

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

UNAUDITED CONDENSED FINANCIAL STATEMENTS
31 MARCH 2018

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

MANAGEMENT'S CERTIFICATION

I hereby certify that the unaudited interim financial statements for the period from 1 January 2018 to 31 March 2018 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ('MASB') and the BNM/RH/STD 032-5: Financial Reporting issued by Bank Negara Malaysia on 2 February 2018.

On behalf of

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

Feng Qi

Chief Executive Officer

Date:

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

		1st quarter ended		Year-to-date ended	
	Note	31-Mar 2018	31-Mar 2017	31-Mar 2018	31-Mar 2017
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	A6	29,624	7,086	29,624	13,476
Interest expense	A7	(17,458)	(412)	(17,458)	(412)
Net interest income		12,166	6,674	12,166	13,064
Other operating income	A8	910	1,863	910	1,863
Net income		13,076	8,537	13,076	14,927
Other operating expenses	A9	(10,403)	(9,885)	(10,403)	(9,885)
Operating (loss)/profit before allowances		2,673	(1,348)	2,673	5,042
Allowance for impairment on loans, and other losses	A10	(1,619)	(195)	(1,619)	(195)
(Loss)/Profit before taxation		1,054	(1,543)	1,054	4,847
Taxation	B3	(145)	-	(145)	-
Net (loss)/ profit for the financial period		909	(1,543)	909	4,847
Other comprehensive income in respect of:					
(i) Items that will be reclassified subsequently to profit or loss:					
Unrealised net gain on revaluation of FVOCI		(327)	(313)	(327)	(313)
Income tax relating to components of other comprehensive loss		33	-	33	-
Other comprehensive income, net of tax, for the financial period		(294)	(313)	(294)	(313)
Total comprehensive (loss)/income for the financial period		615	(1,856)	615	4,534

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2018

		Bank	
		As at 31-Mar 2018	As at 31-Dec 2017
		RM'000	RM'000
	Note		
ASSETS			
Cash and short-term funds		710,575	819,618
Deposits and placements with banks and other financial institutions		702,968	393,036
Financial assets at FVOCI	A11	195,693	156,305
Loans and advances	A12	1,862,078	1,291,227
Other assets	A13	9,149	7,505
Derivative assets	B5	12,714	14,209
Deferred tax assets		4,665	2,911
Property, plant and equipment	A16	10,204	10,482
Intangible assets		4,418	4,534
TOTAL ASSETS		3,512,464	2,699,827
LIABILITIES			
Deposits from customers	A14/B4	1,109,985	455,207
Deposits and placements of banks and other financial institutions		1,525,534	1,379,665
Other liabilities	A15	38,887	16,751
Derivative liabilities	B5	18,087	24,944
Provision for taxation		2,671	4,355
TOTAL LIABILITIES		2,695,164	1,880,922
EQUITY			
Share capital		822,600	822,600
Reserves		(5,300)	(3,695)
TOTAL EQUITY		817,300	818,905
TOTAL LIABILITIES AND EQUITY		3,512,464	2,699,827
		-	
COMMITMENTS AND CONTINGENCIES	A17	1,773,764	2,156,745

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

Bank	Note	Share Capital RM'000	Non-Distributable Regulatory Reserves RM'000	FVOCI Reserves RM'000	Distributable Accumulated losses RM'000	Total Equity RM'000
Balance as at 1 October 2016		*				*
Issue of shares		822,600	-	-	-	822,600
Net profit for the financial period		-	-	-	(4,535)	(4,535)
Other comprehensive income, net of tax, for the financial period		-	-	840	-	840
Total comprehensive income for the financial period		-	-	840	(4,535)	(3,695)
Balance as at 31 December 2017		822,600	-	840	(4,535)	818,905
Balance as at 1 January 2018		822,600	-	840	(4,535)	818,905
Changes on initial application of MFRS 9		-	-	-	(2,220)	(2,220)
Restated balance as at 1 January 2018		822,600	-	840	(6,755)	816,685
Net profit for the financial period		-	-	-	909	909
Other comprehensive income, net of tax, for the financial period		-	-	(294)	-	(294)
Total comprehensive income for the financial period		-	-	(294)	909	615
Balance as at 31 March 2018		822,600	-	546	(5,846)	817,300

