

FOR IMMEDIATE RELEASE



**China Construction Bank (Asia) Announces  
Consolidated Net Profit after Tax of HKD3,682 Million for 2019**

Hong Kong – April 29, 2020 – China Construction Bank (Asia) Corporation Limited [“CCB (Asia)”] today announced its consolidated net profit after tax to reach HKD3,682 million for the year ended December 31, 2019, an increase of HKD107 million or 3.0%, as compared with 2018. Set out below are the highlights:

Total operating income of CCB (Asia) for the year of 2019 amounted to HKD8,373 million, an increase of 1.8% as compared with that of 2018. If including the interest income of trading advances to customers and trade bills of HKD118 million and the hedging FX and interest rate swaps expense of HKD265 million, net interest income amounted to HKD6,096 million, a decrease of 2.7% as compared with that of 2018. Non-interest income after excluding the aforesaid interest income and hedging expense was HKD2,277 million, representing an increase of 16.1% as compared with that of 2018, mainly attributable to the increase in net fees and commission income and net gains from disposal of financial instruments measured at fair value through other comprehensive income by HKD211 million and HKD145 million respectively.

Total operating expenses rose by 2.5% to HKD3,286 million and the cost-to-income ratio slightly increased by 0.25 percentage point to 39.3%. In 2019, the amount of impairment allowance charges was HKD758 million, representing an increase of HKD123 million year-on-year. It was mainly due to the increase in individual impairment charge of HKD217 million as a result of some loan downgrades.

Taxation decreased by 12.1% to HKD687 million as compared with that of 2018, mainly driven by the decrease in Mainland withholding tax as well as the increase in the impact from non-taxable income and deductible expenses.

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Total consolidated assets as at December 31, 2019 stood at HKD488.3 billion, recording an increase of 1.5% from HKD481 billion at the end of 2018. The asset structure was further enhanced with the gross advances to customers and trade bills increased by 13.9% to HKD292.3 billion, mainly driven by the increase in bilateral loans and syndicated loans, which fully offset the contraction of loans guaranteed by mainland branches. Asset quality continuously maintained at a satisfactory level, with the impaired advances to customers and trade bills representing 0.29% of the total advances to customers and trade bills.

The financial assets measured at fair value through other comprehensive income and financial assets at amortized costs decreased in aggregate by 5.1% to HKD93.8 billion, which was resulted from the continuous compression of assets with lower economic value added or lower return such as debt securities issued by banks, which fully offset the impact from the increase in high quality liquefiable assets. On the other hand, the cash, balances with banks and central banks, placement with banks amounted to HKD80 billion in aggregate, decreased by 28.3% mainly a result of utilizing funds to support loan growth. The financial assets measured at fair value through profit or loss increased by 183.7% to HKD10.8 billion, mainly due to the increase in commercial loans held for trading purpose.

The liability structure was also further strengthened during the year of 2019. As at end of 2019, customer deposits increased by 11.1% to HKD393.5 billion, of which retail deposits increased by 3.0%. The proportion of customers deposits to total liabilities increased by 9.5 percentage points to 94.1%. On the other hand, the proportion of wholesales funding decreased by 8.4 percentage points to 3.4%, mainly attributable to the decreases in deposits and balances of banks and other debt securities issued by 77.2% to HKD7.9 billion and 57.6% to HKD6.1 billion respectively.

As at December 31, 2019, CCB (Asia)'s Total Capital Ratio was 18.3%; the average liquidity coverage ratio for 2019 was 240.8%; the leverage ratio and Net Stable Funding Ratio as at end of 2019 were 13.4% and 130.2% respectively. All the aforementioned ratios were maintained at sound levels and above the regulatory requirements.

For details of the 2019 financial statements, please visit any of CCB (Asia)'s branches or the Bank's website at [www.asia.ccb.com](http://www.asia.ccb.com).

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**About China Construction Bank (Asia) Corporation Limited**

China Construction Bank (Asia) Corporation Limited ["CCB (Asia)"] is the comprehensive and integrated commercial banking business platform of China Construction Bank Corporation in Hong Kong. Currently, CCB (Asia) has over 50 outlets in Hong Kong and offers a wide array of banking products and services to customers, including consumer banking services, commercial banking services, corporate banking services, private banking services, treasury business and cross-border financial services, etc.

For more information about CCB (Asia), please visit [www.asia.ccb.com](http://www.asia.ccb.com).

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# CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

	2019	2018
Interest income	13,700,540	13,200,735
Interest expense	<u>(7,458,540)</u>	<u>(7,080,767)</u>
<b>Net interest income</b>	<b>6,242,000</b>	<b>6,119,968</b>
Fees and commission income	1,920,654	1,734,973
Fees and commission expense	<u>(122,478)</u>	<u>(147,506)</u>
<b>Net fees and commission income</b>	<b>1,798,176</b>	<b>1,587,467</b>
Net trading income	91,920	416,524
Net gains from financial instruments designated at fair value through profit or loss	20,303	33,828
Net gains from disposal of financial assets measured at fair value through other comprehensive income	145,397	41
Other operating income	<u>74,884</u>	<u>64,409</u>
<b>Total operating income</b>	<b>8,372,680</b>	<b>8,222,237</b>
Operating expenses	<u>(3,285,994)</u>	<u>(3,206,427)</u>
<b>Operating profit before impairment losses</b>	<b>5,086,686</b>	<b>5,015,810</b>
Net charge on expected credit losses	<u>(805,366)</u>	<u>(587,980)</u>
<b>Operating profit</b>	<b>4,281,320</b>	<b>4,427,830</b>
Gains/(losses) on disposal of fixed assets	2,507	(1,605)
Share of profit/(losses) of joint venture/associate	12,094	(22,972)
Gain on disposal of an associate	26,189	-
Impairment reversal/(charges) on joint venture/associate	<u>47,000</u>	<u>(47,000)</u>
<b>Profit before taxation</b>	<b>4,369,110</b>	<b>4,356,253</b>
Taxation	<u>(687,520)</u>	<u>(781,701)</u>
<b>Profit for the year</b>	<b><u>3,681,590</u></b>	<b><u>3,574,552</u></b>

**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2019**

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

	2019	2018
<b>Profit for the year</b>	<u>3,681,590</u>	<u>3,574,552</u>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Debt instruments measured at fair value through other comprehensive income:		
Changes in fair value recognised during the year	521,884	288,725
Reclassification adjustments for amounts transferred to profit or loss	14,172	42,194
Expected credit losses recognised in profit or loss	12,733	(15,511)
Tax effect	(85,477)	(51,864)
<b>Item that may not be reclassified subsequently to profit or loss:</b>		
Equity instruments designated at fair value through other comprehensive income:		
Changes in fair value recognised during the year	<u>107,221</u>	<u>5,931</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>570,533</u>	<u>269,475</u>
<b>Total comprehensive income for the year</b>	<u><u>4,252,123</u></u>	<u><u>3,844,027</u></u>

# CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

	2019	2018
<b>ASSETS</b>		
Cash and balances with banks and central banks	39,198,295	78,238,697
Placements with banks	38,068,541	31,753,841
Advances to banks	1,918,005	-
Advances to customers and trade bills	289,613,916	254,471,410
Financial assets held under resale agreements	782,615	1,514,983
Financial assets measured at fair value through profit or loss	10,826,353	3,816,227
Financial assets measured at fair value through other comprehensive income	75,715,720	86,744,559
Other assets measured at amortised cost	18,072,831	12,065,832
Derivative financial instruments	1,830,577	2,756,470
Interest in a joint venture	1,913,865	1,955,713
Interest in an associate	-	69,223
Deferred tax assets	548,379	396,042
Fixed assets	2,594,611	3,200,961
Right-of-use assets	2,223,150	-
Other assets	5,041,796	3,985,945
<b>Total assets</b>	<b>488,348,654</b>	<b>480,969,903</b>
<b>LIABILITIES</b>		
Deposits and balances with banks	7,876,390	32,167,403
Deposits from customers	393,460,941	354,129,879
Financial assets sold under repurchase agreements	-	2,420,859
Financial liabilities designated at fair value through profit or loss	126,699	-
Other debt securities issued	6,148,951	14,515,909
Derivative financial instruments	965,893	2,142,242
Lease liabilities	1,736,851	-
Current tax payable	1,176,516	252,269
Deferred tax liabilities	19,288	21,508
Other liabilities	6,572,481	7,008,032
Subordinated debt	-	5,833,798
<b>Total liabilities</b>	<b>418,084,010</b>	<b>418,491,899</b>
<b>EQUITY</b>		
Share capital	28,827,843	28,827,843
Other equity instruments	11,712,840	7,811,732
Reserves	29,723,961	25,838,429
<b>Total equity</b>	<b>70,264,644</b>	<b>62,478,004</b>
<b>Total equity and liabilities</b>	<b>488,348,654</b>	<b>480,969,903</b>

**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2019**

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

	Share capital	Other equity instruments	General reserve	Investment revaluation reserve	Regulatory reserve	Other reserve	Merger reserve	Retained earnings	Total
<b>Balance as at January 1, 2019</b>	<b>28,827,843</b>	<b>7,811,732</b>	<b>750,956</b>	<b>(173,930)</b>	<b>576,966</b>	<b>15,913</b>	<b>62,262</b>	<b>24,606,262</b>	<b>62,478,004</b>
<b>Changes in equity for 2019:</b>									
Profit for the year	-	-	-	-	-	-	-	3,681,590	3,681,590
Other comprehensive income, net of tax	-	-	-	570,533	-	-	-	-	570,533
Total comprehensive income for the year	-	-	-	570,533	-	-	-	3,681,590	4,252,123
Issuance of other equity instruments	-	3,901,108	-	-	-	-	-	-	3,901,108
Coupon paid for other equity instruments	-	-	-	-	-	-	-	(366,591)	(366,591)
Regulatory reserve	-	-	-	-	73,018	-	-	(73,018)	-
<b>Balance as at December 31, 2019</b>	<b>28,827,843</b>	<b>11,712,840</b>	<b>750,956</b>	<b>396,603</b>	<b>649,984</b>	<b>15,913</b>	<b>62,262</b>	<b>27,848,243</b>	<b>70,264,644</b>
Balance as at December 31, 2017	28,827,843	7,812,200	750,956	(562,295)	2,307,924	15,913	62,262	20,102,632	59,317,435
Impact on transition to HKFRS 9	-	-	-	118,890	-	-	-	(433,450)	(314,560)
Restated balance as at January 1, 2018	28,827,843	7,812,200	750,956	(443,405)	2,307,924	15,913	62,262	19,669,182	59,002,875
<b>Changes in equity for 2018:</b>									
Profit for the year	-	-	-	-	-	-	-	3,574,552	3,574,552
Other comprehensive income, net of tax	-	-	-	269,475	-	-	-	-	269,475
Total comprehensive income for the year	-	-	-	269,475	-	-	-	3,574,552	3,844,027
Cost for issuance for other equity instruments	-	(468)	-	-	-	-	-	-	(468)
Coupon paid for other equity instruments	-	-	-	-	-	-	-	(368,430)	(368,430)
Regulatory reserve	-	-	-	-	(1,730,958)	-	-	1,730,958	-
Balance as at December 31, 2018	28,827,843	7,811,732	750,956	(173,930)	576,966	15,913	62,262	24,606,262	62,478,004

# CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

### 1 Statutory financial statements

The information in this announcement does not constitute statutory financial statements. Certain financial information in this announcement is extracted from the statutory financial statements for the year ended December 31, 2019 which will be delivered to the Registrar of Companies and the Hong Kong Monetary Authority ("HKMA"). The auditors expressed an unqualified opinion on those financial statements in their report dated March 19, 2020.

### 2 Basis of preparation

The Group presents its consolidated statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. The Group uses the calendar year as the accounting year, which is from January 1 to December 31.

#### (a) Going concern

These financial statements are prepared on a going concern basis, as the directors are satisfied that the Group and parent company have the resources to continue in business for the foreseeable future. In making this assessment, the directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

#### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial assets measured at fair value through profit or loss ("FVPL") are measured at fair value; (ii) financial assets measured at fair value through other comprehensive income ("FVOCI") are measured at fair value; (iii) derivative financial instruments are measured at fair value; (iv) the carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged; (v) certain non-financial assets are measured at its designated cost.

#### (c) Functional and presentation currency

These financial statements are presented in Hong Kong Dollars, unless otherwise stated, rounded to the nearest thousand, which is the functional currency of the Group.

#### (d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### (e) Offsetting

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when Hong Kong Financial Reporting Standards ("HKFRS") netting criteria are met.



## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 2 Basis of preparation (continued)

##### (f) Local regulatory reporting

In preparing the capital adequacy ratios of the Group, they are prepared according to the basis of consolidation for regulatory purposes. The main difference between the consolidation basis for accounting and regulatory purposes is that the former includes the Bank and all its subsidiaries, an associate and a joint venture whereas the latter excludes CCB Securities Limited ("CCBS"), CCB Nominees Limited ("CCBN") and CCB (Asia) Trustee Company Limited ("CCBT") which conduct non-banking related business.

Details of the subsidiaries which are not included in consolidation for regulatory purposes are as follows:

Name of company	Principal activities	Total assets		Total equity	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
CCBS	Securities brokerage business	1,075,106	897,628	621,104	605,904
CCBN	Custodian and nominee services	40,161	39,588	39,475	38,947
CCBT	Trustee and custodian services	115,304	73,962	55,132	39,776

#### 3 Significant accounting policies

Except as described below, the accounting policies and methods of computation adopted by the Group for this announcement are consistent with those described on pages 43 to 69 of the statutory financial statements for the year ended December 31, 2018.

##### (a) Impacts on HKFRS 16

In these financial statements, the Group has applied HKFRS 16 "Leases" for the first time. HKFRS 16 replaces Hong Kong Accounting Standard ("HKAS") 17 "Leases", HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases – Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under HKFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

# CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

### 3 Significant accounting policies

#### (a) Impacts on HKFRS 16 (continued)

##### (i) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases and leases of low-value assets. For leases of other assets, which were classified as operating under HKAS 17, the Group recognised right-of-use assets and lease liabilities.

