

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 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 30 September 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 30 SEPTEMBER 2018

	Note	Current quarter ended		Year-to-date ended	
		30-Sep	30-Sep	30-Sep	30-Sep
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	A6	36,212	11,869	99,231	35,507
Interest expense	A7	(21,006)	(3,278)	(57,177)	(5,491)
Net interest income		15,206	8,591	42,054	30,016
Other operating income	A8	3,500	4,666	6,132	9,110
Net income		18,706	13,257	48,186	39,126
Other operating expenses	A9	(15,650)	(14,235)	(38,478)	(30,801)
Operating profit before allowances		3,056	(978)	9,708	8,325
Allowance for impairment on loans, and other losses	A10	(388)	(1,789)	(5,041)	(3,395)
Profit before taxation		2,668	(2,767)	4,667	4,930
Taxation	B3	(564)	(2,101)	(1,309)	(3,751)
Net profit for the financial period		2,104	(4,868)	3,358	1,179
Other comprehensive income in respect of:					
(i) Items that will be reclassified subsequently to profit or loss:					
Unrealised net (loss)/gain on revaluation of FVOCI		745	490	(58)	646
Income tax relating to components of other comprehensive income/(loss)		(154)	(103)	15	(155)
Other comprehensive (loss)/income, net of tax, for the financial period		591	388	(43)	491
Total comprehensive income for the financial period		2,695	(4,480)	3,315	1,670

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

		Bank	
		As at 30-Sep 2018	As at 31-Dec 2017
		RM'000	RM'000
	Note		
ASSETS			
Cash and short-term funds	A11	963,324	819,618
Deposits and placements with banks and other financial institutions	A11	602,714	393,036
Financial assets at FVOCI	A12	395,925	156,305
Loans and advances	A13	1,986,544	1,291,227
Other assets	A14	2,116	7,505
Derivative assets	B5	14,732	14,209
Deferred tax assets		5,646	2,911
Property, plant and equipment	A17	11,829	10,482
Intangible assets		4,406	4,534
TOTAL ASSETS		3,987,236	2,699,827
LIABILITIES			
Deposits from customers	A15/B4	1,012,070	455,207
Deposits and placements of banks and other financial institutions		2,111,777	1,379,665
Other liabilities	A16	36,936	16,751
Derivative liabilities	B5	5,669	24,944
Provision for taxation		784	4,355
TOTAL LIABILITIES		3,167,236	1,880,922
EQUITY			
Share capital		822,600	822,600
Reserves		(2,600)	(3,695)
TOTAL EQUITY		820,000	818,905
TOTAL LIABILITIES AND EQUITY		3,987,236	2,699,827
		-	
COMMITMENTS AND CONTINGENCIES	A18	2,568,943	2,142,522

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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		-	-	-	3,358	3,358
Other comprehensive income, net of tax, for the financial period		-	-	(43)	-	(43)
Total comprehensive income for the financial period		-	-	(43)	3,358	3,315
Balance as at 30 September 2018		822,600	-	797	(3,397)	820,000

* 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 30 SEPTEMBER 2018

	30-Sep 2018	30-Sep 2017
	RM'000	RM'000
Bank		
Cash flows from operating activities		
Profit before taxation	3,358	4,930
Adjustments for:		
Allowance for impairment on loans and advances	5,041	3,395
Depreciation of property, plant and equipment:	2,318	2,244
Amortisation of intangible assets	396	364
Interest income from financial assets designated at fair value through other comprehensive income	(8,090)	-
Interest income from financial assets designated at available-for-sale	-	(2,914)
Unrealised loss arising from derivatives	-	1,914
Operating profit before working capital changes	<u>3,023</u>	<u>9,933</u>
 (Increase)/Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	(209,678)	(530,590)
Derivative Assets	(523)	(3,053)
Loans and advances	(701,187)	(621,745)
Other assets	5,389	(4,457)
	<u>(905,999)</u>	<u>(1,159,845)</u>
 Increase in operating liabilities:		
Deposits from customers	556,863	228,177
Deposits and placements of banks and other financial institutions	731,938	757,176
Derivative Liabilities	(19,275)	-
Other liabilities	18,948	5,641
	<u>1,288,474</u>	<u>990,994</u>
 Cash used in operations	385,498	(158,918)
Net tax paid	(7,600)	(900)
Net cash used in from operating activities	<u>377,898</u>	<u>(159,818)</u>
Cash flows from investing activities		
Purchase of financial investments available-for-sale	(241,219)	(152,649)
Interest received from financial investments available-for-sale	10,960	-
Property, plant and equipment:		
- Purchase	(3,933)	(17,480)
Net cash used in investing activities	<u>(234,192)</u>	<u>(170,129)</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	143,706	492,653
Cash and cash equivalents:		
- at the beginning of the financial period	819,618	-
- at the end of the financial period	<u>963,324</u>	<u>492,653</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 30 SEPTEMBER 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	174
Financial assets at FVOCI	-	-	-	-
Loans and advances	6,520	-	809	7,329
	6,520	-	983	7,503