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

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

	31-Mar 2018	31-Mar 2017
	RM'000	RM'000
Bank		
Cash flows from operating activities		
Profit before taxation	1,054	4,847
Adjustments for:		
Allowance for impairment on loans and advances	1,619	195
Depreciation of property, plant and equipment:	661	206
Amortisation of intangible assets	115	123
Accretion of discounts net of amortisation of premiums on financial assets at FVOCI	491	134
Unrealised loss arising from derivatives	-	59
Operating profit before working capital changes	<u>3,940</u>	<u>5,564</u>
 (Increase)/Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	(309,932)	(605,000)
Derivative Assets	1,495	-
Loans and advances	(573,936)	(97,596)
Other assets	<u>(1,644)</u>	<u>(3,946)</u>
	<u>(884,017)</u>	<u>(706,542)</u>
 Increase in operating liabilities:		
Deposits from customers	654,778	89,292
Deposits and placements of banks and other financial institutions	145,695	150,000
Derivative Liabilities	(6,857)	-
Other liabilities	<u>20,899</u>	<u>6,497</u>
	<u>814,515</u>	<u>245,789</u>
 Cash used in operations	(65,562)	(455,189)
Net tax paid	<u>(3,550)</u>	<u>-</u>
Net cash used in from operating activities	<u>(69,112)</u>	<u>(455,189)</u>
 Net proceeds from disposal of financial investments AFS and HTM	-	-
Cash flows from investing activities		
Net purchase of financial assets at FVOCI	(39,549)	(187,930)
Property, plant and equipment:		
- Purchase	<u>(382)</u>	<u>(5,449)</u>
Net cash used in investing activities	<u>(39,931)</u>	<u>(193,379)</u>
Cash flows from financing activities		
Proceeds from issuance of share capital	-	822,600
Net cash generated from financing activities	<u>-</u>	<u>822,600</u>
 Net increase in cash and cash equivalents	(109,043)	174,032
Effects of exchange rate differences		
Cash and cash equivalents:		
- at the beginning of the financial period	819,618	-
- at the end of the financial period	<u><u>710,575</u></u>	<u><u>174,032</u></u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A1. Basis Of Preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, and 'Interim Financial Reporting' issued by Malaysian Accounting Standards Board ('MASB').

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since incorporation. The interim financial statements does not include notes of the type normally included in an annual financial report.

The adoption of the new standards, amendments to published standards and interpretations are not expected to have significant impact on the financial results of the Bank.

The preparation of unaudited interim financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

Changes in accounting policies

CCBM had adopted MFRS 9 as issued by MASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. CCBM did not early adopt any of MFRS 9 in previous periods.

As permitted by the transitional provisions of MFRS 9, CCBM elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to MFRS 7 disclosures have also only been applied to current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of MFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities. MFRS 9 also significantly amends other standards dealing with financial instruments such as MFRS 7 "Financial Instruments: Disclosures".

(a) Classification and measurement of financial instruments

There is no changes to classification and measurements of financial instruments.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
 NOTES TO INTERIM FINANCIAL STATEMENTS
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A1. Basis Of Preparation (Continued)

(a) Classification and measurement of financial instruments

Reconciliation of statement of financial position balances from MFRS 139 to MFRS 9

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with MFRS 139 to their new measurement categories upon transition to MFRS 9 on 1 January 2018:

