

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2022

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

MANAGEMENT'S CERTIFICATION

I hereby certify that the unaudited condensed interim financial statements for the period from 1 January 2022 to 30 June 2022 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of Malaysian Financial Reporting Standard ("MASB") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Guidelines on Financial Reporting issued by Bank Negara Malaysia.

On behalf of

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

Wang Qijie

Chief Executive Officer

Date:

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	Note	As at 30 June 2022 RM'000	As at 31 December 2021 RM'000
Assets			
Cash and short-term funds	A8	1,569,088	1,491,662
Deposits and placements with banks and other financial institutions	A9	97,002	-
Debt instruments at fair value through other comprehensive income ("FVOCI")	A10	1,843,468	1,711,307
Other assets	A11	34,220	52,825
Derivative financial assets	A12	205,710	46,623
Loans and advances	A13	1,667,011	1,604,869
Tax recoverable		31,545	20,853
Right-of-use assets		41,191	43,449
Property and equipment		3,708	3,425
Intangible assets		8,662	9,256
Deferred tax assets		19,147	14,872
Total assets		<u>5,520,752</u>	<u>4,999,141</u>
Liabilities			
Deposits from customers	A14	2,867,007	2,964,641
Deposits and placements of banks and other financial institutions	A15	437,818	56,631
Other liabilities	A16	205,727	121,451
Derivative financial liabilities	A12	187,762	62,057
Lease liabilities		41,032	42,933
Subordinated loan	A17	883,770	834,513
Total liabilities		<u>4,623,116</u>	<u>4,082,226</u>
Equity attributable to equity holder of the Bank			
Share capital		822,600	822,600
Reserves		75,036	94,315
Total equity		<u>897,636</u>	<u>916,915</u>
Total liabilities and equity		<u>5,520,752</u>	<u>4,999,141</u>
Commitments and contingencies	A23	<u>14,830,962</u>	<u>15,275,794</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2021.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD

(Company Registration No. 201601032761 (1203702-U))

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022**

	Note	Current quarter ended		Year-to-date ended	
		30 June	30 June	30 June	30 June
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Interest income	A18	36,565	34,621	68,548	71,592
Interest expense	A19	(18,739)	(14,456)	(31,417)	(29,210)
Net interest income		17,826	20,165	37,131	42,382
Other operating (loss)/income	A20	(12,449)	9,755	(8,714)	9,464
Net income		5,377	29,920	28,417	51,846
Other operating expenses	A21	(16,725)	(16,735)	(30,914)	(29,958)
Operating (loss)/profit before allowances (Allowances)/Written-back for expected credit losses ("ECL")	A22	(11,348)	13,185	(2,497)	21,888
(Loss)/Profit before taxation		(1,046)	2,850	(1,112)	16,335
Taxation		(12,394)	16,035	(3,609)	38,223
Net (loss)/profit for the financial period		2,124	(3,854)	(315)	(10,625)
		(10,270)	12,181	(3,924)	27,598
Other comprehensive income in respect of:					
Items that will be reclassified subsequently to profit or loss:					
<u>Debt instruments at FVOCI</u>					
Net fair value change in debt instruments at FVOCI		(16,744)	(26,113)	(19,770)	(33,221)
Net gain on debt instruments measured at FVOCI reclassified to profit or loss on disposal		-	-	(204)	-
Income tax effect		4,924	6,069	4,597	8,069
		(11,820)	(20,044)	(15,377)	(25,152)
<u>Cash flow hedge</u>					
Net change in cash flow hedge		(2,866)	80	(3,996)	(1,003)
Net change in cost of hedging		402	(1,710)	4,025	(1,991)
Income tax effect		591	148	(7)	718
		(1,873)	(1,482)	22	(2,276)
Total other comprehensive loss, net of tax, for the financial period		(13,693)	(21,526)	(15,355)	(27,428)
Total comprehensive (loss)/income for the financial period		(23,963)	(9,345)	(19,279)	170

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2021.

