

FOR IMMEDIATE RELEASE



**China Construction Bank (Asia) Announces
Consolidated Net Profit after Tax of HKD3,574 Million for 2018**

Hong Kong – April 30, 2019 – China Construction Bank (Asia) Corporation Limited ["CCB (Asia)"] today announced its consolidated net profit after tax to reach HKD3,574 million for the year ended December 31, 2018, an increase of HKD306 million or 9.4%, as compared with 2017. Set out below are the highlights:

Total operating income of CCB (Asia) for the year of 2018 amounted to HKD8,222 million, an increase of 11.0% as compared with that of 2017. If including the interest income of trading advances to customers and trade bills of HKD140 million and the hedging FX and interest rate swaps expense of HKD5 million, net interest income amounted to HKD6,255 million, increased by 25.0% as compared with 2017. Non-interest income after excluding the aforesaid interest and hedging income was HKD1,967 million, representing a decrease of 18.2% as compared with 2017, mainly attributable to the reduction in net trading income of HKD512 million.

Total operating expenses rose by 4.2% to HKD3,206 million and the cost-to-income ratio dropped by 2.5 percentage points to 39.0%.

In 2018, the amount of impairment allowance charges was HKD635 million, representing an increase of HKD268 million against 2017. It was mainly due to the increase in collective impairment charge of HKD503 million after considering the countercyclical market movement. On the other hand, there was a reversal in individual impairment charges of HKD127 million compared with a charge of HKD155 million in 2017.

Taxation expenses increased by 16.9% to HKD782 million, which was mainly due to an expansion of operating profit for the year.

-More-

- Continued from Page 1 -



Total consolidated assets as at December 31, 2018 stood at HKD481.0 billion, recording a decrease of 7.7% from HKD521.0 billion at the end of 2017. Advances to customers and trade bills contracted by 11.6% to HKD254.5 billion, mainly resulted from the contraction of loans guaranteed by mainland branches, coupled with certain commercial loans held-for-sale reclassified into financial assets at fair value through profit or loss in accordance with the newly implemented Hong Kong Financial Reporting Standard No. 9. Asset quality continuously maintained at a satisfactory level, with the impaired advances to customers and trade bills representing 0.31% of the total advances to customers and trade bills.

In view of the uplift of market uncertainty, CCB (Asia) exercised a more prudential credit standard. Financial assets measured at amortized costs (formerly known as held-to-maturity investments) decreased by 30.9% to HKD12.1 billion while financial assets measured at fair value through other comprehensive income (formerly known as available-for-sale financial assets) also dropped by 12.3% to HKD86.7 billion when compared with that at the end of 2017. Besides, in order to retain our liquid capital for economic change, cash and balances with banks and central banks, as well as placements with banks increased by 11.6% to HKD111.5 billion when compared with the end of 2017.

Deposits from customers increased by 0.2% to HKD354.1 billion as compared with that at the end of 2017, in which demand deposits and current accounts registered an ideal growth. On the other hand, deposits from other banks decreased by 52.7% to HKD34.6 billion and other debt securities issued also reduced by 2.6% to HKD14.5 billion, leading to a more optimal liability structure.

As at December 31, 2018, CCB (Asia)'s Total Capital Ratio was 19.7%. The average liquidity coverage ratio for 2018 was 206.0%. The leverage ratio for 2018 was 12.1%. The Net Stable Funding Ratio for 2018 was 139.4%. The Impaired Loan Ratio for 2018 was 0.31%. All these ratios were maintained at sound levels and above the regulatory requirements.

For details of the 2018 financial statements, please visit any of CCB (Asia)'s branches or the Bank's website at www.asia.ccb.com.

-More-



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.

-END-

Media Enquiries:

Thomas Poon
SVP – Corporate Communication & Culture
General Management Office
China Construction Bank (Asia)
Tel: (852) 3718 2233
Email: thomas.hy.poon@asia.ccb.com
Website: www.asia.ccb.com

Christine Fong
FVP – Corporate Communication & Culture
General Management Office
China Construction Bank (Asia)
Tel: (852) 3718 2247
Email: christine.st.fong@asia.ccb.com
Website: www.asia.ccb.com

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

	2018	2017
Interest income	13,200,735	10,926,271
Interest expense	<u>(7,080,767)</u>	<u>(5,981,104)</u>
Net interest income	6,119,968	4,945,167
Fees and commission income	1,734,973	1,623,198
Fees and commission expense	<u>(147,506)</u>	<u>(178,582)</u>
Net fees and commission income	1,587,467	1,444,616
Net trading income	416,524	853,510
Net gains from financial instruments designated at fair value through profit or loss	33,828	17,672
Net gains from disposal of financial assets measured at fair value through other comprehensive income	41	-
Net gains from disposal of available-for-sale financial assets	-	76,646
Other operating income	<u>64,409</u>	<u>70,620</u>
Total operating income	8,222,237	7,408,231
Operating expenses	<u>(3,206,427)</u>	<u>(3,075,969)</u>
Operating profit before impairment losses	5,015,810	4,332,262
Charges on expected credit losses	(587,980)	-
Charges on impairment allowances	<u>-</u>	<u>(366,999)</u>
Operating profit	4,427,830	3,965,263
(Losses)/gains on disposal of fixed assets	(1,605)	42
Share of profit/(losses) of joint venture/associate	(22,972)	(28,162)
Impairment charges on joint venture/associate	<u>(47,000)</u>	<u>-</u>
Profit before taxation	4,356,253	3,937,143
Taxation	<u>(781,701)</u>	<u>(668,993)</u>
Profit for the year	<u>3,574,552</u>	<u>3,268,150</u>

