taxation	B3	6,995	2,668	21,033	4,667
Net profit for the financial period		(1,591)	(564)	(5,463)	(1,309)
Other comprehensive income in respect of:		5,404	2,104	15,570	3,358
(i) Items that will be reclassified subsequently to profit or loss:					
Unrealised net (loss)/gain on revaluation of FVOCI		3,062	745	8,645	(58)
(b) Net transfer to income statements on disposal of financial investments FVOCI		(355)	-	(355)	-
Income tax relating to components of other comprehensive income/(loss)		(626)	(154)	(1,896)	15
Other comprehensive (loss)/income, net of tax, for the financial period		2,081	591	6,394	(43)
Total comprehensive income for the financial period		7,485	2,695	21,964	3,315

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Note	As at 30-Sep 2019 RM'000	As at 31-Dec 2018 RM'000
Bank			
ASSETS			
Cash and short-term funds	A11	995,451	758,544
Deposits and placements with banks and other financial institutions	A11	653,504	461,943
Financial assets at FVOCI	A12	2,025,287	801,465
Loans and advances	A13	2,250,274	2,310,287
Other assets	A14	16,460	7,305
Derivative assets	B5	29,892	27,682
Deferred tax assets		4,199	5,293
Tax recoverable		658	778
Statutory deposits with Bank Negara Malaysia		-	300
Right-of-use assets		6,942	-
Property, plant and equipment	A17	9,607	11,651
Intangible assets		4,558	4,930
TOTAL ASSETS		5,996,832	4,390,178
LIABILITIES			
Deposits from customers	A15/B4	1,592,514	1,445,126
Deposits and placements of banks and other financial institutions		2,625,230	2,053,433
Other liabilities	A16	70,516	45,039
Derivative liabilities	B5	11,794	18,591
Lease liabilities		6,554	-
Subordinated loans	A18	840,271	-
TOTAL LIABILITIES		5,146,879	3,562,189
EQUITY			
Share capital		822,600	822,600
Reserves		27,353	5,389
TOTAL EQUITY		849,953	827,989
TOTAL LIABILITIES AND EQUITY		5,996,832	4,390,178
COMMITMENTS AND CONTINGENCIES	A19	9,542,708	6,609,280

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

Bank	Note	Non-Distributable			Distributable		Total Equity RM'000
		Share Capital RM'000	Regulatory Reserves RM'000	AFS Reserves RM'000	FVOCI Reserves RM'000	(Accumulated losses)/ Retained profits 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		-	-	-	-	15,570	15,570
Other comprehensive income, net of tax, for the financial period		-	-	-	6,394	-	6,394
Total comprehensive income for the financial period		-	-	-	6,394	15,570	21,964
Balance as at 30 September 2019		822,600	-	-	7,082	20,271	849,953

* 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 30 SEPTEMBER 2019

	30-Sep 2019	30-Sep 2018
	RM'000	RM'000
Bank		
Cash flows from operating activities		
Profit before taxation	21,033	3,358
Adjustments for:		
Allowance for impairment on loans and other losses	331	5,041
Depreciation of property, plant and equipment:	2,590	2,318
Depreciation of right-of-use assets	2,213	-
Amortisation of intangible assets	516	396
Interest expense on subordinated loan	2,773	-
Interest income from financial assets designated at fair value through other comprehensive income	(30,427)	(8,090)
Finance cost	255	-
Operating profit before working capital changes	(716)	3,023
 (Increase)/Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	(191,561)	(209,852)
Statutory deposits with Bank Negara Malaysia	300	
Derivative Assets	(2,210)	(523)
Loans and advances	60,059	(701,187)
Other assets	(9,155)	5,389
	<u>(142,567)</u>	<u>(906,173)</u>
 Increase/(Decrease) in operating liabilities:		
Deposits from customers	147,388	556,863
Deposits and placements of banks and other financial institutions	571,797	732,112
Derivative Liabilities	(6,797)	(19,275)
Other liabilities	24,958	18,948
	<u>737,346</u>	<u>1,288,648</u>
 Cash used in operations	594,063	385,498
Net tax paid	(6,155)	(7,600)
Net cash used in from operating activities	<u>587,908</u>	<u>377,898</u>
Cash flows from investing activities		
Purchase of financial investments FVOCI	(2,570,629)	(241,037)
Proceeds from redemption of financial investments at FVOCI	1,330,000	-
Proceeds from disposal of financial investments at FVOCI	20,819	-
Interest received from financial investments at FVOCI	34,228	10,960
Purchase of property, plant and equipment:	(546)	(3,933)
Purchase of intangible assets	(144)	-
Net cash used in investing activities	<u>(1,186,272)</u>	<u>(234,010)</u>
Cash flows from financing activities		
Payment of lease liabilities	(2,204)	-
Proceeds from issuance of subordinated loans	837,900	-
Net cash generated from financing activities	<u>835,696</u>	<u>-</u>
 Net increase in cash and cash equivalents	237,332	143,888
Cash and cash equivalents, at gross:		
- at the beginning of the financial period	758,795	819,618
- at the end of the financial period	<u>996,127</u>	<u>963,506</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 30 SEPTEMBER 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 30 September 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 30 September 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 30 September 2019.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