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 30 September 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 30 September 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 30 September 2018.

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A6. Interest Income

	Current quarter ended		Year-to-date ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Bank	RM'000	RM'000	RM'000	RM'000
Loans and advances	22,170	4,272	55,736	6,585
Deposits and placements with banks and other financial institutions	10,328	6,393	35,405	26,008
Financial assets designated at FVOCI	3,714	-	8,090	-
Financial assets designated at AFS	-	1,204	-	2,914
	<u>36,212</u>	<u>11,869</u>	<u>99,231</u>	<u>35,507</u>

A7. Interest Expense

Bank				
Deposits and placements of banks and other financial institutions	12,769	1,688	32,500	2,458
Deposits from customers	8,237	1,590	24,677	3,033
	<u>21,006</u>	<u>3,278</u>	<u>57,177</u>	<u>5,491</u>

A8. Other Operating Income

Bank				
Fee income				
- Service charges and fees	94	22	226	24
- Guarantee fees	-	4	31	318
- Commitment fees	513	22	1,547	649
- Other fee income/(expenses)	561	(1,474)	1,243	74
	<u>1,168</u>	<u>(1,426)</u>	<u>3,047</u>	<u>1,065</u>
Net gain/(loss) arising from derivatives				
- Realised	8,055	4,279	(25,435)	7,980
- Unrealised	2,073	(1,691)	19,797	(3,020)
	<u>10,128</u>	<u>2,588</u>	<u>(5,638)</u>	<u>4,960</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A8. Other Operating Income (continued)

	Current quarter ended		Year-to-date ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Bank (continued)	RM'000	RM'000	RM'000	RM'000
Other income				
Foreign exchange gain/(loss):				
- Realised	(7,797)	3,488	8,629	3,066
Other non-operating income	1	16	94	19
	<u>(7,796)</u>	<u>3,504</u>	<u>8,723</u>	<u>3,085</u>
	<u>3,500</u>	<u>4,666</u>	<u>6,132</u>	<u>9,110</u>

A9. Other Operating Expenses

Bank

Personnel costs

- Salaries, allowances and bonuses	8,888	5,424	21,020	10,927
- Defined contribution plan	842	260	1,834	642
- Other staff related costs	744	277	1,087	581
	<u>10,474</u>	<u>5,961</u>	<u>23,941</u>	<u>12,150</u>

Establishment costs

- Depreciation of property, plant and equipment:	894	1,689	2,318	2,244
- Amortisation of intangible assets	164	143	396	364
- Rental	651	366	2,006	896
- Insurance	-	1	35	25
- Water and electricity	36	11	57	28
- Repair and maintenance	1,276	1,354	3,657	2,595
- Security and escorting expenses	34	32	75	56
- Motor vehicle expenses	49	25	175	30
	<u>3,104</u>	<u>3,621</u>	<u>8,719</u>	<u>6,238</u>

Marketing expenses

- Advertisement and publicity	3	-	270	264
- Others	291	159	652	221
	<u>294</u>	<u>159</u>	<u>922</u>	<u>485</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A9. Other Operating Expenses (continued)