##### (1) Leases classified as operating leases under HKAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying HKFRS 16 at January 1, 2019 to leases previously classified as operating leases under HKAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristic;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

##### (2) Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities measured under HKAS 17.

##### (ii) As a lessor

The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with HKFRS 16 from the date of initial application.

The Group applied HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in the contract to each lease and non-lease component.

This note explains the impact of the adoption of HKFRS 16 leases on the Group's financial statements and also discloses the new accounting policies that have been initially applied from January 1, 2019, where they are different to the comparative figures applied in prior periods, which to be reported continuously under HKAS 17.

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 3 Significant accounting policies (continued)

##### (b) Impacts on HK(IFRIC) Interpretation 23

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of HKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The tax filings of the Bank and the Group's subsidiaries in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

#### 4 Net interest income

	2019	2018
<b>Interest income</b>		
<i>Interest income calculated using the effective interest rate</i>		
Placements and advances to banks	2,193,693	1,685,690
Advances to customers and trade bills	9,045,591	8,795,098
Financial assets measured at fair value through other comprehensive income	1,995,445	2,290,091
Other assets measured at amortised cost	465,811	429,856
<b>Total interest income</b>	<b>13,700,540</b>	<b>13,200,735</b>
<b>Interest expense</b>		
<i>Interest expense arising from financial liabilities that are not measured at fair value through profit or loss</i>		
Deposits and balances with banks	(273,123)	(495,079)
Deposits from customers	(6,644,451)	(5,944,053)
Other debt securities issued	(234,973)	(274,946)
	<b>(7,152,547)</b>	<b>(6,714,078)</b>
<i>Interest expense arising from financial liabilities that are measured at fair value through profit or loss</i>		
Other debt securities issued	(12,303)	(35,392)
	<b>(12,303)</b>	<b>(35,392)</b>
<i>Interest expense arising from financial liabilities under fair value hedge</i>		
Other debt securities issued	(38,446)	(76,424)
Subordinated debt	(191,438)	(254,873)
	<b>(229,884)</b>	<b>(331,297)</b>
<i>Interest expense arising from lease liabilities</i>	<b>(63,806)</b>	-
<b>Total interest expense</b>	<b>(7,458,540)</b>	<b>(7,080,767)</b>
<b>Net interest income</b>	<b>6,242,000</b>	<b>6,119,968</b>

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 5 Net fees and commission income

	2019	2018
<b>Fees and commission income</b>		
Investment services	181,366	161,457
Securities broking and related services	111,266	144,678
Insurance	200,506	176,046
Remittance, settlement and account management fees	130,359	138,558
Fees received from intermediate holding company	749,357	555,673
Trade finance	45,659	50,108
Cards	149,608	144,272
Credit facilities	349,004	360,026
Others	3,529	4,155
<b>Total fees and commission income</b>	<u>1,920,654</u>	<u>1,734,973</u>
<b>Fees and commission expense</b>		
Cards	(51,489)	(45,325)
Brokerage	(10,103)	(12,647)
Fees paid to intermediate holding company and fellow subsidiaries	(14,549)	(35,151)
Settlement accounts	(5,806)	(13,921)
Others	(40,531)	(40,462)
<b>Total fees and commission expense</b>	<u>(122,478)</u>	<u>(147,506)</u>
<b>Net fees and commission income</b>	<u>1,798,176</u>	<u>1,587,467</u>

The fees and commission income above includes income of \$544,271 (2018: \$554,406) and expenses of \$112,375 (2018: \$134,859) relating to financial assets and financial liabilities not measured at fair value through profit or loss.

#### 6 Net trading income

	2019	2018
<b>Gains/(losses) from trading activities</b>		
Foreign exchange	(136,981)	275,087
Interest rate derivatives	52,808	(42,980)
Other debt instruments	145,081	157,758
Other trading	17,158	16,256
	<u>78,066</u>	<u>406,121</u>
<b>Other trading income</b>		
Hedge ineffectiveness on fair value hedge	13,854	10,403
<b>Total</b>	<u>91,920</u>	<u>416,524</u>

"Foreign exchange" under "Net trading income" includes a net loss of \$307,018 (2018: a gain of \$63,995) arising from gains and losses from spot and forward contracts, options, and the income and costs from foreign exchange swaps contracts which were used for economically hedging the assets and liabilities of the Group and net translation gains and losses on foreign currency denominated assets and liabilities.

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 7 Net gains from financial instruments designated at fair value through profit or loss

	2019	2018
Net gains from certificates of deposit issued	-	33,821
Net gains from other securities issued	20,303	7
<b>Total</b>	<b>20,303</b>	<b>33,828</b>

#### 8 Other operating income

	2019	2018
Dividend income from equity financial assets designated at fair value through other comprehensive income		
Unlisted	3,008	3,925
Listed	155	134
	<u>3,163</u>	<u>4,059</u>
Dividend income from equity financial assets measured at fair value through profit and loss		
Unlisted	1,954	1,692
Listed	1,327	152
	<u>3,281</u>	<u>1,844</u>
Others	68,440	58,506
<b>Total</b>	<b>74,884</b>	<b>64,409</b>

#### 9 Operating expenses

	2019	2018
Staff costs		
Salaries and other benefits	1,814,254	1,678,163
Pension and provident fund costs	98,272	101,100
	<u>1,912,526</u>	<u>1,779,263</u>
General and administrative expenses		
Rental expenses	142,463	412,053
Other premises and equipment	126,012	118,146
Marketing expenses	203,416	217,245
Auditors' remuneration	5,960	7,464
Professional fees	62,133	52,383
Other operating expenses	268,177	305,709
	<u>808,161</u>	<u>1,113,000</u>
Depreciation		
Fixed assets	294,151	314,164
Right-of-use assets	271,156	-
	<u>565,307</u>	<u>314,164</u>
<b>Total</b>	<b>3,285,994</b>	<b>3,206,427</b>

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 10 Net charge on expected credit losses

	2019	2018
New allowances charged, net of allowance releases	828,939	630,915
Recoveries of amounts previously written off	<u>(23,573)</u>	<u>(42,935)</u>
<b>Net charge on expected credit losses ("ECL")</b>	<b><u>805,366</u></b>	<b><u>587,980</u></b>
Attributable to:		
Balances with banks and central banks and placements with banks	373	2,715
Advances to customers and trade bills	740,819	626,311
Financial assets measured at fair value through other comprehensive income	12,733	(15,510)
Other assets measured at amortised cost	126	13,694
Other assets	2,038	(22,572)
Loan and other credit related commitments	<u>49,277</u>	<u>(16,658)</u>
<b>Net charge on expected credit losses</b>	<b><u>805,366</u></b>	<b><u>587,980</u></b>

#### 11 Taxation

Taxation in the consolidated statement of profit or loss represents:

	2019	2018
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	762,273	853,229
(Over)/under-provision in respect of prior years	<u>(17,097)</u>	<u>5,382</u>
	<u>745,176</u>	<u>858,611</u>
<b>Current tax – Overseas</b>		
Provision for the year	153	711
Withholding tax for the year	<u>2,859</u>	<u>46,997</u>
	<u>3,012</u>	<u>47,708</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(60,668)</u>	<u>(124,618)</u>
	<b><u>687,520</u></b>	<b><u>781,701</u></b>

The provision of Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year. Taxation for overseas transactions are charged at the appropriate current rates of taxation ruling in the countries in which the transactions took place.