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

	2018	2017
Profit for the year	3,574,552	3,268,150
Other comprehensive income/(losses)		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investment revaluation reserve:		
Changes in fair value recognised during the year	-	(266,550)
Reclassification adjustments for amounts transferred to profit or loss	-	(49,383)
Tax effect	-	54,256
Debt instruments measured at fair value through other comprehensive income:		
Changes in fair value recognised during the year	288,725	-
Reclassification adjustments for amounts transferred to profit or loss	42,194	-
Expected credit losses recognised in profit or loss	(15,511)	-
Tax effect	(51,864)	-
Item that may not be reclassified subsequently to profit or loss:		
Equity instruments designated at fair value through other comprehensive income	5,931	-
Other comprehensive income/(losses) for the year, net of tax	269,475	(261,677)
Total comprehensive income for the year	3,844,027	3,006,473

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

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

	2018	2017
ASSETS		
Cash and balances with banks and central banks	78,238,697	81,673,241
Placements with banks	31,753,841	17,997,303
Advances to banks	-	262,498
Advances to customers and trade bills	254,471,410	288,009,874
Financial assets held under resale agreements	1,514,983	-
Financial assets measured at fair value through profit or loss	3,816,227	-
Financial assets measured at fair value through other comprehensive income	86,744,559	-
Financial assets measured at amortised cost	12,065,832	-
Available-for-sale financial assets	-	98,956,057
Held-to-maturity investments	-	17,458,857
Derivative financial instruments	2,756,470	6,788,337
Interest in a joint venture	1,955,713	2,044,996
Interest in an associate	69,223	199,912
Deferred tax assets	396,042	234,912
Fixed assets	3,200,961	3,325,095
Other assets	3,985,945	4,073,631
Total assets	480,969,903	521,024,713
LIABILITIES		
Deposits and balances of banks	32,167,403	73,223,622
Deposits from customers	354,129,879	353,269,333
Financial assets sold under repurchase agreements	2,420,859	-
Other debt securities issued	14,515,909	14,917,044
Derivative financial instruments	2,142,242	6,563,076
Current tax payable	252,269	167,208
Deferred tax liabilities	21,508	20,902
Other liabilities	7,008,032	7,733,982
Subordinated debt	5,833,798	5,812,111
Total liabilities	418,491,899	461,707,278
EQUITY		
Share capital	28,827,843	28,827,843
Other equity instruments	7,811,732	7,812,200
Reserves	25,838,429	22,677,392
Total equity	62,478,004	59,317,435
Total equity and liabilities	480,969,903	521,024,713

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018**

(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 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
Changes in equity for 2018:									
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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

(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, 2017	28,827,843	-	750,956	(300,618)	2,307,924	15,913	62,262	16,834,482	48,498,762
Changes in equity for 2017:									
Profit for the year	-	-	-	-	-	-	-	3,268,150	3,268,150
Other comprehensive losses, net of tax	-	-	-	(261,677)	-	-	-	-	(261,677)
Total comprehensive income for the year	-	-	-	(261,677)	-	-	-	3,268,150	3,006,473
Issues of other equity instruments	-	7,812,200	-	-	-	-	-	-	7,812,200
Balance as at December 31, 2017	<u>28,827,843</u>	<u>7,812,200</u>	<u>750,956</u>	<u>(562,295)</u>	<u>2,307,924</u>	<u>15,913</u>	<u>62,262</u>	<u>20,102,632</u>	<u>59,317,435</u>

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, 2018 which will be delivered to the Registrar of Companies and the HKMA. The auditors expressed an unqualified opinion on those financial statements in their report dated March 22, 2019. The auditor's report did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap 622).

2 Basis of preparation

The Group uses the calendar year as the accounting year, which is from January 1 to December 31.

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.

Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss ("FVPL") are measured at fair value; (ii) financial instruments at fair value through other comprehensive income ("FVOCI") are measured at fair value; (iii) derivative financial instruments are measured at fair value; (iv) financial instruments designated under fair value hedge; (v) certain non-financial assets are measured at designated cost.

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.

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.

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)

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, 2018	December 31, 2017	December 31, 2018	December 31, 2017
CCBS	Securities brokerage business	897,628	898,539	605,904	602,879
CCBN	Custodian and nominee services	39,588	39,029	38,947	38,972
CCBT	Trustee and custodian business	73,962	66,489	39,776	21,313

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 39 to 57 of the statutory financial statements for the year ended December 31, 2017.

(a) HKFRS 9 Financial Instruments

The Group has adopted HKFRS 9 “Financial Instruments” with the date of transition of January 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of HKFRS 9 in previous periods.

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

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

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

(b) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group initially applied HKFRS 15 on January 1, 2018 retrospectively in accordance with HKAS 8 without any practical expedients. The timing or amount of the Group's fees and commission income from contracts with customers was not impacted by the adoption of HKFRS 15. The application of HKFRS 15 did not result in material financial impact.

