

FOR IMMEDIATE RELEASE



**China Construction Bank (Asia) Announces  
Consolidated Net Profit after Tax of HKD1,426 Million for the First Half Year of 2021**

**HONG KONG – September 30, 2021** – China Construction Bank (Asia) Corporation Limited [“CCB (Asia)”] today announced its consolidated net profit after tax to reach HKD1,426 million for the first six months ended June 30, 2021, a decrease of HKD108 million or 7.0%, as compared with the same period in 2020. Set out below are the highlights:

Total operating income of CCB (Asia) for the first half year of 2021 amounted to HKD3,982 million, a decrease of 6.2% as compared with the first half year of 2020. If taken into account the interest income of trading advances to customers and trade bills and the foreign currency swap amortisation income totally HKD90 million, net interest income should amount to HKD2,760 million, decreased by 8.4% as compared with the same period of 2020. Non-interest income after excluding the aforesaid interest income and swap amortization income was HKD1,222 million, representing a decrease of 0.8% as compared with the same period of 2020, of which the net fees and commission income increased by HKD63 million or 7.0% but more than offset by the decrease in net gains from disposal of financial assets measured at fair value through other comprehensive income of HKD130 million.

Total operating expenses increased by 2.0% to HKD1,605 million and the cost-to-income ratio increased by 3.3 percentage points to 40.3% year-on-year.

In the first half year of 2021, the amount of impairment allowance charges was HKD676 million, decreased by HKD199 million compared with the same period of 2020, mainly due to decrease in collective impairment of debt securities and loan and other credit related commitments given the improving pandemic situation and gradually resumed economic activities. The impaired loan ratio at end of June 2021 was 0.97%, decreased by 0.18 percentage point as compared to that as at end of 2020.

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Total consolidated assets stood at HKD511.7 billion as at June 30, 2021, representing an increase of 7.8% from that at end of 2020. The asset structure was further enhanced, with the gross advances to customers and trade bills increased by 11.9% to HKD318.4 billion as compared with that at end of 2020. The financial assets at fair value through other comprehensive income increased by 26.1% to HKD82.6 billion, while the financial assets at amortised cost decreased by 57.3% to HKD6.1 billion. As a whole, the net aggregate balances of these two types of financial assets increased by 11.2%, mainly driven by the increase in debt securities issued by corporates and non-bank financial institutions, coupled with the increase in high quality liquidity debt securities to satisfy the liquidity requirements arising from the business growth during first half year of 2021. On the other hand, the financial assets measured at fair value through profit or loss decreased by 56.0% to HKD4.0 billion as compared with that at end of 2020. The cash and balances with banks and central banks, placement with banks increased by 8.1% to HKD91.1 billion.

Total liabilities increased by 9.1% to HKD433.5 billion, of which deposits from customers increased by 3.8% to HKD383.3 billion as compared with that at end of 2020. The deposit structure was further enhanced, with the demand, current and savings deposits increased by 7.6% to HKD144.7 billion. Besides, deposits and balances of banks increased by 130.4% to HKD37.1 billion to support asset growth but continued to account for only a small proportion to total liabilities.

As at June 30, 2021, CCB (Asia)'s Total Capital Ratio was 20.4%, Leverage Ratio was 14.2% and Net Stable Funding Ratio was 129.6%. The Average Liquidity Coverage Ratio for the first half year of 2021 was 141.1%. The aforementioned ratios continued to be maintained at sound levels and well above regulatory requirements.

CCB (Asia)'s interim financial disclosure statements of 2021 have been compiled in compliance with the Banking (Disclosure) Rules and are available on the Bank's website at [www.asia.ccb.com](http://www.asia.ccb.com).

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

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

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

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**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Note	6 months ended June 30, 2021	6 months ended June 30, 2020
Interest income		3,716,479	6,088,927
Interest expense		(1,046,049)	(3,291,912)
<b>Net interest income</b>	10	<b>2,670,430</b>	2,797,015
Fees and commission income		1,050,656	946,960
Fees and commission expense		(90,566)	(50,473)
<b>Net fees and commission income</b>	11	<b>960,090</b>	896,487
Net trading income	12	206,123	312,165
Net gains from financial instruments designated at fair value through profit or loss	13	31,128	6,479
Net gains from disposal of financial assets measured at fair value through other comprehensive income		82,719	213,248
Other operating income	14	32,322	18,077
<b>Total operating income</b>		<b>3,982,812</b>	4,243,471
Operating expenses	15	(1,605,144)	(1,572,749)
<b>Operating profit before net charges of expected credit losses</b>		<b>2,377,668</b>	2,670,722
Net charge of expected credit losses	16	(676,250)	(874,573)
<b>Operating profit</b>		<b>1,701,418</b>	1,796,149
(Losses)/gains on disposal of fixed assets		(4)	2,087
Share of profit of joint venture		32,719	25,403
<b>Profit before taxation</b>		<b>1,734,133</b>	1,823,639
Taxation	17	(308,224)	(289,445)
<b>Profit for the period</b>		<b>1,425,909</b>	1,534,194

**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**  
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(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>6 months ended June 30, 2021</b>	6 months ended June 30, 2020
<b>Profit for the period</b>	<b>1,425,909</b>	1,534,194
<b>Other comprehensive income</b>		
<b>Items that will be reclassified subsequently to profit or loss:</b>		
Debt instruments measured at fair value through other comprehensive income:		
Changes in fair value recognised during the period	<b>(64,220)</b>	12,621
Reclassification adjustments for amounts transferred to profit or loss	<b>(113,656)</b>	(46,420)
Expected credit losses recognised in profit or loss	<b>19,392</b>	86,811
Tax effect	<b>34,684</b>	5,406
<b>Item that will not be reclassified subsequently to profit or loss:</b>		
Equity instruments designated at fair value through other comprehensive income	<b>(104,549)</b>	1,452
<b>Other comprehensive income for the period, net of tax</b>	<b>(228,349)</b>	59,870
<b>Total comprehensive income for the period</b>	<b>1,197,560</b>	1,594,064

**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**  
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(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	June 30, 2021	December 31, 2020
<b>Assets</b>			
Cash and balances with banks and central banks	18	63,804,493	54,039,149
Placements with banks	19	27,346,118	30,213,346
Advances to customers and trade bills	20	314,881,392	281,464,455
Financial assets measured at fair value through profit or loss	21	3,976,145	9,108,802
Financial assets measured at fair value through other comprehensive income	22	82,610,681	65,510,224
Other assets measured at amortised cost	23	6,147,736	14,317,688
Derivative financial instruments	24	980,133	1,916,804
Interest in a joint venture		1,873,580	1,900,860
Deferred tax assets		458,904	424,473
Fixed assets	25	2,465,321	2,527,817
Right-of-use assets	26	1,913,371	2,014,852
Other assets		5,292,512	11,066,968
<b>Total assets</b>		<b>511,750,386</b>	<b>474,505,438</b>
<b>Liabilities</b>			
Deposits and balances of banks	28	32,888,853	16,077,644
Deposits from customers	29	383,347,697	369,420,713
Financial assets sold under repurchase agreements	30	4,215,299	-
Financial liabilities designated at fair value through profit or loss	31	563,540	418,299
Other debt securities issued	32	1,928,603	1,912,429
Derivative financial instruments	24	935,313	2,222,274
Lease liabilities	27	1,459,400	1,552,237
Current tax payable		386,794	143,498
Deferred tax liabilities		19,520	19,677
Other liabilities		7,811,045	5,414,102
<b>Total liabilities</b>		<b>433,556,064</b>	<b>397,180,873</b>
<b>Equity</b>			
Share capital		28,827,843	28,827,843
Other equity instruments	33	15,589,333	15,589,333
Reserves	34	33,777,146	32,907,389
<b>Total equity</b>		<b>78,194,322</b>	<b>77,324,565</b>
<b>Total equity and liabilities</b>		<b>511,750,386</b>	<b>474,505,438</b>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