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 Carrying amount as at 31.12.2017	Reclassification	Carrying amount after reclassification	MFRS 9 remeasurement including ECL	MFRS 9 carrying amount as at 1.1.2018
FINANCIAL ASSETS							
Cash and short term funds	Loans and receivables	Amortised costs	819,618	-	819,618	-	819,618
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised costs	393,036	-	393,036	(174)	392,862
Financial assets at FVOCI	Available for sale financial instruments	FVOCI	156,305	-	156,305	-	156,305
Loans and advances	Loans and receivables	Amortised costs	1,291,227	-	1,291,227	(809)	1,290,418
Derivative assets	Fair Value	FVTPL	14,209	-	14,209	-	14,209
			2,674,395	-	2,674,395	(983)	2,673,412
FINANCIAL LIABILITIES							
Derivative liabilities	Fair Value	FVTPL	24,944	-	24,944	-	24,944
			24,944	-	24,944	-	24,944

Reconciliation of impairment allowance balance from MFRS 139 to MFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the MFRS 139 incurred loss model to the new impairment allowance measured in accordance with the MFRS 9 expected loss model at 1 January 2018:

	Loan loss allowance under MFRS 139 as at 31.12.2017	Reclassification	Loan loss allowance under MFRS 9 Remeasurement as at 1.1.2018
Cash and short-term funds	-	-	-
Deposits and placements with banks and other financial institutions	-	-	174
Financial assets at FVOCI	-	-	-
Loans and advances	6,520	-	809
	6,520	-	983

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

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 2018 to 31 March 2018.

A4. Changes In Estimates

There were no material changes in estimates that have a material effect for the period from 1 January 2018 to 31 March 2018.

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 2018 to 31 March 2018.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A6. Interest Income

	1st quarter ended		Year-to-date ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Bank	RM'000	RM'000	RM'000	RM'000
Loans and advances	13,530	17	13,530	17
Deposits and placements with banks and other financial institutions	14,403	6,563	14,403	12,953
Financial investments AFS	1,691	506	1,691	506
Others	-	-	-	-
	<u>29,624</u>	<u>7,086</u>	<u>29,624</u>	<u>13,476</u>

A7. Interest Expense

Bank				
Deposits and placements of banks and other financial institutions	9,408	287	9,408	287
Deposits from customers	8,050	125	8,050	125
	<u>17,458</u>	<u>412</u>	<u>17,458</u>	<u>412</u>

A8. Other Operating Income

Bank				
Fee income				
- Service charges and fees	67	-	67	-
- Guarantee fees	-	-	-	-
- Commitment fees	360	1,624	360	1,624
- Other fee income/(expenses)	232	-	232	-
	<u>659</u>	<u>1,624</u>	<u>659</u>	<u>1,624</u>
Net gain/(loss) arising from derivatives				
- Realised	(31,431)	-	(31,431)	-
- Unrealised	5,361	(59)	5,361	-
	<u>(26,070)</u>	<u>(59)</u>	<u>(26,070)</u>	<u>-</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A8. Other Operating Income (continued)

	1st quarter ended		Year-to-date ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Bank (continued)	RM'000	RM'000	RM'000	RM'000
Other income				
Foreign exchange gain/(loss):				
- Realised	26,253	298	26,253	298
Other non-operating income	68	-	68	-
	<u>26,321</u>	<u>298</u>	<u>26,321</u>	<u>239</u>
	<u>910</u>	<u>1,863</u>	<u>910</u>	<u>1,863</u>

A9. Other Operating Expenses

Bank

Personnel costs

- Salaries, allowances and bonuses	4,845	337	4,845	337
- Defined contribution plan	421	-	421	-
- Other staff related costs	168	-	168	-
	<u>5,434</u>	<u>337</u>	<u>5,434</u>	<u>337</u>

Establishment costs

- Depreciation of property, plant and equipment:	661	206	661	206
- Amortisation of intangible assets	115	123	115	123
- Rental	663	-	663	-
- Insurance	25	-	25	-
- Water and electricity	6	-	6	-
- Repair and maintenance	1,044	-	1,044	-
- Security and escorting expenses	24	-	24	-
	<u>2,538</u>	<u>329</u>	<u>2,538</u>	<u>329</u>