	Current quarter ended		Year-to-date ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Bank	RM'000	RM'000	RM'000	RM'000
Administration and general expenses				
- Communication expenses	253	109	704	315
- Legal and professional fee	308	273	870	310
- Others	1,217	4,112	3,322	11,303
	<u>1,778</u>	<u>4,494</u>	<u>4,896</u>	<u>11,928</u>
	<u>15,650</u>	<u>14,235</u>	<u>38,478</u>	<u>30,801</u>

A10. Allowance for Impairment on Loans and Other Losses

	Stage 1	Stage 2	Stage 3	Total
Bank	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	(8)	-	-	(8)
Financial assets at FVOCI	(247)	-	-	(247)
Loans and advances	(5,061)	-	-	(5,061)
Commitments and contingencies	275	-	-	275
	<u>(5,041)</u>	<u>-</u>	<u>-</u>	<u>(5,041)</u>

	Current quarter ended		Year-to-date ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Bank	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and other losses:				
- Collective impairment allowance	388	1,789	5,041	3,395
	<u>388</u>	<u>1,789</u>	<u>5,041</u>	<u>3,395</u>

A11. Cash and short-term funds

	As at 30 September 2018	As at 31 December 2017
Bank	RM'000	RM'000
Cash and short-term funds	963,506	819,618
Deposits and placements with banks and other financial institutions	602,714	393,036
	<u>1,566,220</u>	<u>1,212,654</u>
Less: ECL Allowance	(182)	-
	<u>1,566,038</u>	<u>1,212,654</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
 NOTES TO INTERIM FINANCIAL STATEMENTS
 FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A11. Cash and short-term funds (Continued)

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
ECL Allowance	RM'000	RM'000	RM'000	RM'000
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS9 Financial Instruments	174	-	-	174
As at 1 January 2018, restated	174	-	-	174
Provision reversal during the period	(345)	-	-	(345)
New financial deposits and placement with financial institutions	353	-	-	353
	182	-	-	182

A12. Financial assets at FVOCI

	<u>As at 30 September 2018</u>	<u>As at 31 December 2017</u>
	RM'000	RM'000
Bank		
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Securities	153,783	156,305
Malaysian Government Investment Issues	201,483	-
	<u>355,266</u>	<u>156,305</u>
<u>Quoted securities:</u>		
In Malaysia		
Corporate bond	40,659	-
	<u>395,925</u>	<u>156,305</u>

Movement of allowance for credit loss to comprehensive income

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
ECL Allowance	RM'000	RM'000	RM'000	RM'000
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS9 Financial Instruments	-	-	-	-
As at 1 January 2018, restated	-	-	-	-
Provision during the period	28	-	-	28
New financial instrument classified under FVOCI	219	-	-	219
	247	-	-	247

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A13. Loans and Advances

(a) By type

	As at 30 September 2018	As at 31 December 2017
Bank	RM'000	RM'000
At amortised cost		
Overdrafts	4,065	-
Term loans		
- Syndicated term loans	1,055,906	657,982
- Other term loans/financing	456,235	325,850
Trust receipts	42,053	68,903
Revolving credits/financing	440,675	245,012
Gross loans and advances	<u>1,998,934</u>	<u>1,297,747</u>
Allowance for impaired loans and advances		
- Collective impairment allowance	(12,390)	(6,520)
Net loans and advances	<u><u>1,986,544</u></u>	<u><u>1,291,227</u></u>

(b) By type of customer

Business enterprises	1,937,527	1,233,499
Government and statutory bodies	61,407	64,248
	<u>1,998,934</u>	<u>1,297,747</u>

(c) By geographical distribution

Malaysia	917,066	629,558
Hong Kong	271,442	304,174
Philippines	165,952	162,155
United Arab Emirates	61,407	64,247
China	417,706	120,094
Indonesia	165,361	17,519
	<u>1,998,934</u>	<u>1,297,747</u>

(d) By interest/profit rate sensitivity

Variable rate		
- Cost-plus	1,998,934	1,297,747
	<u>1,998,934</u>	<u>1,297,747</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A13. Loans and Advances (continued)

(e) By purpose

	As at 30 September 2018	As at 31 December 2017
Bank	RM'000	RM'000
Working capital	930,071	607,629
Merger and acquisition	188,598	81,026
Purchase of transport vehicle	288,176	154,048
Other purposes	592,089	455,044
	<u>1,998,934</u>	<u>1,297,747</u>