		6 months ended June 30, 2021								
		Share capital	Other equity instruments	General reserve	Investment revaluation reserve	Regulatory reserve	Other reserve	Merger reserve	Retained earnings	Total
<b>Balance as at January 1, 2021</b>		<b>28,827,843</b>	<b>15,589,333</b>	<b>750,956</b>	<b>423,621</b>	<b>656,248</b>	<b>15,913</b>	<b>62,262</b>	<b>30,998,389</b>	<b>77,324,565</b>
<b>Changes in equity for 2021:</b>										
	Profit for the period	-	-	-	-	-	-	-	1,425,909	1,425,909
	Other comprehensive income, net of tax	-	-	-	(228,349)	-	-	-	-	(228,349)
	Total comprehensive income for the period	-	-	-	(228,349)	-	-	-	1,425,909	1,197,560
	Coupon paid for other equity instruments	-	-	-	-	-	-	-	(327,803)	(327,803)
	Regulatory reserve	-	-	-	-	9,008	-	-	(9,008)	-
<b>Balance as at June 30, 2021</b>		<b>28,827,843</b>	<b>15,589,333</b>	<b>750,956</b>	<b>195,272</b>	<b>665,256</b>	<b>15,913</b>	<b>62,262</b>	<b>32,087,487</b>	<b>78,194,322</b>
		6 months ended June 30, 2020								
Note		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
	<b>Changes in equity for 2020:</b>									
	Profit for the period	-	-	-	-	-	-	-	1,534,194	1,534,194
	Other comprehensive income, net of tax	-	-	-	59,870	-	-	-	-	59,870
	Total comprehensive income for the period	-	-	-	59,870	-	-	-	1,534,194	1,594,064
33	Issuance of other equity instruments	-	3,876,493	-	-	-	-	-	-	3,876,493
	Coupon paid for other equity instruments	-	-	-	-	-	-	-	(265,642)	(265,642)
	Regulatory reserve	-	-	-	-	(113,848)	-	-	113,848	-
	<b>Balance as at June 30, 2020</b>	<b>28,827,843</b>	<b>15,589,333</b>	<b>750,956</b>	<b>456,473</b>	<b>536,136</b>	<b>15,913</b>	<b>62,262</b>	<b>29,230,643</b>	<b>75,469,559</b>

**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**  
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**FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	6 months ended June 30, 2021	6 months ended June 30, 2020
<b>Operating activities</b>		
Operating profit	1,701,418	1,796,149
Adjustments for:		
Dividend income	(2,782)	(3,233)
Depreciation	290,853	284,409
Net charges on expected credit losses	676,250	874,573
Written-off of loans and advances, net of recoveries	(128,209)	(125,562)
Amortisation of premium/discount on financial assets measured at fair value through other comprehensive income	54,760	(70,014)
Amortisation of premium/discount on other assets measured at amortised cost	(1,130)	(47,187)
Amortisation of discount on other debt securities issued	627	815
Fair value adjustments	(52,131)	(119,675)
Effect of foreign exchange rate changes	(181,863)	100,442
	<u>2,357,793</u>	<u>2,690,717</u>
<b>(Increase)/decrease in operating assets</b>		
Balances and placements with banks and central banks with original maturity beyond three months	1,128,661	2,588,669
Gross advances to banks	-	1,531,434
Gross advances to customers and trade bills	(33,953,746)	(21,889,859)
Financial assets measured at fair value through profit or loss with original maturity beyond three months	5,333,550	2,120,382
Derivative financial instruments	936,671	850,669
Other assets	5,774,456	1,232,193
	<u>(20,780,408)</u>	<u>(13,566,512)</u>
<b>Increase/(decrease) in operating liabilities</b>		
Deposits and balances of banks	16,811,209	2,280,518
Financial assets sold under repurchase agreements	4,215,299	1,391,682
Deposits from customers	13,926,984	(2,722,576)
Derivative financial instruments	(1,286,961)	60,527
Other debt securities issued	15,547	(4,458,010)
Financial liabilities designated at fair value through profit or loss	176,369	114,073
Other liabilities	2,395,402	6,223,369
	<u>36,253,849</u>	<u>2,889,583</u>
<b>Net cash inflow/(outflow) from operations</b>	<u>17,831,234</u>	<u>(7,986,212)</u>



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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

	<b>6 months ended June 30, 2021</b>	6 months ended June 30, 2020
<b>Net cash inflow/(outflow) from operations</b>	<b>17,831,234</b>	(7,986,212)
Hong Kong Profits Tax paid	<b>(63,346)</b>	(994,128)
Withholding tax paid	<b>(1,485)</b>	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>17,766,403</b>	(8,980,340)
Purchase of financial assets measured at fair value through other comprehensive income	<b>(42,412,264)</b>	(40,324,671)
Purchase of other assets measured at amortised cost	<b>(1,209,856)</b>	(4,822,875)
Proceeds received from redemption and disposal of financial assets measured at fair value through other comprehensive income	<b>25,047,367</b>	52,350,705
Proceeds received from redemption and disposal of other assets measured at amortised cost	<b>9,426,862</b>	8,159,464
Proceeds from disposal of fixed assets	<b>(4)</b>	3,126
Purchase of property and equipment	<b>(82,345)</b>	(65,272)
Dividend received from a joint venture	<b>60,000</b>	70,000
Dividends received from listed and unlisted investments	<b>2,782</b>	3,233
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(9,167,458)</b>	15,373,710
Issuance of other equity instruments	-	3,876,650
Cost paid for issuance of other equity instruments	-	(157)
Coupon paid for other equity instruments	<b>(327,803)</b>	(265,642)
Principal portion of lease payments	<b>(132,710)</b>	(129,742)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(460,513)</b>	3,481,109
<b>Increase in cash and cash equivalents</b>	<b>8,138,432</b>	9,874,479
<b>Cash and cash equivalents as at January 1</b>	<b>60,800,808</b>	51,473,628
Effect of foreign exchange rate changes	<b>67,385</b>	(294,752)
<b>Cash and cash equivalents as at June 30</b>	<b>69,006,625</b>	61,053,355
<b>Cash flows from operating activities include:</b>		
Interest received	<b>3,806,664</b>	6,432,480
Interest paid	<b>(1,152,691)</b>	(3,904,396)
Interest paid – interest portion of lease payments	<b>(25,726)</b>	(29,573)

**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENTS**

**(1) BASIS OF PREPARATION**

These condensed consolidated interim financial information disclosure statements were authorised for issue on September 24, 2021 and have been prepared in accordance with the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority ("HKMA") and in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

**(2) BASIS OF CONSOLIDATION**

The condensed consolidated interim financial information disclosure statements cover the consolidated position of the China Construction Bank (Asia) Corporation Limited ("the Bank") and its subsidiaries (together referred to as "the Group"), and the Group's interest in a joint venture up to June 30, 2021.