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 12 Financial assets measured at fair value through profit or loss

	2019	2018
Fund investments issued by non-bank financial institutions	122,761	117,997
Trading securities issued by central banks	495,550	-
Other debt securities issued by corporates	156,879	158,357
Trading loans	10,051,163	3,539,873
	<u>10,826,353</u>	<u>3,816,227</u>
 <i>Analysed by place of listing</i>		
<i>Listed outside Hong Kong</i>		
Fund investments	28,385	27,611
 <i>Unlisted</i>		
Fund investments	94,376	90,386
Trading securities	495,550	-
Other debt securities	156,879	158,357
Trading loans	10,051,163	3,539,873
	<u>10,797,968</u>	<u>3,788,616</u>
	<u>10,826,353</u>	<u>3,816,227</u>

#### 13 Advances to customers and trade bills

	2019	2018
<b>Advances to customers</b>		
Gross advances to corporate customers	246,884,642	213,679,459
Gross advances to personal customers	45,413,516	42,651,124
	<u>292,298,158</u>	256,330,583
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(1,296,065)	(1,089,388)
Stage 2: Lifetime ECL but not credit-impaired	(902,050)	(780,326)
Stage 3: Lifetime ECL and credit-impaired	(501,951)	(197,179)
	<u>289,598,092</u>	254,263,690
<b>Trade bills</b>		
Gross trade bills	15,824	210,808
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	-	(36)
Stage 3: Lifetime ECL and credit-impaired	-	(3,052)
	<u>15,824</u>	207,720
<b>Net advances to customers and trade bills</b>	<u>289,613,916</u>	<u>254,471,410</u>

As at December 31, 2019, the gross carrying amount, including accrued interest, of advances to customers and trade bills amounted at \$292,987,066 (2018: \$257,215,514).

**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

**13 Advances to customers and trade bills (continued)**

**(a) Movement in gross carrying amount and expected credit loss allowances on advances to customers and trade bills**

Reconciliation of changes in gross carrying amount and expected credit loss allowances on advances to customers and trade bills for the year ended December 31, 2019.

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3		Gross carrying amount	ECL allowance
	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance		
Balance as at January 1, 2019	240,770,241	1,089,424	14,979,375	780,326	791,775	200,231	256,541,391	2,069,981
Transfer to stage 1: 12-month ECL	4,398,176	70,333	(4,398,176)	(70,333)	-	-	-	-
Transfer to stage 2: lifetime ECL not credit-impaired	(144,928)	(1,461)	503,232	1,461	(358,304)	-	-	-
Transfer to stage 3: lifetime ECL credit-impaired	(96,290)	(1,610)	(736)	-	97,026	1,610	-	-
Net remeasurement of loss allowances	-	65,337	-	(7,472)	-	(249)	-	57,616
New financial assets originated or purchased*	168,708,413	482,412	1,566,464	28,613	612,722	265,269	170,887,599	776,294
Financial assets that have been derecognised	(129,476,615)	(264,862)	(5,338,727)	(98,281)	(165,359)	(14,572)	(134,980,701)	(377,715)
Write-offs	-	-	-	-	(134,307)	(134,307)	(134,307)	(134,307)
Recoveries of amounts previously written-offs	-	-	-	-	-	23,573	-	23,573
Changes in risk parameters	-	(140,788)	-	276,185	-	160,408	-	295,805
Foreign exchange and other movements	-	(2,720)	-	(8,449)	-	(12)	-	(11,181)
<b>Balance as at December 31, 2019</b>	<b>284,158,997</b>	<b>1,296,065</b>	<b>7,311,432</b>	<b>902,050</b>	<b>843,553</b>	<b>501,951</b>	<b>292,313,982</b>	<b>2,700,066</b>

\* During the period, all advances to customers and trade bills were initially classified in Stage 1 and were not considered as credit-impaired at the time of origination or purchase. Some were subsequently transferred into Stage 2 or Stage 3 based on the result of credit assessments.



**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

**13 Advances to customers and trade bills (continued)**

**(a) Movement in gross carrying amount and expected credit loss allowances on advances to customers and trade bills (continued)**

Reconciliation of changes in gross carrying amount and expected credit loss allowances on advances to customers and trade bills for the year ended December 31, 2018.

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance	Gross carrying amount	ECL allowance
Balance as at January 1, 2018	275,535,158	803,570	7,447,652	339,949	832,209	379,784	283,815,019	1,523,303
Transfer to stage 1: 12-month ECL	12,390	1,548	(12,390)	(1,548)	-	-	-	-
Transfer to stage 2: lifetime ECL not credit-impaired	(8,103,831)	(21,164)	8,103,831	21,164	-	-	-	-
Transfer to stage 3: lifetime ECL credit-impaired	(346,815)	(114,615)	(186,233)	(9,779)	533,048	124,394	-	-
Net remeasurement of loss allowances	-	70,596	-	(23,951)	-	6,282	-	52,927
New financial assets originated or purchased*	100,654,309	358,415	4,187,237	63,017	92,417	16,941	104,933,963	438,373
Financial assets that have been derecognised	(126,980,970)	(267,457)	(4,560,722)	(95,356)	(543,331)	(231,518)	(132,085,023)	(594,331)
Write-offs	-	-	-	-	(122,568)	(122,568)	(122,568)	(122,568)
Recoveries of amounts previously written-offs	-	-	-	-	-	42,935	-	42,935
Changes in risk parameters	-	262,380	-	489,148	-	(15,984)	-	735,544
Foreign exchange and other movements	-	(3,849)	-	(2,318)	-	(35)	-	(6,202)
Balance as at December 31, 2018	<u>240,770,241</u>	<u>1,089,424</u>	<u>14,979,375</u>	<u>780,326</u>	<u>791,775</u>	<u>200,231</u>	<u>256,541,391</u>	<u>2,069,981</u>

\* During the period, all advances to customers and trade bills were initially classified in Stage 1 and were not considered as credit-impaired at the time of origination or purchase. Some were subsequently transferred into Stage 2 or Stage 3 based on the result of credit assessments.

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 13 Advances to customers and trade bills (continued)

##### (a) Movement in gross carrying amount and expected credit loss allowances on advances to customers and trade bills (continued)

As at December 31, 2019, the retail and wholesale portfolios represented \$552,669 and \$2,147,397 or 20% and 80% (2018: \$513,213 and \$1,556,768 or 25% and 75%), respectively, of the total expected credit loss allowances on advances to customers and trade bills as at December 31, 2019. The measurement of expected credit loss allowances for retail and wholesale portfolios is under the same modelling framework by applying different risk parameters.

During the year the movement of the retail portfolio is mainly driven by the consideration of countercyclical measures in the economic environment. The movement of the wholesale portfolio is driven by the change in risk parameters from considering the countercyclical measures in the economic environment, the newly originated assets and the assets that have been derecognised during the year.