(f) By remaining contractual maturities

Maturity within one year	746,691	557,401
One year to three years	328,534	231,076
Three years to five years	565,758	310,756
Over five years	357,951	198,514
	<u>1,998,934</u>	<u>1,297,747</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A13. Loans and Advances (continued)

(g) Movement of allowance for credit loss

An analysis of changes in the gross carrying amount and the corresponding ECL allowance is as follows:

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross Carrying Amount				
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS9 Financial Instruments	1,297,747	-	-	1,297,747
Restated balance as at 1 January 2018	1,297,747	-	-	1,297,747
Repayment	(5,193,185)	-	-	(5,193,185)
New loans/financing originated or purchased	5,894,372	-	-	5,894,372
	<u>1,998,934</u>	<u>-</u>	<u>-</u>	<u>1,998,934</u>

	Stage 1	Stage 2	Stage 3	Total
Collective impairment allowance	RM'000	RM'000	RM'000	RM'000
As at 31 December 2017	6,520	-	-	6,520
Effect of adopting MFRS9 Financial Instruments	(6,520)	7,329	-	809
Restated balance as at 1 January 2018	-	7,329	-	7,329
Repayment	-	(7,413)	-	(7,413)
New loans/financing originated or purchased	-	12,474	-	12,474
	<u>-</u>	<u>12,390</u>	<u>-</u>	<u>12,390</u>

CHINA CONSTRUCTION BANK (MALAYSIA) BERHAD (1203702-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A13. Loans and Advances (continued)

(h) Impaired loans and advances

	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Collective impairment allowance		
Balance as at beginning of financial year	7,329	-
Net allowance made	5,061	6,520
Balance as at the end of financial year	<u>12,390</u>	<u>6,520</u>

A14. Other Assets

Other receivables	269	485
Deposits	782	824
Prepayments	1,065	196
Cash collateral pledged for derivative transactions	-	6,000
	<u>2,116</u>	<u>7,505</u>

A15. Deposits from Customers

(a) By type of deposits

Bank

Demand deposits	204,016	286,274
Fixed/investment deposits	808,054	168,933
	<u>1,012,070</u>	<u>455,207</u>

(b) By type of customer

Bank

Business enterprises	<u>1,012,070</u>	<u>455,207</u>
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(c) By maturity structure of fixed/investment deposits

Bank

Due within six months	800,333	157,456
Six months to one year	-	3,068
One year to three years	7,721	8,409
	<u>808,054</u>	<u>168,933</u>

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A16. Other Liabilities

	As at 30 September 2018	As at 31 December 2017
	RM'000	RM'000
Bank		
Other creditors and accruals	7,195	4,841
Deferred Income	8,866	10,620
Expected credit loss - loan commitments	961	-
Cash collateral pledged for derivative transactions	19,914	1,290
	<u>36,936</u>	<u>16,751</u>

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Movement in loss allowance for contingencies and commitments</u>				
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS9 Financial Instruments	1,237	-	-	1,237
Restated balance as at 1 January 2018	1,237	-	-	1,237
Repayment	(959)	-	-	(959)
New loans/financing originated or purchased	683	-	-	683
	<u>961</u>	<u>-</u>	<u>-</u>	<u>961</u>

A17. Valuation of Property, Plant and Equipment

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

A18. Commitments and Contingencies

Bank	30 September 2018		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Short-term self-liquidating trade-related contingencies	348	70	70
Transaction-related contingent items	116,372	54,219	30,957
Irrevocable commitments to extend credit			
- Less than one year	183,480	36,696	10,219
- More than one year	432,548	162,430	162,430
Foreign exchange-related contracts:			
- Less than one year	1,836,195	19,940	6,060
	<u>2,568,943</u>	<u>273,355</u>	<u>209,736</u>

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A18. Commitments and Contingencies (Continued)

Bank	31 December 2017		
	Principal Amount	Credit	Risk Weighted
	RM'000	Amount	Assets
		RM'000	RM'000
Short-term self-liquidating trade-related contingencies	69,666	16,416	16,416
Transaction-related contingent items	106,700	49,590	26,601
Irrevocable commitments to extend credit			
- Less than one year	27,000	5,400	5,400
- More than one year	224,383	112,191	112,191
Foreign exchange-related contracts:			
- Less than one year	1,714,773	12,850	4,776
	<u>2,142,522</u>	<u>196,447</u>	<u>165,384</u>