Unless otherwise stated, all financial information contained is prepared according to the consolidation basis for accounting purposes.

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.

**(3) STATEMENT OF COMPLIANCE**

In preparing the unaudited condensed consolidated interim financial information disclosure statements for the first six months ended June 30, 2021, the Bank has fully complied with the disclosure provisions of the Banking (Disclosure) Rules.

**(4) STATUTORY FINANCIAL STATEMENTS**

The financial information relating to the year ended December 31, 2020 that is included in the condensed consolidated interim financial information for the six months ended June 30, 2021 as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is extracted from those financial statements which have been delivered to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and to the HKMA.

The Group's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

**(5) CHANGES IN ACCOUNTING POLICIES**

The accounting policies applied, Hong Kong Financial Reporting Standards ("HKFRSs"), are consistent with those of the consolidated financial statements for the year ended December 31, 2020, except for the following revised HKFRSs for the first time for the current period's financial information:

Phase 2 amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

Interest Rate Benchmark reform, which effective for annual period beginning on or after January 1, 2021.  
Covid-19 related Rent Concessions beyond 30 June 2021

**CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED**  
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENTS**  
**(CONTINUED)**

**(5) CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

a) Amendment to HKFRS 16 covid-19 related rent concessions beyond 30 June 2021

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. In March 2021, the International Accounting Standards Board amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). 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, 2022; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment retrospectively applies to annual reporting periods beginning on or after April 1, 2021.

The Group has early adopted the amendment on January 1, 2021 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended June 30, 2021.

b) Interest Rate Benchmark Reform Phase 2 amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform Phase 2 Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 ("the Phase 2 Amendments") was issued in August 2020. The Phase 2 Amendments provide the following changes in respect of financial instruments that are directly required by the Reform:

- A practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted;
- Reliefs from discontinuing hedge relationships;
- Temporary relief from having to meet the separately identifiable requirement when an risk-free rates ("RFR") instrument is designated as a hedge of a risk component; and
- Additional HKFRS 7 disclosures.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENTS**  
**(CONTINUED)**

**(5) CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

b) Interest Rate Benchmark Reform Phase 2 amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16  
(continued)

*IBOR transition*

Despite the wide application of Interbank Offered Rate ("IBOR") in the financial contracts, the current mechanism of determining interbank offered rates has long been criticized as inadequate and inherently subject to subjectivity due to its heavy reliance on "expert judgement" during the submission of the quotes by the panel banks.

Over the past few years, the Financial Stability Board ("FSB") has been working with authorities and standard-setting bodies to develop reform proposals to enhance the robustness of interest rate benchmarks. In July 2017, the UK's Financial Conduct Authority ("FCA") preliminarily announced that it will no longer persuade or require panel banks to submit rates for the London interbank offered rate ("LIBOR") after 2021. In March 2021, FCA decided to postpone the dates that panel bank submissions for some of USD LIBOR settings will cease, and finally announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative as below:

- December 31, 2021 – for all Sterling ("GBP"), Euro ("EUR"), Swiss Franc ("CHF") and Japanese Yen ("JPY") settings, and the 1-week and 2-month US Dollar ("USD") settings; and
- June 30, 2023 – for the remaining USD settings (i.e. USD overnight, 1-month, 3-month, 6-month and 12-month)

To ensure smooth transition from IBORs, the Group has established a working group to oversee and drive the IBOR transition to alternative reference rates ("ARRs"). The working group is led by Deputy Chief Executive and is comprised of representatives from the business divisions, Treasury Division, Finance Division, Risk Management Division and other related divisions. The Group has outlined a transition strategy planning with well specified timeline. By schedule, the Group has completed IBOR transition impact assessment and backbook migration plan, and made a good progress in many areas, including but not limited to system enhancement, client outreach and contract remediation.

*Risks arising from IBOR transition*

The transition from IBORs to ARRAs creates uncertainty in terms of changes in fair value of financial instruments. The asymmetric adoption of ARRAs across assets and liabilities also creates basis risk that needs to be managed proactively. In response, the Group has established effective risk control and management frameworks in order to monitor and manage the risks arising out of the IBOR transition.

In addition to the financial risks resulting from the transition to ARRAs, the Group has also been actively managing the legal and conduct risks that arise from the selling activities of new ARR benchmark products and amendments of existing LIBOR contracts that are potentially subject to cessation risks.

The Group has organized an extensive series of trainings covering up-to-date IBOR transition information, new product selling, client communication, backbook exposure and contract remediation management tactics to frontline staff, and has a range of tools and playbooks in place to facilitate the smooth engagement, communication with clients, and to help increase clients' awareness on transition actions and risks. Substantial efforts have also been put into the negotiation and modification of the outstanding LIBOR contracts with the clients to include adequate, effective provisions to protect against the cessation of the LIBOR benchmark rate.

The Group is dedicated to facilitate the orderly transition from IBOR to the new ARRAs and to uphold our clients, market counterparties' interest throughout the transition process. The Group will continue to press ahead on the remediation of in-scope contracts and exposures in the Group's portfolio, proactively manage and mitigate the associated risk of the transition in 2021 and onwards.

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

**(5) CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

b) Interest Rate Benchmark Reform Phase 2 amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16  
(continued)

*Financial instruments impacted by IBOR reform*

Amendments to HKFRSs issued in October 2020 (Interest Rate Benchmark Reform Phase 2) represents the second phase of the project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of reform.

Under these amendments, changes made to a financial instrument that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

The table below presents the impact on financial instruments that have yet to transition to an alternative benchmark rate as at June 30, 2021, disaggregated by significant interest rate benchmark subject to interest rate benchmark reform.

	June 30, 2021		
	Non derivative financial assets – carrying amount	Non derivative financial liabilities – carrying amount	Derivatives nominal amount
USDLIBOR (1 month)	15,239,661	-	2,329
USDLIBOR (2 month)	1,482,720	-	-
USDLIBOR (3 month)	42,181,042	-	3,268,981
USDLIBOR (6 month)	3,460,634	-	8,191,631
GBPLIBOR (3 month)	1,803,821	-	-
	<b>64,167,878</b>	-	<b>11,462,941</b>
<i>Cross currency swap</i>			
Fixed to USDLIBOR (3 month)			468,664
Fixed to USDLIBOR (6 month)			1,273,548
HKDHIBOR (3 month) to USDLIBOR (3 month)			620,608
USDLIBOR (3 month) to EURIBOR (3 month)			1,166,475
			<b>3,529,295</b>
	<b>64,167,878</b>	-	<b>14,992,236</b>

The above table represents non derivative financial assets on the basis of their gross carrying amount excluding the allowances of expected credit loss ("ECL").