4 Further accounting development

The Hong Kong Institute of Certified Public Accounts ('HKICPA') has issued a number of amendments and new standards which are not yet effective for the year ended December 31, 2018 and which have not been adopted in the financial statements. Key changes of new standards are summarized as follows.

(a) HKFRS 16 Leases

The Group will apply the standard from its mandatory adoption of January 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses).

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements as of December 31, 2018 in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for Group's operating leases. The Group, as a lessee, applied practical expedients on a lease-by-lease basis in translation. As at the reporting date, the Group has non-cancellable operating lease commitments of \$2,331,604. Of these commitments, approximately \$323,797 relate to short-term leases and low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately \$1,899,988 on January 1, 2019, lease liabilities of \$1,954,697 (after adjustments for prepayments and accrued lease payments as at December 31, 2018).

The Group expects that net profit after tax will decrease by approximately \$4,104 for 2019 as a result of adopting the new rules.

(b) HKFRS 17 Insurance

HKFRS 17 supersedes HKFRS 4 Insurance Contracts. The new standard aims to provide a common global insurance accounting standard that makes the insurers' financial statements more useful and consistent. The application of HKFRS 17 has no material financial 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)

5 Net interest income

	2018	2017
Interest income		
<i>Interest income arising from financial assets that are not measured at fair value through profit or loss</i>		
Placements and advances to banks	1,685,690	1,388,314
Advances to customers and trade bills	8,795,098	6,791,642
Financial assets measured at fair value through other comprehensive income	2,290,091	-
Available-for-sale financial assets	-	2,325,239
Financial assets measured at amortised cost	429,856	-
Held-to-maturity investments	-	421,076
Total interest income	13,200,735	10,926,271
Interest expense		
<i>Interest expense arising from financial liabilities that are not measured at fair value through profit or loss</i>		
Deposits and balances of banks	495,079	610,086
Deposits from customers	5,944,053	4,585,344
Certificates of deposit and other debt securities issued	274,946	421,410
	6,714,078	5,616,840
<i>Interest expense arising from financial liabilities that are measured at fair value through profit or loss</i>		
Certificates of deposit issued	35,392	34,997
	35,392	34,997
<i>Interest expense arising from financial liabilities under fair value hedge</i>		
Certificates of deposit and other debt securities issued	76,424	75,997
Subordinated debt	254,873	253,270
	331,297	329,267
Total interest expense	7,080,767	5,981,104
Net interest income	6,119,968	4,945,167

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

6 Net fees and commission income

	2018	2017
Fees and commission income		
Investment services	161,457	175,613
Securities broking and related services	144,678	154,568
Insurance	176,046	260,213
Remittance, settlement and account management fees	138,558	114,468
Fees received from intermediate holding company	555,673	557,042
Trade finance	50,108	48,148
Cards	144,272	139,647
Credit facilities	360,026	169,367
Others	4,155	4,132
Total fees and commission income	<u>1,734,973</u>	<u>1,623,198</u>
Fees and commission expense		
Cards	(45,325)	(46,079)
Brokerage	(12,647)	(13,845)
Fees paid to intermediate holding company and fellow subsidiaries	(35,151)	(69,593)
Settlement accounts	(13,921)	(15,128)
Others	(40,462)	(33,937)
Total fees and commission expense	<u>(147,506)</u>	<u>(178,582)</u>
Net fees and commission income	<u>1,587,467</u>	<u>1,444,616</u>

The fees and commission income above include income of \$ 554,406 (2017: \$337,162) and expenses of \$ 55,261 (2017: \$46,931) relating to financial assets and financial liabilities not measured at fair value through profit or loss.

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

7 Net trading income

	2018	2017
Gains/(losses) from trading activities		
Foreign exchange	275,087	940,673
Interest rate derivatives	(42,980)	(87,284)
Other debt instruments	157,758	3,944
Other trading	16,256	38,889
	<u>406,121</u>	<u>896,222</u>
 Net gains/(losses) from hedging activities		
Fair value hedges		
- Net gain on hedging instruments	65,312	2,488
- Net loss on hedged items	(54,909)	(45,200)
	<u>10,403</u>	<u>(42,712)</u>
 Total	<u>416,524</u>	<u>853,510</u>

“Foreign exchange” under “Net trading income” includes a net gain of \$63,995 (2017: a gain of \$255,320) 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 Bank and net translation gains and losses on foreign currency denominated assets and liabilities.

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

	2018	2017
Net gains from certificates of deposit issued	33,821	17,672
Net gains from other securities	7	-
	<u>33,828</u>	<u>17,672</u>
Total	<u>33,828</u>	<u>17,672</u>

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

9 Other operating income

	2018	2017
Dividend income from equity financial assets measured at fair value through other comprehensive income		
Unlisted	3,925	-
Listed	134	-
	<u>4,059</u>	<u>-</u>
Dividend income from available-for-sale equity financial assets		
Unlisted	-	3,680
Listed	-	102
	<u>-</u>	<u>3,782</u>
Dividend income from equity financial assets measured at fair value through profit and loss		
Unlisted	1,692	-
Listed	152	-
	<u>1,844</u>	<u>-</u>
Others	<u>58,506</u>	<u>66,838</u>
Total	<u>64,409</u>	<u>70,620</u>