A19. 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	As at
	30 September	31 December
	2018	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)
FVOCI reserves	797	840
	<u>816,642</u>	<u>818,905</u>
Regulatory adjustment applied in the calculation of CET 1 Capital		
(Less): 55% of cumulative gains of FVOCI financial instruments	(438)	(462)
(Less): Other Intangibles	(5,281)	(5,013)
(Less): Deferred tax assets	(5,646)	(2,911)
	<u>805,277</u>	<u>810,519</u>
Common Equity Tier 1 (CET1) and Tier 1 Capital		
Tier II Capital		
Collective impairment allowance and regulatory reserves	13,780	6,520
	<u>13,780</u>	<u>6,520</u>
Total Tier II Capital		
	<u>13,780</u>	<u>6,520</u>
Total Capital	<u>819,057</u>	<u>817,039</u>

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A19. 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	32.180%	51.598%
Tier I Capital Ratio	32.180%	51.598%
Total Capital Ratio	32.731%	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;

Bank	As at	As at
	30 September	31 December
	2018	2017
	RM'000	RM'000
Credit risk	2,359,187	1,457,358
Market risk	52,186	21,816
Operational risk	91,010	91,672
Total risk-weighted assets	<u>2,502,383</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).

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B1. Review of Bank's Results

China Construction Bank (Malaysia) Berhad ("CCBM")'s total assets stood at MYR 4.0 billion with stable execution progress. The main assets components are loans (MYR 2.0 billion), interbank placement (MYR 1.6 billion) and debt securities (MYR 396 million). Whilst total liabilities is MYR 3.2 billion mainly consists of corporate deposit (MYR 1.0 billion) and interbank borrowing (MYR 2.1 billion).

As of the end of September 2018, CCBM recorded operating income of MYR 48.2 million, of which net interest income is MYR 42.1 million, and non interest income MYR 6.1 million.

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

B2. Prospects for Financial Year 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

	Current quarter ended		Year-to-date ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Bank	RM'000	RM'000	RM'000	RM'000
Income tax	564	2,101	1,309	3,751
	<u>564</u>	<u>2,101</u>	<u>1,309</u>	<u>3,751</u>

The effective tax rate of the Bank for the nine months ended 30 September 2018 was higher than the statutory tax rate.

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B4. Deposits from Customers and Placements of Banks and Other Financial Institutions

**(a) Deposits from customers and placements of banks
and other financial institutions**

	As at 30 September 2018	As at 31 December 2017
Bank	RM'000	RM'000
Deposits from customers		
- One year or less	1,004,349	446,798
- More than one year	7,721	8,409
	<u>1,012,070</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 contract/notional

	<u>As at 30 September 2018</u>		
Bank	Contract/ Notional Amount	Fair Value	
By type	RM'000	Assets RM'000	Liabilities RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Forwards/swaps	1,836,195	14,732	5,669
Total	<u>1,836,195</u>	<u>14,732</u>	<u>5,669</u>

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

	<u>As at 30 September 2018</u>		
Bank	Contract/ Notional Amount	Fair Value	
By remaining period to maturity/next re-pricing date	RM'000	Assets RM'000	Liabilities RM'000
<u>Trading Derivatives:</u>			
Foreign exchange related contracts			
- Less than 1 year	1,836,195	14,732	5,669
	<u>1,836,195</u>	<u>14,732</u>	<u>5,669</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>		
	<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>
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
	1,714,773	14,209	24,944

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 hierarchy:

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>
30 September 2018				
<u>Financial assets</u>				
Financial assets at FVOCI	-	395,925	-	395,925
- Debt Securities	-	395,925	-	395,925
Derivative assets	-	14,732	-	14,732
	-	410,657	-	410,657
<u>Financial liabilities</u>				
Derivative liabilities	-	5,669	-	5,669
	-	5,669	-	5,669

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B6. Fair Value of Financial Instruments (Continued)

Bank	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
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 nine months ended 30 September 2018.