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**(5) CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

c) New HKFRSs not yet effective for the year ending December 31, 2021

The Group does not early adopt the following HKFRSs which were issued, but not yet effective for the financial year ending December 31, 2021:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use, which effective for annual period beginning on or after January 1, 2022.
Amendments to HKFRS 3	Reference to the Conceptual Framework, which effective for annual period beginning on or after January 1, 2022.
Amendments to HKAS 37	Onerous Contracts Cost of Fulfilling a Contract, which effective for annual period beginning on or after January 1, 2022.
Annual Improvement to HKFRS 2018-2020	Amendments to HKFRS 1, HKFRS 9, illustrative Examples accompanying HKFRS 16 and HKAS 41, which effective for annual period beginning on or after January 1, 2022.
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current, which effective for annual period beginning on or after January 1, 2023.
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies, which effective for annual period beginning on or after January 1, 2023.
Amendments to HKAS 8	Definition of Accounting Estimates, which effective for annual period beginning on or after January 1, 2023.
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, which effective date is to be determined.
Amendments to HKAS 12	Deferred tax related to Asset and Liabilities arising from a Single Transaction, which effective for annual period beginning on or after January 1, 2023.

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**(CONTINUED)**

**(6) ESTIMATES**

The preparation of condensed consolidated interim financial information requires management to make judgment, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgment made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2020.

**(7) FINANCIAL RISK MANAGEMENT**

The Group continuously monitors and identifies risks. Our principal risks are credit risk, liquidity risk, market risk, operational risk, regulatory compliance risk, financial crime risk, reputational risk, pension risk and sustainability risk. There is no material change in the principal risks and uncertainties for the remaining six months of the financial year, the description of which can be found in the risk report of the consolidated financial statements for the year ended December 31, 2020. A summary of our current policies and practices regarding the management of risk is set out in the "Financial risk management" section of the Annual Report 2020.

**(a) Credit risk**

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk exists in the Group's loans, leases, credit cards, trade finance and treasury transactions. There is also credit risk in off-balance sheet financial arrangements such as loan commitments, trade-related contingencies and transaction-related contingencies.

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**(7) FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Credit risk (continued)**

(i) Expected credit loss measurement

Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and by staging:

As at June 30, 2021	Gross carrying/ notional amount					Total	ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss			
<b>On balance sheet:</b>								
Placements with and advances to bank at amortised cost – stage 1	<b>27,346,281</b>	-	-	-	-	<b>27,346,281</b>	<b>(163)</b>	<b>27,346,118</b>
Advances to customers and trade bills at amortised cost:								
Stage 1	292,500,675	-	-	-	-	292,500,675	(1,245,170)	291,255,505
Stage 2	20,202,169	2,083,949	-	-	-	22,286,118	(785,518)	21,500,600
Stage 3	-	-	1,875,631	1,215,980	5,406	3,097,017	(1,454,689)	1,642,328
<b>Advances to customers</b>	<b>312,702,844</b>	<b>2,083,949</b>	<b>1,875,631</b>	<b>1,215,980</b>	<b>5,406</b>	<b>317,883,810</b>	<b>(3,485,377)</b>	<b>314,398,433</b>
Trade bills – stage 1	<b>483,033</b>	-	-	-	-	<b>483,033</b>	<b>(74)</b>	<b>482,959</b>
Other financial assets measured at amortised cost:								
Cash and balances with banks and central banks – stage 1	<b>63,805,920</b>	-	-	-	-	<b>63,805,920</b>	<b>(1,427)</b>	<b>63,804,493</b>
Stage 1	6,116,696	-	-	-	-	6,116,696	(7,853)	6,108,843
Stage 2	39,196	-	-	-	-	39,196	(303)	38,893
<b>Other assets measured at amortised cost</b>	<b>6,155,892</b>	-	-	-	-	<b>6,155,892</b>	<b>(8,156)</b>	<b>6,147,736</b>



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(7) FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Expected credit loss measurement (continued)

Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and by staging: (continued)

As at June 30, 2021 (continued)	Gross carrying/ notional amount					Total	ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss			
<b>On balance sheet: (continued)</b>								
Other assets – stage 1	5,292,512	-	-	-	-	5,292,512	-	5,292,512
Stage 1	81,027,947	-	-	-	-	81,027,947	(59,982)	80,967,965
Stage 2	1,582,734	-	-	-	-	1,582,734	(4,678)	1,578,056
Financial assets measured at fair value through other comprehensive income	82,610,681	-	-	-	-	82,610,681	(64,660)	82,546,021
<b>Total gross carrying amount/ fair value on balance sheet</b>	<b>498,397,163</b>	<b>2,083,949</b>	<b>1,875,631</b>	<b>1,215,980</b>	<b>5,406</b>	<b>503,578,129</b>	<b>(3,559,857)</b>	<b>500,018,272</b>
<b>Off balance sheet:</b>								
Loans and other credit related commitments	97,783,259	-	-	-	-	97,783,259	(316,322)	97,466,937
<b>Total nominal amount off balance sheet</b>	<b>97,783,259</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97,783,259</b>	<b>(316,322)</b>	<b>97,466,937</b>
<b>Total at as June 30, 2021</b>	<b>596,180,422</b>	<b>2,083,949</b>	<b>1,875,631</b>	<b>1,215,980</b>	<b>5,406</b>	<b>601,361,388</b>	<b>(3,876,179)</b>	<b>597,485,209</b>

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**(7) FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Credit risk (continued)**

(i) Expected credit loss measurement (continued)

Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and by staging: (continued)

As at December 31, 2020	Gross carrying/notional amount					Total	ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss			
On balance sheet:								
Placements with and advances to bank at amortised cost – stage 1	30,215,249	-	-	-	-	30,215,249	(1,903)	30,213,346
Advances to customers and trade bills at amortised cost:								
Stage 1	259,239,368	-	-	-	-	259,239,368	(1,063,287)	258,176,081
Stage 2	18,299,061	3,559,947	-	-	-	21,859,008	(713,775)	21,145,233
Stage 3	-	-	2,689,232	516,343	77,423	3,282,998	(1,171,579)	2,111,419
Advances to customers	277,538,429	3,559,947	2,689,232	516,343	77,423	284,381,374	(2,948,641)	281,432,733
Trade bills – stage 1	31,723	-	-	-	-	31,723	(1)	31,722
Other financial assets measured at amortised cost:								
Cash and balances with banks and central banks – stage 1	54,039,682	-	-	-	-	54,039,682	(533)	54,039,149
Stage 1	14,290,932	-	-	-	-	14,290,932	(11,884)	14,279,048
Stage 2	39,127	-	-	-	-	39,127	(487)	38,640
Other assets measured at amortised cost	14,330,059	-	-	-	-	14,330,059	(12,371)	14,317,688

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**(7) FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Credit risk (continued)**

(i) Expected credit loss measurement (continued)

Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and by staging: (continued)

