

FOR IMMEDIATE RELEASE



China Construction Bank (Asia) Announces Consolidated Net Profit after Tax of HKD3,749 Million for 2020

Hong Kong – April 30, 2021 – China Construction Bank (Asia) Corporation Limited [“CCB (Asia)”] today announced its consolidated net profit after tax to reach HKD3,749 million for the year ended December 31, 2020, an increase of HKD67 million or 1.8%, as compared with 2019. Set out below are the highlights:

Total operating income of CCB (Asia) for the year of 2020 amounted to HKD8,249 million, a decrease of 1.5% as compared with that of 2019. If including the interest income of trading advances to customers and trade bills of HKD188 million and foreign currency swap amortization income of HKD165 million, net interest income amounted to HKD5,744 million, a decrease of 5.9% as compared with that of 2019. Non-interest income after excluding the aforesaid interest income and swap amortization income was HKD2,505 million, representing an increase of 10.5% as compared with that of 2019, mainly attributable to the increase in net fees and commission income and net gains from disposal of financial assets measured at fair value through other comprehensive income by HKD103 million and HKD235 million respectively.

Total operating expenses increased by 2.0% to HKD3,351 million and the cost-to-income ratio increased by 1.37 percentage points to 40.62%. In 2020, the amount of impairment allowance charges decreased by 42.5% to HKD436 million, mainly due to the repayment of certain large size loans in 2020 leading to a write-back of their impairment provisions, but partially offset by the increase in net charge of individual impairment due to adverse economic environment in 2020.

Taxation increased by 12.2% to HKD771 million as compared with that of 2019, mainly driven by the increase in profit before tax in 2020 and more non-taxable income in 2019.

As at December 31, 2020, total consolidated assets stood at HKD474.5 billion, a decrease of 2.8% from HKD488.4 billion versus that at end of 2019. The gross advances to customers and trade bills decreased by 2.9% to HKD284.5 billion as a result of prudent credit risk management controls. As at December 31, 2020, the impaired loan ratio was 1.15%, increased by 0.86 percentage point.

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The financial assets measured at fair value through other comprehensive income and financial assets at amortized costs decreased in aggregate by 15.3% to HKD79.8 billion, which was mainly resulted from the disposal of certain non-HK dollar debt securities during the year. On the other hand, the cash and balances with banks and central banks, placement with banks amounted to HKD84.3 billion in aggregate, increased by 5.0%.

The total liabilities decreased by 5.0% to HKD397.2 billion when compared to that at end of 2019, of which the deposits from customers decreased by 6.5% to HKD369.4 billion versus last year end. The deposits structure was further enhanced, with the demand, current and savings deposits increased significantly by 49.6% to HKD134.5 billion. On the other hand, the wholesales funding continued to account for small proportion to total liabilities, of which deposits and balances of banks increased by 103.8% to HKD16.1 billion, partly offset by the decrease in other debt securities issued by 69.4% to HKD1.9 billion.

The Total Capital Ratio, Leverage Ratio and Net Stable Funding Ratio as at December 31, 2020 were 21.4%, 15.1% and 142.5% respectively. The annual average Liquidity Coverage Ratio for the year of 2020 was 158.6%. All the aforementioned ratios were maintained at sound levels and well above regulatory requirements.

For details of the 2020 financial statements, please visit any of CCB (Asia)'s branches or the Bank's website at www.asia.ccb.com.

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 offered 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.

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CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

| | 2020 | 2019 |
|--|-------------------------|-------------------------|
| Interest income | 10,268,385 | 13,700,540 |
| Interest expense | <u>(4,877,622)</u> | <u>(7,458,540)</u> |
| Net interest income | 5,390,763 | 6,242,000 |
| Fees and commission income | 2,013,935 | 1,920,654 |
| Fees and commission expense | <u>(113,236)</u> | <u>(122,478)</u> |
| Net fees and commission income | 1,900,699 | 1,798,176 |
| Net trading income | 488,618 | 90,153 |
| Net gains from financial instruments designated at fair value through profit or loss | 22,697 | 22,070 |
| Net gains from disposal of financial assets measured at fair value through other comprehensive income | 380,538 | 145,397 |
| Other operating income | <u>65,939</u> | <u>74,884</u> |
| Total operating income | 8,249,254 | 8,372,680 |
| Operating expenses | <u>(3,350,981)</u> | <u>(3,285,994)</u> |
| Operating profit before impairment losses | 4,898,273 | 5,086,686 |
| Net charge on expected credit losses | (435,492) | (805,366) |
| Net charge on impairment on other assets | <u>(1,195)</u> | <u>-</u> |
| Operating profit | 4,461,586 | 4,281,320 |
| Gains on disposal of fixed assets | 1,454 | 2,507 |
| Share of profit of joint venture/associate | 56,995 | 12,094 |
| Gain on disposal of an associate | - | 26,189 |
| Impairment reversal on associate | <u>-</u> | <u>47,000</u> |
| Profit before taxation | 4,520,035 | 4,369,110 |
| Taxation | <u>(770,674)</u> | <u>(687,520)</u> |
| Profit for the year | <u>3,749,361</u> | <u>3,681,590</u> |

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

| | 2020 | 2019 |
|---|------------------|------------------|
| Profit for the year | <u>3,749,361</u> | <u>3,681,590</u> |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Debt instruments measured at fair value through other comprehensive income: | | |
| Changes in fair value recognised during the year | 10,061 | 521,884 |
| Reclassification adjustments for amounts transferred to profit or loss | (79,606) | 14,172 |
| Expected credit losses recognised in profit or loss | (34,165) | 12,733 |
| Tax effect | 11,388 | (85,477) |
| Item that may not be reclassified subsequently to profit or loss: | | |
| Equity instruments designated at fair value through other comprehensive income: | | |
| Changes in fair value recognised during the year | <u>119,340</u> | <u>107,221</u> |
| Other comprehensive income for the year, net of tax | <u>27,018</u> | <u>570,533</u> |
| Total comprehensive income for the year | <u>3,776,379</u> | <u>4,252,123</u> |

