

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2020

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (201601032761 (1203702-U))

MANAGEMENT'S CERTIFICATION

I hereby certify that the unaudited interim financial statements for the period from 1 January 2020 to 30 June 2020 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/PD 032-13: Financial Reporting issued by Bank Negara Malaysia on 27 September 2019.

On behalf of

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

Feng Qi

Chief Executive Officer

Date:

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Note	Current quarter ended		Year-to-date ended	
		30-Jun	30-Jun	30-Jun	30-Jun
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	A6	45,422	45,637	101,757	89,957
Interest expense	A7	(25,942)	(26,819)	(61,790)	(54,753)
Net interest income		19,480	18,818	39,967	35,204
Other operating income	A8	24,890	1,633	19,349	6,232
Net income		44,370	20,451	59,316	41,436
Other operating expenses	A9	(14,964)	(12,739)	(28,679)	(26,087)
Operating profit before allowances		29,406	7,712	30,637	15,349
Allowances for expected credit losses ("ECL")	A10	(6,000)	(804)	(1,687)	(1,310)
Profit before taxation		23,406	6,908	28,950	14,039
Taxation	B3	(6,222)	(1,998)	(7,818)	(3,872)
Net profit for the financial period		17,184	4,910	21,132	10,167
Other comprehensive income in respect of:					
(i) Items that will be reclassified subsequently to profit or loss:					
(a) Unrealised net (loss)/gain on revaluation of FVOCI		7,457	3,669	8,906	5,583
Net gain/(loss) on cashflow hedge		2,217	-	2,217	-
(b) Net transfer to income statements on disposal of financial investments FVOCI		123	-	1,657	-
Income tax relating to components of other comprehensive income/(loss)		(1,444)	(868)	(2,914)	(1,270)
Other comprehensive (loss)/income, net of tax, for the financial period		8,353	2,801	9,866	4,313
Total comprehensive income for the financial period		25,537	7,711	30,998	14,480

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	As at 30-Jun 2020 RM'000	As at 31-Dec 2019 RM'000
Bank			
ASSETS			
Cash and short-term funds	A11	693,842	627,997
Deposits and placements with banks and other financial institutions	A12	516,637	263,027
Financial assets at FVOCI	A13	1,780,795	2,642,279
Loans and advances	A14	2,821,311	2,673,668
Other assets	A15	25,454	57,955
Derivative assets	B5	57,219	60,574
Deferred tax assets		5,593	8,181
Right-of-use assets		4,642	6,121
Property, plant and equipment	A18	7,642	9,338
Intangible assets		4,324	4,620
TOTAL ASSETS		<u>5,917,459</u>	<u>6,353,760</u>
LIABILITIES			
Deposits from customers	A16/B4	2,024,997	2,070,852
Deposits and placements of banks and other financial institutions		2,013,911	2,399,006
Other liabilities	A17	90,070	64,405
Derivative liabilities	B5	39,959	90,061
Tax payable		5,822	1,638
Lease liabilities		4,459	5,814
Subordinated loans	A19	856,092	820,764
Obligations on securities sold under repurchase agreements ("Repos")		-	50,069
TOTAL LIABILITIES		<u>5,035,310</u>	<u>5,502,609</u>
EQUITY			
Share capital		822,600	822,600
Reserves		59,549	28,551
TOTAL EQUITY		<u>882,149</u>	<u>851,151</u>
TOTAL LIABILITIES AND EQUITY		<u>5,917,459</u>	<u>6,353,760</u>
COMMITMENTS AND CONTINGENCIES	A20	<u>13,423,892</u>	<u>9,129,875</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