##### (b) Gross advances to customers by industry sectors (unaudited)

Analysis of gross advances to customers covered by collateral is as follows:

	Group			
	2019	% of advances covered by collateral	2018	% of advances covered by collateral
	Outstanding balance		Outstanding balance	
Advances for use in Hong Kong				
Industrial, commercial and financial				
Property development	16,553,186	87.43	18,744,581	94.75
Property investment	28,821,097	89.95	32,567,682	83.04
Financial concerns	34,450,580	35.67	33,809,319	72.73
Stockbrokers	855,085	0.00	1,070,347	93.46
Wholesale and retail trade	5,451,472	88.59	5,549,307	67.52
Manufacturing	8,026,832	71.00	4,767,472	43.62
Transport and transport equipment	9,989,160	68.30	8,326,221	76.18
Recreational activities	29,178	100.00	354,518	8.84
Information technology	6,022,776	48.74	3,190,770	98.41
Others	22,448,943	68.58	13,545,491	51.81
	<u>132,648,309</u>		<u>121,925,708</u>	
Individuals				
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	2,997	100.00	3,699	100.00
Loans for the purchase of other residential properties	18,622,754	99.96	16,633,839	99.58
Credit card advances	4,342,059	0.00	4,324,556	0.00
Others	15,586,331	15.83	17,982,997	33.27
	<u>38,554,141</u>		<u>38,945,091</u>	
Trade finance	4,344,271	83.34	3,722,133	51.57
Advances for use outside Hong Kong	117,139,236	56.33	92,020,855	74.25
Gross advances to customers	<u>292,685,957</u>	61.19	<u>256,613,787</u>	72.31

**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

**13 Advances to customers and trade bills (continued)**

**(c) Gross advances to customers overdue for more than three months (unaudited)**

	2019		2018	
		<b>% on total advances to customers</b>		<b>% on total advances to customers</b>
Six months or less but over three months	83,005	0.03	78,691	0.03
One year or less but over six months	10,416	0.00	16,323	0.01
Over one year	150,210	0.05	111,048	0.04
Total gross amount of advances overdue for more than three months	<u>243,631</u>	<u>0.08</u>	<u>206,062</u>	<u>0.08</u>
Expected credit loss allowances made in respect of the above overdue	<u>203,325</u>		<u>142,613</u>	
Net realisable value of collateral held against the overdue advances	<u>48,703</u>		<u>132,400</u>	
Covered portion of overdue advances	48,703		132,400	
Uncovered portion of overdue advances	<u>194,927</u>		<u>73,662</u>	
	<u>243,630</u>		<u>206,062</u>	

As at December 31, 2019, 2019, collaterals held with respect of overdue advances to customers are mainly residential properties (2018: residential properties).

**(d) Gross trade bills overdue for more than three months (unaudited)**

	2019		2018	
		<b>% on total trade bills</b>		<b>% on total trade bills</b>
Six months or less but over three months	-	-	-	-
One year or less but over six months	-	-	-	-
Over one year	-	-	3,052	1.45
Total gross amount of trade bills overdue for more than three months	<u>-</u>	<u>-</u>	<u>3,052</u>	<u>1.45</u>
Expected credit loss allowances made in respect of the above overdue trade bills	<u>-</u>		<u>3,052</u>	
Net realisable value of collateral held against the overdue trade bills	<u>-</u>		<u>-</u>	
Covered portion of overdue trade bills	-		-	
Uncovered portion of overdue trade bills	<u>-</u>		<u>3,052</u>	
	<u>-</u>		<u>3,052</u>	

As at December 31, 2019 and December 31, 2018, there were no overdue advances to banks.

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 13 Advances to customers and trade bills (continued)

##### (e) Rescheduled advances to customers (unaudited)

	2019	% on total advances to customers	2018	% on total advances to customers
Rescheduled advances to customers	<u>58,394</u>	<u>0.02</u>	<u>56,346</u>	<u>0.02</u>

Rescheduled advances are those advances which have been restructured or renegotiated because of deterioration in the financial position of the borrower, or the inability of the borrower to meet the original repayment schedule and for which the revised payment terms are non-commercial to the Bank. The rescheduled advances are stated net of any advances that have subsequently become overdue for over three months and reported as overdue advances as above.

As at December 31, 2019 and December 31, 2018, there were no rescheduled advances to banks and trade bills.

#### 14 Financial assets measured at fair value through other comprehensive income

	2019	2018
<i>Financial assets measured at fair value through other comprehensive income</i>		
<b>Debt investments</b>		
Treasury bills/ bonds issued by central banks/governments	38,593,353	23,999,212
Certificates of deposit issued by banks	3,149,409	3,148,734
Other debt securities issued by		
Banks	17,072,320	34,767,953
Corporates	16,745,548	24,780,791
	<u>75,560,630</u>	<u>86,696,690</u>
<i>Financial assets designated at fair value through other comprehensive income</i>		
<b>Equity investments</b>		
Equity shares issued by corporates	155,090	47,869
	<u>75,715,720</u>	<u>86,744,559</u>
<u>Analysed by place of listing</u>		
Listed in Hong Kong		
Debt investments	36,046,345	46,918,046
Listed outside Hong Kong		
Debt investments	13,300,538	15,320,098
Equity investments	40,412	30,627
	<u>13,340,950</u>	<u>15,350,725</u>
Unlisted		
Debt investments	26,213,747	24,458,546
Equity investments	114,678	17,242
	<u>26,328,425</u>	<u>24,475,788</u>
	<u>75,715,720</u>	<u>86,744,559</u>

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 14 Financial assets measured at fair value through other comprehensive income (continued)

Under the Group's business strategy, the equity investments are made for being members of the electronic payment system in Hong Kong and are held for long term purpose. These investments are designated at FVOCI. Management has no intention to dispose of these investments as at December 31, 2019.

During the years of 2019 and 2018, there are no significant movements in the gross balances of financial assets measured at FVOCI that resulted in significant changes to the ECL allowances.

#### 15 Other assets measured at amortised cost

	2019	2018
Treasury bills issued by central banks	3,892,924	-
Certificates of deposit issued by banks	2,327,793	4,286,457
Other debt securities issued by		
Banks	7,612,506	1,912,771
Corporates	4,264,473	5,891,343
	<u>18,097,696</u>	<u>12,090,571</u>
Less: Expected credit loss allowances	(24,865)	(24,739)
	<u>18,072,831</u>	<u>12,065,832</u>
 <u>Analysed by place of listing</u>		
Listed in Hong Kong	3,483,703	2,745,816
Listed outside Hong Kong	930,315	937,772
Unlisted	13,683,678	8,406,983
	<u>18,097,696</u>	<u>12,090,571</u>
 <u>Fair value</u>		
Listed	4,440,462	3,574,792
Unlisted	13,690,078	8,397,308
	<u>18,130,540</u>	<u>11,972,100</u>

As at December 31, 2019, the gross carrying amount, including accrued interest, of other assets measured at amortised cost amounted at \$18,161,299 (2018: \$12,169,191).