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

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

| | 2020 | 2019 |
|--|--------------------|--------------------|
| ASSETS | | |
| Cash and balances with banks and central banks | 54,039,149 | 39,258,940 |
| Placements with banks | 30,213,346 | 38,328,199 |
| Financial assets held under resale agreements | - | 783,381 |
| Advances to banks | - | 1,919,518 |
| Advances to customers and trade bills | 281,464,455 | 290,249,557 |
| Financial assets measured at fair value through profit or loss | 9,108,802 | 10,852,514 |
| Financial assets measured at fair value through other comprehensive income | 65,510,224 | 76,046,838 |
| Other assets measured at amortised cost | 14,317,688 | 18,136,241 |
| Derivative financial instruments | 1,916,804 | 1,907,768 |
| Interest in a joint venture | 1,900,860 | 1,913,865 |
| Deferred tax assets | 424,473 | 548,379 |
| Fixed assets | 2,527,817 | 2,594,611 |
| Right-of-use assets | 2,014,852 | 2,223,150 |
| Other assets | 11,066,968 | 3,585,693 |
| Total assets | 474,505,438 | 488,348,654 |
| LIABILITIES | | |
| Deposits and balances with banks | 16,077,644 | 7,909,125 |
| Deposits from customers | 369,420,713 | 395,198,137 |
| Financial liabilities designated at fair value through profit or loss | 418,299 | 127,102 |
| Other debt securities issued | 1,912,429 | 6,215,679 |
| Derivative financial instruments | 2,222,274 | 998,406 |
| Lease liabilities | 1,552,237 | 1,736,851 |
| Current tax payable | 143,498 | 1,176,516 |
| Deferred tax liabilities | 19,677 | 19,288 |
| Other liabilities | 5,414,102 | 4,702,906 |
| Total liabilities | 397,180,873 | 418,084,010 |
| EQUITY | | |
| Share capital | 28,827,843 | 28,827,843 |
| Other equity instruments | 15,589,333 | 11,712,840 |
| Reserves | 32,907,389 | 29,723,961 |
| Total equity | 77,324,565 | 70,264,644 |
| Total equity and liabilities | 474,505,438 | 488,348,654 |

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020**

(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 |
|--|-------------------|--------------------------|-----------------|--------------------------------|--------------------|---------------|----------------|-------------------|-------------------|
| Balance as at January 1, 2020 | 28,827,843 | 11,712,840 | 750,956 | 396,603 | 649,984 | 15,913 | 62,262 | 27,848,243 | 70,264,644 |
| Changes in equity for 2020: | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | 3,749,361 | 3,749,361 |
| Other comprehensive income, net of tax | - | - | - | 27,018 | - | - | - | - | 27,018 |
| Total comprehensive income for the year | - | - | - | 27,018 | - | - | - | 3,749,361 | 3,776,379 |
| Issuance of other equity instruments | - | 3,876,493 | - | - | - | - | - | - | 3,876,493 |
| Coupon paid for other equity instruments | - | - | - | - | - | - | - | (592,951) | (592,951) |
| Regulatory reserve | - | - | - | - | 6,264 | - | - | (6,264) | - |
| Balance as at December 31, 2020 | 28,827,843 | 15,589,333 | 750,956 | 423,621 | 656,248 | 15,913 | 62,262 | 30,998,389 | 77,324,565 |
| Balance as at January 1, 2019 | 28,827,843 | 7,811,732 | 750,956 | (173,930) | 576,966 | 15,913 | 62,262 | 24,606,262 | 62,478,004 |
| Changes in equity for 2019: | | | | | | | | | |
| 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) | - |
| Balance as at December 31, 2019 | 28,827,843 | 11,712,840 | 750,956 | 396,603 | 649,984 | 15,913 | 62,262 | 27,848,243 | 70,264,644 |

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, 2020 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, 2021.

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 instrument 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 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 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, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| CCBS | Securities brokerage business | 1,352,694 | 1,075,418 | 629,785 | 620,706 |
| CCBN | Custodian and nominee services | 39,952 | 39,577 | 39,804 | 39,474 |
| CCBT | Trustee and custodian business | 83,610 | 115,710 | 75,780 | 54,947 |

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 62 to 111 of the statutory financial statements for the year ended December 31, 2019.

(a) Amendment to HKFRS 16 COVID-19 related Rent Concessions (early adopted)

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after June 1, 2020 with earlier application permitted.

For the year ended December 31, 2020, certain monthly lease payments for the leases premises have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on January 1, 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic for the year ended December 31, 2020. A reduction in the lease payments arising from the rent concessions of \$47 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended December 31, 2020.

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) HKFRS 3 “Definition of Business ”

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered as a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. There is no significant impact to the Group.

(c) Interest Rate Benchmark reform Phase 1 Amendments to HKFRS 9, Hong Kong Accounting Standard (“HKAS”) 39 and HKFRS 7

Interest Rate Benchmark reform is a global initiative to replace or reform interbank offered rates (IBORs) that are used to determine interest cash flows on financial instruments such as advance to customers, debt securities and derivatives. The objective of the reform is to replace IBORs with alternative nearly risk-free rates (RFRs) that are based on actual market transactions. Consequently, financial contracts referencing these benchmarks may need to be amended to reference the alternative RFR in the applicable currency.