As at December 31, 2020 (continued)	Gross carrying/notional amount						ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss	Total		
On balance sheet: (continued)								
Stage 1	11,065,333	-	-	-	-	11,065,333	-	11,065,333
Stage 3	-	-	-	1,635	-	1,635	-	1,635
Other assets	11,065,333	-	-	1,635	-	11,066,968	-	11,066,968
Stage 1	63,935,647	-	-	-	-	63,935,647	(37,726)	63,897,921
Stage 2	1,574,577	-	-	-	-	1,574,577	(7,952)	1,566,625
Financial assets measured at fair value through other comprehensive income	65,510,224	-	-	-	-	65,510,224	(45,678)	65,464,546
<b>Total gross carrying amount - on balance sheet</b>	<b>452,730,699</b>	<b>3,559,947</b>	<b>2,689,232</b>	<b>517,978</b>	<b>77,423</b>	<b>459,575,279</b>	<b>(3,009,127)</b>	<b>456,566,152</b>
Off balance sheet:								
Financial guarantees, loan commitments and other credit related commitments	105,810,312	-	-	-	-	105,810,312	(319,440)	105,490,872
<b>Total nominal amount - off balance sheet</b>	<b>105,810,312</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,810,312</b>	<b>(319,440)</b>	<b>105,490,872</b>
<b>Total at as December 31, 2020</b>	<b>558,541,011</b>	<b>3,559,947</b>	<b>2,689,232</b>	<b>517,978</b>	<b>77,423</b>	<b>565,385,591</b>	<b>(3,328,567)</b>	<b>562,057,024</b>

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**(7) FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Liquidity risk**

The table below sets out the maturity profile of assets and liabilities analysed by the remaining period to repayment as at the reporting date:

**As at June 30, 2021**

	Repayable on demand	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	Undated	Total
<b>Assets</b>								
Cash and balances with banks and central banks	20,784,970	43,019,523	-	-	-	-	-	63,804,493
Placements with banks	-	-	7,027,472	2,651,334	17,667,312	-	-	27,346,118
Advances to customers and trade bills	2,457,761	81,086,374	35,978,905	39,250,280	111,355,477	44,752,595	-	314,881,392
Financial assets measured at fair value through profit or loss	-	556,585	-	318,338	1,971,394	1,044,370	85,458	3,976,145
Financial assets measured at fair value through other comprehensive income	-	370,025	14,910,946	15,212,046	38,024,866	13,922,917	169,881	82,610,681
Other assets measured at amortised cost	-	-	1,144,275	1,973,277	3,030,184	-	-	6,147,736
Derivative financial instruments	-	489,258	216,156	160,342	82,640	31,737	-	980,133
Interest in a joint venture	-	-	-	-	-	-	1,873,580	1,873,580
Deferred tax assets	-	-	-	-	-	-	458,904	458,904
Fixed assets	-	-	-	-	-	-	2,465,321	2,465,321
Right-of-use assets	-	120	187	13,999	303,037	1,069,485	526,543	1,913,371
Other assets	1,392	4,731,156	141,986	313,935	-	-	104,043	5,292,512
<b>Total assets</b>	<b>23,244,123</b>	<b>130,253,041</b>	<b>59,419,927</b>	<b>59,893,551</b>	<b>172,434,910</b>	<b>60,821,104</b>	<b>5,683,730</b>	<b>511,750,386</b>

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**(7) FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Liquidity risk (continued)**

The table below sets out the maturity profile of assets and liabilities analysed by the remaining period to repayment as at the reporting date: (continued)

**As at June 30, 2021 (continued)**

	Repayable on demand	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	Undated	Total
<b>Liabilities</b>								
Deposits and balances of banks	4,585,848	13,383,176	6,297,445	8,622,384	-	-	-	32,888,853
Deposits from customers	145,951,999	89,916,991	116,697,384	30,781,323	-	-	-	383,347,697
Financial assets sold under repurchase agreements	-	-	4,215,299	-	-	-	-	4,215,299
Financial liabilities designated at fair value through profit or loss	-	347,941	128,400	87,199	-	-	-	563,540
Other debt securities issued	-	-	-	1,209,748	718,855	-	-	1,928,603
Derivative financial instruments	-	208,592	269,944	230,212	93,027	133,538	-	935,313
Lease liabilities	-	25,446	42,768	187,079	883,231	320,876	-	1,459,400
Current tax payable	-	-	-	386,794	-	-	-	386,794
Deferred tax liabilities	-	-	-	-	-	-	19,520	19,520
Other liabilities	-	3,641,440	139,504	1,381,053	-	-	2,649,048	7,811,045
<b>Total liabilities</b>	<b>150,537,847</b>	<b>107,523,586</b>	<b>127,790,744</b>	<b>42,885,792</b>	<b>1,695,113</b>	<b>454,414</b>	<b>2,668,568</b>	<b>433,556,064</b>
<b>Net assets/(liabilities) gap</b>	<b>(127,293,724)</b>	<b>22,729,455</b>	<b>(68,370,817)</b>	<b>17,007,759</b>	<b>170,739,797</b>	<b>60,366,691</b>	<b>3,015,161</b>	<b>78,194,322</b>
Of which:								
Debt securities included in:								
- Financial assets measured at fair value through other comprehensive income	-	370,025	14,910,946	15,212,046	38,024,866	13,922,917	-	82,440,800
- Other assets measured at amortised cost	-	-	1,144,275	1,973,277	3,030,184	-	-	6,147,736

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**(7) FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Liquidity risk (continued)**

The table below sets out the maturity profile of assets and liabilities analysed by the remaining period to repayment as at the reporting date: (continued)

As at December 31, 2020	Repayable on demand	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	Undated	Total
<b>Assets</b>								
Cash and balances with banks and central banks	21,711,553	32,327,596	-	-	-	-	-	54,039,149
Placements with banks	-	-	12,088,944	301,656	17,822,746	-	-	30,213,346
Advances to customers and trade bills	2,843,057	66,852,101	20,439,365	49,755,422	100,288,384	41,286,126	-	281,464,455
Financial assets measured at fair value through profit or loss	-	183,526	-	4,661,247	2,956,438	1,214,958	92,633	9,108,802
Financial assets measured at fair value through other comprehensive income	-	3,484,768	7,233,696	21,200,055	24,426,212	8,891,063	274,430	65,510,224
Other assets measured at amortised cost	-	999,953	4,769,316	4,766,259	3,782,160	-	-	14,317,688
Derivative financial instruments	-	581,874	380,348	781,585	141,369	31,628	-	1,916,804
Interest in a joint venture	-	-	-	-	-	-	1,900,860	1,900,860
Deferred tax assets	-	-	-	-	-	-	424,473	424,473
Fixed assets	-	-	-	-	-	-	2,527,817	2,527,817
Right-of-use assets	-	-	982	21,885	328,437	1,135,997	527,551	2,014,852
Other assets	1,759	10,644,061	50,192	243,756	166	1,635	125,399	11,066,968
<b>Total assets</b>	<b>24,556,369</b>	<b>115,073,879</b>	<b>44,962,843</b>	<b>81,731,865</b>	<b>149,745,912</b>	<b>52,561,407</b>	<b>5,873,163</b>	<b>474,505,438</b>

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**(7) FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Liquidity risk (continued)**

The table below sets out the maturity profile of assets and liabilities analysed by the remaining period to repayment as at the reporting date: (continued)