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

Note	← Non-Distributable →				Distributable	
	Share Capital	FVOCI Reserves	Cash flow hedge Reserve	Cost of hedging Reserve	Retained Profits	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2022	822,600	(17,686)	2,425	4,090	105,486	916,915
Net loss for the financial period	-	-	-	-	(3,924)	(3,924)
Other comprehensive (loss)/income, net of tax, for the financial period	-	(15,377)	(3,037)	3,059	-	(15,355)
Total comprehensive (loss)/income for financial period	-	(15,377)	(3,037)	3,059	(3,924)	(19,279)
Balance as at 30 June 2022	<u>822,600</u>	<u>(33,063)</u>	<u>(612)</u>	<u>7,149</u>	<u>101,562</u>	<u>897,636</u>
Balance as at 1 January 2021	822,600	14,123	3,491	7,317	50,656	898,187
Net profit for the financial year	-	-	-	-	54,830	54,830
Other comprehensive loss, net of tax, for the financial year	-	(31,809)	(1,066)	(3,227)	-	(36,102)
Total comprehensive (loss)/income for the financial year	-	(31,809)	(1,066)	(3,227)	54,830	18,728
Balance as at 31 December 2021	<u>822,600</u>	<u>(17,686)</u>	<u>2,425</u>	<u>4,090</u>	<u>105,486</u>	<u>916,915</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2021.

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022**

	30 June 2022	30 June 2021
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(3,609)	38,223
Adjustments for:		
Allowance/(Written-back) for expected credit losses	1,112	(16,335)
Net unrealised fair value loss on derivatives	11,348	43,631
Depreciation of property and equipment:	690	2,094
Depreciation of right-of-use assets	2,258	1,484
Amortisation of intangible assets	835	519
Interest income from debt instruments at FVOCI	(21,273)	(23,142)
Net gain from sale of debt instruments at FVOCI	(204)	-
Interest expense on subordinated loan	8,994	6,935
Net foreign exchange loss/(gain) on subordinated loan	42,126	(22,240)
Interest expense on lease liabilities	717	55
Operating profit before working capital changes	42,994	31,224
Change in derivative financial assets and financial liabilities	(33,382)	20,424
Change in loans and advances	(61,756)	273,363
Change in other assets	18,605	62,215
Change in deposits from customers	(97,634)	169,078
Change in deposits and placements of banks and other financial institutions	381,187	22,212
Change in other liabilities	82,423	(131,590)
	289,443	415,702
Cash generated from operations	332,437	446,926
Net tax paid	(10,692)	(16,150)
Net cash generated from operating activities	321,745	430,776
Cash flows from investing activities		
Purchase of debt investments at FVOCI	(1,102,053)	(1,007,249)
Proceeds from redemption and disposal of debt investments at FVOCI	943,749	922,257
Interest received from debt investments at FVOCI	16,339	24,571
Purchase of property and equipment	(973)	(368)
Purchase of intangible assets	(241)	(728)
Net cash generated from investing activities	(143,179)	(61,517)

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2021.

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022**

	30 June 2022	30 June 2021
	RM'000	RM'000
Cash flows from financing activities		
Interest payment of subordinated loan	(1,863)	(1,687)
Lease payments	(2,618)	(1,473)
Net cash used in financing activities	<u>(4,481)</u>	<u>(3,160)</u>
Net increase in cash and cash equivalents	174,085	366,099
Cash and cash equivalents, at gross:		
- at the beginning of the financial period	1,492,018	1,041,897
- at the end of the financial period	<u>1,666,103</u>	<u>1,407,996</u>
Cash and cash equivalents comprise:		
Cash and short-term funds	1,569,101	1,407,996
Deposits and placements with banks and other financial institutions	97,002	-
	<u>1,666,103</u>	<u>1,407,996</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2021.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB") and the Guidelines on Financial Reporting issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2021. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2021.

All the significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2021. The following are the accounting standards, interpretations and amendments that have been issued by the MASB but have not been adopted by the Bank:

Effective for financial periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts;

Amendments MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information;

Amendments to MFRS 101 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current and Disclosures of Accounting Policies;

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates; and

Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

Effective for financial periods to be determined by the MASB

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Bank plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Bank upon their initial application.

A2. Auditors' Report on Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2021 was not subject to any qualification.

A3. Seasonal or Cyclical Factors

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

A4. Exceptional or Unusual Items

There were no exceptional or unusual items for the period from 1 January 2022 to 30 June 2022.