The fair value of other assets measured at amortised cost is based on quoted market bid prices.

There were no overdue financial investments as at December 31, 2019 and 2018 for the Group. The Group did not hold any asset-backed securities, mortgage-backed securities and collateralised debt obligations.

During the years of 2019 and 2018, there are no significant movements in the gross balances of other assets measured at amortised cost that resulted in significant changes to the expected credit loss allowances.

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 16 Derivative financial instruments

Derivatives include forwards, swaps and option transactions undertaken by the Group in the foreign exchange and interest rate markets. The Group uses derivatives for trading activities and sale to customers as risk management products. These positions are actively managed through entering into offsetting deals with external parties to ensure the Group's net exposures are within acceptable risk levels. No significant proprietary positions are maintained by the Group as at the reporting date. The Group also uses these derivatives in the management of its own asset and liability portfolios and structural positions.

##### (a) Notional amounts of derivatives

	2019			2018		
	Not for hedge	Used for fair value hedge	Total	Not for hedge	Used for fair value hedge	Total
Exchange rate contracts						
Forwards	238,000,446	-	238,000,446	282,578,822	-	282,578,822
Options						
purchased	671,213	-	671,213	975,701	-	975,701
Options written	895,660	-	895,660	975,701	-	975,701
Interest rate swaps	6,711,525	17,910,516	24,622,041	4,920,692	33,763,759	38,684,451
Currency swaps	4,682,914	-	4,682,914	7,754,708	-	7,754,708
Equity swaps	26,230	-	26,230	-	-	-
	<b>250,987,988</b>	<b>17,910,516</b>	<b>268,898,504</b>	<b>297,205,624</b>	<b>33,763,759</b>	<b>330,969,383</b>

The principal derivatives instruments used by the Group are interest and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. The Group also participates in exchange traded derivatives.

As at December 31, 2019, the portion of exchange rate option purchased and equity swap entered with customers, which embedded to the structured deposits under "Financial liabilities measured at fair value through profit or loss", are excluded from derivative financial instruments.

##### (b) Fair values and credit risk weighted amounts of derivatives

	2019			2018		
	Fair value assets	Fair value liabilities	Credit risk weighted amount	Fair value assets	Fair value liabilities	Credit risk weighted amount
Exchange rate contracts						
Forwards	1,275,424	781,645	1,121,474	1,702,391	1,756,689	1,353,456
Options						
purchased	14,086	-	15,979	7,812	-	-
Options written	-	14,820	-	-	7,812	3,592
Interest rate swaps	48,992	162,012	62,445	394,072	86,832	152,239
Currency swaps	491,844	7,156	189,661	652,195	290,909	278,563
Equity swaps	231	260	791	-	-	-
	<b>1,830,577</b>	<b>965,893</b>	<b>1,390,350</b>	<b>2,756,470</b>	<b>2,142,242</b>	<b>1,787,850</b>

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### TES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 16 Derivative financial instruments (continued)

##### (c) Fair values and credit risk weighted amounts of derivatives (continued)

As at December 31, 2019 and December 31, 2018, the credit risk weighted amount was calculated in accordance with the Banking (Capital) Rules and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 20% to 100% (2018: 20% to 100%) for all derivatives.

Derivative financial instruments are presented in net when there is legally enforceable right to offset the recognised amounts, and there is an intention to settle them on a net basis or realise the asset and settle the liability simultaneously. As at December 31, 2019, no derivative financial instruments have fulfilled the above criteria, and therefore no derivative financial instruments were offset on the consolidated statement of financial position (2018: Nil).

#### 17 Hedge accounting

##### Fair value hedge

The Group uses interest rate swaps to hedge against change in fair value of financial assets and financial liabilities arising from movements in market interest rates.

The amounts relating to items designated as hedging instruments are as follows:

	2019		
	Notional amount	Carrying Amount	
		Assets	Liabilities
Derivative financial instruments			
Interest rate swaps	<u>17,910,516</u>	<u>29,263</u>	<u>145,615</u>
	2018		
	Notional amount	Carrying Amount	
		Assets	Liabilities
Derivative financial instruments			
Interest rate swaps	<u>33,763,759</u>	<u>362,834</u>	<u>82,962</u>

The amounts relating to hedged items are as follows:

	2019	
	Carrying amount	Accumulated amount of fair value hedge adjustment included in the carrying amount
Assets:		
Financial assets measured at FVOCI	<u>18,089,974</u>	<u>121,592</u>

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 17 Hedge accounting (continued)

##### Fair value hedge (continued)

The amounts relating to hedged items are as follows: (continued)

	2018	
	Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
<b>Assets:</b>		
Financial assets measured at FVOCI	25,244,399	(307,459)
<b>Liabilities:</b>		
Other debt securities issued	2,333,689	14,931
Subordinated debt	5,833,798	5,794
	<u>8,167,487</u>	<u>20,725</u>

The below table sets out the changes in the fair value of the hedged items and hedging instruments for the year ended December 31, 2019 and December 31, 2018, used as the basis for recognising ineffectiveness:

		2019		
		Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
Hedged items	Hedging instruments	Hedged items	Hedging instruments	
<i>Fair value hedge relationship</i>				
<b>Assets</b>				
Financial assets measured at FVOCI	Interest rate swaps	430,802	(456,795)	(25,993)
<b>Liabilities</b>				
Other debt securities issued	Interest rate swaps	(14,931)	15,835	904
Subordinated debt	Interest rate swaps	(5,794)	44,737	38,943
		<u>(20,725)</u>	<u>60,572</u>	<u>39,847</u>
<b>Net gains/(losses) from hedging activities</b>		<u>410,077</u>	<u>(396,223)</u>	<u>13,854</u>



## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 17 Hedge accounting (continued)

##### Fair value hedge (continued)

The below table sets out the changes in the fair value of the hedged items and hedging instruments for the year ended December 31, 2019 and December 31, 2018, used as the basis for recognising ineffectiveness: (continued)

Hedged items	Hedging instruments	2018		Hedge ineffectiveness
		Gains/(losses) attributable to the hedged risk		
		Hedged items	Hedging instruments	
<i>Fair value hedge relationship</i>				
<b>Assets</b>				
Financial assets measured at FVOCI	Interest rate swaps	(46,898)	61,149	14,251
<b>Liabilities</b>				
Other debt securities issued	Interest rate swaps	(2,563)	4,163	1,600
Subordinated debt	Interest rate swaps	(5,448)	-	(5,448)
		(8,011)	4,163	(3,848)
Net gains/(losses) from hedging activities		(54,909)	65,312	10,403

The table below summarises the notional amounts of the hedging instruments by remaining contractual maturity:

	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Total
<b>As at December 31, 2019</b>						
Derivative financial instruments						
Interest rate swaps	311,468	739,737	5,654,133	10,091,680	1,113,498	17,910,516
<b>As at December 31, 2018</b>						
Derivative financial instruments						
interest rate swaps	888,245	1,068,682	11,454,338	19,232,890	1,119,604	33,763,759

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 18 Other assets

	2019	2018
Gross accrued interest receivables *	1,470,060	1,771,735
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(4,348)	(4,783)
Stage 2: Lifetime ECL but not credit impaired	(3,370)	(1,483)
Stage 3: Lifetime ECL and credit impaired	(224)	(51)
Net accrued interest receivables	<u>1,462,118</u>	<u>1,765,418</u>
Settlement accounts	1,797,787	290,690
Customer liability under acceptances	345,238	566,454
Debt securities trade date receivables	-	166,513
Accounts receivables	560,562	668,223
Repossessed assets	7,711	489
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(16)	-
Stage 2: Lifetime ECL but not credit impaired	(92)	-
Stage 3: Lifetime ECL and credit impaired	(305)	-
Refundable deposits	621,815	319,085
Prepaid expenses	69,055	112,915
Others	177,923	96,158
	<u>5,041,796</u>	<u>3,985,945</u>

\* As at December 31, 2019, the net interest receivables for all financial assets measured at amortised cost amounted at \$63,603 (2018: \$78,620).