10 Operating expenses

	2018	2017
Staff costs		
Salaries and other benefits	1,678,163	1,541,444
Pension and provident fund costs	101,100	116,868
	<u>1,779,263</u>	<u>1,658,312</u>
Premises and equipment expenses (excluding depreciation)		
Rental of premises	412,053	397,753
Maintenance	63,498	69,270
Leasing of equipment	36,707	31,921
Utilities	17,941	17,526
Others	126,249	115,812
	<u>656,448</u>	<u>632,282</u>
Auditor's remuneration	7,464	8,200
Depreciation	314,164	297,610
Marketing expenses	217,245	252,516
Professional fees	52,383	44,264
Other operating expenses	179,460	182,785
	<u>770,716</u>	<u>785,375</u>
Total	<u>3,206,427</u>	<u>3,075,969</u>

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

11 Charges on expected credit losses/ impairment allowances

	2018	2017
New allowances, net of allowance releases	630,915	404,240
Recoveries of amounts previously written off	<u>(42,935)</u>	<u>(37,241)</u>
Net charges on expected credit losses (2017: impairment allowances)	<u>587,980</u>	<u>366,999</u>
Attributable to		
Balances with banks and central banks and placements with banks	2,715	-
Advances to customers and trade bills	626,311	368,316
Repossessed assets	-	(1,636)
Financial assets measured at fair value through other comprehensive income	(15,510)	-
Financial assets measured at amortised cost	13,694	-
Held to maturity investments	-	319
Other assets	(22,572)	-
Loan commitments	<u>(16,658)</u>	<u>-</u>
Net charges on expected credit losses (2017: impairment allowances)	<u>587,980</u>	<u>366,999</u>

12 Taxation

Taxation in the consolidated statement of profit or loss represents:

	2018	2017
Current tax – Hong Kong Profits Tax		
Provision for the year	853,229	687,799
Under/(over)-provision in respect of prior years	<u>5,382</u>	<u>(93)</u>
	<u>858,611</u>	<u>687,706</u>
Current tax – Overseas		
Provision for the year	711	1,077
Withholding tax in the Mainland	<u>46,997</u>	<u>19,683</u>
	<u>47,708</u>	<u>20,760</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(124,618)</u>	<u>(39,473)</u>
	<u>781,701</u>	<u>668,993</u>

The provision of Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 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)

13 Financial assets measured at fair value through profit or loss

	2018
Other debt securities issued by corporate	276,354
Other debt instruments	3,539,873
	<u>3,816,227</u>

14 Advances to customers and trade bills

(a) Advances to customers and trade bills less impairment

	2018	2017
Net advances to customers		
Gross advances to customers	256,613,787	288,027,512
Dealers' commission and deferred fee income	(283,204)	(172,801)
	256,330,583	287,854,711
Less: Expected credit loss/Impairment allowances		
Collectively assessed	-	(925,424)
Individually assessed	-	(226,147)
Stage 1: 12-month ECL	(1,089,388)	-
Stage 2: Lifetime ECL but not credit-impaired	(780,326)	-
Stage 3: Lifetime ECL and credit-impaired	(197,179)	-
Net advances to customers	254,263,690	286,703,140
Net trade bills		
Trade bills	210,808	1,470,733
Less: Expected credit loss/Impairment allowances		
Collectively assessed	-	(23,867)
Individually assessed	-	(140,132)
Stage 1: 12-month ECL	(36)	-
Stage 2: Lifetime ECL but not credit-impaired	-	-
Stage 3: Lifetime ECL and credit-impaired	(3,052)	-
Net trade bills	207,720	1,306,734
Net advances to customers and trade bills	254,471,410	288,009,874

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

14 Advances to customers and trade bills (continued)

(b) Movement in gross advances to customers and trade bills

The following table shows the reconciliation from the opening balance to the closing balance of gross advances to customers and trade bills.

	2018			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
Balance as at January 1, 2018	275,535,158	7,447,652	832,209	283,815,019
Transfer to stage 1: 12-month ECL	12,390	(12,390)	-	-
Transfer to stage 2: lifetime ECL not credit- impaired	(8,103,831)	8,103,831	-	-
Transfer to stage 3: lifetime ECL credit- impaired	(346,815)	(186,233)	533,048	-
New-added, originated or purchased*	100,654,309	4,187,237	92,417	104,933,963
Derecognised during the year	(126,980,970)	(4,560,722)	(543,331)	(132,085,023)
Write-off	-	-	(122,568)	(122,568)
Balance as at December 31, 2018	240,770,241	14,979,375	791,775	256,541,391

* During 2018, 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)

14 Advances to customers and trade bills (continued)

(c) Movement in change in expected credit loss/ impairment allowances on advances to customers and trade bills (continued)

The following tables show reconciliations from the opening balance to the closing balance of the expected credit loss allowances on advances to customers and trade bills.