As at December 31, 2020 (continued)	Repayable on demand	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	Undated	Total
Liabilities								
Deposits and balances with banks	2,027,726	13,794,370	255,548	-	-	-	-	16,077,644
Deposits from customers	136,182,889	91,276,912	123,008,221	18,952,691	-	-	-	369,420,713
Financial liabilities designated at fair value through profit or loss	-	241,574	114,317	62,408	-	-	-	418,299
Other debt securities issued	-	-	-	1,199,669	712,760	-	-	1,912,429
Derivative financial instruments	-	439,666	505,528	813,779	262,410	200,891	-	2,222,274
Lease liabilities	-	25,770	42,830	187,965	899,102	396,570	-	1,552,237
Current tax payable	-	-	-	143,498	-	-	-	143,498
Deferred tax liabilities	-	-	-	-	-	-	19,677	19,677
Other liabilities	-	1,317,315	53,182	1,404,632	-	-	2,638,973	5,414,102
<b>Total liabilities</b>	<b>138,210,615</b>	<b>107,095,607</b>	<b>123,979,626</b>	<b>22,764,642</b>	<b>1,874,272</b>	<b>597,461</b>	<b>2,658,650</b>	<b>397,180,873</b>
<b>Net assets/(liabilities) gap</b>	<b>(113,654,246)</b>	<b>7,978,272</b>	<b>(79,016,783)</b>	<b>58,967,223</b>	<b>147,871,640</b>	<b>51,963,946</b>	<b>3,214,513</b>	<b>77,324,565</b>
Of which:								
Debt securities included in:								
- Financial assets measured at fair value through other comprehensive income	-	3,484,768	7,233,696	21,200,055	24,426,212	8,891,063	-	65,235,794
- Other assets measured at amortised cost	-	999,953	4,769,316	4,766,259	3,782,160	-	-	14,317,688

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**(8) FAIR VALUE MEASUREMENT**

**(a) Financial assets and liabilities measured at fair value**

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures fair value using the following hierarchy method:

- Level 1: fair values measured using quoted market prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes quoted prices in active markets for similar financial instruments, or quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: fair values measured using significant unobservable inputs. This category includes inputs to valuation techniques not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Where available, the most suitable measure for fair value is the quoted market prices in an active market. In the absence of active markets for most of the unlisted securities and over-the-counter derivatives, direct market prices of these financial instruments may not be available. The fair values of such instruments are therefore calculated based on established valuation techniques (i.e. Market Comparable Approach) by using observable and comparable market parameters or market prices provided by counterparties. Independent price verification or reasonableness check is performed if fair values are determined by reference to externally quoted prices.

Options and equity swaps traded over the counter are valued using broker quotes price. The fair value of foreign exchange contracts are valued by observable foreign exchange rates and forward points at the reporting date. Other derivative financial instruments, including interest rate swaps and currency swaps, are valued through estimated future cash flows and discounting with appropriate yield curves.

For structured deposits, this class of instruments includes certain deposits received from customers that are embedded with derivatives. The valuation of the underlying deposits is derived by using net present value of expected cash flow taking the Group's own credit risk into account. The valuation method of the embedded derivative is the same as other derivatives mentioned as above.



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**(8) FAIR VALUE MEASUREMENT (CONTINUED)**

**(a) Financial assets and liabilities measured at fair value (continued)**

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised:

<b>As at June 30, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets measured at fair value through profit or loss				
Fund investments	27,129	58,329	-	85,458
Other debt securities	-	413,913	-	413,913
Trading loans	-	3,476,774	-	3,476,774
Financial assets measured at fair value through other comprehensive income				
Treasury bills/bonds	18,327,181	14,816,776	-	33,143,957
Certificates of deposit	236,540	4,387,188	-	4,623,728
Other debt securities	29,367,227	15,305,888	-	44,673,115
Equity securities	50,203	-	119,678	169,881
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	877,598	-	877,598
Options purchased	-	40	-	40
Interest rate swaps	-	46,726	-	46,726
Currency swaps	-	50,716	-	50,716
Equity swaps	-	5,053	-	5,053
	<u>48,008,280</u>	<u>39,439,001</u>	<u>119,678</u>	<u>87,566,959</u>
<b>Liabilities</b>				
Financial liabilities designated at fair value through profit or loss	-	563,540	-	563,540
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	556,816	-	556,816
Options written	-	2,010	-	2,010
Interest rate swaps	-	298,719	-	298,719
Currency swaps	-	47,653	-	47,653
Equity swaps	-	30,115	-	30,115
	<u>-</u>	<u>1,498,853</u>	<u>-</u>	<u>1,498,853</u>

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**(8) FAIR VALUE MEASUREMENT (CONTINUED)**

**(a) Financial assets and liabilities measured at fair value (continued)**

The table below analyses financial instruments measured at fair value, excluding accrued interest, at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised: (continued)

As at December 31, 2020	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets measured at fair value through profit or loss				
Fund investments	27,572	65,061	-	92,633
Certificates of deposit	-	471,417	-	471,417
Trading loans	-	8,544,752	-	8,544,752
Financial assets measured at fair value through other comprehensive income				
Treasury bills/bonds	9,949,431	18,364,062	-	28,313,493
Certificates of deposit	-	4,017,378	-	4,017,378
Other debt securities	18,552,575	14,352,348	-	32,904,923
Equity shares	46,809	-	227,621	274,430
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	1,780,639	-	1,780,639
Options purchased	-	10,514	-	10,514
Interest rate swaps	-	51,517	-	51,517
Currency swaps	-	72,921	-	72,921
Equity swaps	-	1,213	-	1,213
	<u>28,576,387</u>	<u>47,731,822</u>	<u>227,621</u>	<u>76,535,830</u>
<b>Liabilities</b>				
Financial liabilities designated at fair value through profit or loss				
	-	418,299	-	418,299
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	1,693,429	-	1,693,429
Options written	-	11,182	-	11,182
Interest rate swaps	-	441,029	-	441,029
Currency swaps	-	66,305	-	66,305
Equity swaps	-	10,329	-	10,329
	<u>-</u>	<u>2,640,573</u>	<u>-</u>	<u>2,640,573</u>

There were no significant transfers between instruments in Level 1 and Level 2 for the period ended June 30, 2021 and year ended December 31, 2020.

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**(8) FAIR VALUE MEASUREMENT (CONTINUED)**

**(a) Financial assets and liabilities measured at fair value (continued)**

**Reconciliation of Level 3 items**

	2021	2020
<i>Financial assets measured at fair value through other comprehensive income ("FVOCI") - Unlisted equity securities</i>		
As at January 1	<b>227,621</b>	114,678
Change in fair value recognised in other comprehensive income	<b>(107,943)</b>	553
<b>As at June 30</b>	<b>119,678</b>	115,231

As at June 30, 2021 and June 30, 2020, financial assets categorised as Level 3 are unlisted equity securities. The fair values of unlisted equity securities are determined with reference to multiples of comparable listed companies in the market, such as price/earnings ratios of comparables, or enterprise value to the earnings before interest, taxes, depreciation and amortization ("EV/EBITDA") ratios per Bloomberg. The fair value is positively correlated to these market comparable parameters. Had the earning of the underlying equity investments increased/decreased by 5%, the Group's other comprehensive income would have increased/decreased by \$5,303 (2020: \$5,762).

