

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2024

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 2024 to 30 June 2024 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 ("MFRS") 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: 29 July 2024

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 2024**

	Note	As at 30 June 2024 <u>RM'000</u>	As at 31 December 2023 <u>RM'000</u>
Assets			
Cash and short-term funds	A8	503,215	1,744,813
Deposits and placements with banks and other financial institutions	A9	1,553,798	690,275
Debt instruments at fair value through other comprehensive income ("FVOCI")	A10	3,879,010	1,916,122
Other assets	A11	63,465	49,842
Derivative financial assets	A12	64,629	97,624
Loans and advances	A13	3,199,387	3,096,965
Tax recoverable		29,740	28,923
Statutory deposits with Bank Negara Malaysia		7,000	2,000
Right-of-use assets		32,846	35,093
Property and equipment		5,125	5,169
Intangible assets		6,764	7,604
Deferred tax assets		13,717	13,443
Total assets		<u>9,358,696</u>	<u>7,687,873</u>
Liabilities			
Deposits from customers	A14	3,794,256	3,205,936
Deposits and placements of banks and other financial institutions	A15	1,973,499	1,785,159
Other liabilities	A16	118,869	191,986
Derivative financial liabilities	A12	160,353	139,941
Lease liabilities		33,684	35,693
Borrowings	A17	1,362,908	451,759
Subordinated loan	A18	949,819	921,542
Total liabilities		<u>8,393,388</u>	<u>6,732,016</u>
Equity attributable to equity holder of the Bank			
Share capital		822,600	822,600
Reserves		142,708	133,257
Total equity		<u>965,308</u>	<u>955,857</u>
Total liabilities and equity		<u>9,358,696</u>	<u>7,687,873</u>
Commitments and contingencies	A24	<u>13,503,489</u>	<u>8,136,899</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 2023.

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 2024**

	Note	Current quarter ended		Year-to-date ended	
		30 June	30 June	30 June	30 June
		2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Interest income	A19	83,193	57,295	158,343	116,085
Interest expense	A20	(79,418)	(51,552)	(146,453)	(97,579)
Net interest income		3,775	5,743	11,890	18,506
Other operating income	A21	25,010	12,198	34,746	36,151
Net income		28,785	17,941	46,636	54,657
Other operating expenses	A22	(15,209)	(17,275)	(33,147)	(33,847)
Operating profit before allowances		13,576	666	13,489	20,810
Allowance for expected credit losses ("ECL")	A23	(567)	(5,128)	(2,344)	(1,266)
Profit/(loss) before taxation		13,009	(4,462)	11,145	19,544
Taxation		243	(131)	(3,425)	(6,081)
Net profit/(loss) for the financial period		13,252	(4,593)	7,720	13,463
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		1,122	600	4,397	15,993
Net gain/(loss) on debt instruments measured at FVOCI reclassified to profit or loss on disposal		-	(372)	(270)	(262)
Income tax effect		(268)	(342)	(998)	(4,045)
		854	(114)	3,129	11,686
<u>Cash flow hedge</u>					
Net change in cash flow hedge		208	(222)	55	(402)
Net change in cost of hedging		(512)	2,265	(1,921)	(778)
Income tax effect		73	(491)	467	284
		(231)	1,552	(1,399)	(896)
Total other comprehensive income, net of tax, for the financial period		623	1,438	1,730	10,790
Total comprehensive income for the financial period		13,875	(3,155)	9,450	24,253

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 2023.

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024**

Note	← Non-Distributable →					Distributable	
	Share Capital	Regulatory Reserve	FVOCI Reserve	Cash flow hedge Reserve	Cost of hedging Reserve	Retained Profits	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2024	822,600	4,700	(12,590)	(63)	1,643	139,567	955,857
Net profit for the financial period	-	-	-	-	-	7,720	7,720
Other comprehensive income/(loss), net of tax, for the financial period	-	-	3,129	61	(1,460)	-	1,730
Total comprehensive income/(loss) for the financial period	-	-	3,129	61	(1,460)	7,720	9,450
Transfer to regulatory reserve	-	(4,700)	-	-	-	4,700	-
Balance as at 30 June 2024	<u>822,600</u>	<u>-</u>	<u>(9,461)</u>	<u>(2)</u>	<u>183</u>	<u>151,988</u>	<u>965,308</u>
Balance as at 1 January 2023	822,600	2,800	(28,022)	(103)	1,764	114,957	913,996
Net profit for the financial year	-	-	-	-	-	26,510	26,510
Other comprehensive income/(loss), net of tax, for the financial year	-	-	15,432	40	(121)	-	15,351
Total comprehensive income/(loss) for the financial year	-	-	15,432	40	(121)	26,510	41,861
Transfer to regulatory reserve	-	1,900	-	-	-	(1,900)	-
Balance as at 31 December 2023	<u>822,600</u>	<u>4,700</u>	<u>(12,590)</u>	<u>(63)</u>	<u>1,643</u>	<u>139,567</u>	<u>955,857</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 2023.