	2018			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
Balance as at January 1, 2018	803,570	339,949	379,784	1,523,303
Transfer to stage 1: 12-month ECL	1,548	(1,548)	-	-
Transfer to stage 2: lifetime ECL not credit-impaired	(21,164)	21,164	-	-
Transfer to stage 3: lifetime ECL credit-impaired	(114,615)	(9,779)	124,394	-
Net remeasurement of loss allowances	70,596	(23,951)	6,282	52,927
New financial assets originated or purchased*	358,415	63,017	16,941	438,373
Financial assets that have been derecognised	(267,457)	(95,356)	(231,518)	(594,331)
Write-offs	-	-	(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	1,089,424	780,326	200,231	2,069,981

* During 2018, 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)

14 Advances to customers and trade bills (continued)

(c) Movement in change in expected credit loss/ impairment allowances on advances to customers and trade bills (continued)

As at 31 December 2018, the retail and wholesale portfolios represented \$513,213 and \$1,556,768 or 25% and 75% (1 January 2018: \$427,673 and \$1,095,630 or 28% and 72%), respectively, of the total expected credit loss allowances on advances to customers and trade bills as at 31 December 2018. 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.

Advances to customers	2017		Total
	Collectively assessed allowances	Individually assessed allowances	
As at January 1, 2017	840,574	142,928	983,502
Loans written-off as uncollectible	(138,283)	(10,411)	(148,694)
Recoveries of advances written-off	32,478	4,763	37,241
Impairment losses charged to the statement of profit or loss	190,655	88,867	279,522
As at December 31, 2017	<u>925,424</u>	<u>226,147</u>	<u>1,151,571</u>

Trade bills	2017		Total
	Collectively assessed allowances	Individually assessed allowances	
As at January 1, 2017	1,271	73,934	75,205
Impairment losses charged to the statement of profit or loss	22,596	66,198	88,794
As at December 31, 2017	<u>23,867</u>	<u>140,132</u>	<u>163,999</u>

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

14 Advances to customers and trade bills (continued)

(d) Gross advances to customers by industry sectors (unaudited)

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

	2018		2017	
	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	18,744,581	94.75	16,993,073	11.31
Property investment	32,567,682	83.04	34,511,542	81.09
Financial concerns	33,809,319	72.73	44,486,011	50.78
Stockbrokers	1,070,347	93.46	405,719	92.61
Wholesale and retail trade	5,549,307	67.52	8,283,535	65.81
Manufacturing	4,767,472	43.62	4,317,801	34.47
Transport and transport equipment	8,326,221	76.18	11,153,593	62.11
Recreational activities	354,518	8.84	351,368	7.80
Information technology	3,190,770	98.41	3,114,372	25.26
Others	13,545,491	51.81	11,921,817	55.58
	<u>121,925,708</u>		<u>135,538,831</u>	
Individuals				
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	3,699	100.00	4,420	100.00
Loans for the purchase of other residential properties	16,633,839	99.58	15,087,680	99.29
Credit card advances	4,324,556	0.00	4,878,873	0.00
Others	17,982,997	33.27	20,619,908	26.64
	<u>38,945,091</u>		<u>40,590,881</u>	
Trade finance	<u>3,722,133</u>	51.57	<u>4,354,428</u>	46.77
Advances for use outside Hong Kong	<u>92,020,855</u>	74.25	<u>107,543,372</u>	47.53
Gross advances to customers	<u>256,613,787</u>	72.31	<u>288,027,512</u>	51.32

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

14 Advances to customers and trade bills (continued)

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

	2018		2017	
		% on total advances to customers		% on total advances to customers
Six months or less but over three months	78,691	0.03	23,793	0.01
One year or less but over six months	16,323	0.01	2,987	-
Over one year	111,048	0.04	123,582	0.04
Total gross amount of advances overdue for more than three months	206,062	0.08	150,362	0.05
Expected credit loss / impairment allowances made in respect of the above overdue advances	142,613		127,180	
Net realisable value of collateral held against the overdue advances	132,400		29,648	
Covered portion of overdue advances	132,400		8,536	
Uncovered portion of overdue advances	73,662		141,826	
	206,062		150,362	

As at December 31, 2018, collaterals held with respect of overdue advances to customers are mainly residential properties (2017: automobiles and residential properties).

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

14 Advances to customers and trade bills (continued)

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

	2018		2017	
		% on total trade bills		% on total trade bills
Six months or less but over three months	-	-	-	-
One year or less but over six months	-	-	-	-
Over one year	3,052	1.45	140,132	9.53
Total gross amount of trade bills overdue for more than three months	3,052	1.45	140,132	9.53
Expected credit loss / impairment allowances made in respect of the above overdue trade bills	3,052		140,132	
Net realisable value of collateral held against the overdue trade bills	-		-	
Covered portion of overdue trade bills	-		-	
Uncovered portion of overdue trade bills	3,052		140,132	
	3,052		140,132	

As at December 31, 2018 and 2017, there were no overdue advances to banks.

(g) Rescheduled advances to customers (unaudited)

	2018		2017	
		% on total advances to customers		% on total advances to customers
Rescheduled advances to customers	56,346	0.02	59,153	0.02

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, 2018 and 2017, 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)

15 Financial assets measured at fair value through other comprehensive income

	2018
Treasury bills issued by central governments	23,999,212
Certificates of deposit issued by banks	3,148,734
Other debt securities issued by	
Banks	34,767,953
Corporate	24,780,791
	<u>86,696,690</u>
Equity shares issued by corporate	
Listed outside Hong Kong	30,627
Unlisted	17,242
	<u>47,869</u>
	<u>86,744,559</u>

The unlisted equity investment is made by the Group for being members of the electronic payment system in Hong Kong. Management has no intention to dispose of this investment as at December 31, 2018.