A5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial year that have a material effect in the current financial period.

A6. 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 under review.

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022****A7. Dividend Paid**

No dividend was paid during the period from 1 January 2022 to 30 June 2022.

A8. Cash and Short-Term Funds

	As at 30 June 2022	As at 31 December 2021
	RM'000	RM'000
Cash and balances with banks and other financial institutions	76,778	262,875
Money at call and deposit placements maturing within one month	1,492,323	1,229,143
	1,569,101	1,492,018
Less: ECL allowances	(13)	(356)
	<u>1,569,088</u>	<u>1,491,662</u>

Movements in ECL allowances for cash and short-term funds are as follows:

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	Total ECL RM'000
ECL Allowances				
At 1 January 2022	356	-	-	356
Financial assets derecognised during the financial period	(597)	-	-	(597)
New financial assets acquired	254	-	-	254
Net total	(343)	-	-	(343)
At 30 June 2022	<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>
At 1 January 2021	42	-	-	42
Financial assets derecognised during the financial year	(623)	-	-	(623)
New financial assets purchased	937	-	-	937
Net total	314	-	-	314
At 31 December 2021	<u>356</u>	<u>-</u>	<u>-</u>	<u>356</u>

A9. Deposits and Placements with Banks and Other Financial Institutions

	As at 30 June 2022	As at 31 December 2021
	RM'000	RM'000
Licensed banks	<u>97,002</u>	<u>-</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022****A10. Debt Instruments at Fair Value Through Other Comprehensive Income ("FVOCI")**

	As at 30 June 2022 RM'000	As at 31 December 2021 RM'000
At fair value		
<u>Money market instruments</u>		
Malaysian Government Securities	223,207	278,752
Malaysian Government Investment Issues	424,244	434,363
Government treasury bills	49,684	368,650
Negotiable instruments of deposits	350,667	-
	<u>1,047,802</u>	<u>1,081,765</u>
<u>Unquoted securities</u>		
Corporate bonds within Malaysia	521,848	332,287
Cagamas debt securities	273,818	297,255
	<u>795,666</u>	<u>629,542</u>
	<u>1,843,468</u>	<u>1,711,307</u>

The following expected credit losses ("ECL") for debt instruments are not recognised in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value:

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	Total ECL RM'000
ECL Allowances				
At 1 January 2022	625	-	-	625
Financial assets derecognised during the financial period	(290)	-	-	(290)
New financial assets purchased	278	-	-	278
Net total	(12)	-	-	(12)
At 30 June 2022	<u>613</u>	<u>-</u>	<u>-</u>	<u>613</u>
At 1 January 2021	673	-	-	673
Financial assets derecognised during the financial year	(772)	-	-	(772)
New financial assets purchased	724	-	-	724
Net total	(48)	-	-	(48)
At 31 December 2021	<u>625</u>	<u>-</u>	<u>-</u>	<u>625</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022****A11. Other Assets**

	As at 30 June 2022	As at 31 December 2021
	RM'000	RM'000
Deposits	3,129	3,143
Prepayments	3,239	2,007
Cash collateral pledged for derivative transactions	8,420	34,938
Amount due from ultimate holding company	6,700	6,209
Other receivables	12,732	6,528
	<u>34,220</u>	<u>52,825</u>

A12. Derivative Financial Assets/(Liabilities)

The Bank's derivative financial instruments are measured at their fair values together with their corresponding contract/notional amounts as at reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract value on which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the financial period but are not indicative of either the market risk or credit risk inherent in the derivative contracts.

	<u>30 June 2022</u>		
	<u>Contract/ Notional Amount</u>	<u>Fair Value</u>	
	<u>RM'000</u>	<u>Assets</u>	<u>Liabilities</u>
		<u>RM'000</u>	<u>RM'000</u>
<u>Trading derivatives</u>			
Foreign exchange related contracts:			
- Currency forwards/spot	89,035	21	616
- Currency swaps	11,147,591	149,045	181,598
Interest rate related contracts:			
- Interest rate swaps	1,172,190	8,867	5,548
<u>Hedging derivatives - cash flow hedge</u>			
Foreign exchange related contracts:			
- Cross currency interest rate swaps	883,770	47,777	-
Total	<u>13,292,586</u>	<u>205,710</u>	<u>187,762</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022****A12. Derivative Financial Assets/(Liabilities) (cont'd)**