Bank	Note	Non-Distributable			Distributable	Total Equity	
		Share Capital	Regulatory Reserves	FVOCI Reserves	Cashflow Hedge Reserves		(Accumulated losses)/ Retained profits
		RM'000	RM'000	RM'000	RM'000	RM'000	
Balance as at 1 January 2019		822,600	-	688	-	4,701	827,989
Net profit for the financial year		-	-	-	-	16,421	16,421
Other comprehensive income, net of tax, for the financial year		-	-	6,741	-	-	6,741
Total comprehensive income for the financial year		-	-	6,741	-	16,421	23,162
Balance as at 31 December 2019		822,600	-	7,429	-	21,122	851,151
Balance as at 1 January 2020		822,600	-	7,429	-	21,122	851,151
Net profit for the financial period		-	-	-	-	21,132	21,132
Other comprehensive income, net of tax, for the financial period		-	-	8,182	1,684	-	9,866
Total comprehensive income for the financial period		-	-	8,182	1,684	21,132	30,998
Balance as at 30 June 2020		822,600	-	15,611	1,684	42,254	882,149

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

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	30-Jun 2020	30-Jun 2019
	RM'000	RM'000
Bank		
Cash flows from operating activities		
Profit before taxation	28,950	14,039
Adjustments for:		
Allowance for impairment on loans and other losses	1,687	1,310
Depreciation of property, plant and equipment:	1,823	1,703
Depreciation of right-of-use assets	1,479	1,475
Amortisation of intangible assets	379	338
Gain from sale of debt instruments at FVOCI	(1,657)	-
Interest expense on subordinated loan	12,778	-
Interest income from financial assets designated at fair value through other comprehensive income	(34,412)	(18,442)
Finance cost	115	178
Operating profit before working capital changes	11,142	601
 (Increase)/Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	(253,607)	(198,764)
Statutory deposits with Bank Negara Malaysia	-	300
Derivative Assets	3,355	5,776
Loans and advances	(147,235)	283,689
Other assets	32,501	(20,417)
	<u>(364,986)</u>	<u>70,584</u>
 Increase/(Decrease) in operating liabilities:		
Deposits from customers	(45,855)	(416,813)
Deposits and placements of banks and other financial institutions	(385,095)	164,910
Derivative Liabilities	(50,102)	22,909
Other liabilities	25,753	(5,333)
Subordinated loans	25,840	-
Obligations on securities sold under Repos	(50,069)	-
	<u>(479,528)</u>	<u>(234,327)</u>
 Cash used in operations	(833,372)	(163,142)
Net tax paid	(3,960)	(4,325)
Net cash used in from operating activities	<u>(837,332)</u>	<u>(167,467)</u>
Cash flows from investing activities		
Purchase of financial investments FVOCI	(2,279,153)	(665,428)
Proceeds from redemption and disposal of financial investments at FVOCI	3,150,000	580,000
Interest received from financial investments at FVOCI	38,849	19,359
Purchase of property, plant and equipment:	(127)	(202)
Purchase of intangible assets	(83)	(69)
Interest payment of subordinated loan	(3,290)	-
Net cash used in investing activities	<u>906,196</u>	<u>(66,340)</u>
Cash flows from financing activities		
Payment of lease liabilities	(1,470)	(1,398)
Net cash generated from financing activities	<u>(1,470)</u>	<u>(1,398)</u>
 Net increase in cash and cash equivalents	67,394	(235,205)
Cash and cash equivalents, at gross:		
- at the beginning of the financial period	628,008	758,795
- at the end of the financial period	<u>695,402</u>	<u>523,590</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

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

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the unaudited interim financial statements. The amendments and interpretations are as below:

- *Amendments to IFRS 3 Definition of a Business*
- *Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform*
- *Amendments to IAS 1 and IAS 8 Definition of Material*
- *Conceptual Framework for Financial Reporting*

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 2020 to 30 June 2020.

A4. Changes In Estimates

There were no material changes in estimates that have a material effect for the period from 1 January 2020 to 30 June 2020.