A6. Interest Income

	Current quarter ended		Year-to-date ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Bank	RM'000	RM'000	RM'000	RM'000
Loans and advances	24,041	22,170	74,177	55,736
Deposits and placements with banks and other financial institutions	10,441	10,328	31,820	35,405
Financial assets designated at FVOCI	11,985	3,714	30,427	8,090
	<u>46,467</u>	<u>36,212</u>	<u>136,424</u>	<u>99,231</u>

A7. Interest Expense

Bank				
Deposits and placements of banks and other financial institutions	17,322	12,769	52,386	32,500
Deposits from customers	8,133	8,237	27,822	24,677
Subordinated loans	2,773	-	2,773	-
	<u>28,228</u>	<u>21,006</u>	<u>82,981</u>	<u>57,177</u>

A8. Other Operating Income

Bank				
Fee income				
- Service charges and fees	178	94	419	226
- Guarantee fees	24	-	30	31
- Commitment fees	800	513	1,291	1,547
- Other fee income/(expenses)	711	561	1,442	1,243
	<u>1,713</u>	<u>1,168</u>	<u>3,182</u>	<u>3,047</u>
Net gain/(loss) arising from derivatives				
- Realised	(21,832)	8,055	281	(25,435)
- Unrealised	37,693	2,073	9,006	19,797
	<u>15,861</u>	<u>10,128</u>	<u>9,287</u>	<u>(5,638)</u>
Net gain/(loss) arising from financial investments FVOCI				
- Net gain on disposal	355	-	355	-

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

A8. Other Operating Income (continued)

	Current quarter ended		Year-to-date ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Bank (continued)	RM'000	RM'000	RM'000	RM'000
Other income				
Foreign exchange gain/(loss):				
- Realised	(15,171)	(7,797)	(4,274)	8,629
Other non-operating income/(expenses)	(88)	1	352	94
	<u>(15,259)</u>	<u>(7,796)</u>	<u>(3,922)</u>	<u>8,723</u>
	<u>2,670</u>	<u>3,500</u>	<u>8,902</u>	<u>6,132</u>

A9. Other Operating Expenses

Bank

Personnel costs

- Salaries, allowances and bonuses	8,526	8,888	23,340	21,020
- Defined contribution plan	634	842	1,873	1,834
- Other staff related costs	694	744	1,686	1,087
	<u>9,854</u>	<u>10,474</u>	<u>26,899</u>	<u>23,941</u>

Establishment costs

- Depreciation of property, plant and equipment:	887	894	2,590	2,318
- Depreciation of right-of-use assets	738	-	2,213	-
- Amortisation of intangible assets	178	164	516	396
- Rental	-	651	-	2,006
- Insurance	24	-	47	35
- Water and electricity	30	36	83	57
- Repair and maintenance	1,058	1,276	2,297	3,657
- Security and escorting expenses	27	34	81	75
	<u>2,942</u>	<u>3,055</u>	<u>7,827</u>	<u>8,544</u>

Marketing expenses

- Advertisement and publicity	25	3	336	270
- Others	515	291	935	652
	<u>540</u>	<u>294</u>	<u>1,271</u>	<u>922</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

A9. Other Operating Expenses (continued)