The amendments modify certain specific hedge accounting requirements to provide temporary relief allowing the continuous use of hedge accounting under the uncertainties caused by interest rate benchmark reform (“IBOR reform”) on the cash flows of the hedge relationships. Pursuant to the amendments, the relief would deem to be ended at the earlier of (i) when there is no longer uncertainty arising from IBOR reform over the cash flows of the hedging relationships, and (ii) when the hedging relationship to which the relief applied is discontinued, or in case of cash flow hedges, when the entire amount accumulated in the cash flow hedge reserve with respect to the discontinued hedging relationship has been reclassified to profit or loss. The amendments have been applied retrospectively.

As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

(d) Amendments to HKAS 1 and HKAS 8 “Definition of Material”

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. There is no significant impact to the Group.

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Net interest income

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Interest income | | |
| <i>Interest income calculated using the effective interest rate</i> | | |
| Placements and advances to banks | 1,250,001 | 2,193,693 |
| Advances to customers and trade bills | 7,311,947 | 9,045,591 |
| Financial assets measured at fair value through other comprehensive income | 1,424,406 | 1,995,445 |
| Other assets measured at amortised cost | 282,031 | 465,811 |
| Total interest income | 10,268,385 | 13,700,540 |
| Interest expense | | |
| <i>Interest expense arising from financial liabilities that are not measured at fair value through profit or loss</i> | | |
| Deposits and balances with banks | (134,229) | (273,123) |
| Deposits from customers | (4,605,478) | (6,644,451) |
| Other debt securities issued | (80,654) | (234,973) |
| | (4,820,361) | (7,152,547) |
| <i>Interest expense arising from financial liabilities that are measured at fair value through profit or loss</i> | | |
| Other debt securities issued | - | (12,303) |
| | - | (12,303) |
| <i>Interest expense arising from financial liabilities under fair value hedge</i> | | |
| Other debt securities issued | - | (38,446) |
| Subordinated debt | - | (191,438) |
| | - | (229,884) |
| <i>Interest expense arising from lease liabilities</i> | (57,261) | (63,806) |
| Total interest expense | (4,877,622) | (7,458,540) |
| Net interest income | 5,390,763 | 6,242,000 |

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

| | 2020 | 2019 |
|---|------------------|------------------|
| Fees and commission income | | |
| Investment services | 236,144 | 182,145 |
| Securities broking and related services | 157,031 | 111,266 |
| Insurance | 239,801 | 200,506 |
| Remittance, settlement and account management fees | 143,959 | 130,860 |
| Fees received from intermediate holding company | 606,472 | 749,357 |
| Trade finance | 33,593 | 45,659 |
| Cards | 133,622 | 149,608 |
| Credit facilities | 462,045 | 348,225 |
| Others | 1,268 | 3,028 |
| Total fees and commission income | <u>2,013,935</u> | <u>1,920,654</u> |
| Fees and commission expense | | |
| Cards | (46,700) | (51,489) |
| Brokerage | (7,471) | (10,103) |
| Fees paid to intermediate holding company and fellow subsidiaries | (12,504) | (14,549) |
| Settlement accounts | (12,477) | (10,931) |
| Others | (34,084) | (35,406) |
| Total fees and commission expense | <u>(113,236)</u> | <u>(122,478)</u> |
| Net fees and commission income | <u>1,900,699</u> | <u>1,798,176</u> |

The fees and commission income above includes income of \$629,369 (2019: \$543,492) and expenses of \$105,765 (2019: \$112,375) relating to financial assets and financial liabilities not measured at fair value through profit or loss.

6 Net trading income

| | 2020 | 2019 |
|---|----------------|---------------|
| Gains/(losses) from trading activities | | |
| Foreign exchange | 414,088 | (136,050) |
| Interest rate derivatives | (102,330) | 51,897 |
| Other debt instruments | 171,351 | 145,081 |
| Other trading | 5,929 | 15,371 |
| | <u>489,038</u> | <u>76,299</u> |
| Other trading income | | |
| Hedge ineffectiveness on fair value hedge | (420) | 13,854 |
| Net trading income | <u>488,618</u> | <u>90,153</u> |

The net trading income above includes a net income of \$2,855 (2019: a net loss of \$109) relating to the other assets measured at amortised cost.

"Foreign exchange" under "Net trading income" includes a net gain of \$190,460 (2019: a net loss of \$306,087) 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

| | 2020 | 2019 |
|--|---------------|---------------|
| Net gains from structured deposits | 22,697 | 1,767 |
| Net gains from other securities issued | - | 20,303 |
| Total | 22,697 | 22,070 |

8 Other operating income

| | 2020 | 2019 |
|------------------------|---------------|---------------|
| Dividend income | | |
| Unlisted | 4,354 | 5,314 |
| Listed | 1,158 | 1,130 |
| | <u>5,512</u> | <u>6,444</u> |
| Operating lease income | <u>31,873</u> | <u>27,232</u> |
| Others | <u>28,554</u> | <u>41,208</u> |
| Total | 65,939 | 74,884 |