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 2020 to 30 June 2020.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A6. Interest Income

	Current quarter ended		Year-to-date ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Bank	RM'000	RM'000	RM'000	RM'000
Loans and advances	19,839	25,214	44,793	50,136
Deposits and placements with banks and other financial institutions	10,039	10,850	22,552	21,379
Financial assets designated at FVOCI	15,544	9,573	34,412	18,442
	<u>45,422</u>	<u>45,637</u>	<u>101,757</u>	<u>89,957</u>

A7. Interest Expense

Bank				
Deposits and placements of banks and other financial institutions	10,493	18,027	26,715	35,064
Deposits from customers	8,957	8,792	20,746	19,689
Subordinated loans	5,780	-	12,778	-
Derivative financial instruments	712	-	1,551	-
	<u>25,942</u>	<u>26,819</u>	<u>61,790</u>	<u>54,753</u>

A8. Other Operating Income

Bank				
Fee income				
Service charges and fees	220	121	453	241
Less: Fees expense	(38)	(25)	(74)	(49)
	182	96	379	192
Guarantee fees	197	-	232	6
Commitment fees	1,133	348	2,082	491
Syndication fees	3,452	530	7,156	1,047
Other fee income	2,093	-	3,092	1
	<u>7,057</u>	<u>974</u>	<u>12,941</u>	<u>1,737</u>
Trading and investment income:				
Net realised gain/(loss) on derivatives	20,342	12,727	101,226	22,113
Net unrealised fair value (loss)/gain on derivatives	(20,784)	(15,734)	29,440	(28,687)
Gain from sale of debt instruments at FVOCI	123	-	1,657	-
Less: Brokerage charges	(212)	(185)	(479)	(268)
	<u>(531)</u>	<u>(3,192)</u>	<u>131,844</u>	<u>(6,842)</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A8. Other Operating Income (continued)

	Current quarter ended		Year-to-date ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Bank (continued)	RM'000	RM'000	RM'000	RM'000
Other income:				
Net foreign exchange gain/(loss)	17,152	3,535	(126,937)	10,897
Other non-operating income/(expenses)	1,212	316	1,501	440
	<u>18,364</u>	<u>3,851</u>	<u>(125,436)</u>	<u>11,337</u>
	<u>24,890</u>	<u>1,633</u>	<u>19,349</u>	<u>6,232</u>

A9. Other Operating Expenses

Bank

Personnel costs

Salaries, allowances and bonuses	8,655	7,472	16,402	14,814
Defined contribution plan	614	497	1,240	1,130
Other staff related costs	1,100	392	2,563	1,101
	<u>10,369</u>	<u>8,361</u>	<u>20,205</u>	<u>17,045</u>

Establishment costs

Depreciation of property, plant and equipment:	910	854	1,823	1,703
Depreciation of right-of-use assets	740	737	1,479	1,475
Amortisation of intangible assets	191	170	379	338
Repair and maintenance	982	714	1,483	1,239
Others	72	70	127	130
	<u>2,895</u>	<u>2,545</u>	<u>5,291</u>	<u>4,885</u>

Promotion and marketing expenses

Advertisement and publicity	440	290	496	731
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Administration and general expenses

Communication expenses	427	171	787	452
Legal and professional fees	213	251	339	496
Travelling and accommodation expenses	(30)	531	139	863
Employee recruitment costs	30	34	243	372
Others	620	556	1,179	1,243
	<u>1,260</u>	<u>1,543</u>	<u>2,687</u>	<u>3,426</u>
	<u>14,964</u>	<u>12,739</u>	<u>28,679</u>	<u>26,087</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

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 June 2020				
Cash and short-term funds	1,549	-	-	1,549
Deposits and placements with banks and other financial institutions	(3)	-	-	(3)
Financial assets at FVOCI	637	-	-	637
Loans and advances	4,925	(5,333)	-	(408)
Commitments and contingencies	1,219	(1,307)	-	(88)
	<u>8,327</u>	<u>(6,640)</u>	<u>-</u>	<u>1,687</u>
30 June 2019				
Cash and short-term funds	(248)	-	-	(248)
Financial assets at FVOCI	107	-	-	107
Loans and advances	1,594	-	-	1,594
Commitments and contingencies	(143)	-	-	(143)
	<u>1,310</u>	<u>-</u>	<u>-</u>	<u>1,310</u>
	Current quarter ended		Year-to-date ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
Bank	RM'000	RM'000	RM'000	RM'000
Allowances for expected credit losses ("ECL")	6,000	804	1,687	1,310
	<u>6,000</u>	<u>804</u>	<u>1,687</u>	<u>1,310</u>