The fair value of other assets approximately equals to their carrying amounts.

During the years of 2019 and 2018, there are no significant movements in the gross balances of other assets that resulted in significant changes to the expected credit loss allowances.

#### 19 Deposits from customers

	2019	2018
Demand deposits and current accounts	21,853,192	31,115,147
Savings deposits	68,011,480	64,736,188
Time and call deposits	302,731,542	257,573,125
Other deposits	864,727	705,419
	<u>393,460,941</u>	<u>354,129,879</u>

As at December 31, 2019, the gross carrying amount, including accrued interest, of deposits from customers amounted at \$395,198,203 (2018: \$355,817,470).

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 20 Other debt securities issued

	2019	2018
Other debt securities issued at amortised cost	6,148,951	9,778,000
Other debt securities issued at fair value	-	2,404,220
Other debt securities under fair value hedge	-	2,333,689
	<u>6,148,951</u>	<u>14,515,909</u>

As at December 31, 2019, the gross carrying amount, including accrued interest, of other debt securities issued at amortised cost amounted at \$6,215,679 (2018: \$10,037,356).

As at December 31, 2019, the fair values of other debt securities issued at amortised cost were \$6,176,476 (2018: \$9,797,381).

#### 21 Other liabilities

	2019	2018
Accrued interest payables*	1,869,576	2,045,531
Settlement accounts	504,588	341,666
Accounts payables	144,593	211,190
Acceptances outstanding	345,238	566,454
Accrued salaries and welfare	397,850	340,358
Amounts due to intermediate holding companies	2,662,555	2,662,917
Debt securities trade date payables	-	166,494
Accrued expenses	26,630	72,220
Cash collateral received	135,333	167,784
Expected credit loss allowances on loan and other credit related commitments	251,173	201,896
Others	234,945	231,522
	<u>6,572,481</u>	<u>7,008,032</u>

\* As at December 31, 2019, the net interest payables for all financial liabilities measured at amortised cost amounted at \$1,836,660 (2018: \$1,977,517).

The fair value of other liabilities, except for expected credit loss allowances on loan commitments, approximately equals to their carrying amount.

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 22 Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments to extend credit:

	2019	2018
Direct credit substitutes	361,765	628,195
Transaction-related contingencies	3,985,512	8,365,482
Trade-related contingencies	1,417,186	1,040,083
Other commitments		
which are unconditionally cancellable or automatically cancellable due to the deterioration in the credit worthiness of the borrower	52,942,232	53,713,318
with an original maturity under one year	3,245,985	836,818
with an original maturity over one year	30,399,463	24,025,892
	<u>92,352,143</u>	<u>88,609,788</u>

Contingent liabilities and commitments are credit-related instruments which include letters of credit, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for the loans. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client defaults. As the facilities may expire without being drawn upon, the contract amounts do not represent expected future cash flows.

#### 23 Assets transferred and collateral accepted as security for assets

##### (a) Transferred financial assets not qualifying for full derecognition and their associated financial liabilities

	2019		2018	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	-	-	2,406,835	2,420,859

The financial assets shown above include amounts transferred to third parties that do not qualify for derecognition are mainly debt securities held by counterparties as collateral under repurchase agreements. As the substance of these transactions is secured borrowings, the collateral assets continue to be recognised in full and the related liabilities, reflecting the Group's obligation to repurchase the transferred assets for a fixed price at a future date, are also recognised in the consolidated statement of financial position. As a result of these transactions, the Group is unable to use, sell or repledge the transferred assets for the duration of the transactions. The Group remains exposed to interest rate risk, credit risk and market risk on these pledged instruments. The counterparty's recourse is not limited to the transferred assets.

##### (b) Collateral accepted as securities for assets

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. As at December 31, 2019 and December 31, 2018, for resale agreements, the Group was not permitted to sell or repledge the collateral held, unless there is a default.

# CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

### 24 Segmental information

#### (a) Reportable segments

The Group manages its businesses by divisions, which are organised by products services and customer types. In a manner consistent with the way in which information is reported internally to the executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments, under which there was a change in the grouping of commercial banking and the management in shareholders' funds in 2019. Engaged mainly in businesses with small and medium sized enterprises, commercial banking was previously grouped with consumer banking while the management of shareholders fund was grouped with others. In 2019, to further align with the internal management structure and reporting information, commercial banking was grouped with corporate and institutional banking while the management of shareholders' funds was grouped with treasury & management pool. Comparatives amounts have been restated to ensure consistent basis with the revised segment information.

##### (i) Corporate, institutional and commercial banking

This segment mainly represents the provision of a range of financial products and services to corporations, financial institutions and small and medium sized enterprises. The products and services mainly include commercial loans, syndicated loans, commercial mortgages, trade financing, foreign exchange and deposit-taking activities.

##### (ii) Consumer banking

This segment mainly represents the provision of a range of financial products and services to individual customers. The products and services mainly comprise residential mortgages, personal loans, credit cards, auto-financing, deposit-taking activities, foreign exchange, wealth management, insurance and securities agency services.

##### (iii) Treasury & management pool

This segment covers the Bank's treasury operations and management of shareholders' funds. The Treasury Division enters into inter-bank money market transactions and invests in debt instruments. It also trades in debt instruments, derivatives and foreign currency for its own account and carries out customer driven derivatives such as foreign currency transactions. Its function also includes the management of the Group's overall liquidity position, including the issuance of certificates of deposit.

##### (iv) Others

This segment mainly represents investments in premises, subsidiaries and others.

Segment assets and liabilities are mainly composed of placement with banks, advances to banks and customers, investment securities, derivatives financial instruments, deposits and certificates of deposit and other debt securities issued.

Revenue and expenses are allocated to the reportable segments with reference to interest and fee and commission income generated by these segments and the expenses incurred by these segments or which otherwise arise from the depreciation or amortisation of assets attributable to these segments.

The primary revenue stream of the Group is derived from net interest income and net fees and commission income. The executive management relies to a large extent on net interest income and net fees and commission income in managing its business. Hence, net interest income and net fees and commission income for all reportable segments are presented under segmental information.