Marketing expenses

- Advertisement and publicity	252	264	252	264
- Others	170	-	170	-
	<u>422</u>	<u>264</u>	<u>422</u>	<u>264</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
 NOTES TO INTERIM FINANCIAL STATEMENTS
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A9. Other Operating Expenses (continued)

	1st quarter ended		Year-to-date ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Bank	RM'000	RM'000	RM'000	RM'000
Administration and general expenses				
- Communication expenses	230	1,148	230	1,148
- Legal and professional fee	345	-	345	-
- Others	1,434	7,807	1,434	7,807
	<u>2,009</u>	<u>8,955</u>	<u>2,009</u>	<u>8,955</u>
	<u>10,403</u>	<u>9,885</u>	<u>10,403</u>	<u>9,885</u>

A10. Allowance for Impairment on Loans and Other Losses

Bank				
Allowance for impaired loans and other losses:				
- Collective impairment allowance	1,619	195	1,619	195
	<u>1,619</u>	<u>195</u>	<u>1,619</u>	<u>195</u>

A11. Financial assets at FVOCI

Bank	As at	As at
	31 March 2018	31 December 2017
At fair value	RM'000	RM'000
Money market instruments:		
Malaysian Government Securities	<u>153,125</u>	<u>156,305</u>
Quoted securities:		
In Malaysia		
Corporate bond	<u>42,568</u>	<u>-</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A12. Loans and Advances

(a) By type

	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Bank		
At amortised cost		
Overdrafts	996	-
Term loans		
- Syndicated term loans	837,564	657,982
- Other term loans/financing	617,660	325,850
Trust receipts	68,250	68,903
Revolving credits/financing	347,213	245,012
Gross loans and advances	<u>1,871,683</u>	<u>1,297,747</u>
Allowance for impaired loans and advances		
- Collective impairment allowance	(9,605)	(6,520)
Net loans and advances	<u><u>1,862,078</u></u>	<u><u>1,291,227</u></u>

(b) By type of customer

Business enterprises	1,812,531	1,233,499
Government and statutory bodies	59,152	64,248
	<u>1,871,683</u>	<u>1,297,747</u>

(c) By geographical distribution

Malaysia	851,414	629,558
Hong Kong	372,880	304,174
Philippines	154,569	162,155
United Arab Emirates	59,152	64,247
China	416,858	120,094
Indonesia	16,810	17,519
	<u>1,871,683</u>	<u>1,297,747</u>

(d) By interest/profit rate sensitivity

Variable rate		
- Cost-plus	1,871,683	1,297,747
	<u>1,871,683</u>	<u>1,297,747</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A12. Loans and Advances (continued)

(e) By purpose

	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Bank		
Working capital	766,941	607,629
Merger and acquisition	152,465	81,026
Purchase of transport vehicle	139,103	154,048
Other purposes	813,174	455,044
	<u>1,871,683</u>	<u>1,297,747</u>

(f) By remaining contractual maturities

Maturity within one year	943,517	195,053
One year to three years	298,554	-
Three years to five years	446,814	239,348
Over five years	182,798	187,344
	<u>1,871,683</u>	<u>621,745</u>

(g) Impaired loans and advances

Collective impairment allowance

Balance as at beginning of financial year	7,329	-
Net allowance made	2,276	6,520
Balance as at the end of financial year	<u>9,605</u>	<u>6,520</u>

A13. Other Assets

Other receivables	265	485
Deposits	782	824
Prepayments	2,792	196
Cash collateral pledged for derivative transactions	5,310	6,000
	<u>9,149</u>	<u>7,505</u>