A11. Cash and short-term funds

Bank	As at	As at
	30 June	31 December
	2020	2019
	RM'000	RM'000
Cash and balances with banks and other financial institutions	63,781	21,767
Money at call and deposit placements maturing within one month	631,621	606,241
	<u>695,402</u>	<u>628,008</u>
Less: ECL Allowance	(1,560)	(11)
	<u>693,842</u>	<u>627,997</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A11. Cash and short-term funds (continued)

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

ECL Allowance	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Balance as at 1 January 2020	11	-	-	11
Financial assets derecognised during the financial year	(6)	-	-	(6)
New financial assets purchased	1,555	-	-	1,555
Balance as at 30 June 2020	1,560	-	-	1,560
Balance as at 1 January 2019	251	-	-	251
Financial assets derecognised during the financial year	(853)	-	-	(853)
New financial assets purchased	613	-	-	613
Balance as at 31 December 2019	11	-	-	11

A12. Deposits and placements with banks and other financial institutions

	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Bank		
Licensed banks	516,637	263,030
Less: ECL allowances	-	(3)
	516,637	263,027

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

ECL Allowance	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Balance as at 1 January 2020	3	-	-	3
Financial assets derecognised during the financial year	(3)	-	-	(3)
Balance as at 30 June 2020	-	-	-	-
Balance as at 1 January 2019	-	-	-	-
Financial assets derecognised during the financial year	(674)	-	-	(674)
New financial assets purchased	677	-	-	677
Balance as at 31 December 2019	3	-	-	3

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A13. Financial assets at FVOCI

	As at 30 June 2020	As at 31 December 2019
	RM'000	RM'000
Bank		
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Securities	166,390	71,192
Malaysian Government Investment Issues	818,002	753,206
Negotiable instruments of deposits	502,314	1,776,462
	<u>1,486,706</u>	<u>2,600,860</u>
<u>Quoted securities:</u>		
In Malaysia		
Corporate bond	41,352	41,419
Cagamas debt securities	252,737	-
	<u>294,089</u>	<u>41,419</u>
	<u>1,780,795</u>	<u>2,642,279</u>

Movement of allowance for credit loss to comprehensive income

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL Allowance				
Balance as at 1 January 2020	559	-	-	559
New financial assets purchased	637	-	-	637
Balance as at 30 June 2020	<u>1,196</u>	<u>-</u>	<u>-</u>	<u>1,196</u>
Balance as at 1 January 2019	251	-	-	251
Remeasurement of financial assets	308	-	-	308
Balance as at 31 December 2019	<u>559</u>	<u>-</u>	<u>-</u>	<u>559</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A14. Loans and Advances

(a) By type

Bank	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
At amortised cost		
Overdrafts	5,399	5,274
Term loans		
- Syndicated term loans	863,520	1,025,321
- Other term loans/financing	1,037,291	851,080
Trust receipts	20,153	-
Revolving credits/financing	916,617	814,070
Gross loans and advances	<u>2,842,980</u>	<u>2,695,745</u>
Allowances for expected credit losses		
- Stage 1	(20,588)	(15,663)
- Stage 2	(1,081)	(6,414)
Net loans and advances	<u><u>2,821,311</u></u>	<u><u>2,673,668</u></u>

(b) By type of customer

Business enterprises	2,784,768	2,639,280
Government and statutory bodies	58,212	56,465
	<u>2,842,980</u>	<u>2,695,745</u>

(c) By geographical distribution

Malaysia	1,603,295	1,579,303
Hong Kong	136,178	253,127
Philippines	70,973	107,153
United Arab Emirates	58,212	56,465
China	974,322	551,960
Singapore	-	147,737
	<u>2,842,980</u>	<u>2,695,745</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A14. Loans and Advances (continued)