**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

**24 Segmental information (continued)**

**(a) Reportable segments (continued)**

	2019					Total
	Corporate, institutional and commercial banking	Consumer banking	Treasury & management pool	Others	Inter-segment elimination	
Net interest income	2,294,535	1,975,877	1,973,356	(1,768)	-	6,242,000
Net fees and commission income	470,129	530,988	1,257	795,802	-	1,798,176
<b>Total operating income</b>						
– External	6,297,162	(2,583,420)	4,116,200	542,738	-	8,372,680
– Inter-segment	(3,286,041)	5,176,950	(2,212,509)	321,600	-	-
<b>Total operating income</b>	<b>3,011,121</b>	<b>2,593,530</b>	<b>1,903,691</b>	<b>864,338</b>	<b>-</b>	<b>8,372,680</b>
Depreciation	(91,924)	(322,650)	(13,322)	(137,411)	-	(565,307)
<b>Total operating expenses</b>	<b>(693,463)</b>	<b>(1,696,215)</b>	<b>(137,404)</b>	<b>(758,912)</b>	<b>-</b>	<b>(3,285,994)</b>
Operating profit before impairment losses	2,317,658	897,315	1,766,287	105,426	-	5,086,686
(Charge on)/release of expected credit losses	(661,270)	(138,717)	(5,572)	193	-	(805,366)
Impairment reversal on joint venture/associate	-	-	-	47,000	-	47,000
Non-operating (losses)/income	(46)	(7)	-	40,843	-	40,790
<b>Profit before taxation</b>	<b>1,656,342</b>	<b>758,591</b>	<b>1,760,715</b>	<b>193,462</b>	<b>-</b>	<b>4,369,110</b>
<b>As December 31, 2019</b>						
Total assets	271,103,376	43,803,012	164,075,398	9,972,463	(605,595)	488,348,654
Total liabilities	161,317,932	239,940,444	11,561,213	5,870,016	(605,595)	418,084,010

**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

**24 Segmental information (continued)**

**(a) Reportable segments (continued)**

	2018					Total
	Corporate, institutional and commercial banking	Consumer banking	Treasury & management pool	Others	Inter-segment elimination	
Net interest income	2,349,217	2,295,770	1,466,644	8,337	-	6,119,968
Net fees and commission income	475,754	542,104	(4,782)	574,391	-	1,587,467
Total operating income						
– External	6,056,581	(1,568,055)	3,372,414	361,297	-	8,222,237
– Inter-segment	(2,993,183)	4,534,381	(1,816,231)	275,033	-	-
Total operating income	3,063,398	2,966,326	1,556,183	636,330	-	8,222,237
Depreciation	(67,796)	(162,792)	(10,876)	(72,700)	-	(314,164)
Total operating expenses	(810,246)	(1,645,604)	(159,951)	(590,626)	-	(3,206,427)
Operating profit before impairment losses	2,253,152	1,320,722	1,396,232	45,704	-	5,015,810
(Charge on)/release of expected credit losses	(331,960)	(265,971)	9,964	(13)	-	(587,980)
Impairment charges on joint venture/associate	-	-	-	(47,000)	-	(47,000)
Non-operating losses	(1,419)	(135)	-	(23,023)	-	(24,577)
Profit before taxation	1,919,773	1,054,616	1,406,196	(24,332)	-	4,356,253
<u>As at December 31, 2018</u>						
Total assets	223,537,465	43,724,169	206,646,632	7,609,711	(548,074)	480,969,903
Total liabilities	131,637,169	226,999,463	56,048,668	4,354,673	(548,074)	418,491,899

## CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

#### 24 Segmental information (continued)

##### (b) Geographical information

The following table sets out information about the geographical location of the Group's total operating income, profit before taxation, total assets, total liabilities, specified non-current assets, contingent liabilities and commitments. The geographical location of customers is based on the location at which the services were provided. Segment assets or liabilities are based on the geographical location of the asset or liabilities. Specified non-current assets comprise fixed assets, right-of-use assets, interest in a joint venture and interest in an associate and the geographical location is based on the physical location of the asset for fixed assets, and the location of the operation to which they are allocated for intangible assets, interest in a joint venture and interest in an associate.

	Total operating income	Profit before taxation	Total assets	Total liabilities	Specified non-current assets	Contingent liabilities and commitments
<b>As at December 31, 2019</b>						
Hong Kong (place of domicile)	<u>8,372,680</u>	<u>4,369,110</u>	<u>488,348,654</u>	<u>418,084,010</u>	<u>6,731,626</u>	<u>92,352,143</u>
	Total operating income	Profit before taxation	Total assets	Total liabilities	Specified non-current assets	Contingent liabilities and commitments
<b>As at December 31, 2018</b>						
Hong Kong (place of domicile)	<u>8,222,237</u>	<u>4,356,253</u>	<u>480,969,903</u>	<u>418,491,899</u>	<u>5,225,897</u>	<u>88,609,788</u>

#### 25 Immediate parent and ultimate controlling party

At December 31, 2019 and December 31, 2018, the Bank's immediate parent is CCB Overseas Holdings Limited ("CCBOHL"), a company incorporated in Hong Kong. CCBOHL is controlled by CCB. Central Huijin Investment Ltd. is the controlling party of CCB, and is a wholly-owned subsidiary of China Investment Corporation which is a wholly state-owned investment and management company. The Group's intermediate parent, CCB, which is a listed bank incorporated in the Mainland, produces financial statements available for public use.

#### 26 Events after the reporting period

The outbreak of coronavirus since early January 2020 has spread across mainland China and beyond, causing disruption to business and economic activity. The Group has been closely monitoring the impact of its developments on the Group's businesses and has put in place contingency measures. In particular, the Bank has taken various prompt actions including temporarily closure of certain branches to protect the health and safety of both its customers and staff. The ECL as at December 31, 2019 was estimated based on a range of forecast economic conditions as at that date. The subsequent impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under HKFRS 9 in 2020.



# CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

## SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

### 1 Corporate governance principles and practices

The Group is committed to maintaining and upholding high standards of corporate governance with a view to safeguarding the interests of shareholders, customers, employees and other stakeholders. The Group has followed the module on "Corporate Governance of Locally Incorporated Authorised Institutions" under the Supervisory Policy Manual issued by the HKMA. The Group constantly reviews and enhances its corporate governance framework, by making reference to market trend as well as guidelines and requirements issued by regulatory authorities, to ensure that it is in line with international and local corporate governance best practices. The Audit Committee of the Group has reviewed the results of the Group for the year ended December 31, 2019.

### 2 Announcement and statutory financial statements

This announcement is published on the Group's website (<http://www.asia.ccb.com/hongkong>) by April 29, 2020. The statutory financial statements for the year ended December 31, 2019 will be published on the aforesaid website by the end of June 2020.

### 3 Other financial information

To comply with the Banking (Disclosure) Rules, the Group has set up a "Regulatory Disclosures" section on its website (<http://www.asia.ccb.com/hongkong>) to house the information related to the disclosure requirements in a document "Regulatory Disclosure Statement" required by the Banking (Disclosure) Rules. The Regulatory Disclosure Statement, together with the disclosures in the Group's statutory financial statements, contained all the disclosures required by the Banking (Disclosure) Rules issued by the HKMA.