	31 December 2021		
	Contract/ Notional Amount	Fair Value	
	RM'000	Assets	Liabilities
	RM'000	RM'000	RM'000
<u>Trading derivatives</u>			
Foreign exchange related contracts:			
- Currency forwards/spot	4,584	7	5
- Currency swaps	11,955,276	43,254	53,835
Interest rate related contracts:			
- Interest rate swaps	1,356,450	255	1,366
<u>Hedging derivatives - cash flow hedge</u>			
Foreign exchange related contracts:			
- Cross currency interest rate swaps	833,500	3,107	6,851
Total	<u>14,149,810</u>	<u>46,623</u>	<u>62,057</u>

	30 June 2022		
	Contract/ Notional Amount	Fair Value	
	RM'000	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 one year	10,282,852	103,389	26,387
- More than one year	1,837,544	93,454	155,827
Interest rate related contracts:			
- Less than one year	1,097,190	305	-
- More than one year	75,000	8,562	5,548
	<u>13,292,586</u>	<u>205,710</u>	<u>187,762</u>

	31 December 2021		
	Contract/ Notional Amount	Fair Value	
	RM'000	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 one year	10,618,901	26,509	32,818
- More than one year	2,174,459	19,859	27,873
Interest rate related contracts:			
- Less than one year	623,000	-	-
- More than one year	733,450	255	1,366
	<u>14,149,810</u>	<u>46,623</u>	<u>62,057</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022****A13. Loans and Advances**

	As at 30 June 2022 <u>RM'000</u>	As at 31 December 2021 <u>RM'000</u>
At amortised cost		
Overdrafts	5,034	4,938
Term loans:		
- Syndicated term loans	508,833	538,360
- Other term loans	348,332	544,702
Bill receivables	177,632	140,702
Revolving credits	651,513	400,886
Gross loans and advances	<u>1,691,344</u>	<u>1,629,588</u>
Less: ECL allowances		
- Stage 1	(24,333)	(24,719)
Net loans and advances	<u><u>1,667,011</u></u>	<u><u>1,604,869</u></u>
 (i) Gross loans and advances by type of customers:		
Business enterprises	1,691,344	1,572,937
Government and statutory bodies	-	56,651
	<u>1,691,344</u>	<u>1,629,588</u>
 (ii) Gross loans and advances by geographical distribution:		
Malaysia	1,479,639	1,235,976
Hong Kong	79,314	78,531
United Arab Emirates	-	56,651
China	132,391	258,430
	<u>1,691,344</u>	<u>1,629,588</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022****A13. Loans and Advances (cont'd)**

	As at 30 June 2022 RM'000	As at 31 December 2021 RM'000
(iii) Gross loans and advances by interest rate sensitivity:		
Fixed rate loans	172,631	71,026
Variable rate (cost-plus) loans	1,518,713	1,558,562
	<u>1,691,344</u>	<u>1,629,588</u>
(iv) Gross loans and advances by economic purpose:		
Working capital	880,577	917,525
Merger and acquisition	79,315	78,531
Purchase of land	33,454	33,421
Construction	392,348	371,397
Lending to related entities	158,301	162,330
Investments in related entities	-	9,732
Other purposes	147,349	56,652
	<u>1,691,344</u>	<u>1,629,588</u>
(v) Gross loans and advances by remaining contractual maturity:		
Maturity within one year	812,997	746,263
One year to three years	95,744	249,191
Three years to five years	247,075	46,342
Over five years	535,528	587,792
	<u>1,691,344</u>	<u>1,629,588</u>
(vi) Gross loans and advances by industry:		
Manufacturing	883,067	522,296
Electricity, gas and water	132,391	125,092
Construction	105,727	339,254
Real estate	158,300	172,062
Wholesale, retail trade, restaurants and hotels	-	2,084
Transport, storage and communication	386,510	387,464
Finance, insurance and business services	34	56,652
Others	25,315	24,684
	<u>1,691,344</u>	<u>1,629,588</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022****A13. Loans and Advances (cont'd)****(vii) Movements in the gross carrying amount of loans and advances that contributed to changes in the ECL allowances:**