A14. Deposits from Customers

(a) By type of deposits

Bank

Demand deposits	279,993	286,274
Fixed/investment deposits	829,992	168,933
	<u>1,109,985</u>	<u>455,207</u>

(b) By type of customer

Bank

Business enterprises	<u>1,109,985</u>	<u>455,207</u>
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CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A14. Deposits from Customers (continued)

	As at 31 March 2018 <u>RM'000</u>	As at 31 December 2017 <u>RM'000</u>
Bank		
(c) By maturity structure of fixed/investment deposits		
Bank		
Due within six months	811,856	157,456
Six months to one year	9,982	3,068
One year to three years	8,154	8,409
	<u>829,992</u>	<u>168,933</u>

A15. Other Liabilities

Bank		
Other creditors and accruals	4,300	4,841
Deferred Income	14,184	10,620
Expected credit loss - loan commitments	503	-
Cash collateral pledged for derivative transactions	19,900	1,290
	<u>38,887</u>	<u>16,751</u>

A16. Valuation of Property, Plant and Equipment

The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

A17. Commitments and Contingencies

Bank	31 March 2018		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Trade Related Contingencies	17	3	3
Foreign exchange related contracts			
One year or less	1,473,771	25,340	8,984
Other commitments, such as formal standby facilities			
Maturity not exceeding one year	286,831	143,416	120,149
More than one year	13,144	2,629	2,629
	<u>1,773,764</u>	<u>171,387</u>	<u>131,765</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A17. Commitments and Contingencies (Continued)

Bank	31 December 2017		
	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Trade Related Contingencies	61,390	12,278	31,717
Foreign exchange related contracts			
One year or less	1,728,996	27,073	11,358
Other commitments, such as formal standby facilities and credit lines			
Maturity not exceeding one year	326,825	163,412	140,752
More than one year	39,534	7,907	12,534
	<u>2,156,745</u>	<u>210,670</u>	<u>196,361</u>

A18. 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.

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

Bank	As at 31 March 2018	As at 31 December 2017
	RM'000	RM'000
Common Equity Tier I ('CET I')/Tier I Capital		
Paid-up ordinary share capital	822,600	822,600
Accumulated losses	(6,755)	(4,535)
Regulatory reserves	-	-
FVOCI reserves	546	840
	<u>816,391</u>	<u>818,905</u>
Regulatory adjustment applied in the calculation of CET 1 Capital		
(Less): 55% of cumulative gains of FVOCI financial instruments	(300)	(462)
(Less): Other Intangibles	(5,013)	(5,013)
(Less): Deferred tax assets	(4,665)	(2,911)
	<u>806,413</u>	<u>810,519</u>
Tier II Capital		
Collective impairment allowance and regulatory reserves	9,605	6,520
	<u>9,605</u>	<u>6,520</u>
Total Tier II Capital		
	<u>9,605</u>	<u>6,520</u>
Total Capital	<u>816,018</u>	<u>817,039</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A18. Capital Adequacy Ratio (continued)

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

Capital ratios

Before proposed dividends:

CET I Capital Ratio	40.922%	51.598%
Tier I Capital Ratio	40.922%	51.598%
Total Capital Ratio	41.409%	52.013%

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 collective impairment allowance 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;

	As at 31 March 2018	As at 31 December 2017
Bank	RM'000	RM'000
Credit risk	1,881,483	1,457,358
Market risk	31,038	21,816
Operational risk	58,094	91,672
Total risk-weighted assets	<u>1,970,615</u>	<u>1,570,846</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).

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
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B1. Review of Bank's Results

China Construction Bank (Malaysia) Berhad ("CCBM")'s total assets stood at MYR 3.5 billion with stable execution progress. The main assets components are loans (MYR 1.9 billion), interbank placement (MYR 1.4 billion) and debt securities (MYR 195 million). Whilst total liabilities is MYR 2.7 billion mainly consists of corporate deposit (MYR 1.1 billion) and interbank borrowing (MYR 1.5 billion).