Bank	Current quarter ended		Year-to-date ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	RM'000	RM'000	RM'000	RM'000
Administration and general expenses				
- Communication expenses	304	253	756	704
- Legal and professional fee	142	308	638	870
- Others	1,111	1,266	3,590	3,497
	<u>1,557</u>	<u>1,827</u>	<u>4,984</u>	<u>5,071</u>
	<u>14,893</u>	<u>15,650</u>	<u>40,981</u>	<u>38,478</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
30 September 2019				
Cash and short-term funds	425	-	-	425
Financial assets at FVOCI	86	-	-	86
Loans and advances	(46)	-	-	(46)
Commitments and contingencies	(134)	-	-	(134)
	<u>331</u>	<u>-</u>	<u>-</u>	<u>331</u>
30 September 2018				
Cash and short-term funds	8	-	-	8
Financial assets at FVOCI	247	-	-	247
Loans and advances	5,061	-	-	5,061
Commitments and contingencies	(275)	-	-	(275)
	<u>5,041</u>	<u>-</u>	<u>-</u>	<u>5,041</u>
	Current quarter ended		Year-to-date ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Bank	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and other losses:				
- Collective impairment allowance	(979)	388	331	5,041
	<u>(979)</u>	<u>388</u>	<u>331</u>	<u>5,041</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

A11. Cash and short-term funds

	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000
Bank		
Cash and short-term funds	996,127	758,795
Deposits and placements with banks and other financial institutions	653,504	461,943
	<u>1,649,631</u>	<u>1,220,738</u>
Less: ECL Allowance	(676)	(251)
	<u>1,648,955</u>	<u>1,220,487</u>

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

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL Allowance				
Balance as at 1 January 2019	251	-	-	251
Financial assets derecognised during the financial year	(861)	-	-	(861)
New financial assets purchased	1,286	-	-	1,286
Balance as at 30 September 2019	<u>676</u>	<u>-</u>	<u>-</u>	<u>676</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 30 September 2019	As at 31 December 2018
	RM'000	RM'000
Bank		
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Securities	132,123	153,386
Malaysian Government Investment Issues	749,874	305,624
Negotiable instruments of deposits	1,102,379	301,276
	<u>1,984,376</u>	<u>760,286</u>
<u>Quoted securities:</u>		
In Malaysia		
Corporate bond	40,911	41,179
	<u>2,025,287</u>	<u>801,465</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	(39)	-	-
New financial assets purchased	124	-	-
Balance as at 30 September 2019	336	-	-
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 30 September 2019 RM'000	As at 31 December 2018 RM'000
At amortised cost		
Overdrafts	5,225	5,137
Term loans		
- Syndicated term loans	856,091	980,928
- Other term loans/financing	690,929	430,317
Bills receivables	84,970	-
Trust receipts	-	427,753
Revolving credits/financing	626,451	479,590
Gross loans and advances	<u>2,263,666</u>	<u>2,323,725</u>
Allowance for impaired loans and advances		
- ECL allowance	(13,392)	(13,438)
Net loans and advances	<u>2,250,274</u>	<u>2,310,287</u>

(b) By type of customer

Business enterprises	2,203,936	2,264,021
Government and statutory bodies	59,730	59,704
	<u>2,263,666</u>	<u>2,323,725</u>

(c) By geographical distribution

Malaysia	1,175,607	1,295,023
Hong Kong	278,568	271,855
Philippines	119,710	157,229
United Arab Emirates	57,797	59,704
China	400,586	293,813
Indonesia	18,105	163,318
Singapore	213,293	82,783
	<u>2,263,666</u>	<u>2,323,725</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

A13. Loans and Advances (continued)

Bank	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
(d) By interest/profit rate sensitivity		
Fixed rate		
- Fixed rate loans	249,606	783,728
Variable rate		
- Cost-plus	2,014,060	1,539,997
	<u>2,263,666</u>	<u>2,323,725</u>
(e) By purpose		
Working capital	969,816	974,070
Merger and acquisition	83,122	81,526
Purchase of transport vehicle	125,696	286,075
Other purposes	1,085,032	982,054
	<u>2,263,666</u>	<u>2,323,725</u>
(f) By remaining contractual maturities		
Maturity within one year	1,388,395	1,103,261
One year to three years	488,945	393,628
Three years to five years	242,525	522,881
Over five years	143,801	303,955
	<u>2,263,666</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	(1,358,971)	-	-	(1,358,971)
New financial assets originated	1,298,912	-	-	1,298,912
Balance as at 30 September 2019	<u>2,263,666</u>	<u>-</u>	<u>-</u>	<u>2,263,666</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	(9,235)	-	-	(9,235)
New financial assets originated	9,189	-	-	9,189
Balance as at 30 September 2019	<u>13,392</u>	<u>-</u>	<u>-</u>	<u>13,392</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	Total
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018	6,520	-	-	6,520
Effect of adoption of MFRS 9	809	-	-	809
Restated balance as at 1 January 2018	7,329	-	-	7,329
Financial assets derecognised during the financial year	(8,997)	-	-	(8,997)
New financial assets originated	15,106	-	-	15,106
Balance as at 31 December 2018	<u>13,438</u>	<u>-</u>	<u>-</u>	<u>13,438</u>