	<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>
At 1 January 2022	1,629,588	-	-	1,629,588
Financial assets derecognised during the financial period	(1,612,433)	-	-	(1,612,433)
New financial assets originated	1,674,189	-	-	1,674,189
At 30 June 2022	<u>1,691,344</u>	<u>-</u>	<u>-</u>	<u>1,691,344</u>
At 1 January 2021	2,423,202	-	-	2,423,202
Financial assets derecognised during the financial year	(3,687,646)	-	-	(3,687,646)
New financial assets originated	2,894,032	-	-	2,894,032
At 31 December 2021	<u>1,629,588</u>	<u>-</u>	<u>-</u>	<u>1,629,588</u>

(viii) Movements in ECL allowances for loans and advances:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	<u>12-month ECL</u>	<u>Lifetime ECL non credit-impaired</u>	<u>Lifetime ECL credit-impaired</u>	<u>Total ECL</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 January 2022	24,719	-	-	24,719
Financial assets derecognised during the financial period	(7,982)	-	-	(7,982)
New financial assets originated	7,596	-	-	7,596
Net total	(386)	-	-	(386)
At 30 June 2022	<u>24,333</u>	<u>-</u>	<u>-</u>	<u>24,333</u>
At 1 January 2021	38,410	-	-	38,410
Financial assets derecognised during the financial year	(39,583)	-	-	(39,583)
New financial assets originated	25,892	-	-	25,892
Net total	(13,691)	-	-	(13,691)
At 31 December 2021	<u>24,719</u>	<u>-</u>	<u>-</u>	<u>24,719</u>

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	As at 30 June 2022 RM'000	As at 31 December 2021 RM'000
A14. Deposits from Customers		
(a) By type of deposits:		
Demand deposits	762,323	1,105,160
Saving deposits	15,913	14,139
Fixed/investment deposits	2,088,771	1,845,342
	<u>2,867,007</u>	<u>2,964,641</u>
(b) By type of customer:		
Business enterprises	2,566,844	2,533,915
Local government and statutory authorities	284,250	416,587
Individuals	15,913	14,139
	<u>2,867,007</u>	<u>2,964,641</u>
(c) By maturity structure of fixed deposits:		
Due within six months	2,088,669	1,811,877
Six months to one year	102	33,465
	<u>2,088,771</u>	<u>1,845,342</u>
A15. Deposits and Placements of Banks and Other Financial Institutions		
Licensed banks in Malaysia	437,688	56,580
Other financial institutions	130	51
	<u>437,818</u>	<u>56,631</u>

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	As at 30 June 2022 RM'000	As at 31 December 2021 RM'000
A16. Other Liabilities		
Other payables and accruals	22,753	22,391
Deferred Income	8,827	12,426
Cash collateral received for derivative transactions	159,590	12,071
Cash collateral from corporate customers	11,001	72,860
ECL allowances for loan commitments and financial guarantees	3,556	1,703
	<u>205,727</u>	<u>121,451</u>

Movements in ECL allowances for loan commitments and financial guarantees are as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	Total ECL RM'000
At 1 January 2022	1,703	-	-	1,703
Credit exposures relinquished	(184)	-	-	(184)
Credit exposures assumed	2,037	-	-	2,037
Net total	<u>1,853</u>	<u>-</u>	<u>-</u>	<u>1,853</u>
At 30 June 2022	<u>3,556</u>	<u>-</u>	<u>-</u>	<u>3,556</u>
At 1 January 2021	8,774	-	-	8,774
Credit exposures relinquished	(8,029)	-	-	(8,029)
Credit exposures assumed	958	-	-	958
Net total	<u>(7,071)</u>	<u>-</u>	<u>-</u>	<u>(7,071)</u>
At 31 December 2021	<u>1,703</u>	<u>-</u>	<u>-</u>	<u>1,703</u>

	As at 30 June 2022 RM'000	As at 31 December 2021 RM'000
A17. Subordinated Loan		
At amortised cost		
USD200 million subordinated loan 2019/2029, at par	<u>883,770</u>	<u>834,513</u>

On 29 August 2019, the Bank has issued an USD200 million Tier II subordinated loan with 10 years maturity, non-callable 5 years which bears interest rate equal to 3-month USD LIBOR plus 1.49%, payable every 3 months throughout the tenure.

