

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 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 September 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 SEPTEMBER 2020

	Note	Current quarter ended		Year-to-date ended	
		30-Sep	30-Sep	30-Sep	30-Sep
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	A6	37,606	46,467	139,363	136,424
Interest expense	A7	(17,305)	(28,228)	(79,095)	(82,981)
Net interest income		20,301	18,239	60,268	53,443
Other operating income	A8	11,805	2,488	31,154	8,452
Net income		32,106	20,727	91,422	61,895
Other operating expenses	A9	(13,904)	(14,711)	(42,583)	(40,531)
Operating profit before allowances		18,202	6,016	48,839	21,364
Allowances for expected credit losses ("ECL")	A10	(7,949)	979	(9,636)	(331)
Profit before taxation		10,253	6,995	39,203	21,033
Taxation	B3	(2,978)	(1,591)	(10,796)	(5,463)
Net profit for the financial period		7,275	5,404	28,407	15,570
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		1,566	3,062	10,472	8,645
Net gain/(loss) on cashflow hedge		5,983	-	8,200	-
(b) Net transfer to income statements on disposal of financial investments FVOCI		4,921	(355)	6,578	(355)
Income tax relating to components of other comprehensive income/(loss)		(3,100)	(626)	(6,014)	(1,896)
Other comprehensive (loss)/income, net of tax, for the financial period		9,370	2,081	19,236	6,394
Total comprehensive income for the financial period		16,645	7,485	47,643	21,964

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

	Note	As at 30-Sep 2020 <u>RM'000</u>	As at 31-Dec 2019 <u>RM'000</u>
Bank			
ASSETS			
Cash and short-term funds	A11	980,373	627,997
Deposits and placements with banks and other financial institutions	A12	292,874	263,027
Financial assets at FVOCI	A13	1,102,247	2,642,279
Loans and advances	A14	2,728,627	2,673,668
Other assets	A15	87,110	57,955
Derivative assets	B5	62,603	60,574
Deferred tax assets		2,847	8,181
Statutory deposits with Bank Negara Malaysia		30,000	-
Right-of-use assets		3,902	6,121
Property, plant and equipment	A18	6,729	9,338
Intangible assets		4,380	4,620
TOTAL ASSETS		<u>5,301,692</u>	<u>6,353,760</u>
LIABILITIES			
Deposits from customers	A16/B4	1,909,830	2,070,852
Deposits and placements of banks and other financial institutions		1,354,553	2,399,006
Other liabilities	A17	215,434	64,405
Derivative liabilities	B5	80,033	90,061
Tax payable		7,324	1,638
Lease liabilities		3,778	5,814
Subordinated loans	A19	831,946	820,764
Obligations on securities sold under repurchase agreements ("Repos")		-	50,069
TOTAL LIABILITIES		<u>4,402,898</u>	<u>5,502,609</u>
EQUITY			
Share capital		822,600	822,600
Reserves		76,194	28,551
TOTAL EQUITY		<u>898,794</u>	<u>851,151</u>
TOTAL LIABILITIES AND EQUITY		<u>5,301,692</u>	<u>6,353,760</u>
COMMITMENTS AND CONTINGENCIES	A20	<u>10,338,653</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 SEPTEMBER 2020

	Note	Non-Distributable			Distributable	Total Equity RM'000	
		Share Capital RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Cashflow Hedge Reserves RM'000		(Accumulated losses)/ Retained profits RM'000
Bank							
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		-	-	-	-	28,407	28,407
Other comprehensive income, net of tax, for the financial period		-	-	13,004	6,232	-	19,236
Total comprehensive income for the financial period		-	-	13,004	6,232	28,407	47,643
Balance as at 30 September 2020		822,600	-	20,433	6,232	49,529	898,794