During the year of 2018, there are no significant movements in the gross balances of financial assets measured at fair value through other comprehensive income that resulted in significant changes to the expected credit loss allowances.

16 Available-for-sale financial assets

	2017
Treasury bills issued by central governments	30,176,967
Certificates of deposit issued by banks	664,085
Other debt securities issued by	
Banks	42,132,809
Corporate	25,940,259
	<u>98,914,120</u>
Equity shares issued by corporate	
Listed outside Hong Kong	24,695
Unlisted	17,242
	<u>41,937</u>
	<u>98,956,057</u>

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

17 Financial assets measured at amortised cost

	2018
Gross financial assets measured at amortised cost	12,090,571
Less: Expected credit loss allowances	<u>(24,739)</u>
Net financial assets measured at amortised cost	<u>12,065,832</u>
Represented by	
Debt securities issued by	
Banks	6,199,228
Corporate	<u>5,891,343</u>
	<u>12,090,571</u>
Fair value	
Listed securities	3,574,792
Unlisted securities	<u>8,397,308</u>
	<u>11,972,100</u>

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

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

During the year of 2018, there are no significant movements in the gross balances of financial 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)

18 Held-to-maturity investments

	2017
Held-to-maturity investments	17,467,915
Less: Impairment allowances	
- collectively assessed	<u>(9,058)</u>
	<u>17,458,857</u>
Debt securities issued by	
Banks	14,921,587
Corporate	<u>2,546,328</u>
	<u>17,467,915</u>
Fair value	
Listed securities	1,800,954
Unlisted securities	<u>15,657,241</u>
	<u>17,458,195</u>

The fair value of held-to-maturity financial assets was based on quoted market bid prices.

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

19 Derivative financial instruments

Derivatives include forward, swap 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

	2018				2017			
	Managed in conjunction with financial instruments designated at fair value through profit or loss	Held for trading	Used for accounting hedges	Total	Managed in conjunction with financial instruments designated at fair value through profit or loss	Held for trading	Used for accounting hedges	Total
Exchange rate contracts								
Forwards	12,378,124	270,200,698	-	282,578,822	87,586,464	401,440,678	-	489,027,142
Options purchased	-	975,701	-	975,701	-	44,459,430	-	44,459,430
Options written	-	975,701	-	975,701	-	44,459,430	-	44,459,430
Interest rate swaps	3,644,679	1,276,013	33,763,759	38,684,451	7,794,628	78,144	36,696,248	44,569,020
Currency swaps	7,754,708	-	-	7,754,708	5,685,605	-	-	5,685,605
Equity options purchased/issued	-	-	-	-	-	161,556	-	161,556
Equity swaps	-	-	-	-	-	161,556	-	161,556
	23,777,511	273,428,113	33,763,759	330,969,383	101,066,697	490,760,794	36,696,248	628,523,739

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.

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

19 Derivative financial instruments (continued)

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

	2018			2017		
	Fair value assets	Fair value liabilities	Credit risk weighted amount	Fair value assets	Fair value liabilities	Credit risk weighted amount
Exchange rate contracts						
Forwards	1,702,391	1,756,689	1,353,456	5,672,279	6,093,294	3,284,434
Options						
purchased	7,812	-	-	142,764	-	-
Options written	-	7,812	3,592	-	142,764	224,226
Interest rate swaps	394,072	86,832	152,239	333,325	85,382	168,573
Currency swaps	652,195	290,909	278,563	635,737	237,404	288,747
Equity options						
purchased/issued	-	-	-	4,137	95	-
Equity swaps	-	-	-	95	4,137	4,796
	2,756,470	2,142,242	1,787,850	6,788,337	6,563,076	3,970,776

As at December 31, 2018 and 2017, the credit risk weighted amount was calculated in accordance with the Capital Rules and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 20% to 100% (2017: 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, 2018, no derivative financial instruments have fulfilled the above criteria, and therefore no derivative financial instruments were offset on the statement of financial position (2017: Nil).

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

19 Derivative financial instruments (continued)

(c) Fair values of derivatives designated as hedging instruments

The fair values of derivatives designated as fair value hedges are as follows.

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Interest rate contracts	<u>347,621</u>	<u>82,049</u>	<u>281,947</u>	<u>80,389</u>

Fair value hedges

Fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of debt securities held, certificates of deposit, medium term notes and sub-ordinated debts issued due to movements in market interest rates. At December 31, 2018, the net fair value of interest rate swaps was assets of \$265,572 while at December 31, 2017, the net fair value of interest rate swaps was assets of \$201,558.

20 Other assets

	2018	2017
Gross accrued interest receivable	1,771,735	1,739,427
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(4,783)	-
Stage 2: Lifetime ECL but not credit impaired	(1,483)	-
Stage 3: Lifetime ECL and credit impaired	(51)	-
Net accrued interest receivable	<u>1,765,418</u>	<u>1,739,427</u>
Settlement accounts	290,690	303,933
Customer liability under acceptances	566,454	457,767
Debt securities trade date receivable	166,513	-
Accounts receivable	668,223	1,025,337
Repossessed assets	489	55,813
Refundable deposits	319,085	244,319
Prepaid expenses	112,915	102,956
Others	96,158	144,079
	<u>3,985,945</u>	<u>4,073,631</u>

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

During the year of 2018, there are no significant movements in the gross balances of other assets 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)

21 Deposits from customers

	2018	2017
Demand deposits and current accounts	31,115,147	23,666,420
Savings deposits	64,736,188	58,952,499
Time and call deposits	257,573,125	269,925,700
Structured notes	-	161,556
Other deposits	705,419	563,158
	<u>354,129,879</u>	<u>353,269,333</u>

22 Other debt securities issued

	2018	2017
Other debt securities issued at amortised cost	9,770,535	10,127,917
Other debt securities issued at fair value	2,404,220	2,454,154
Other debt securities under fair value hedge	2,341,154	2,334,973
	<u>14,515,909</u>	<u>14,917,044</u>

As at December 31, 2018, the fair values of other debt securities issued at amortised cost were \$9,797,381 (2017: \$10,212,531).