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

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	Current quarter ended		Year-to-date ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	RM'000	RM'000	RM'000	RM'000
A18. Interest Income				
Loans and advances	14,015	15,133	25,922	32,080
Deposits and placements with banks and other financial institutions	10,302	5,606	18,228	11,466
Debt instruments at FVOCI	11,353	11,508	21,273	23,142
Derivative financial instruments	895	2,374	3,125	4,904
	<u>36,565</u>	<u>34,621</u>	<u>68,548</u>	<u>71,592</u>
A19. Interest Expense				
Deposits and placements of banks and other financial institutions	2,837	1,680	3,325	5,305
Deposits from customers	10,297	8,789	18,381	16,257
Obligations on securities sold under repurchase agreements ("Repos")	-	498	-	658
Subordinated loan	5,251	3,464	8,994	6,935
Lease liabilities	354	25	717	55
	<u>18,739</u>	<u>14,456</u>	<u>31,417</u>	<u>29,210</u>
A20. Other Operating (Loss)/Income				
Fee income:				
Service charges and fees	13	15	37	34
Less: Fees expense	(63)	(62)	(133)	(115)
	(50)	(47)	(96)	(81)
Guarantee fees	251	428	622	885
Commitment fees	2,725	428	2,943	722
Syndication fees	3,421	3,905	7,201	6,995
Management fees	290	-	6,990	3,125
	<u>6,637</u>	<u>4,714</u>	<u>17,660</u>	<u>11,646</u>
Trading and investment income:				
Net realised gain on derivatives	67,193	39,527	70,232	57,310
Net unrealised fair value loss on derivatives	(578)	(37,065)	(11,348)	(43,631)
Net gain from sale of debt instruments at FVOCI	-	-	204	-
Less: Brokerage charges	(127)	(168)	(144)	(330)
	<u>66,488</u>	<u>2,294</u>	<u>58,944</u>	<u>13,349</u>
Other income:				
Net foreign exchange gain/(loss)	(85,609)	2,610	(85,421)	(15,956)
Other non-operating income	35	137	103	425
	<u>(85,574)</u>	<u>2,747</u>	<u>(85,318)</u>	<u>(15,531)</u>
	<u>(12,449)</u>	<u>9,755</u>	<u>(8,714)</u>	<u>9,464</u>

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	Current quarter ended		Year-to-date ended	
	30 June	30 June	30 June	30 June
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
A21. Other Operating Expenses				
Personnel costs				
Salaries, bonuses, wages and allowances	10,181	10,777	18,008	18,684
Defined contribution plan	741	1,055	1,418	2,038
Other staff related costs	854	537	1,856	714
	<u>11,776</u>	<u>12,369</u>	<u>21,282</u>	<u>21,436</u>
Establishment costs				
Depreciation of property and equipment	354	1,052	690	2,094
Depreciation of right-of-use assets	1,129	742	2,258	1,484
Amortisation of intangible assets	420	275	835	519
Repair and maintenance	991	688	1,969	1,553
Short-term leases expenses	599	280	1,164	498
Others	88	82	142	131
	<u>3,581</u>	<u>3,119</u>	<u>7,058</u>	<u>6,279</u>
Promotion and marketing expenses				
Advertisement and publicity	183	78	239	205
Administration and general expenses				
Communication expenses	261	249	418	399
Auditors' remuneration				
- Audit related fees	95	96	180	200
Legal and professional fees	38	141	75	197
Travelling and accommodation expenses	75	55	120	89
Employee recruitment costs	78	48	129	57
Subscription fees	265	180	524	395
Directors' fees and allowances	154	160	311	313
Insurance premium	53	42	93	82
Printing, stationery and postage	31	41	83	82
Others	135	157	402	224
	<u>1,185</u>	<u>1,169</u>	<u>2,335</u>	<u>2,038</u>
	<u>16,725</u>	<u>16,735</u>	<u>30,914</u>	<u>29,958</u>