9 Operating expenses

| | 2020 | 2019 |
|-------------------------------------|------------------|------------------|
| Staff costs | | |
| Salaries and other benefits | 1,927,822 | 1,814,254 |
| Pension and provident fund costs | 95,299 | 98,272 |
| | <u>2,023,121</u> | <u>1,912,526</u> |
| General and administrative expenses | | |
| Rental expenses | 105,502 | 142,463 |
| Other premises and equipment | 127,076 | 126,012 |
| Marketing expenses | 201,387 | 203,416 |
| Auditors' remuneration | 6,109 | 5,960 |
| Professional fees | 69,493 | 62,133 |
| Other operating expenses | 249,838 | 268,177 |
| | <u>759,405</u> | <u>808,161</u> |
| Depreciation | | |
| Fixed assets | 283,664 | 294,151 |
| Right-of-use assets | 284,791 | 271,156 |
| | <u>568,455</u> | <u>565,307</u> |
| Total | 3,350,981 | 3,285,994 |

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

| | 2020 | 2019 |
|--|----------------|----------------|
| New allowances charged, net of allowance releases | 461,695 | 828,939 |
| Recoveries of amounts previously written off | (26,203) | (23,573) |
| Net charge on expected credit losses ("ECL") | 435,492 | 805,366 |
| Attributable to: | | |
| Balances with banks and central banks and placements with banks | (3,811) | 358 |
| Advances to customers and trade bills | 418,498 | 742,434 |
| Financial assets measured at fair value through other comprehensive income | (34,363) | 12,720 |
| Other assets measured at amortised cost | (12,686) | 164 |
| Other assets | (413) | 413 |
| Loan and other credit related commitments | 68,267 | 49,277 |
| Net charge on expected credit losses | 435,492 | 805,366 |

11 Taxation

Taxation in the consolidated statement of profit or loss represents:

| | 2020 | 2019 |
|---|----------------|----------------|
| Current tax – Hong Kong Profits Tax | | |
| Provision for the year | 693,431 | 762,273 |
| Under/(over)-provision in respect of prior years | 194 | (17,097) |
| | 693,625 | 745,176 |
| Current tax – Overseas | | |
| Provision for the year | 104 | 153 |
| Withholding tax for the year | 2,737 | 2,859 |
| | 2,841 | 3,012 |
| Deferred tax | | |
| Origination and reversal of temporary differences | 74,208 | (60,668) |
| | 770,674 | 687,520 |

The provision of Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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.

For the year ended December 31, 2020, the effective income tax rate was 17.05% (2019: 15.74%).

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

| | 2020 | 2019 |
|--|------------------|-------------------|
| Fund investments issued by non-bank financial institutions | 92,633 | 122,761 |
| Certificates of deposit issued by banks | 471,417 | - |
| Trading securities issued by central banks | - | 495,550 |
| Other debt securities issued by corporates | - | 158,742 |
| Trading loans | 8,544,752 | 10,075,461 |
| | 9,108,802 | 10,852,514 |
| <u>Analysed by place of listing:</u> | | |
| Listed in Hong Kong | | |
| Certificates of deposit | 471,417 | - |
| Listed outside Hong Kong | | |
| Fund investments | 27,572 | 28,385 |
| Unlisted | | |
| Fund investments | 65,061 | 94,376 |
| Trading securities | - | 495,550 |
| Other debt securities | - | 158,742 |
| Trading loans | 8,544,752 | 10,075,461 |
| | 8,609,813 | 10,824,129 |
| | 9,108,802 | 10,852,514 |

13 Advances to customers and trade bills

| | 2020 | 2019 |
|--|--------------------|--------------------|
| Advances to customers | | |
| Gross advances to corporate customers | 232,888,557 | 247,429,931 |
| Gross advances to personal customers | 51,492,817 | 45,510,953 |
| Gross advances to customers | 284,381,374 | 292,940,884 |
| Less: Expected credit loss allowances | | |
| Stage 1: 12-month ECL | (1,063,287) | (1,299,588) |
| Stage 2: Lifetime ECL but not credit-impaired | (713,775) | (905,420) |
| Stage 3: Lifetime ECL and credit-impaired | (1,171,579) | (502,175) |
| Net advances to customers | 281,432,733 | 290,233,701 |
| Trade bills | | |
| Gross trade bills | 31,723 | 15,856 |
| Less: Expected credit loss allowances | | |
| Stage 1: 12-month ECL | (1) | - |
| Net trade bills | 31,722 | 15,856 |
| Net advances to customers and trade bills | 281,464,455 | 290,249,557 |

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, 2020.

| | 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 | Gross carrying amount | ECL allowance |
| Balance as at January 1, 2020 | 284,757,413 | 1,299,588 | 7,343,338 | 905,420 | 855,989 | 502,175 | 292,956,740 | 2,707,183 |
| Transfer to stage 1: 12-month ECL | 61,087 | 22,828 | (56,728) | (18,401) | (4,359) | (4,427) | - | - |
| Transfer to stage 2: lifetime ECL not credit-impaired | (8,746,853) | (58,106) | 8,746,932 | 58,321 | (79) | (215) | - | - |
| Transfer to stage 3: lifetime ECL credit-impaired | (2,813,367) | (136,308) | (75,019) | (34,094) | 2,888,386 | 170,402 | - | - |
| New financial assets originated or purchased* | 138,129,003 | 279,684 | 11,806,672 | 217,033 | 29,818 | 8,876 | 149,965,493 | 505,593 |
| Financial assets that have been derecognised | (152,116,192) | (386,602) | (5,906,187) | (842,385) | (283,515) | (76,674) | (158,305,894) | (1,305,661) |
| Write-offs | - | - | - | - | (203,242) | (203,242) | (203,242) | (203,242) |
| Recoveries of amounts previously written-offs | - | - | - | - | - | 26,203 | - | 26,203 |
| Net remeasurements (Including changes in risk parameters) | - | 36,617 | - | 427,964 | - | 748,532 | - | 1,213,113 |
| Foreign exchange and other movements | - | 5,587 | - | (83) | - | (51) | - | 5,453 |
| Balance as at December 31, 2020 | 259,271,091 | 1,063,288 | 21,859,008 | 713,775 | 3,282,998 | 1,171,579 | 284,413,097 | 2,948,642 |