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024**

	30 June 2024	30 June 2023
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	11,145	19,544
Adjustments for:		
Allowance for expected credit losses	2,344	1,266
Net unrealised fair value gain on derivatives	26,397	(59,788)
Depreciation of property and equipment	698	652
Depreciation of right-of-use assets	2,248	2,239
Amortisation of intangible assets	892	924
Interest income from debt instruments at FVOCI	(46,923)	(44,985)
Net gain from sale of debt instruments at FVOCI	-	(262)
Interest expense from subordinated loan	34,000	29,319
Net foreign exchange loss on subordinated loan	28,101	71,985
Interest expense from lease liabilities	596	651
Operating profit before working capital changes	59,498	21,545
Change in derivative financial assets and financial liabilities	(32,187)	(59,165)
Change in loans and advances	(102,862)	(53,632)
Change in statutory deposits with Bank Negara Malaysia	(5,000)	42,000
Change in other assets	(13,623)	44,208
Change in deposits from customers	588,320	(666,931)
Change in deposits and placements of banks and other financial institutions	188,340	(82,563)
Change in other liabilities	(74,998)	257,313
	<u>547,990</u>	<u>(518,770)</u>
Cash generated/(used in) from operations	607,488	(497,225)
Net tax paid	(3,439)	(6,594)
Net cash generated/(used in) from operating activities	<u>604,049</u>	<u>(503,819)</u>
Cash flows from investing activities		
Change in deposits and placements with banks and other financial institutions		
with original maturity of more than 3 months	(87,416)	752,159
Purchase of debt investments at FVOCI	(3,577,472)	(2,320,570)
Proceeds from redemption and disposal of debt investments at FVOCI	1,642,357	2,860,614
Interest received from debt investments at FVOCI	78,708	44,398
Purchase of property and equipment	(654)	(1,327)
Purchase of intangible assets	(52)	-
Net cash (used in)/generated from investing activities	<u>(1,944,529)</u>	<u>1,335,274</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 2023.

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024**

	30 June 2024	30 June 2023
	RM'000	RM'000
Cash flows from financing activities		
Interest payment of subordinated loan	(33,824)	(44,766)
Proceeds from borrowings	911,149	-
Lease payments	(2,606)	(2,598)
Net cash generated/(used in) financing activities	<u>874,719</u>	<u>(47,364)</u>
Net (decrease)/increase in cash and cash equivalents	(465,761)	784,091
Cash and cash equivalents, at gross:		
- at the beginning of the financial year	<u>1,299,253</u>	<u>730,150</u>
- at the end of the financial period	<u>833,492</u>	<u>1,514,241</u>
Cash and cash equivalents comprise:		
Cash and short-term funds	503,243	460,868
Deposits and placements with banks and other financial institutions	<u>1,553,798</u>	<u>1,053,373</u>
	2,057,041	1,514,241
Less: Deposits and placements with banks and other financial institutions with original maturity of more than 3 months	<u>(1,223,549)</u>	-
	<u>833,492</u>	<u>1,514,241</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 2023.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

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 2023. 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 2023.

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 2023. 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 2024

*Amendments to MFRS 7 and MFRS 107 - Supplier Finance Arrangements;
Amendments to MFRS 16 Leases - Lease Liability in a Sale and Leaseback; and*

Effective for financial periods beginning on or after 1 January 2025

Amendments to MFRS 121 - Lack of Exchangeability

Effective for financial periods beginning on or after 1 January 2027

MFRS 18 - Presentation and Disclosure in Financial Statements

Effective for financial periods to be determined by the MASB

Amendments to MFRS 10 and MFRS 128 - 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 2023 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 2024 to 30 June 2024.

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.

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024****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.

A7. Dividend Paid

No dividend was paid during the period from 1 January 2024 to 30 June 2024.