A22. Allowances/(Written-back) for Expected Credit Losses ("ECL")

ECL allowances made/(written-back) on:

Stage 1:

- Cash and short-term funds	(260)	284	(343)	324
- Deposits and placements with banks and other financial institutions	-	(49)	-	-
- Debt instruments at FVOCI	(171)	28	(12)	272
- Loans and advances	525	(2,726)	(386)	(10,213)
- Loan commitments and financial guarantees	952	(387)	1,853	(6,718)
	<u>1,046</u>	<u>(2,850)</u>	<u>1,112</u>	<u>(16,335)</u>

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A23. Commitments and Contingencies

The notional amounts of the commitments and contingencies are as follows:

Short-term self-liquidating trade-related contingencies	33,376	64,260
Transaction-related contingent items	248,456	232,520
Irrevocable commitments to extend credit:		
- Less than one year	257,469	-
- More than one year	999,075	829,204
Foreign exchange related contracts:		
- Less than one year	10,282,852	10,618,901
- More than one year	1,837,544	2,174,459
Interest rate related contracts:		
- Less than one year	1,097,190	623,000
- More than one year	75,000	733,450
	<u>14,830,962</u>	<u>15,275,794</u>

A24. Capital Adequacy Ratio

The total capital and capital adequacy ratios of the Bank is computed in accordance with BNM's Capital Adequacy Framework (Capital Components). The Bank is currently adopting the Standardised Approach for Credit Risk and Market Risk while adopting the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy and capital buffer requirement for Common Equity Tier I Capital Ratio ("CET I"), Tier I Capital Ratio and Total Capital Ratio are 7.000%, 8.500% and 10.500% respectively.

As allowed under the BNM's Capital Adequacy Frameworks (Capital Components), financial institutions which elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to CET I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021. The Bank has elected the said transitional arrangements over a three-years period since 1 January 2021.

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	As at 30 June 2022 <u>RM'000</u>	As at 31 December 2021 <u>RM'000</u>
CET I/Tier I Capital		
Paid-up ordinary share capital	822,600	822,600
Retained profits	101,562	105,486
Other reserves	(26,526)	(11,171)
Regulatory adjustments applied in the calculation of CET I Capital	(39,531)	(35,004)
Total CET I/Tier I Capital	<u>858,105</u>	<u>881,911</u>
Tier II Capital		
Tier II capital instruments meeting all relevant criteria	881,700	833,500
Loss provisions	28,517	27,403
Total Tier II Capital	<u>910,217</u>	<u>860,903</u>
Total Capital	<u>1,768,322</u>	<u>1,742,814</u>
Analysis of risk-weighted assets		
Credit risk	2,480,144	2,230,290
Market risk	141,573	115,364
Operational risk	195,668	203,485
Total risk-weighted assets	<u>2,817,385</u>	<u>2,549,139</u>
With and without transitional arrangements:		
Capital adequacy ratio (before proposed dividends)		
CET I Capital Ratio	30.457%	34.596%
Tier I Capital Ratio	30.457%	34.596%
Total Capital Ratio	62.765%	68.369%
Capital adequacy ratio (after proposed dividends)		
CET I Capital Ratio	30.457%	34.596%
Tier I Capital Ratio	30.457%	34.596%
Total Capital Ratio	62.765%	68.369%

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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 2022	As at 31 December 2021
Outstanding credit exposures with connected parties (RM'000)	<u>113,658</u>	<u>384,467</u>
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures (%)	<u>3.49</u>	<u>12.74</u>
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	<u>-</u>	<u>-</u>

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B1. Performance Review

China Construction Bank (Malaysia) Berhad's (the Bank) total assets maintained at RM5.5 billion as at 30 June 2022, an increase of 10.4% as compared to the previous financial year. This was mainly contributed by the higher debt instruments at FVOCI and growth in loans and advances. Whilst, the total liabilities stood at RM4.62 billion mainly consist of deposits from customers (RM2.87 million), interbank borrowing (RM0.44 million) and subordinated loan (RM0.88 million) at the end of June 2022.

The Bank reported a loss before taxation of RM3.61 million for the financial period ended 30 June 2022 is attributable to the higher operating loss mainly due to unrealised loss on foreign currency exchange following the significant depreciation of Malaysia Ringgit against United States Dollar during the period, coupled with lower net interest income and additional impairment allowance on loans and advances.