* 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, 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 | 241,376,373 | 1,093,402 | 15,029,908 | 781,810 | 797,989 | 200,271 | 257,204,270 | 2,075,483 |
| Transfer to stage 1: 12-month ECL | 4,411,873 | 70,601 | (4,411,873) | (70,601) | - | - | - | - |
| Transfer to stage 2: lifetime ECL not credit-impaired | (145,139) | (1,463) | 503,827 | 1,463 | (358,688) | - | - | - |
| Transfer to stage 3: lifetime ECL credit-impaired | (216,434) | (121,409) | (2,806) | (2,065) | 219,240 | 123,474 | - | - |
| New financial assets originated or purchased* | 168,936,911 | 483,868 | 1,737,593 | 28,734 | 623,127 | 251,582 | 171,297,631 | 764,184 |
| Financial assets that have been derecognised | (129,606,171) | (265,876) | (5,513,311) | (98,523) | (291,372) | (747) | (135,410,854) | (365,146) |
| Write-offs | - | - | - | - | (134,307) | (134,307) | (134,307) | (134,307) |
| Recoveries of amounts previously written-offs | - | - | - | - | - | 23,573 | - | 23,573 |
| Net remeasurements (Including changes in risk parameters) | - | 43,200 | - | 273,055 | - | 38,341 | - | 354,596 |
| Foreign exchange and other movements | - | (2,735) | - | (8,453) | - | (12) | - | (11,200) |
| Balance as at December 31, 2019 | <u>284,757,413</u> | <u>1,299,588</u> | <u>7,343,338</u> | <u>905,420</u> | <u>855,989</u> | <u>502,175</u> | <u>292,956,740</u> | <u>2,707,183</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, 2020, the retail and wholesale portfolios represented \$980,229 and \$1,968,413 or 33% and 67% (2019: \$554,589 and \$2,152,594 or 20% and 80%), respectively, of the total expected credit loss allowances on advances to customers and trade bills as at December 31, 2020. 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)

| | As as December 31, 2020 | | As as December 31, 2019 | |
|---|-------------------------|-------------------------------------|-------------------------|-------------------------------------|
| | Outstanding balance | % of advances covered by collateral | Outstanding balance | % of advances covered by collateral |
| Advances for use in Hong Kong | | | | |
| Industrial, commercial and financial | | | | |
| Property development | 16,637,039 | 89.37 | 16,553,186 | 87.43 |
| Property investment | 26,025,290 | 89.38 | 28,821,097 | 89.95 |
| Financial concerns | 38,265,535 | 29.22 | 34,450,580 | 35.67 |
| Stockbrokers | 1,695,339 | 29.49 | 855,085 | 0.00 |
| Wholesale and retail trade | 4,633,315 | 86.85 | 5,451,472 | 88.59 |
| Manufacturing | 7,785,393 | 77.76 | 8,026,832 | 71.00 |
| Transport and transport equipment | 6,906,945 | 74.92 | 9,989,160 | 68.30 |
| Recreational activities | 14,021 | 100.00 | 29,178 | 100.00 |
| Information technology | 5,196,353 | 56.22 | 6,022,776 | 48.74 |
| Others | 17,907,185 | 76.42 | 22,076,968 | 68.58 |
| | <u>125,066,415</u> | | <u>132,276,334</u> | |
| Individuals | | | | |
| Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | 2,230 | 100.00 | 2,997 | 100.00 |
| Loans for the purchase of other residential properties | 26,697,270 | 99.98 | 18,622,754 | 99.96 |
| Credit card advances | 3,880,087 | 0.00 | 4,342,059 | 0.00 |
| Others | 14,959,019 | 26.39 | 15,586,331 | 15.83 |
| | <u>45,538,606</u> | | <u>38,554,141</u> | |
| Trade finance | <u>3,069,805</u> | 77.31 | <u>4,344,271</u> | 83.34 |
| Advances for use outside Hong Kong | <u>110,364,506</u> | 58.84 | <u>117,139,236</u> | 56.33 |
| Accrued interest receivables | <u>373,765</u> | | <u>642,758</u> | |
| Gross advances to customers | <u>284,413,097</u> | | <u>292,956,740</u> | |

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, advances to banks and trade bill overdue for more than three months (unaudited)

| | As as December 31, 2020 | | As as December 31, 2019 | |
|---|-------------------------|--|-------------------------|--|
| | | % on total advances to customers | | % on total advances to customers |
| Six months or less but over three months | 532,808 | 0.19 | 83,244 | 0.03 |
| One year or less but over six months | 41,692 | 0.01 | 10,539 | 0.00 |
| Over one year | 118,176 | 0.04 | 150,210 | 0.05 |
| Total gross amount of advances overdue for more than three months | <u>692,676</u> | <u>0.24</u> | <u>243,993</u> | <u>0.08</u> |
| Expected credit loss allowances made in respect of the above overdue advances | <u>412,890</u> | | <u>203,325</u> | |
| Net realisable value of collateral held against the overdue advances | <u>161,187</u> | | <u>48,703</u> | |
| Covered portion of overdue advances | 161,187 | | 48,703 | |
| Uncovered portion of overdue advances | <u>531,489</u> | | <u>195,290</u> | |
| | <u>692,676</u> | | <u>243,993</u> | |

As at December 31, 2020, collaterals held with respect of overdue advances to customers are mainly industrial and commercial properties and residential properties (2019: residential properties).