A8. Cash and Short-Term Funds

	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
Cash and balances with banks and other financial institutions	503,243	319,364
Money at call and deposit placements maturing within one month	-	1,425,747
	<u>503,243</u>	<u>1,745,111</u>
Less: ECL allowances	(28)	(298)
	<u>503,215</u>	<u>1,744,813</u>

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

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime non credit- impaired RM'000	Stage 3 Lifetime credit- impaired RM'000	Total ECL RM'000
At 1 January 2024	298	-	-	298
Financial assets derecognised during the financial period	(740)	-	-	(740)
New financial assets acquired	470	-	-	470
Net total	<u>(270)</u>	<u>-</u>	<u>-</u>	<u>(270)</u>
At 30 June 2024	<u>28</u>	<u>-</u>	<u>-</u>	<u>28</u>
At 1 January 2023	228	-	-	228
Financial assets derecognised during the financial year	(552)	-	-	(552)
New financial assets acquired	622	-	-	622
Net total	<u>70</u>	<u>-</u>	<u>-</u>	<u>70</u>
At 31 December 2023	<u>298</u>	<u>-</u>	<u>-</u>	<u>298</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024**

	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
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A9. Deposits and Placements with Banks and Other Financial Institutions

Licensed banks	1,553,798	690,275
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A10. Debt Instruments at Fair Value Through Other Comprehensive Income ("FVOCI")

At fair value

Money market instruments

Malaysian Government Securities	211,384	101,438
Malaysian Government Investment Issues	1,051,078	376,175
Negotiable Instruments of Deposits	1,699,665	600,689
	<u>2,962,127</u>	<u>1,078,302</u>

Unquoted securities

Corporate bonds within Malaysia	587,488	585,151
Cagamas debt securities	329,395	252,669
	<u>916,883</u>	<u>837,820</u>
	<u>3,879,010</u>	<u>1,916,122</u>

The following 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:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL RM'000	Lifetime non credit- impaired RM'000	Lifetime ECL credit- impaired RM'000	
ECL Allowances				
At 1 January 2024	962	-	-	962
Financial assets derecognised during the financial period	(539)	-	-	(539)
New financial assets purchased	830	-	-	830
Net total	291	-	-	291
At 30 June 2024	<u>1,253</u>	<u>-</u>	<u>-</u>	<u>1,253</u>
At 1 January 2023	1,515	-	-	1,515
Financial assets derecognised during the financial year	(839)	-	-	(839)
New financial assets purchased	286	-	-	286
Net total	(553)	-	-	(553)
At 31 December 2023	<u>962</u>	<u>-</u>	<u>-</u>	<u>962</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024****A11. Other Assets**

	As at 30 June 2024	As at 31 December 2023
	RM'000	RM'000
Deposits	2,149	2,776
Prepayments	2,085	1,855
Cash collateral pledged for derivative transactions	15,111	11,194
Amount due from ultimate holding company	30,893	18,293
Other receivables	13,227	15,724
	<u>63,465</u>	<u>49,842</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 2024</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>RM'000</u>
<u>Trading derivatives</u>			
Foreign exchange related contracts:			
- Currency forwards/spot	242,115	734	313
- Currency swaps	10,661,754	19,165	160,040
Interest rate related contracts:			
- Interest rate swaps	75,000	782	-
<u>Hedging derivatives - cash flow hedge</u>			
Foreign exchange related contracts:			
- Cross currency interest rate swaps	80,000	43,948	-
	<u>11,058,869</u>	<u>64,629</u>	<u>160,353</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024**

A12. Derivative Financial Assets/(Liabilities) (cont'd)

	31 December 2023		
	Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000
<u>Trading derivatives</u>			
Foreign exchange related contracts:			
- Currency forwards/spot	212,068	1,350	132
- Currency swaps	4,805,125	22,780	139,809
Interest rate related contracts:			
- Interest rate swaps	75,000	756	-
<u>Hedging derivatives - cash flow hedge</u>			
Foreign exchange related contracts:			
- Cross currency interest rate swaps	915,700	72,738	-
	<u>6,007,893</u>	<u>97,624</u>	<u>139,941</u>
	30 June 2024		
	Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000
By remaining period to maturity/next re-pricing date			
<u>Trading derivatives</u>			
Foreign exchange related contracts			
- Less than one year	10,210,223	63,847	40,678
- More than one year	773,646	-	119,675
Interest rate related contracts:			
- More than one year	75,000	782	-
	<u>11,058,869</u>	<u>64,629</u>	<u>160,353</u>
	31 December 2023		
	Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000
By remaining period to maturity/next re-pricing date			
<u>Trading derivatives</u>			
Foreign exchange related contracts			
- Less than one year	5,158,454	96,868	52,043
- More than one year	774,439	-	87,898
Interest rate related contracts:			
- More than one year	75,000	756	-
	<u>6,007,893</u>	<u>97,624</u>	<u>139,941</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024****A13. Loans and Advances**