* 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 SEPTEMBER 2020

	30-Sep 2020	30-Sep 2019
	RM'000	RM'000
Bank		
Cash flows from operating activities		
Profit before taxation	39,203	21,033
Adjustments for:		
Allowance for impairment on loans and other losses	9,636	331
Depreciation of property, plant and equipment:	2,736	2,590
Depreciation of right-of-use assets	2,219	2,213
Amortisation of intangible assets	585	516
Gain from sale of debt instruments at FVOCI	(6,578)	(355)
Interest expense on subordinated loan	16,662	2,773
Interest income from financial assets designated at fair value through other comprehensive income	(46,934)	(30,427)
Finance cost	161	255
Operating profit before working capital changes	17,690	(1,071)
 (Increase)/Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	(30,553)	(191,561)
Statutory deposits with Bank Negara Malaysia	(30,000)	300
Derivative Assets	(2,029)	(2,210)
Loans and advances	(64,104)	60,059
Other assets	(29,155)	(9,155)
	(155,841)	(142,567)
 Increase/(Decrease) in operating liabilities:		
Deposits from customers	(161,022)	147,388
Deposits and placements of banks and other financial institutions	(1,044,453)	571,797
Derivative Liabilities	(10,028)	(6,797)
Other liabilities	151,989	24,958
Subordinated loans	(1,223)	-
Obligations on securities sold under Repos	(50,069)	-
	(1,114,806)	737,346
 Cash used in operations	(1,252,957)	593,708
Net tax paid	(5,790)	(6,155)
Net cash used in from operating activities	(1,258,747)	587,553
Cash flows from investing activities		
Purchase of financial investments FVOCI	(3,262,869)	(2,570,274)
Proceeds from redemption and disposal of financial investments at FVOCI	4,821,301	1,350,819
Interest received from financial investments at FVOCI	60,175	34,228
Purchase of property, plant and equipment:	(127)	(546)
Purchase of intangible assets	(345)	(144)
Interest payment of subordinated loan	(4,257)	-
Net cash used in investing activities	1,613,878	(1,185,917)
Cash flows from financing activities		
Payment of lease liabilities	(2,197)	(2,204)
Proceeds from issuance of subordinated loans	-	837,900
Net cash generated from financing activities	(2,197)	835,696
 Net increase in cash and cash equivalents	352,934	237,332
Cash and cash equivalents, at gross:		
- at the beginning of the financial period	628,008	758,795
- at the end of the financial period	980,942	996,127

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

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

A6. Interest Income

	Current quarter ended		Year-to-date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Bank	RM'000	RM'000	RM'000	RM'000
Loans and advances	20,322	24,041	65,115	74,177
Deposits and placements with banks and other financial institutions	4,762	10,441	27,314	31,820
Financial assets designated at FVOCI	12,522	11,985	46,934	30,427
	<u>37,606</u>	<u>46,467</u>	<u>139,363</u>	<u>136,424</u>

A7. Interest Expense

Bank				
Deposits and placements of banks and other financial institutions	3,940	17,322	30,655	52,386
Deposits from customers	8,956	8,133	29,702	27,822
Subordinated loans	3,884	2,773	16,662	2,773
Derivative financial instruments	525	-	2,076	-
	<u>17,305</u>	<u>28,228</u>	<u>79,095</u>	<u>82,981</u>

A8. Other Operating Income

Bank				
Fee income				
Service charges and fees	236	178	689	419
Less: Fees expense	(29)	(224)	(103)	(542)
	207	(46)	586	(123)
Guarantee fees	113	24	345	30
Commitment fees	1,505	800	3,587	1,291
Syndication fees	3,723	935	10,879	1,983
Other fee income	751	-	3,843	1
	<u>6,299</u>	<u>1,713</u>	<u>19,240</u>	<u>3,182</u>
Trading and investment income:				
Net realised gain/(loss) on derivatives	55,519	(21,832)	156,745	281
Net unrealised fair value (loss)/gain on derivatives	(15,272)	37,693	14,168	9,006
Gain from sale of debt instruments at FVOCI	4,921	355	6,578	355
Less: Brokerage charges	(155)	(182)	(634)	(450)
	<u>45,013</u>	<u>16,034</u>	<u>176,857</u>	<u>9,192</u>

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

A8. Other Operating Income (continued)

	Current quarter ended		Year-to-date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Bank (continued)	RM'000	RM'000	RM'000	RM'000
Other income:				
Net foreign exchange gain/(loss)	(39,589)	(15,171)	(166,526)	(4,274)
Other non-operating income/(expenses)	82	(88)	1,583	352
	<u>(39,507)</u>	<u>(15,259)</u>	<u>(164,943)</u>	<u>(3,922)</u>
	<u>11,805</u>	<u>2,488</u>	<u>31,154</u>	<u>8,452</u>