As at December 31, 2020 and December 31, 2019, there were no trade bill overdue for more than three months.

As at December 31, 2020 and December 31, 2019, there were no advances to banks overdue for more than three months.

(d) Rescheduled advances to customers, advances to banks and trade bill (unaudited)

| | As as December 31, 2020 | | As as December 31, 2019 | |
|-----------------------------------|-------------------------|--|-------------------------|--|
| | | % on total advances to customers | | % on total advances to customers |
| Rescheduled advances to customers | <u>69,290</u> | <u>0.02</u> | <u>58,537</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, 2020 and December 31, 2019, there were no rescheduled advances to banks and trade bills.

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

| | 2020 | 2019 |
|---|-------------------|-------------------|
| <i>Financial assets measured at fair value through other comprehensive income</i> | | |
| Debt investments | | |
| Treasury bills/ bonds issued by central banks/governments | 28,313,493 | 38,654,596 |
| Certificates of deposit issued by banks | 4,017,378 | 3,163,467 |
| Other debt securities issued by | | |
| Banks | 25,368,010 | 17,209,442 |
| Corporates | 7,536,913 | 16,864,243 |
| | <u>65,235,794</u> | <u>75,891,748</u> |
| <i>Financial assets designated at fair value through other comprehensive income</i> | | |
| Equity investments | | |
| Equity shares issued by corporates | 274,430 | 155,090 |
| | <u>65,510,224</u> | <u>76,046,838</u> |
| <u>Analysed by place of listing:</u> | | |
| Listed in Hong Kong | | |
| Debt investments | 28,500,556 | 36,277,628 |
| Listed outside Hong Kong | | |
| Debt investments | 8,613,694 | 13,373,355 |
| Equity investments | 46,809 | 40,412 |
| | <u>8,660,503</u> | <u>13,413,767</u> |
| Unlisted | | |
| Debt investments | 28,121,544 | 26,240,765 |
| Equity investments | 227,621 | 114,678 |
| | <u>28,349,165</u> | <u>26,355,443</u> |
| | <u>65,510,224</u> | <u>76,046,838</u> |

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 had no intention to dispose of these investments as at December 31, 2020.

For the year ended December 31, 2020, there was a gross balances of financial assets measured at FVOCI amounted \$1,582,616 transfer from Level 1 to Level 2 that resulted in significant changes to the ECL allowances (2019: Nil).

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

15 Other assets measured at amortised cost

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Treasury bills issued by central banks | 6,199,472 | 3,892,924 |
| Certificates of deposit issued by banks | - | 2,327,793 |
| Other debt securities issued by | | |
| Banks and non-bank financial institutions | 6,145,073 | 7,632,436 |
| Corporates | 1,985,514 | 4,308,145 |
| | <u>14,330,059</u> | 18,161,298 |
| Less: Expected credit loss allowances | | |
| Stage 1: 12-month ECL | (11,884) | (25,057) |
| Stage 2: Lifetime ECL but not credit-impaired | (487) | - |
| | <u>14,317,688</u> | <u>18,136,241</u> |
| <u>Analysed by place of listing:</u> | | |
| Listed in Hong Kong | 3,857,639 | 3,519,045 |
| Listed outside Hong Kong | 473,823 | 934,835 |
| Unlisted | 9,998,597 | 13,707,418 |
| | <u>14,330,059</u> | <u>18,161,298</u> |
| <u>Market value:</u> | | |
| Listed | 4,380,154 | 4,480,323 |
| Unlisted | 10,012,088 | 13,713,820 |
| | <u>14,392,242</u> | <u>18,194,143</u> |

The fair value of other assets measured at amortised cost is based on quoted market bid prices. The following tables show the fair value hierarchy for other assets measured at amortised cost with fair values, which measured using fair value hierarchy method:

| As at December 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|------------------|-------------------|----------------|-------------------|
| Other assets measured at amortised cost | <u>4,140,124</u> | <u>10,252,118</u> | - | <u>14,392,242</u> |
| As at December 31, 2019 | | | | |
| Other assets measured at amortised cost | <u>7,916,739</u> | <u>10,277,404</u> | - | <u>18,194,143</u> |

There were no overdue financial investments as at December 31, 2020 and December 31, 2019 for the Group. The Group did not hold any asset-backed securities, mortgage-backed securities and collateralised debt obligations.

For the year ended December 31, 2020 and December 31, 2019, there were 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 forward, swap and option transactions undertaken by the Group in the foreign exchange, interest rate and equity 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 were 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.

The following table provides an analysis of the notional amounts, carrying amounts and credit risk weighted amounts of derivatives of the Group as at the reporting date.

| | December 31, 2020 | | | | December 31, 2019 | | | |
|-------------------------|--------------------|-------------------|------------------------|-----------------------------|--------------------|-------------------|------------------------|-----------------------------|
| | Notional amount | Fair value assets | Fair value liabilities | Credit risk weighted amount | Notional amount | Fair value assets | Fair value liabilities | Credit risk weighted amount |
| Exchange rate contracts | | | | | | | | |
| Forwards | 118,818,571 | 1,780,639 | 1,693,429 | 587,027 | 238,000,446 | 1,275,424 | 781,645 | 1,121,474 |
| Options purchased | 90,085 | 10,514 | - | 1,314 | 342,064 | 14,086 | - | 15,979 |
| Options written | 305,644 | - | 11,182 | 792 | 441,625 | - | 14,820 | - |
| Interest rate swaps | 17,659,707 | 51,517 | 441,029 | 60,433 | 24,622,041 | 82,634 | 180,347 | 62,445 |
| Currency swaps | 3,174,794 | 72,921 | 66,305 | 98,275 | 4,682,914 | 535,326 | 21,316 | 189,661 |
| Equity swaps | 217,973 | 1,213 | 10,329 | 1,621 | 26,230 | 298 | 278 | 791 |
| | 140,266,774 | 1,916,804 | 2,222,274 | 749,462 | 268,115,320 | 1,907,768 | 998,406 | 1,390,350 |

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

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.