Bank	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
(d) By interest/profit rate sensitivity		
Fixed rate loans	247,850	264,620
Variable rate (cost-plus) loans	2,595,130	2,431,125
	<u>2,842,980</u>	<u>2,695,745</u>
(e) By purpose		
Working capital	1,708,437	1,394,180
Merger and acquisition	79,060	81,158
Purchase of transport vehicle	-	122,810
Construction	227,527	221,179
Trade finance related	417,077	572,717
Other purposes	410,879	303,701
	<u>2,842,980</u>	<u>2,695,745</u>
(f) By remaining contractual maturities		
Maturity within one year	2,034,272	1,853,561
One year to three years	568,649	265,049
Three years to five years	-	232,623
Over five years	240,059	344,512
	<u>2,842,980</u>	<u>2,695,745</u>
(g) By industry		
Agricultural, forestry, hunting and fishing	71,379	102,336
Mining and quarrying	-	-
Manufacturing	828,298	834,812
Electricity, gas and water	163,385	38,031
Construction	517,994	340,899
Real Estate	70,126	101,377
Wholesale, retail trade, restaurants and hotels	34,160	79,928
Transport, storage and communication	221,230	212,506
Finance, insurance and business services	693,565	634,594
Household	-	-
Others	242,843	351,262
	<u>2,842,980</u>	<u>2,695,745</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A14. Loans and Advances (continued)

(h) 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	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross Carrying Amount				
Balance as at 1 January 2020	2,631,380	64,365	-	2,695,745
Financial assets derecognised during the financial year	(1,679,946)	(47,019)	-	(1,726,965)
New financial assets originated	1,857,386	16,814	-	1,874,200
Balance as at 30 June 2020	<u>2,808,820</u>	<u>34,160</u>	<u>-</u>	<u>2,842,980</u>
Balance as at 1 January 2019	2,323,725	-	-	2,323,725
Financial assets derecognised during the financial year	(1,227,229)	-	-	(1,227,229)
New financial assets originated	1,599,249	-	-	1,599,249
Transferred to Stage 2	(64,365)	64,365	-	-
Balance as at 31 December 2019	<u>2,631,380</u>	<u>64,365</u>	<u>-</u>	<u>2,695,745</u>
ECL Allowance				
Balance as at 1 January 2020	15,663	6,414	-	22,077
Financial assets derecognised during the financial year	(10,764)	(5,333)	-	(16,097)
New financial assets originated	15,689	-	-	15,689
Balance as at 30 June 2020	<u>20,588</u>	<u>1,081</u>	<u>-</u>	<u>21,669</u>
Balance as at 1 January 2019	13,438	-	-	13,438
Financial assets derecognised during the financial year	(14,540)	-	-	(14,540)
New financial assets originated	17,698	-	-	17,698
Transferred to Stage 2	(933)	6,414	-	5,481
Balance as at 31 December 2019	<u>15,663</u>	<u>6,414</u>	<u>-</u>	<u>22,077</u>

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A15. Other Assets

	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Other receivables	21,805	21,127
Deposits	817	817
Prepayments	1,592	1,748
Cash collateral pledged for derivative transactions	1,240	34,263
	<u>25,454</u>	<u>57,955</u>

A16. Deposits from Customers

(a) By type of deposits

Bank

Demand deposits	611,944	920,060
Fixed/investment deposits	1,413,053	1,150,792
	<u>2,024,997</u>	<u>2,070,852</u>

(b) By type of customer

Bank

Business enterprises	<u>2,024,997</u>	<u>2,070,852</u>
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(c) By maturity structure of fixed/investment deposits

Bank

Due within six months	1,257,594	1,140,245
Six months to one year	155,459	10,387
One year to three years	-	160
	<u>1,413,053</u>	<u>1,150,792</u>

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A17. Other Liabilities

	As at 30 June 2020	As at 31 December 2019
	RM'000	RM'000
Bank		
Other payables and accruals	22,240	15,778
Deferred Income	12,666	19,326
Cash collateral pledged for derivative transactions	30,745	1,970
Cash collateral from corporate customers	21,942	24,766
ECL allowances for irrevocable loan commitments and financial guarantees	2,477	2,565
	<u>90,070</u>	<u>64,405</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 2020	470	2,095	-	2,565
Credit exposures relinquished	(186)	(1,394)	-	(1,580)
Credit exposures assumed	1,405	87	-	1,492
Balance as at 30 June 2020	<u>1,689</u>	<u>788</u>	<u>-</u>	<u>2,477</u>
Balance as at 1 January 2019	889	-	-	889
Credit exposures relinquished	(373)	-	-	(373)
Credit exposures assumed	85	-	-	85
Transferred to Stage 2	(131)	2,095	-	1,964
Balance as at 31 December 2019	<u>470</u>	<u>2,095</u>	<u>-</u>	<u>2,565</u>