23 Other liabilities

	2018	2017
Accrued interest payable	2,045,531	1,718,439
Settlement accounts	341,666	295,768
Accounts payable	211,190	488,660
Acceptances outstanding	566,454	457,767
Accrued salaries and welfare	340,358	279,410
Amounts due to intermediate holding companies	2,662,917	2,900,956
Debt securities trade date payable	166,494	-
Accrued expenses	72,220	93,129
Cash collateral received	167,784	1,356,736
Expected credit loss allowances on loan commitments	201,896	-
Others	231,522	143,117
	<u>7,008,032</u>	<u>7,733,982</u>

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)

24 Equity

	2018	2017
Share capital	28,827,843	28,827,843
Other equity instruments	7,811,732	7,812,200
General reserve	750,956	750,956
Investment revaluation reserve	(173,930)	(562,295)
Regulatory reserve	576,966	2,307,924
Other reserve	15,913	15,913
Merger reserve	62,262	62,262
Retained profits	<u>24,606,262</u>	<u>20,102,632</u>
	<u>62,478,004</u>	<u>59,317,435</u>

25 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:

	2018	2017
Direct credit substitutes	628,195	659,080
Transaction-related contingencies	8,365,482	2,454,818
Trade-related contingencies	1,040,083	1,074,184
Other commitments		
which are unconditionally cancellable or automatically cancellable due to the deterioration in the credit worthiness of the borrower	53,713,318	53,002,350
with an original maturity under one year	836,818	7,064,387
with an original maturity over one year	<u>24,025,892</u>	<u>20,568,476</u>
	<u>88,609,788</u>	<u>84,823,295</u>

Contingent liabilities and commitments are credit-related instruments which include letter of credits, 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.

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

26 Assets transferred and collateral accepted as security for assets

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

	2018	
	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	<u>2,406,835</u>	<u>2,420,859</u>

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 on the 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, 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)

27 Liquidity information (Unaudited)

(a) Average liquidity coverage ratio ("LCR")

		2018	2017
		%	%
Average liquidity coverage ratio	– First quarter	156.4	116.8
	– Second quarter	160.2	122.8
	– Third quarter	236.3	138.3
	– Fourth quarter	270.9	187.5

The average LCR for each quarter is based on the arithmetic mean of its LCR as at the end of each working day for each quarter for the Bank as required by the Hong Kong Monetary Authority ("HKMA") for its regulatory purposes.

The LCR of the Bank was maintained at a stable level in the year of 2018.

The Bank manages its liquidity independently of other members of the CCB Group and has not granted any liquidity facility to any group member. However, CCB Head Office provides strong liquidity support to the Bank which forms an important part of the Bank's funding sources.

Other LCR disclosure requirements under the Banking (Disclosure) Rules are published on the Bank's website: <http://www.asia.ccb.com/hongkong>.

The Bank's High Quality Liquidity Assets ("HQLA") consists of cash, balances at central banks and high quality marketable securities issued or guaranteed by sovereigns, central banks, mainland policy banks and non-financial corporate debt securities. The Bank continues to purchase securities issued by other sovereign or central bank entities so as to diversify the composition of its HQLA and to enhance the LCRs of individual currencies.

The currency mismatch between the HQLA and the net cash outflow in the calculation of LCR is controlled and monitored via individual currency LCR limits. The HQLA mix is further governed by concentration caps and limits in accordance with statutory requirements and internal policy requirements for risk management purposes.

The Bank's primary sources of funds are retail and corporate customer deposits, supplemented by wholesale funding such as issuance of certificates of deposit, debts instruments and short-term interbank money market borrowings.

The Bank's customer deposits are mainly denominated in HKD. To meet customers' loan demand, the Bank swaps surplus HKD funding into USD and other foreign currencies. This results in some currency mismatch in the LCR.

The Bank closely monitors all its exchange traded and over-the-counter derivative exposures arising from customer transactions and the corresponding hedging activities with counterparties. Collateral may be required to be posted to counterparties depending on the marked-to-market position of the derivative contracts. Nonetheless, such exposures are not material and hence the impact of the relevant cash outflows was minimal to the LCR levels.

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

27 Liquidity information (Unaudited) (continued)

(b) Quarter-end Net Stable Funding Ratio ("NSFR")

		2018 %
Quarter-end NSFR	- First quarter	126.55
	- Second quarter	128.04
	- Third quarter	136.78
	- Fourth quarter	139.42

The NSFR of the Bank was maintained at a stable level in the year of 2018.

Net stable funding ratio means the ratio of the amount of the Bank's available stable funding ("ASF") to the amount of the Bank's required stable funding ("RSF").