A14. Other Assets

	As at	As at
	30 September	31 December
	2019	2018
	RM'000	RM'000
Other receivables	8,736	4,073
Deposits	787	782
Prepayments	847	1,230
Cash collateral pledged for derivative transactions	6,090	1,220
	<u>16,460</u>	<u>7,305</u>

A15. Deposits from Customers

(a) By type of deposits

Bank

Demand deposits	663,930	279,684
Fixed/investment deposits	928,584	1,165,442
	<u>1,592,514</u>	<u>1,445,126</u>

(b) By type of customer

Bank

Business enterprises	<u>1,592,514</u>	<u>1,445,126</u>
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(c) By maturity structure of fixed/investment deposits

Bank

Due within six months	918,415	1,157,654
Six months to one year	10,011	7,788
One year to three years	158	-
	<u>928,584</u>	<u>1,165,442</u>

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A16. Other Liabilities

	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000
Bank		
Other payables and accruals	33,827	5,826
Deferred Income	9,499	7,784
Expected credit loss - loan commitments	756	889
Cash collateral pledged for derivative transactions	26,434	30,540
	<u>70,516</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	(203)	-	-	(203)
New financial assets originated	70	-	-	70
Balance as at 30 September 2019	<u>756</u>	<u>-</u>	<u>-</u>	<u>756</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. Subordinated Loans

	As at 30 September 2019	As at 31 December 2018
	RM'000	RM'000
Bank		
At amortised cost		
USD200 million subordinated loan	<u>840,271</u>	<u>-</u>

On 29 August 2019, the Bank has issued USD 200 million Tier 2 Subordinated Loan with ten (10) years maturity, non-callable five (5) years.

The issuance of the subordinated loan was approved by BNM as Basel III compliant Tier 2 subordinated loan, and to be classified as Tier 2 capital of the Bank pursuant to BNM's Capital Adequacy Framework (Capital Component).

The interest on subordinate loan is payable every three (3) months throughout the tenor commencing 29 August 2019 on floating rate basis.

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A19. Commitments and Contingencies

Bank	30 September 2019		
	Principal Amount	Credit	Risk Weighted
	RM'000	Equivalent	Assets
		Amount	RM'000
		RM'000	
Short-term self-liquidating trade-related contingencies	1,349	270	270
Transaction-related contingent items	1,102	551	301
Irrevocable commitments to extend credit			
- Less than one year	6,703	1,341	1,341
- More than one year	337,548	168,774	125,568
Foreign exchange-related contracts:			
- Less than one year	7,923,583	138,633	41,555
- More than one year	337,195	34,294	13,143
Interest rate/profit related contracts:			
- Less than one year	600,068	1,568	389
- More than one year	335,160	15,501	6,242
	<u>9,542,708</u>	<u>360,932</u>	<u>188,809</u>
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>

A20. 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.

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A20. Capital Adequacy Ratio (continued)