A18. Valuation of Property, Plant and Equipment

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

A19. Subordinated Loans

	As at 30 June 2020	As at 31 December 2019
	RM'000	RM'000
Bank		
At amortised cost		
USD200 million subordinated loan	<u>856,092</u>	<u>820,764</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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A20. Commitments and Contingencies

Bank	30 June 2020		
	Principal Amount	Credit	Risk Weighted
	RM'000	Equivalent	Assets
		Amount	RM'000
		RM'000	
Short-term self-liquidating trade-related contingencies	59,322	11,864	11,864
Transaction-related contingent items	202,764	101,382	55,340
Irrevocable commitments to extend credit			
- Less than one year	21,938	1,400	1,400
- More than one year	693,281	79,282	79,282
Foreign exchange-related contracts:			
- Less than one year	7,446,666	84,103	33,648
- More than one year	1,343,071	125,975	74,542
Interest rate/profit related contracts:			
- Less than one year	2,284,300	5,261	1,759
- More than one year	1,372,550	21,521	6,917
	<u>13,423,892</u>	<u>430,788</u>	<u>264,752</u>

Bank	31 December 2019		
	Principal Amount	Credit	Risk Weighted
	RM'000	Equivalent	Assets
		Amount	RM'000
		RM'000	
Short-term self-liquidating trade-related contingencies	20,171	4,034	4,034
Transaction-related contingent items	193,324	96,662	49,768
Irrevocable commitments to extend credit			
- Less than one year	6,549	1,310	1,310
- More than one year	528,821	48,128	48,128
Foreign exchange-related contracts:			
- Less than one year	5,576,074	72,757	21,679
- More than one year	2,174,936	88,567	37,861
Interest rate related contracts: #			
- Less than one year	600,000	1,050	240
- More than one year	30,000	900	180
	<u>9,129,875</u>	<u>313,408</u>	<u>163,200</u>

A21. 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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A21. Capital Adequacy Ratio (continued)

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

	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Bank		
Common Equity Tier 1 ('CET 1')/Tier 1 Capital		
Paid-up ordinary share capital	822,600	822,600
Retained profits	21,122	21,122
FVOCI reserves	15,611	7,429
Cashflow hedge reserve	1,684	-
Regulatory adjustments applied in the calculation of CET1 Capital	(22,842)	(18,877)
Total CET1/Tier 1 Capital	<u>838,175</u>	<u>832,274</u>
Tier II Capital		
Tier II capital instruments meeting all relevant criteria	856,500	818,600
Loss provisions	26,902	25,215
Total Tier II Capital	<u>883,402</u>	<u>843,815</u>
Total Capital	<u><u>1,721,577</u></u>	<u><u>1,676,089</u></u>
Capital Ratios		
Before proposed dividends:		
CET 1 Capital Ratio	25.143%	24.306%
Tier 1 Capital Ratio	25.143%	24.306%
Total Capital Ratio	51.643%	48.950%

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	3,142,148	3,261,554
Market risk	39,328	30,589
Operational risk	152,146	131,945
Total risk-weighted assets	<u><u>3,333,622</u></u>	<u><u>3,424,088</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).

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A20. Credit exposures arising from transactions with connected parties

Credit exposures with connected parties as per BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

Bank	As at 30 June 2020	As at 31 December 2019
Outstanding credit exposures with connected parties (RM'000)	<u>561,431</u>	<u>416,669</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<u>9.58%</u>	<u>6.66%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default (%)	<u>-</u>	<u>-</u>

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

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B1. Review of Bank's Results

China Construction Bank (Malaysia) Berhad ("CCBM")'s total assets stood at MYR 5.9 billion with stable execution progress. The main assets components are loans (MYR 2.8 billion), interbank placement (MYR 1.2 billion) and debt securities (MYR 1.8 billion). Whilst total liabilities is MYR 5.0 billion mainly consists of MYR2.0 billion corporate deposit and interbank borrowing (MYR2.0 billion); as at end of June 2020.