**Information about Level 3 fair value measurements**

As at June 30, 2021, the valuation method and significant unobservable inputs used in the fair value measurement of the Group's financial assets classified as Level 3 are as follows:

	Valuation model used	Significant unobservable valuation inputs parameters	Average	Relationship of unobservable inputs to fair value
Unlisted equities securities	Market-comparable approach	Earnings multiples (P/E ratio)	23.34 (2020: 22.40)	The higher the ratio, the higher the fair value
		EV/EBITDA multiples	7.73 (2020: 6.49)	The higher the multiple, the higher the fair value
		Marketability discount	40% (2020: 40%)	The higher the discount, the lower the fair value

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**(8) FAIR VALUE MEASUREMENT (CONTINUED)**

**(b) Financial assets and liabilities not measured at fair value**

Financial assets and liabilities that are not presented at their fair value on the consolidated statement of financial position mainly represent cash and balances with banks and central banks, placements with banks, advances to banks, advances to customers and trade bills, and other assets measured at amortised cost. These financial assets are measured at amortised cost less expected credit losses. Financial liabilities not presented at their fair value on the consolidated statement of financial position mainly represent deposits and balances of banks, deposits from customers, financial assets sold under repurchase agreements, lease liabilities and other debt securities issued at amortised cost. These financial liabilities are measured at amortised cost.

- i) Cash and balances with banks and central banks, Placements with banks, Advances to banks and Financial assets held under resale agreements

These balances are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values. The differences between fair values and carrying amounts of these financial assets not presented on the Group's consolidated statement of financial position.

- ii) Advances to customers and trade bills

Majority of the advances to customers and trade bills are on floating rate terms, bear interest at prevailing market interest rate. Accordingly, their carrying values approximate the fair values. The differences between fair values and carrying amounts of advances to customers and trade bills not presented on the Group's consolidated statement of financial position.

- iii) Other financial assets and other debt securities issued which measured at amortised cost

The fair value of securities measured at amortised cost is determined using the same approach as those securities measured at fair value.

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**(9) 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 certificates of deposit and other debt securities issued.

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

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

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(9) SEGMENTAL INFORMATION (CONTINUED)

(a) Reportable segments (continued)

	Corporate, institutional and commercial Banking	Consumer Banking	Treasury & management pool	Others	Inter- segment elimination	Total
<u>Six months ended June 30, 2021</u>						
Net interest income	1,238,068	765,368	669,510	(2,516)	-	2,670,430
Net fees and commission income	327,524	375,180	(6,581)	263,967	-	960,090
Total operating income						
– External	2,441,460	285,891	962,090	293,371	-	3,982,812
– Inter-segment	(746,186)	906,312	(160,110)	(16)	-	-
Total operating income	1,695,274	1,192,203	801,980	293,355	-	3,982,812
Depreciation	(64,479)	(177,335)	(14,541)	(34,498)	-	(290,853)
Operating expenses	(383,215)	(778,861)	(92,394)	(350,674)	-	(1,605,144)
Operating profit before net charges of expected credit losses	1,312,059	413,342	709,586	(57,319)	-	2,377,668
Net (charge)/release of expected credit losses	(451,045)	(229,527)	4,312	10	-	(676,250)
Non-operating income	-	-	-	32,715	-	32,715
Profit before taxation	861,014	183,815	713,898	(24,594)	-	1,734,133
<u>As at June 30, 2021</u>						
Total assets	286,522,733	55,692,406	160,273,624	10,743,220	(1,481,597)	511,750,386
Total liabilities	184,778,530	213,153,043	31,756,196	5,349,892	(1,481,597)	433,556,064

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**(9) SEGMENTAL INFORMATION (CONTINUED)**

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

	Corporate, institutional and commercial Banking	Consumer Banking	Treasury & management pool	Others	Inter- segment elimination	Total
<u>Six months ended June 30, 2020</u>						
Net interest income	1,142,221	831,206	824,818	(1,230)	-	2,797,015
Net fees and commission income	267,284	287,830	(3,258)	344,631	-	896,487
Total operating income						
— External	3,228,359	(1,205,138)	1,862,012	358,238	-	4,243,471
— Inter-segment	(1,597,580)	2,375,910	(774,571)	(3,759)	-	-
Total operating income	1,630,779	1,170,772	1,087,441	354,479	-	4,243,471
Depreciation	(49,430)	(166,521)	(8,104)	(60,354)	-	(284,409)
Operating expenses	(378,694)	(807,151)	(78,234)	(308,670)	-	(1,572,749)
Operating profit before net charges of expected credit losses	1,252,085	363,621	1,009,207	45,809	-	2,670,722
Net (charge)/release of expected credit losses	(591,284)	(260,795)	(22,727)	233	-	(874,573)
Non-operating (losses)/income	(274)	(26)	-	27,790	-	27,490
Profit before taxation	660,527	102,800	986,480	73,832	-	1,823,639
<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

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**(9) 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, right-of-use assets and interest in a joint venture. 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 and interest in a joint venture.

	<b>6 months ended June 30, 2021</b>		<b>As at June 30, 2021</b>			
	<b>Revenue from external customers</b>	<b>Profit before taxation</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Specified non-current assets</b>	<b>Contingent liabilities and commitments</b>
<b>Hong Kong (place of domicile)</b>	<b><u>3,982,812</u></b>	<b><u>1,734,133</u></b>	<b><u>511,750,386</u></b>	<b><u>433,556,064</u></b>	<b><u>6,252,272</u></b>	<b><u>97,783,259</u></b>

	<b>6 months ended June 30, 2020</b>		<b>As at December 31, 2020</b>			
	<b>Revenue from external customers</b>	<b>Profit before taxation</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Specified non- current assets</b>	<b>Contingent liabilities and commitments</b>
<b>Hong Kong (place of domicile)</b>	<b><u>4,243,471</u></b>	<b><u>1,823,639</u></b>	<b><u>474,505,438</u></b>	<b><u>397,180,873</u></b>	<b><u>6,443,529</u></b>	<b><u>105,810,312</u></b>



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**(10) NET INTEREST INCOME**

	<b>6 months ended June 30, 2021</b>	6 months ended June 30, 2020
<b>Interest income</b>		
<i>Interest income calculated using the effective interest rate</i>		
Placements and advances to banks	396,797	725,884
Advances to customers and trade bills	2,621,304	4,337,018
Financial assets measured at fair value through other comprehensive income	625,375	846,164
Other assets measured at amortised cost	73,003	179,861
<b>Total interest income</b>	<b>3,716,479</b>	<b>6,088,927</b>
<b>Interest expense</b>		
<i>Interest expense arising from financial liabilities that are not measured at fair value through profit or loss</i>		
Deposits and balances of banks	(22,950)	(99,639)
Deposits from customers	(958,689)	(3,119,468)
Other debt securities issued	(38,684)	(43,232)
	<b>(1,020,323)</b>	<b>(3,262,339)</b>
<i>Interest expense arising from lease liabilities</i>	<b>(25,726)</b>	<b>(29,573)</b>
<b>Total interest expense</b>	<b>(1,046,049)</b>	<b>(3,291,912)</b>
<b>Net interest income</b>	<b>2,670,430</b>	<b>2,797,015</b>

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**(11) NET FEES AND COMMISSION INCOME**