A9. Other Operating Expenses

Bank

Personnel costs

Salaries, allowances and bonuses	8,954	8,526	25,356	23,340
Defined contribution plan	1,493	634	2,733	1,873
Other staff related costs	(369)	694	2,194	1,686
	<u>10,078</u>	<u>9,854</u>	<u>30,283</u>	<u>26,899</u>

Establishment costs

Depreciation of property, plant and equipment:	913	887	2,736	2,590
Depreciation of right-of-use assets	740	738	2,219	2,213
Amortisation of intangible assets	206	178	585	516
Repair and maintenance	1,027	1,058	2,510	2,297
Others	88	81	215	211
	<u>2,974</u>	<u>2,942</u>	<u>8,265</u>	<u>7,827</u>

Promotion and marketing expenses

Advertisement and publicity	168	540	664	1,271
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Administration and general expenses

Communication expenses	(65)	304	722	756
Legal and professional fees	143	142	482	638
Travelling and accommodation expenses	-	483	139	1,346
Employee recruitment costs	17	38	259	410
Others	589	408	1,769	1,384
	<u>684</u>	<u>1,375</u>	<u>3,371</u>	<u>4,534</u>
	<u>13,904</u>	<u>14,711</u>	<u>42,583</u>	<u>40,531</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 September 2020				
Cash and short-term funds	558	-	-	558
Deposits and placements with banks and other financial institutions	706	-	-	706
Financial assets at FVOCI	187	-	-	187
Loans and advances	15,559	(6,414)	-	9,145
Commitments and contingencies	1,135	(2,095)	-	(960)
	<u>18,145</u>	<u>(8,509)</u>	<u>-</u>	<u>9,636</u>
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>
	Current quarter ended		Year-to-date ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
Bank	RM'000	RM'000	RM'000	RM'000
Allowances for expected credit losses ("ECL")	7,949	(979)	9,636	331
	<u>7,949</u>	<u>(979)</u>	<u>9,636</u>	<u>331</u>

A11. Cash and short-term funds

Bank	As at	As at
	30 September	31 December
	2020	2019
	RM'000	RM'000
Cash and balances with banks and other financial institutions	93,623	21,767
Money at call and deposit placements maturing within one month	887,319	606,241
	<u>980,942</u>	<u>628,008</u>
Less: ECL Allowance	(569)	(11)
	<u>980,373</u>	<u>627,997</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD 201601032761 (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2020	11	-	-	11
Financial assets derecognised during the financial year	(6)	-	-	(6)
New financial assets purchased	564	-	-	564
Balance as at 30 September 2020	569	-	-	569
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 September 2020	As at 31 December 2019
	RM'000	RM'000
Bank		
Licensed banks	293,583	263,030
Less: ECL allowances	(709)	(3)
	292,874	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	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2020	3	-	-	3
Financial assets derecognised during the financial year	(3)	-	-	(3)
New financial assets purchased	709	-	-	709
Balance as at 30 September 2020	709	-	-	709
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 SEPTEMBER 2020

A13. Financial assets at FVOCI

	As at 30 September 2020	As at 31 December 2019
	RM'000	RM'000
Bank		
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Securities	135,048	71,192
Malaysian Government Investment Issues	474,221	753,206
Negotiable instruments of deposits	-	1,776,462
	<u>609,269</u>	<u>2,600,860</u>
<u>Quoted securities:</u>		
In Malaysia		
Corporate bond	381,563	41,419
Cagamas debt securities	111,415	-
	<u>492,978</u>	<u>41,419</u>
	<u>1,102,247</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
Financial assets derecognised during the financial year	(450)	-	-	(450)
New financial assets purchased	637	-	-	637
Balance as at 30 September 2020	<u>746</u>	<u>-</u>	<u>-</u>	<u>746</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 SEPTEMBER 2020