	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
(i) By type:		
At amortised cost		
Overdrafts	5,304	5,150
Term loans:		
- Syndicated term loans	367,248	390,159
- Factoring receivables	615,282	544,899
- Other term loans	751,817	766,311
Trust receipts	336,217	359,762
Revolving credits	<u>1,144,280</u>	<u>1,051,005</u>
Gross loans and advances	<u>3,220,148</u>	<u>3,117,286</u>
Less: ECL allowances		
- Stage 1	(15,994)	(15,554)
- Stage 2	<u>(4,767)</u>	<u>(4,767)</u>
Net loans and advances	<u><u>3,199,387</u></u>	<u><u>3,096,965</u></u>
(ii) Gross loans and advances by type of customers:		
Business enterprises	<u><u>3,220,148</u></u>	<u><u>3,117,286</u></u>
(iii) Gross loans and advances by geographical distribution:		
Malaysia	3,154,930	3,038,912
China	<u>65,218</u>	<u>78,374</u>
	<u><u>3,220,148</u></u>	<u><u>3,117,286</u></u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024****A13. Loans and Advances (cont'd)**

	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
(iv) Gross loans and advances by interest rate sensitivity:		
Fixed rate	882,499	341,679
Variable rate (cost-plus)	2,337,649	2,775,607
	<u>3,220,148</u>	<u>3,117,286</u>
(v) Gross loans and advances by economic purpose:		
Working capital	2,154,249	2,018,173
Purchase of land	115,842	126,488
Construction	373,929	378,785
Lending to related entities	128,285	135,837
Purchase of fixed assets other than land and building	223,206	229,376
Other purposes	224,637	228,627
	<u>3,220,148</u>	<u>3,117,286</u>
(vi) Gross loans and advances by remaining contractual maturity:		
Maturity within one year	2,129,418	1,971,435
One year to three years	327,745	78,949
Three years to five years	182,237	478,123
Over five years	580,748	588,779
	<u>3,220,148</u>	<u>3,117,286</u>
(vii) Gross loans and advances by industry:		
Agriculture, hunting, forestry and fishing	45,126	45,134
Mining and quarrying	158,151	202,945
Manufacturing	613,877	633,093
Electricity, gas and water	215,621	228,802
Construction	591,060	464,765
Wholesale, retail trade, restaurants and hotels	140,598	78,854
Transport, storage and communication	1,152,022	1,141,892
Real estate	115,842	115,869
Finance, insurance and business services	158,311	150,846
Others	29,540	55,086
	<u>3,220,148</u>	<u>3,117,286</u>

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	<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 2024	3,053,315	63,971	-	3,117,286
Financial assets derecognised during the financial period	8,804,086	(1,263)	-	8,802,823
New financial assets originated	(8,699,961)	-	-	(8,699,961)
At 30 June 2024	<u>3,157,440</u>	<u>62,708</u>	<u>-</u>	<u>3,220,148</u>
At 1 January 2023	1,236,488	-	-	1,236,488
Financial assets derecognised during the financial year	(4,182,051)	-	-	(4,182,051)
New financial assets originated	6,062,848	-	-	6,062,848
Transferred to Stage 2	(63,971)	63,971	-	-
At 31 December 2023	<u>3,053,315</u>	<u>63,971</u>	<u>-</u>	<u>3,117,286</u>

(ix) 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 2024	15,554	4,767	-	20,321
Financial assets derecognised during the financial period	(6,979)	-	-	(6,979)
New financial assets originated	7,419	-	-	7,419
Net total	440	-	-	440
At 30 June 2024	<u>15,994</u>	<u>4,767</u>	<u>-</u>	<u>20,761</u>
At 1 January 2023	15,271	-	-	15,271
Financial assets derecognised during the financial year	(16,301)	-	-	(16,301)
New financial assets originated	17,619	-	-	17,619
Transferred to Stage 2	(1,035)	4,767	-	3,732
Net total	283	4,767	-	5,050
At 31 December 2023	<u>15,554</u>	<u>4,767</u>	<u>-</u>	<u>20,321</u>