As at December 31, 2020 and December 31, 2019, the amounts relating to items designated as hedging instruments are as follows:

| | 2020 | |
|----------------------------------|-------------------|----------------------------|
| | Notional amount | Carrying Amount |
| | | Assets Liabilities |
| Derivative financial instruments | | |
| Interest rate swaps | 10,902,287 | 1,464 386,098 |
| | | |
| | 2019 | |
| | Notional amount | Carrying Amount |
| | | Assets Liabilities |
| Derivative financial instruments | | |
| Interest rate swaps | 17,910,516 | 43,126 158,393 |

As at December 31, 2020 and December 31, 2019, the amounts relating to hedged items are as follows:

| | 2020 | |
|------------------------------------|-------------------|---|
| | Carrying amount | Accumulated amount of fair value hedge adjustment included in the carrying amount |
| Assets: | | |
| Financial assets measured at FVOCI | 11,288,322 | 334,646 |
| | | |
| | 2019 | |
| | Carrying amount | Accumulated amount of fair value hedge adjustment included in the carrying amount |
| Assets: | | |
| Financial assets measured at FVOCI | 18,241,877 | 121,592 |

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, 2020 and December 31, 2019, used as the basis for recognising ineffectiveness:

| | | 2020 | | |
|---|---------------------|--|---------------------|-----------------------|
| | | Gains/(losses) attributable to the hedged risk | | Hedge ineffectiveness |
| Hedged items | Hedging instruments | Hedged items | Hedging instruments | |
| <i>Fair value hedge relationship</i> | | | | |
| Assets | | | | |
| Financial assets measured at FVOCI | Interest rate swaps | 213,943 | (214,363) | (420) |
| Net gains/(losses) from hedging activities | | 213,943 | (214,363) | (420) |
| | | 2019 | | |
| | | Gains/(losses) attributable to the hedged risk | | Hedge ineffectiveness |
| Hedged items | Hedging instruments | Hedged items | Hedging instruments | |
| <i>Fair value hedge relationship</i> | | | | |
| Assets | | | | |
| Financial assets measured at FVOCI | Interest rate swaps | 430,802 | (456,795) | (25,993) |
| Liabilities | | | | |
| Other debt securities issued | Interest rate swaps | (14,931) | 15,835 | 904 |
| Subordinated debt | Interest rate swaps | (5,794) | 44,737 | 38,943 |
| | | (20,725) | 60,572 | 39,847 |
| Net gains/(losses) from hedging activities | | 410,077 | (396,223) | 13,854 |

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 |
|----------------------------------|-----------------|-----------------------------------|----------------------------------|---------------------------------|--------------|------------|
| As at December 31, 2020 | | | | | | |
| Derivative financial instruments | | | | | | |
| Interest rate swaps | - | 116,277 | 4,027,060 | 5,185,334 | 1,573,616 | 10,902,287 |
| As at December 31, 2019 | | | | | | |
| Derivative financial instruments | | | | | | |
| Interest rate swaps | 311,468 | 739,737 | 5,654,133 | 10,091,680 | 1,113,498 | 17,910,516 |

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

| | 2020 | 2019 |
|---|-------------------|------------------|
| Settlement accounts | 1,099,401 | 1,797,787 |
| Customer liability under acceptances | 242,648 | 345,238 |
| Money market trade date receivables | 8,000,000 | - |
| Accounts receivables | 605,935 | 560,562 |
| Repossessed assets | 1,801 | 7,711 |
| 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 | 842,504 | 621,815 |
| Prepaid expenses | 85,133 | 69,055 |
| Others | 189,546 | 183,938 |
| | <u>11,066,968</u> | <u>3,585,693</u> |

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

For the year ended December 31, 2020 and December 31, 2019, there were 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

| | 2020 | 2019 |
|--------------------------------------|--------------------|--------------------|
| Demand deposits and current accounts | 29,256,487 | 21,853,514 |
| Savings deposits | 105,643,877 | 68,048,165 |
| Time and call deposits | 233,381,001 | 304,431,731 |
| Other deposits | 1,139,348 | 864,727 |
| | <u>369,420,713</u> | <u>395,198,137</u> |

20 Other debt securities issued

| | 2020 | 2019 |
|--|------------------|------------------|
| Other debt securities issued at amortised cost | <u>1,912,429</u> | <u>6,215,679</u> |

As at December 31, 2020, the fair values of other debt securities issued at amortised cost were \$1,957,513 (2019: \$6,234,204). The fair values were measured using Level 2 hierarchy method.

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

21 Other liabilities

| | 2020 | 2019 |
|--|------------------|------------------|
| Settlement accounts | 737,952 | 504,588 |
| Accounts payables | 410,568 | 144,593 |
| Acceptances outstanding | 242,648 | 345,238 |
| Accrued salaries and welfare | 560,861 | 397,850 |
| Amounts due to intermediate holding companies | 2,746,069 | 2,667,002 |
| Accrued expenses | 15,926 | 26,630 |
| Cash collateral received | 255,267 | 135,333 |
| Expected credit loss allowances on loan and other credit related commitments | 319,440 | 251,173 |
| Others | 125,371 | 230,499 |
| | <u>5,414,102</u> | <u>4,702,906</u> |

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

22 Contingent liabilities, commitments and leasing arrangement

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

| | 2020 | 2019 |
|--|--------------------|-------------------|
| Direct credit substitutes | 371,050 | 361,765 |
| Transaction-related contingencies | 5,097,298 | 3,985,512 |
| Trade-related contingencies | 1,614,033 | 1,417,186 |
| Other commitments | | |
| which are unconditionally cancellable or automatically cancellable due to the deterioration in the credit worthiness of the borrower | 55,023,274 | 52,942,232 |
| with an original maturity under one year | 2,306,442 | 3,245,985 |
| with an original maturity over one year | 41,398,215 | 30,399,463 |
| | <u>105,810,312</u> | <u>92,352,143</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.