As of the end of June 2020, CCBM recorded operating income of MYR 59.3 million, of which net interest income is MYR 40.0 million, and non interest loss MYR 19.3 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 2020

Outlook 2020

Following the global epidemic outbreak of Coronavirus (COVID-19) since the beginning of year 2020, the drop in international crude oil prices and global financial market turmoil, year 2020 is expected to be a challenging year with anticipated slowdown trend. In line with the global monetary trend, the rate cutting policy is expected to cushion the national economy as well as to boost overall economic growth. CCBM will continue to leverage on CCB Group's regional strength, supporting local as well as international business growth and requirement, maintain partnership in bilateral trade between Malaysia and China. CCBM remains its position and continue 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 April 2020, with stable outlook.

B3. Taxation

	Current quarter ended		Year-to-date ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Bank	RM'000	RM'000	RM'000	RM'000
Income tax	6,222	1,998	7,818	3,872
	<u>6,222</u>	<u>1,998</u>	<u>7,818</u>	<u>3,872</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 six months ended 30 June 2020 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

Bank	As at	As at
	30 June	31 December
	2020	2019
	RM'000	RM'000
Deposits from customers		
- One year or less	1,869,538	2,060,305
- More than one year	155,459	10,547
	<u>2,024,997</u>	<u>2,070,852</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

Bank	30 June 2020		
	Contract/ Notional Amount	Fair Value	
By type	RM'000	Assets	Liabilities
	RM'000	RM'000	RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Forwards/swaps	8,789,737	52,903	29,573
Interest rate/profit related contracts:	3,656,850	4,316	10,386
Total	<u>12,446,587</u>	<u>57,219</u>	<u>39,959</u>
	31 December 2019		
Bank	Contract/ Notional Amount	Fair Value	
By type	RM'000	Assets	Liabilities
	RM'000	RM'000	RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Forwards/swaps	7,751,010	60,359	89,962
Interest rate/profit related contracts:	630,000	215	99
Total	<u>8,381,010</u>	<u>60,574</u>	<u>90,061</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)

	30 June 2020		
	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	7,446,666	29,695	6,909
- More than 1 years	1,343,071	23,208	22,664
Interest rate/profit related contracts:			
- Less than 1 year	2,284,300	1,522	1,652
- More than one year	1,372,550	2,794	8,734
	<u>12,446,587</u>	<u>57,219</u>	<u>39,959</u>

	31 December 2019		
	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	5,576,074	22,996	88,856
- More than 1 years	2,174,936	37,363	1,106
Interest rate/profit related contracts:			
- Less than one year	600,000	215	99
- More than one year	30,000	-	-
	<u>8,381,010</u>	<u>60,574</u>	<u>90,061</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.

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B6. Fair Value of Financial Instruments (continued)

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

Bank	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
30 June 2020				
<u>Financial assets</u>				
Financial assets at FVOCI	-	1,780,795	-	1,780,795
- Debt Securities	-	1,780,795	-	1,780,795
Derivative assets	-	57,219	-	57,219
	-	<u>1,838,014</u>	-	<u>1,838,014</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	<u>39,959</u>	-	<u>39,959</u>
31 December 2019				
<u>Financial assets</u>				
Financial assets at FVOCI	-	2,642,279	-	2,642,279
- Debt Securities	-	2,642,279	-	2,642,279
Derivative assets	-	60,574	-	60,574
	-	<u>2,702,853</u>	-	<u>2,702,853</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	<u>90,061</u>	-	<u>90,061</u>

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B6. Fair Value of Financial Instruments (Continued)

(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 2020 to the date of this announcement.

B8. Dividends

- (a) The Directors have not proposed for any dividend for the six months ended 30 June 2020.