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	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
A14. Deposits from Customers		
(i) By type of deposits:		
Demand deposits	1,291,588	1,741,041
Saving deposits	19,805	19,490
Fixed/investment deposits	2,482,863	1,445,405
	<u>3,794,256</u>	<u>3,205,936</u>
(ii) By type of customer:		
Business enterprises	2,861,016	2,955,453
Government and statutory authorities	100,216	485
Individuals	36,016	22,212
Others	797,008	227,786
	<u>3,794,256</u>	<u>3,205,936</u>
(iii) By maturity structure of fixed deposits:		
Due within six months	2,390,743	1,444,127
Six months to one year	25,704	502
One year to three years	66,416	776
	<u>2,482,863</u>	<u>1,445,405</u>
A15. Deposits and Placements of Banks and Other Financial Institutions		
Licensed banks in Malaysia	1,972,634	1,785,065
Other financial institutions	865	94
	<u>1,973,499</u>	<u>1,785,159</u>

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	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
Other payables and accruals	32,148	79,678
Deferred Income	9,539	9,429
Cash collateral received for derivative transactions	42,650	77,812
Cash collateral placements	30,225	22,641
ECL allowances for loan commitments and financial guarantees	4,307	2,426
	<u>118,869</u>	<u>191,986</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 2024	2,426	-	-	2,426
Credit exposures relinquished	(718)	-	-	(718)
Credit exposures assumed	2,599	-	-	2,599
Net total	<u>1,881</u>	<u>-</u>	<u>-</u>	<u>1,881</u>
At 30 June 2024	<u>4,307</u>	<u>-</u>	<u>-</u>	<u>4,307</u>
At 1 January 2023	2,750	-	-	2,750
Credit exposures relinquished	(7,905)	-	-	(7,905)
Credit exposures assumed	7,581	-	-	7,581
Net total	<u>(324)</u>	<u>-</u>	<u>-</u>	<u>(324)</u>
At 31 December 2023	<u>2,426</u>	<u>-</u>	<u>-</u>	<u>2,426</u>

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	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
A17. Borrowings		
Unsecured borrowings	<u>1,362,908</u>	<u>451,759</u>

The borrowings undertaken by the Bank is denominated in Chinese Yuan with remaining maturities of 2 to 3 years.

A18. Subordinated Loan

At amortised cost

USD200 million subordinated loan 2019/2029, at par	<u>949,819</u>	<u>921,542</u>
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On 29 August 2019, the Bank has issued an USD200 million Tier II subordinated loan with 10 years maturity, non-callable 5 years and the interest payable every 3 months throughout the tenure. The USD200 million subordinated loan bear an interest rate at SOFR plus 1.75% (31 December 2023: SOFR plus 1.75%).

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 2024	30 June 2023	30 June 2024	30 June 2023
	RM'000	RM'000	RM'000	RM'000
A19. Interest Income				
Loans and advances	35,866	19,396	74,131	37,259
Deposits and placements with banks and other financial institutions	16,384	16,579	37,289	31,447
Debt instruments at FVOCI	30,943	20,554	46,923	44,985
Derivative financial instruments	-	766	-	2,394
	<u>83,193</u>	<u>57,295</u>	<u>158,343</u>	<u>116,085</u>
A20. Interest Expense				
Deposits and placements of banks and other financial institutions	28,534	15,521	49,889	28,017
Deposits from customers	29,841	20,108	57,606	39,592
Subordinated loan	16,990	15,602	34,000	29,319
Lease liabilities	294	321	596	651
Derivative financial instruments	3,759	-	4,362	-
	<u>79,418</u>	<u>51,552</u>	<u>146,453</u>	<u>97,579</u>
A21. Other Operating Income				
Fee income:				
Service charges and fees	28	46	73	64
Guarantee fees	906	674	1,445	870
Commitment fees	36	188	113	662
Syndication fees	499	307	534	681
Management fees	6,317	3,156	12,617	6,156
	<u>7,786</u>	<u>4,371</u>	<u>14,782</u>	<u>8,433</u>
Less: Fees expense	(80)	(85)	(163)	(177)
Net fee income	<u>7,706</u>	<u>4,286</u>	<u>14,619</u>	<u>8,256</u>
Trading and investment income:				
Net realised gain/(loss) on derivatives	16,290	89,728	105,886	54,168
Net unrealised fair value (loss)/gain on derivatives	(20,035)	(11,221)	(26,397)	59,788
Net foreign exchange gain/(loss)	20,962	(71,119)	(59,627)	(87,197)
	<u>17,217</u>	<u>7,388</u>	<u>19,862</u>	<u>26,759</u>
Net loss from sale of debt instruments at FVOCI	-	372	-	262
Less: Brokerage charges	(164)	(128)	(244)	(198)
	<u>17,053</u>	<u>7,632</u>	<u>19,618</u>	<u>26,823</u>
Other income:				
Rental income	212	212	424	424
Other non-operating income	39	68	85	648
	<u>251</u>	<u>280</u>	<u>509</u>	<u>1,072</u>
	<u>25,010</u>	<u>12,198</u>	<u>34,746</u>	<u>36,151</u>