As of the end of March 2018, CCBM recorded operating income of MYR 13.1 billion, of which net interest income is MYR12.2 million, and non interest income MYR 0.9 million.

Based on the average balance of incremental assets quarter to quarter, the return on assets and return on equity are expected to gradually improve following the growth of the asset size of CCBM.

B2. Prospects for Financial Year 2018

In year 2018 CCBM will focus on parent bank's direction for overseas development strategy based on the Malaysian and the ASEAN market that includes the following:

- 1) Actively cooperate with "One Belt One Road" strategy, in supporting the development of related infrastructure projects, trade financing business, strengthen product innovation.
- 2) Cooperation with local banks to expand cross-border CNY settlements business and strengthen CNY capital market in the local financial market, actively promote QFII investment, increase the volume of foreign CNY funds, enrich the overseas CNY investment channels.
- 3) Develop and strengthen cash management business with corporate customers, provide short term financing, investment and related financial services riding on the supply chain relationship.
- 4) Strive to develop overseas markets, cooperate with intergroup including foreign branches and subsidiaries, provide more opportunities and diversified financial services for cross-border corporate clients.

B3. Taxation

	1st quarter ended		Year-to-date ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Bank	RM'000	RM'000	RM'000	RM'000
Income tax	145	-	145	-
	<u>145</u>	<u>-</u>	<u>145</u>	<u>-</u>

The effective tax rate of the Bank for the three months ended 31 March 2018 was higher than the statutory tax rate.

**CHINA CONSTRUCTION BANK (MALAYSIA)
NOTES TO INTERIM FINANCIAL
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

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 31 March 2018	As at 31 December 2017
Bank	RM'000	RM'000
Deposits from customers		
- One year or less	1,101,831	446,798
- More than one year	8,154	8,409
	<u>1,109,985</u>	<u>455,207</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

	<u>As at 31 March 2018</u>		
Bank	Contract/ Notional Amount	Fair Value	
By type	RM'000	Assets	Liabilities
		RM'000	RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Forwards/swaps	1,473,771	12,714	18,087
Total	<u>1,473,771</u>	<u>12,714</u>	<u>18,087</u>

	<u>As at 31 December 2017</u>		
Bank	Contract/ Notional Amount	Fair Value	
By type	RM'000	Assets	Liabilities
		RM'000	RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Forwards/swaps	1,714,773	14,209	24,944
Total	<u>1,714,773</u>	<u>14,209</u>	<u>24,944</u>

	<u>As at 31 March 2018</u>		
Bank	Contract/ Notional Amount	Fair Value	
By remaining period to maturity/next re-pricing date	RM'000	Assets	Liabilities
		RM'000	RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Less than 1 year	1,473,771	12,714	18,087
Total	<u>1,473,771</u>	<u>12,714</u>	<u>18,087</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

	<u>As at 31 December 2017</u>		
	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	1,714,773	14,209	24,944
	<u>1,714,773</u>	<u>14,209</u>	<u>24,944</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.

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

Bank	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 March 2018				
<u>Financial assets</u>				
Financial assets at FVOCI	-	195,693	-	195,693
- Debt Securities	-	195,693	-	195,693
Derivative assets	-	12,714	-	12,714
	-	208,407	-	208,407
<u>Financial liabilities</u>				
Derivative liabilities	-	18,087	-	18,087

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD
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B6. Fair Value of Financial Instruments (Continued)

Bank	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
31 December 2017				
<u>Financial assets</u>				
Financial assets at FVOCI	-	156,305	-	156,305
- Debt Securities	-	156,305	-	156,305
Derivative assets	-	14,209	-	14,209
	-	170,514	-	170,514
<u>Financial liabilities</u>				
Derivative liabilities	-	24,944	-	24,944

(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 2018 to the date of this announcement.

B8. Dividends

(a) The Directors have not proposed for any dividend for the three months ended 31 March 2018.