A14. Loans and Advances

(a) By type

	As at 30 September 2020	As at 31 December 2019
	RM'000	RM'000
Bank		
At amortised cost		
Overdrafts	5,171	5,274
Term loans		
- Syndicated term loans	938,028	1,025,321
- Other term loans/financing	1,092,290	851,080
Trust receipts	3,688	-
Revolving credits/financing	720,672	814,070
Gross loans and advances	<u>2,759,849</u>	<u>2,695,745</u>
Allowances for expected credit losses		
- Stage 1	(31,222)	(15,663)
- Stage 2	-	(6,414)
Net loans and advances	<u>2,728,627</u>	<u>2,673,668</u>

(b) By type of customer

Business enterprises	2,635,129	2,639,280
Government and statutory bodies	124,720	56,465
	<u>2,759,849</u>	<u>2,695,745</u>

(c) By geographical distribution

Malaysia	1,832,973	1,579,303
Hong Kong	131,918	253,127
Philippines	47,426	107,153
United Arab Emirates	56,486	56,465
China	690,314	551,960
Singapore	-	147,737
United States	732	-
	<u>2,759,849</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 SEPTEMBER 2020

A14. Loans and Advances (continued)

Bank	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
(d) By interest/profit rate sensitivity		
Fixed rate loans	134,540	264,620
Variable rate (cost-plus) loans	2,625,309	2,431,125
	<u>2,759,849</u>	<u>2,695,745</u>
(e) By purpose		
Working capital	1,482,315	1,394,180
Merger and acquisition	82,033	81,158
Purchase of transport vehicle	-	122,810
Construction	577,493	221,179
Trade finance related	277,192	572,717
Other purposes	340,816	303,701
	<u>2,759,849</u>	<u>2,695,745</u>
(f) By remaining contractual maturities		
Maturity within one year	2,636,779	1,853,561
One year to three years	123,070	265,049
Three years to five years	-	232,623
Over five years	-	344,512
	<u>2,759,849</u>	<u>2,695,745</u>
(g) By industry		
Agricultural, forestry, hunting and fishing	-	102,336
Mining and quarrying	-	-
Manufacturing	775,766	834,812
Electricity, gas and water	165,405	38,031
Construction	490,283	340,899
Real Estate	-	101,377
Wholesale, retail trade, restaurants and hotels	-	79,928
Transport, storage and communication	411,417	212,506
Finance, insurance and business services	477,946	634,594
Household	-	-
Others	439,032	351,262
	<u>2,759,849</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 SEPTEMBER 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:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gross Carrying Amount				
Balance as at 1 January 2020	2,631,380	64,365	-	2,695,745
Financial assets derecognised during the financial year	(1,882,936)	(64,365)	-	(1,947,301)
New financial assets originated	2,011,405	-	-	2,011,405
Balance as at 30 September 2020	<u>2,759,849</u>	<u>-</u>	<u>-</u>	<u>2,759,849</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	(15,506)	(6,414)	-	(21,920)
New financial assets originated	31,065	-	-	31,065
Balance as at 30 September 2020	<u>31,222</u>	<u>-</u>	<u>-</u>	<u>31,222</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 September 2020	As at 31 December 2019
	RM'000	RM'000
Other receivables	13,671	21,127
Deposits	982	817
Prepayments	984	1,748
Cash collateral pledged for derivative transactions	71,473	34,263
	<u>87,110</u>	<u>57,955</u>

A16. Deposits from Customers

(a) By type of deposits

Bank

Demand deposits	543,146	920,060
Fixed/investment deposits	1,366,684	1,150,792
	<u>1,909,830</u>	<u>2,070,852</u>

(b) By type of customer

Bank

Business enterprises	<u>1,909,830</u>	<u>2,070,852</u>
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(c) By maturity structure of fixed/investment deposits

Bank

Due within six months	1,244,676	1,140,245
Six months to one year	122,008	10,387
One year to three years	-	160
	<u>1,366,684</u>	<u>1,150,792</u>