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	Current quarter ended		Year-to-date ended	
	30 June	30 June	30 June	30 June
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
A22. Other Operating Expenses				
Personnel costs				
Salaries, bonuses, wages and allowances	10,441	10,196	20,877	20,014
Defined contribution plan	941	885	1,880	1,696
Other staff related costs	879	963	1,674	2,004
	<u>12,261</u>	<u>12,044</u>	<u>24,431</u>	<u>23,714</u>
Establishment costs				
Depreciation of property and equipment	347	332	698	652
Depreciation of right-of-use assets	1,124	1,110	2,248	2,239
Amortisation of intangible assets	444	461	892	924
Repair and maintenance	509	1,229	1,791	2,379
Short-term leases expenses	60	607	134	1,185
Others	94	100	128	188
	<u>2,578</u>	<u>3,839</u>	<u>5,891</u>	<u>7,567</u>
Promotion and marketing expenses				
Advertisement and publicity	170	246	294	350
Administration and general expenses				
Communication expenses	293	159	665	441
Auditors' remuneration	76	198	170	291
Legal and professional fees	60	43	171	68
Travelling and accommodation expenses	283	136	444	202
Subscription fees	145	199	308	505
Directors' fees and allowances	158	156	308	307
Insurance premium	65	63	94	101
Printing, stationery and postage	27	57	58	94
Others	(907)	135	313	207
	<u>200</u>	<u>1,146</u>	<u>2,531</u>	<u>2,216</u>
	<u>15,209</u>	<u>17,275</u>	<u>33,147</u>	<u>33,847</u>
A23. Allowance for/(Writeback of) Expected Credit Losses ("ECL")				
Stage 1:				
- Cash and short-term funds	(485)	(4)	(270)	(190)
- Debt instruments at FVOCI	(77)	(2)	292	(208)
- Loans and advances	166	1,146	441	(2,211)
- Loan commitments and financial guarantees	963	3,988	1,881	3,875
	<u>567</u>	<u>5,128</u>	<u>2,344</u>	<u>1,266</u>

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	As at 30 June 2024 <u>RM'000</u>	As at 31 December 2023 <u>RM'000</u>
The notional amounts of the commitments and contingencies are as follows:		
Short-term self-liquidating trade-related contingencies	401,020	99,481
Transaction-related contingent items	258,290	207,045
Irrevocable commitments to extend credit:		
- Less than one year	74,626	101,854
- More than one year	1,710,684	1,720,626
Foreign exchange related contracts:		
- Less than one year	10,210,223	5,158,454
- More than one year	773,646	774,439
Interest rate related contracts:		
- More than one year	75,000	75,000
	<u>13,503,489</u>	<u>8,136,899</u>

A25. 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.