The Bank's Common Equity Tier I capital ratio/Tier I capital ratio and Total capital ratio stood at a healthy level of 30.457% and 62.765% respectively. The Bank's liquidity position also remained stable and healthy with liquidity coverage ratio maintained at above the minimum regulatory requirements of 100% as at 30 June 2022.

B2. Prospects for 2022

Malaysia economy is expected to register a stronger growth in 2022, driven mainly by strong external demand while domestic activities, particularly private consumption and investment, continue to improve. The development in the first half of 2022, i.e. a Gross Domestic Product ("GDP") growth of 5.0% in 1Q2022, strong expansion in exports, sustained sizeable trade balances, as well as the pick-up in the tourism sector and distributive trade, indicates that the projected 5.3%-6.3% growth in GDP for the country remains on track. This optimistic outlook is also underpinned by the continuous improvement in the employment conditions. Gross export is expected to continue to expand in the second half of the year, supported by global demand from tech-upcycle and sustained high commodity prices. Meanwhile, domestic travels and tourist arrivals are anticipated to improve further as tourists have adjusted and adapted to the travel in the endemicity. The recent upgrade by the Standard & Poor's Rating Services ("S&P") on Malaysia's outlook to "stable" (from "negative") and its projection on Malaysian economy of 6.1% growth in 2022 have also reaffirmed the favorable prospect of the country's economy.

Despite a strengthening economy in the 1H2022, the banking industry, including China Construction Bank (Malaysia) Berhad ("CCBM or the Bank"), had encountered headwinds such as significant depreciation of Malaysian Ringgit against United States Dollar and inflationary pressure, particularly the rising food prices, due mainly to supply disruptions caused by prolonged geopolitical conflicts and aggressive interest rate hikes by the US. These challenges are likely to persist into the 2H2022. Meanwhile, other downside risks that may impact the favorable economic outlook, including the Bank's performance, in the second half of 2022 include further elevation of global inflationary pressure, potential sharp downturn in global economy, heightened financial market volatility, as well as uncertainty in domestic policy focus and effectiveness, especially in containing the elevating price pressures.

CCBM, with close network and active financial relations with the CCB Group and the Chinese-based companies in Malaysia and region, needs to stay vigilant on the external challenges and potential risks that may impact the economy and Bank, while riding on the favorable economic outlook in 2H2022 to continue with its growth path and expand the provision of financing and financial services, including Renminbi ("RMB") settlements and clearings. Meanwhile, the strong interests in the Environmental, Social and Governance ("ESG") initiatives, especially Green financing, the Government's plan to continue with large construction and infrastructure projects, as well as the emergence of the new requirements for automation and digitalisation of operations also offer new business opportunities to the Bank.

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Malaysian Rating Corporation Berhad ("MARC") has affirmed the Bank's long-term and short-term financial institution ratings of AA+ and MARC-1, respectively with stable outlook.

B4. Fair Value of Financial Instruments

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:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2022				
Financial assets				
Debt instruments at FVOCI	-	1,843,468	-	1,843,468
Derivative financial assets	-	205,710	-	205,710
	<u>-</u>	<u>2,049,178</u>	<u>-</u>	<u>2,049,178</u>
Financial liabilities				
Derivative financial liabilities	<u>-</u>	<u>187,762</u>	<u>-</u>	<u>187,762</u>
31 December 2021				
Financial assets				
Debt instruments at FVOCI	-	1,711,307	-	1,711,307
Derivative financial assets	-	46,623	-	46,623
	<u>-</u>	<u>1,757,930</u>	<u>-</u>	<u>1,757,930</u>
Financial liabilities				
Derivative financial liabilities	<u>-</u>	<u>62,057</u>	<u>-</u>	<u>62,057</u>

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B4. Fair Value of Financial Instruments (cont'd)

(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.

B5. Valuation of Property and Equipment

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

B6. Significant Events

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the unaudited interim financial statements.

B7. Changes in the Composition

There were no significant change in the composition of the Bank in the current financial period.

B8. Dividends

No dividend has been proposed for the quarter under review.