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A17. Other Liabilities

	As at 30 September 2020	As at 31 December 2019
	RM'000	RM'000
Bank		
Other payables and accruals	19,674	15,778
Deferred Income	10,590	19,326
Cash collateral pledged for derivative transactions	124,087	1,970
Cash collateral from corporate customers	59,478	24,766
ECL allowances for irrevocable loan commitments and financial guarantees	1,605	2,565
	<u>215,434</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	(1,146)	(2,182)	-	(3,328)
Credit exposures assumed	2,281	87	-	2,368
Balance as at 30 September 2020	<u>1,605</u>	<u>-</u>	<u>-</u>	<u>1,605</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 September 2020	As at 31 December 2019
	RM'000	RM'000
Bank		
At amortised cost		
USD200 million subordinated loan	<u>831,946</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 September 2020		
	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Short-term self-liquidating trade-related contingencies	32,916	6,583	6,583
Transaction-related contingent items	247,153	123,577	76,835
Irrevocable commitments to extend credit			
- Less than one year	183,094	1,400	1,400
- More than one year	681,813	109,035	109,035
Foreign exchange-related contracts:			
- Less than one year	4,747,001	64,831	34,111
- More than one year	1,163,486	137,885	80,498
Interest rate/profit related contracts:			
- Less than one year	1,928,420	4,821	1,650
- More than one year	1,354,770	21,165	6,777
	<u>10,338,653</u>	<u>469,297</u>	<u>316,889</u>
Bank	31 December 2019		
	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	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 September 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	20,432	7,429
Cashflow hedge reserve	6,232	-
Regulatory adjustments applied in the calculation of CET1 Capital	(27,355)	(18,877)
Total CET1/Tier 1 Capital	<u>843,031</u>	<u>832,274</u>
Tier II Capital		
Tier II capital instruments meeting all relevant criteria	831,100	818,600
Loss provisions	34,850	25,215
Total Tier II Capital	<u>865,950</u>	<u>843,815</u>
Total Capital	<u>1,708,981</u>	<u>1,676,089</u>
<u>Capital Ratios</u>		
Before proposed dividends:		
CET 1 Capital Ratio	25.379%	24.306%
Tier 1 Capital Ratio	25.379%	24.306%
Total Capital Ratio	51.449%	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	3,109,424	3,261,554
Market risk	48,356	30,589
Operational risk	163,928	131,945
Total risk-weighted assets	<u>3,321,708</u>	<u>3,424,088</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 maintained at MYR 5.3 billion with stable execution progress. The main assets components are loans (MYR 2.7 billion), interbank placement (MYR 1.3 billion) and debt securities (MYR 1.1 billion). Whilst total liabilities is MYR 4.4 billion mainly consists of MYR1.9 billion corporate deposit and interbank borrowing (MYR1.4 billion); as at end of September 2020.

As of the end of September 2020, CCBM recorded operating income of MYR 91.4 million, of which net interest income is MYR 60.2 million, and other operating income MYR 31.2 million.

Based on the financial performance quarter to quarter, CCBM continue to strive for the profit growth since the beginning of the year and maintain stable and healthy balance sheet growth.

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 September	30 September	30 September	30 September
	2020	2019	2020	2019
Bank	RM'000	RM'000	RM'000	RM'000
Income tax	2,978	1,591	10,796	5,463
	<u>2,978</u>	<u>1,591</u>	<u>10,796</u>	<u>5,463</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 September 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**

	As at 30 September 2020	As at 31 December 2019
Bank	RM'000	RM'000
Deposits from customers		
- One year or less	1,787,822	2,060,305
- More than one year	122,008	10,547
	<u>1,909,830</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

	30 September 2020		
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	5,910,487	58,629	68,939
Interest rate/profit related contracts:	3,283,190	3,974	11,094
Total	<u>9,193,677</u>	<u>62,603</u>	<u>80,033</u>

	31 December 2019		
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	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 September 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	4,747,001	31,981	58,643
- More than 1 years	1,163,486	26,648	10,296
Interest rate/profit related contracts:			
- Less than 1 year	1,928,420	3,974	11,094
- More than one year	1,354,770	-	-
	<u>9,193,677</u>	<u>62,603</u>	<u>80,033</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	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 September 2020				
<u>Financial assets</u>				
Financial assets at FVOCI	-	1,102,247	-	1,102,247
- Debt Securities	-	1,102,247	-	1,102,247
Derivative assets	-	62,603	-	62,603
	-	1,164,850	-	1,164,850
<u>Financial liabilities</u>				
Derivative liabilities	-	80,033	-	80,033
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
	-	2,702,853	-	2,702,853
<u>Financial liabilities</u>				
Derivative liabilities	-	90,061	-	90,061

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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 nine months ended 30 September 2020.