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	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
CET I/Tier I Capital		
Paid-up ordinary share capital	822,600	822,600
Retained profits	151,988	139,567
Regulatory reserve	-	4,700
Other reserves	(9,280)	(11,010)
Regulatory adjustments applied in the calculation of CET I Capital	(30,168)	(35,650)
Total CET I/Tier I Capital	<u>935,140</u>	<u>920,207</u>
Tier II Capital		
Tier II capital instruments meeting all relevant criteria	943,800	915,700
Loss provisions	26,349	24,008
Regulatory reserve	-	4,700
Total Tier II Capital	<u>970,149</u>	<u>944,408</u>
Total Capital	<u><u>1,905,289</u></u>	<u><u>1,864,615</u></u>
Analysis of risk-weighted assets		
Credit risk	3,275,261	2,859,751
Market risk	419,682	227,250
Operational risk	357,542	357,018
Total risk-weighted assets	<u><u>4,052,485</u></u>	<u><u>3,444,019</u></u>
With and without transitional arrangements:		
Capital adequacy ratio (before proposed dividends)		
CET I Capital Ratio	23.076%	26.719%
Tier I Capital Ratio	23.076%	26.719%
Total Capital Ratio	47.015%	54.141%
Capital adequacy ratio (after proposed dividends)		
CET I Capital Ratio	23.076%	26.719%
Tier I Capital Ratio	23.076%	26.719%
Total Capital Ratio	47.015%	54.141%

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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 2024	As at 31 December 2023
Outstanding credit exposures with connected parties (RM'000)	<u>488,991</u>	<u>510,715</u>
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures (%)	<u>7.82</u>	<u>9.66</u>
Percentage of outstanding credit exposures with connected parties which is impaired 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. Performance Review

For the second quarter ended 30 June 2024, China Construction Bank (Malaysia) Berhad's ("CCBM or the Bank") registered a profit before tax ("PBT") of RM11.1 million. The PBT was mainly attributable to higher operating income of RM34.7 million driven by lower net foreign exchange loss and higher net interest income of RM11.9 million.

As at 30 June 2024, the Bank's total assets increased to RM9.4 billion, consist of loans and advances RM3.2 billion, debt instruments at FVOCI RM3.9 billion and deposit and placement with banks and other financial institutions of RM1.6 billion. Gross impaired loan ratio remained at 0% as at 30 June 2024. The Bank's deposits from customers grew to RM3.8 billion an increased of RM0.6 billion or 18.4% as compared to previous financial year end.

The Bank maintained healthy capital position and ample liquidity buffer. The Bank's Common Equity Tier I capital ratio/Tier I capital ratio and Total capital ratio stood at 23.08% and 47.02% respectively as at 30 June 2024, which remained above the minimum regulatory requirements.

B2. Prospects for 2024

The Malaysian economy grew at a higher rate of 4.2% in the first quarter of 2024 (Bloomberg consensus +3.90%) which was well within official forecast range of 4.0% to 5.0%. The growth was driven by stronger private expenditure and positive turnaround in exports and tourist arrivals. Q1 2024 trade recorded 7.10% growth to RM 690.6 billion YoY with trade surplus of RM 34.2 billion. Malaysia also experienced significant increase of tourist arrivals of 5.8 million in Q1 representing an increase of 32.5% when compared to the previous year. Similarly, private and government consumption also showed an expansion of 4.7% and 7.3% respectively. Household spending was higher amid continued growth in employment and wages. The manufacturing sector was lifted by a rebound across both the electrical and electronic (E&E) and non-E&E industries. The stronger growth in the services sector was driven by higher retail trade activities and continued support from the transport and storage subsector. On a QoQ basis, the economy expanded by 1.4% (4Q 2023: -1%). Nonetheless the growth outlook is subject to downside risks, mainly from an escalation of geopolitical tension and intensify trade wars between China and the western economies.

As we reported in Q1, the diesel subsidy in peninsular Malaysia was lifted on 10 June 2024 with its price rising from RM 2.15 to RM 3.35 per liter with Budi Madani program aid of RM 200 per month to selected vehicle owners and businesses affected by the price hike. This initiative is expected to save the government an approximately RM 4.0 billion per year. While there were concerns of "fueled inflation" due to the ripple effect of diesel subsidy removal, we expect BNM to maintain current OPR level of 3.0% to remains accommodative and supportive of a sustainable economic growth target of circa 4.5% for 2024.

For 2H outlook, Malaysia is benefiting from rising foreign direct investments (FDIs) in the electrical and electronics (E&E) sector and recently has seen a surge in data centre investments, particularly that of southern region. The re-industrialisation and data centre expansion theme drives demand for utilities and land which supports structural economic reforms and infrastructure spending creating a virtuous investment cycle in Malaysia which will see KLCI trading towards target range of 1,700 -1750.