Operating leases – Group as lessor

The Group has entered into operating leases, as a lessor, on the usage of the Group's office premises rental. These leases have terms of between 1 and 6 years. Rental income recognised by the Group for the year ended December 31, 2020 was \$31,873 (2019: \$27,232).

Future minimum lease payments under non-cancellable operating leases as at December 31 were, as follows:

| | 2020 | 2019 |
|--|---------------|---------------|
| Within one year | 18,445 | 26,640 |
| In the first to second year, inclusive | - | 14,071 |
| | <u>18,445</u> | <u>40,711</u> |

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

23 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.

(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 balances with banks, deposits from customers and other debt securities issued.

Revenue and expenses are allocated to the reportable segments with reference to interest income 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)

23 Segmental information (continued)

(a) Reportable segments (continued)

| | 2020 | | | | | Total |
|---|--|---------------------|-------------------------------|-----------|------------------------------|-------------|
| | Corporate, institutional and commercial banking | Consumer banking | Treasury & management pool | Others | Inter-segment elimination | |
| Net interest income | 2,561,418 | 1,649,351 | 1,184,678 | (4,684) | - | 5,390,763 |
| Net fees and commission income | 627,250 | 624,491 | (10,047) | 659,005 | - | 1,900,699 |
| Total operating income | | | | | | |
| – External | 6,123,821 | (1,301,981) | 2,705,385 | 722,029 | - | 8,249,254 |
| – Inter-segment | (2,499,729) | 3,681,502 | (1,177,680) | (4,093) | - | - |
| Total operating income | 3,624,092 | 2,379,521 | 1,527,705 | 717,936 | - | 8,249,254 |
| Depreciation | (100,216) | (338,101) | (17,084) | (113,054) | - | (568,455) |
| Total operating expenses | (861,482) | (1,718,520) | (164,571) | (606,408) | - | (3,350,981) |
| Operating profit before impairment losses | 2,762,610 | 661,001 | 1,363,134 | 111,528 | - | 4,898,273 |
| (Charge on)/release of expected credit losses and other impairment | 71,434 | (546,358) | 38,937 | (700) | - | (436,687) |
| Non-operating income/(losses) | (330) | (853) | - | 59,632 | - | 58,449 |
| Profit before taxation | 2,833,714 | 113,790 | 1,402,071 | 170,460 | - | 4,520,035 |
| <u>As at December 31, 2020</u> | | | | | | |
| Total assets | 254,616,898 | 50,515,763 | 161,806,511 | 8,365,027 | (798,761) | 474,505,438 |
| Total liabilities | 152,399,368 | 222,385,383 | 18,333,997 | 4,860,886 | (798,761) | 397,180,873 |

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

23 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 |
| Total operating income | | | | | | |
| – 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 | - | - |
| Total operating income | 3,011,121 | 2,593,530 | 1,903,691 | 864,338 | - | 8,372,680 |
| Depreciation | (91,924) | (322,650) | (13,322) | (137,411) | - | (565,307) |
| Total operating expenses | (693,463) | (1,696,215) | (137,404) | (758,912) | - | (3,285,994) |
| 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 associate | - | - | - | 47,000 | - | 47,000 |
| Non-operating income/(losses) | (46) | (7) | - | 40,843 | - | 40,790 |
| Profit before taxation | 1,656,342 | 758,591 | 1,760,715 | 193,462 | - | 4,369,110 |
| <u>As at December 31, 2019</u> | | | | | | |
| 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)

23 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 and interest in a joint venture 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.

| | Total operating income | Profit before taxation | Total assets | Total liabilities | Specified non-current assets | Contingent liabilities and commitments |
|----------------------------------|------------------------------|------------------------------|--------------------|----------------------|------------------------------------|--|
| As at December 31, 2020 | | | | | | |
| Hong Kong (place of domicile) | <u>8,249,254</u> | <u>4,520,035</u> | <u>474,505,438</u> | <u>397,180,873</u> | <u>6,443,529</u> | <u>105,810,312</u> |
| | Total operating income | Profit before taxation | Total assets | Total liabilities | Specified non-current assets | Contingent liabilities and commitments |
| As at December 31, 2019 | | | | | | |
| 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> |

24 Immediate parent and ultimate controlling party

At December 31, 2020 and December 31, 2019, the Bank's immediate parent is CCB Overseas Holdings Limited ("CCBOHL"), a company incorporated in Hong Kong. CCBOHL is controlled by CCBC. Central Huijin Investment Ltd. is the controlling party of CCBC, 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, CCBC, which is a listed bank incorporated in the Mainland China, produces financial statements available for public use.

25 Events after the reporting period

There are no significant events after the reporting period.

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, 2020.

2 Announcement and statutory financial statements

This announcement is published on the Group's website (<http://www.asia.ccb.com/hongkong>) by April 30, 2021. The statutory financial statements for the year ended December 31, 2020 will be published on the aforesaid website by the end of June 2021.

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.