ASF is sum of weighted amounts of the Bank's capital and on-balance sheet liabilities. Retail and corporate customer deposits are the Bank's primary sources of liabilities. Other liabilities include certificates of deposit and term debts issued by the Bank and interbank money market borrowing.

RSF is sum of weighted amounts of the Bank's on-balance sheet assets and off-balance sheet obligations. Loans and funds provided to retail customers and wholesale customers are major components of RSF. Other RSF items include debt securities held by the Bank and interbank money market lending. The Bank's off-balance sheet obligations mainly involve potential drawdown of undrawn committed facilities.

Other NSFR disclosure requirements under the Banking (Disclosure) Rules are published on the Bank's website: <http://www.asia.ccb.com/hongkong>.

28 Capital adequacy ratio and capital management (Unaudited)

Capital adequacy ratio

	Group	
	2018	2017
Common Equity Tier 1 capital ratio	15.1%	13.2%
Tier 1 capital ratio	17.3%	15.4%
Total capital ratio	19.7%	17.8%

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

29 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 and institutional banking

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

(ii) Consumer and commercial banking

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

(iii) Treasury

This segment covers the Bank's treasury operations. 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 management of shareholders' funds and investments in premises, subsidiaries and others.

Segment assets and liabilities are mainly composed of placements 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 fees 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)

29 Segmental information (continued)

(a) Reportable segments (continued)

	2018					Total
	Corporate and Institutional Banking	Consumer and Commercial Banking	Treasury	Others	Inter-segment elimination	
Net interest income	1,588,000	3,056,987	236,691	1,238,290	-	6,119,968
Net fees and commission income	361,839	656,018	(4,782)	574,392	-	1,587,467
Total operating income						
– External	5,217,696	(729,170)	3,355,214	378,497	-	8,222,237
– Inter-segment	(3,058,293)	4,599,491	(3,046,185)	1,504,987	-	-
Total operating income	2,159,403	3,870,321	309,029	1,883,484	-	8,222,237
Depreciation	(38,521)	(192,067)	(10,876)	(72,700)	-	(314,164)
Total operating expenses	(470,399)	(1,985,451)	(159,951)	(590,626)	-	(3,206,427)
Operating profit before change in expected credit losses and impairment loss	1,689,004	1,884,870	149,078	1,292,858	-	5,015,810
(Charge on)/ release of expected credit losses	(383,050)	(214,881)	9,964	(13)	-	(587,980)
Charge on impairment allowances	-	-	-	(47,000)	-	(47,000)
Non-operating income	-	(1,554)	-	(23,023)	-	(24,577)
Profit before taxation	1,305,954	1,668,435	159,042	1,222,822	-	4,356,253
Total assets	177,704,564	89,557,070	206,646,632	7,609,711	(548,074)	480,969,903
Total assets	78,056,086	280,580,546	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)

29 Segmental information (continued)

(a) Reportable segments (continued)

	2017					Total
	Corporate and Institutional Banking	Consumer and Commercial Banking	Treasury	Others	Inter-segment elimination	
Net interest income	1,636,477	2,771,559	(18,089)	555,220	-	4,945,167
Net fees and commission income	162,993	710,973	6,306	564,344	-	1,444,616
Total operating income						
– External	2,998,355	585,483	3,435,575	388,818	-	7,408,231
– Inter-segment	(1,117,843)	3,069,360	(2,755,378)	803,861	-	-
Total operating income	1,880,512	3,654,843	680,197	1,192,679	-	7,408,231
Depreciation and amortization	(33,127)	(178,679)	(10,844)	(74,960)	-	(297,610)
Total operating expenses	(391,991)	(1,937,351)	(138,225)	(608,402)	-	(3,075,969)
Operating profit before impairment losses	1,488,521	1,717,492	541,972	584,277	-	4,332,262
Release of /(charge on) impairment	(257,694)	(109,971)	666	-	-	(366,999)
Non-operating profit	-	-	-	(28,120)	-	(28,120)
Profit before taxation	1,230,827	1,607,521	542,638	556,157	-	3,937,143
Total assets	205,216,356	97,109,961	211,615,947	7,797,733	(715,284)	521,024,713
Total liabilities	93,980,675	267,349,598	96,733,715	4,358,574	(715,284)	461,707,278

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

29 Segmental information (continued)

(b) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers, 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, interests in leasehold land, 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 interest in a joint venture and interest in an associate.

	Revenue from external customers	Profit before taxation	Total assets	Total liabilities	Specified non-current assets	Contingent liabilities and commitments
As at December 31, 2018						
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>
	Revenue from external customers	Profit before taxation	Total assets	Total liabilities	Specified non-current assets	Contingent liabilities and commitments
As at December 31, 2017						
Hong Kong (place of domicile)	<u>7,408,231</u>	<u>3,937,143</u>	<u>521,024,713</u>	<u>461,707,278</u>	<u>5,570,003</u>	<u>84,823,295</u>

30 Immediate parent and ultimate controlling party

At 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.

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, 2018.

2 Announcement and Statutory Financial Statements

This announcement is published on the Group's website (<http://www.asia.ccb.com/hongkong>) by April 30, 2019. The statutory financial statements for the year ended December 31, 2018 will be published on the aforesaid website by June 30, 2019.

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.