On the global front, inflationary pressure has peaked paving way for most central banks to start easing cycle with Swiss National Bank delivering 2 rate cuts while Bank of Canada and ECB both started to reduce policy rates in June, Federal Reserve Bank remain cautious in combating sticky high inflation with prolong high interest backdrop. This has created a slow growth momentum as demonstrated in their Q1 GDP growth rate of 1.4% (vs 2.2% target) while inflation figures remain elevated from the Fed's 2.0% target.

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B2. Prospects for 2024 (cont'd)

China being Malaysia's largest trading partner, registered 1Q GDP growth of 5.3% reaching USD 4.10 trillion for Q1 2024 beating market consensus of 4.6% polled by Reuters. The secondary industry (industry and manufacturing sectors) saw the highest growth rate of 6.0% YoY while the tertiary sector of services grew by 5.0% YoY. The transportation, warehousing and postal industry and the hospitality and catering industry also saw sustained growth each growing at 7.3% YoY. However, under the weight of the property sector downturn, rising local debt and weak consumer spending, Beijing turned to spending on infrastructure and high-tech manufacturing to promote sustainable growth. The economy structure is still significantly unbalanced with supply side much stronger than the demand side. Monetary and fiscal policy remains expansionary to support recovery amid weak sentiment as the transmission mechanism of monetary easing is yet to be seen. IMF had revised upward China's economy growth from earlier forecast of 4.6% to 5.0% amid strong Q1 GDP figures though it expects slower growth in the years to come. China's high-tech sector may poise to rival property sector as growth driver to reach 19.0% of China's GDP in 2026, matching that of property sector contribution which is on the down trend.

While the downside risk of property sector stress, geopolitical tensions and global economic fragmentation continue to persist, new avenues of growth will be required for China to retain sustainable growth which among others transforming the core pillars of growth engine to advance technological industries like artificial intelligence, digital financial services, green technology, biotechnology, renewable energy etc. PBOC is expected to maintain accommodative monetary policy to ensure recovery momentum is sustainable without compromising the Renminbi exchange rate which is under depreciating pressure due to the interest rates gap and economy growth risk.

China Construction Bank (Malaysia) Berhad ("CCBM or the bank") will continue to focus on Malaysia growth areas to support customers' financing needs, e.g. data centres construction and its supporting industries, manufacturing industries both from Malaysia and China corporations as well as Environmental, Social and Governance related businesses. The bank will continue to focus on several key growth sectors from higher realization of approved foreign direct investments (FDI), particularly that of China origin. The momentum of global tech up cycle and the supporting industries will be another opportunity that CCBM can leverage on to provide our financial services products.

On domestic front, the proposed RM10.0 billion Penang LRT and RM1.5 billion Penang International Airport expansion projects will improve the capacity of Penang to support the rising manufacturing exports especially for E&E products as well as more advance tech related products. Other on-going projects being implemented include the RM50.3 billion East Coast Rail Link (ECRL) and RM12.6 billion Westport 2.0 expansion which will provide more sub-contractor jobs which may need financing services. The signing of 14 memorandums of understanding including the renewal of a 5-year economic and trade cooperation programme between China and Malaysia during China Premier Li Qiang's visit to Malaysia in conjunction with the 50th anniversary of diplomatic relations between Malaysia and China is expected to enhance further industrial investments along the ECRL alignment with direct links for Port Klang in the west and Kuantan Port in the east.

CCBM will continue to embark on providing innovative financial products and services along with Renminbi ("RMB") settlements and clearings services capabilities to abovementioned targeted customers to further improve our customer experience in achieving the desired key result areas, financial performance and market presence, particularly that of Belt Road Initiatives and ESG related financing needs.

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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	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 June 2024				
Financial assets				
Debt instruments at FVOCI	-	3,879,010	-	3,879,010
Derivative financial assets	-	64,629	-	64,629
	<u>-</u>	<u>3,943,639</u>	<u>-</u>	<u>3,943,639</u>
Financial liabilities				
Derivative financial liabilities	<u>-</u>	<u>160,353</u>	<u>-</u>	<u>160,353</u>
31 December 2023				
Financial assets				
Debt instruments at FVOCI	-	1,916,122	-	1,916,122
Derivative financial assets	-	97,624	-	97,624
	<u>-</u>	<u>2,013,746</u>	<u>-</u>	<u>2,013,746</u>
Financial liabilities				
Derivative financial liabilities	<u>-</u>	<u>139,941</u>	<u>-</u>	<u>139,941</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.