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

	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Bank		
Common Equity Tier 1 ('CET 1')/Tier 1 Capital		
Ordinary shares	822,600	822,600
Retained profits	4,701	4,701
Unrealised gain and losses of financial instruments measured at fair value through other comprehensive income	6,745	688
	<u>834,046</u>	<u>827,989</u>
Regulatory adjustments applied on CET 1 Capital		
(Less): 55% of cumulative gains of FVOCI financial instruments	(3,710)	(378)
(Less): Other Intangibles	(6,102)	(5,957)
(Less): Deferred tax assets	(4,199)	(5,293)
	<u>820,035</u>	<u>816,361</u>
Tier 2 Capital		
Tier 2 capital instruments meeting all relevant criteria	837,900	-
Loss provisions	15,160	14,829
Total Tier 2 Capital	<u>853,060</u>	<u>14,829</u>
Total Capital	<u>1,673,095</u>	<u>831,190</u>
Capital Ratios		
Before proposed dividends:		
CET 1 Capital Ratio	27.081%	34.397%
Tier 1 Capital Ratio	27.081%	34.397%
Total Capital Ratio	55.252%	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 expected credit loss 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	2,756,911	2,225,234
Market risk	157,623	36,197
Operational risk	113,577	111,916
Total risk-weighted assets	<u>3,028,111</u>	<u>2,373,347</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).

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B1. Review of Bank's Results

China Construction Bank (Malaysia) Berhad ("CCBM")'s total assets stood at MYR 6.0 billion with stable execution progress. The main assets components are loans (MYR 2.3 billion), interbank placement (MYR 1.6 billion) and debt securities (MYR 2.0 billion). Whilst total liabilities is MYR 5.1 billion mainly consists of MYR1.6 billion corporate deposit; as at end of September 2019, CCBM has achieved total funding growth of 45% with issuance of subordinated loan of MYR0.8 billion.

As of the end of September 2019, CCBM recorded operating income of MYR 62.3 million, of which net interest income is MYR 53.4 million, and non interest income MYR 8.9 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

Outlook 2019

Global economic outlook for 2019 is expected to soften with the slowdown of major's economies. Malaysia's economy estimated to remain positive on a steady growth path, driven mainly by domestic demand and accommodative policies to stimulate growth through stable labour market conditions, capital spending and technology. Bilateral trade between Malaysia and China remain strong. China Construction Bank (Malaysia) Berhad (CCBM) will continue to leverage on our parent bank CCB Head Office and CCB Group of companies' regional strength, supporting local as well as international business growth and requirement. CCBM remains optimistic that the bank is well positioned to capture business opportunities in trade and investment across ASEAN.

Rating by External Rating Agency

Malaysian Rating Corporation Berhad ("MARC") has assigned long- and short-term Financial Institution's Rating of AA+ and MARC-1 to China Construction Bank (Malaysia) Berhad in May 2019, with stable outlook.

B3. Taxation

	Current quarter ended		Year-to-date ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
Bank	RM'000	RM'000	RM'000	RM'000
Income tax	1,591	564	5,463	1,309
	<u>1,591</u>	<u>564</u>	<u>5,463</u>	<u>1,309</u>

Domestic income tax for the Bank is calculated at the Malaysian statutory tax rate of 24% of the estimated chargeable profit for the financial period. The effective tax rate of the Bank for the nine months ended 30 September 2019 was higher than the statutory tax rate due to effects of certain non-deductible expenses.

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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 30 September 2019	As at 31 December 2018
Bank	RM'000	RM'000
Deposits from customers		
- One year or less	1,582,345	1,437,338
- More than one year	10,169	7,788
	<u>1,592,514</u>	<u>1,445,126</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 contract/notional amounts

	<u>As at 30 September 2019</u>		
Bank	Contract/ Notional Amount	Fair Value	
By type	RM'000	Assets RM'000	Liabilities RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Forwards/swaps	8,260,778	29,892	11,794
Total	<u>8,260,778</u>	<u>29,892</u>	<u>11,794</u>

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

	<u>As at 30 September 2019</u>		
Bank	Contract/ Notional Amount	Fair Value	
By remaining period to maturity/next re-pricing date	RM'000	Assets RM'000	Liabilities RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Less than 1 year	7,923,583	29,860	11,794
- More than 1 year	337,195	32	-
	<u>8,260,778</u>	<u>29,892</u>	<u>11,794</u>

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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
	6,097,757	27,682	18,591

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
30 September 2019				
<u>Financial assets</u>				
Financial assets at FVOCI	-	2,025,287	-	2,025,287
- Debt Securities	-	2,025,287	-	2,025,287
Derivative assets	-	29,892	-	29,892
	-	2,055,179	-	2,055,179
<u>Financial liabilities</u>				
Derivative liabilities	-	11,794	-	11,794

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B6. Fair Value of Financial Instruments (Continued)

Bank	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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 nine months ended 30 September 2019.