	<b>6 months ended June 30, 2021</b>	6 months ended June 30, 2020
<b>Fees and commission income</b>		
Investment services	144,298	106,806
Securities broking and related services	103,581	69,047
Insurance	146,621	111,513
Remittance, settlement and account management fees	72,916	71,398
Fee received from intermediate holding company and a fellow subsidiary (Note 36)	243,302	305,816
Trade finance	17,822	18,006
Cards	86,602	77,449
Credit facilities	234,874	186,223
Others	640	702
<b>Total fees and commission income</b>	<b>1,050,656</b>	946,960
<b>Fees and commission expense</b>		
Cards	(51,536)	(22,509)
Brokerage	(2,775)	(804)
Fee paid to intermediate holding company (Note 36)	(4,497)	(6,317)
Settlement accounts	(7,679)	(5,508)
Others	(24,079)	(15,335)
<b>Total fees and commission expense</b>	<b>(90,566)</b>	(50,473)
<b>Net fees and commission income</b>	<b>960,090</b>	896,487

**(12) NET TRADING INCOME**

	<b>6 months ended June 30, 2021</b>	6 months ended June 30, 2020
<b>Gains/(losses) from trading activities</b>		
Foreign exchange	285,161	179,695
Interest rate derivatives	(108,235)	(21,521)
Other debt instruments	32,952	130,511
Other trading	(1,294)	5,608
	<b>208,584</b>	294,293
<b>Other trading income</b>		
Hedge ineffectiveness on fair value hedge	(2,461)	17,872
	<b>206,123</b>	312,165

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**(13) NET GAINS FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>6 months ended June 30, 2021</b>	6 months ended June 30, 2020
Net gains from structured deposits	<b>31,128</b>	6,479

**(14) OTHER OPERATING INCOME**

	<b>6 months ended June 30, 2021</b>	6 months ended June 30, 2020
Dividend income		
Unlisted	2,782	3,143
Listed	-	90
	<b>2,782</b>	3,233
Others	<b>29,540</b>	14,844
	<b>32,322</b>	18,077

**(15) OPERATING EXPENSES**

	<b>6 months ended June 30, 2021</b>	6 months ended June 30, 2020
Staff costs		
Salaries and other benefits	943,256	895,444
Pension and provident fund costs	45,070	43,825
	<b>988,326</b>	939,269
General and administrative expenses		
Rental expense	47,133	44,605
Other premises and equipment	59,425	63,256
Marketing expenses	78,036	85,028
Auditors' remuneration	3,220	3,007
Professional fees	30,170	27,394
Other operating expenses	107,981	125,781
	<b>325,965</b>	349,071
Depreciation		
Fixed assets	144,841	140,326
Right-of-use assets	146,012	144,083
	<b>290,853</b>	284,409
	<b>1,605,144</b>	1,572,749

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**(16) NET CHARGE OF EXPECTED CREDIT LOSSES**

	<b>6 months ended June 30, 2021</b>	6 months ended June 30, 2020
New allowances charged, net of allowance releases	<b>690,552</b>	884,461
Recoveries of amounts previously written off	<b>(14,302)</b>	(9,888)
<b>Net charge of expected credit losses</b>	<b>676,250</b>	874,573
Attributable to:		
Balances with banks and central banks and placements with banks	<b>(846)</b>	721
Advances to customers and trade bills	<b>665,018</b>	662,435
Financial assets measured at fair value through other comprehensive income	<b>19,454</b>	87,315
Other assets measured at amortised cost	<b>(4,215)</b>	23,017
Other assets	<b>-</b>	3,718
Loan and other credit related commitments	<b>(3,161)</b>	97,367
<b>Net charge of expected credit losses</b>	<b>676,250</b>	874,573

**(17) TAXATION**

**(a) Taxation in the consolidated statement of profit or loss represents:**

	<b>6 months ended June 30, 2021</b>	6 months ended June 30, 2020
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	<b>320,449</b>	312,947
<b>Current tax – Overseas</b>		
Provision for the period	<b>30</b>	23
Withholding tax for the period	<b>1,443</b>	65
	<b>1,473</b>	88
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(13,698)</b>	(23,590)
	<b>308,224</b>	289,445

The provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the period. Taxation for overseas transactions are charged at the appropriate current rates of taxation in the countries in which the transactions took place.

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**(17) TAXATION (CONTINUED)**

**(b) Reconciliation between tax expense and accounting profit at applicable tax rates:**

	<b>6 months ended June 30, 2021</b>	6 months ended June 30, 2020
Profit before taxation	<u>1,734,133</u>	<u>1,823,639</u>
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	286,132	300,901
Income not subject to taxation	(6,085)	(18,910)
Expenses not deductible for taxation purposes	26,734	7,389
Foreign withholding tax	<u>1,443</u>	<u>65</u>
Actual tax expense	<u>308,224</u>	<u>289,445</u>

**(18) CASH AND BALANCES WITH BANKS AND CENTRAL BANKS**

	<b>June 30, 2021</b>	December 31, 2020
Cash in hand	209,091	254,603
Balances with banks	3,175,663	2,338,132
Balances with central banks	17,400,216	19,118,818
Placement with banks maturing within one month	<u>43,020,950</u>	<u>32,328,129</u>
Gross cash and balances with banks and central banks	63,805,920	54,039,682
Less: Expected credit loss allowances Stage 1: 12-month ECL	<u>(1,427)</u>	<u>(533)</u>
<b>Net cash and balances with banks and central banks</b>	<u>63,804,493</u>	<u>54,039,149</u>

**(19) PLACEMENTS WITH BANKS**

	<b>June 30, 2021</b>	December 31, 2020
Maturing between one and twelve months	9,678,969	12,392,508
Maturing more than twelve months	<u>17,667,312</u>	<u>17,822,741</u>
Gross placements with banks	27,346,281	30,215,249
Less: Expected credit loss allowances Stage 1: 12-month ECL	<u>(163)</u>	<u>(1,903)</u>
<b>Net placements with banks</b>	<u>27,346,118</u>	<u>30,213,346</u>

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**(20) ADVANCES TO CUSTOMERS AND TRADE BILLS**

**(a) Advances to customers and trade bills**

	June 30, 2021	December 31, 2020
<b>Advances to customers</b>		
Gross advances to corporate customers	260,667,752	232,888,557
Gross advances to personal customers	<u>57,216,058</u>	<u>51,492,817</u>
	<b>317,883,810</b>	<b>284,381,374</b>
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(1,245,170)	(1,063,287)
Stage 2: Lifetime ECL but not credit-impaired	(785,518)	(713,775)
Stage 3: Lifetime ECL and credit-impaired	<u>(1,454,689)</u>	<u>(1,171,579)</u>
Net advances to customers	<u><b>314,398,433</b></u>	<u>281,432,733</u>
<b>Trade bills</b>		
Gross trade bills	483,033	31,723
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	<u>(74)</u>	<u>(1)</u>
Net trade bills	<u><b>482,959</b></u>	<u>31,722</u>
<b>Net advances to customers and trade bills</b>	<u><b>314,881,392</b></u>	<u>281,464,455</u>

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**(20) ADVANCES TO CUSTOMERS AND TRADE BILLS (CONTINUED)**

**(b) Movement in gross amount and ECL allowances of 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.

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance as at January 1, 2021	259,271,091	21,859,008	3,282,998	284,413,097
Transfer to stage 1: 12-month ECL	662,408	(662,336)	(72)	-
Transfer to stage 2: lifetime ECL not credit-impaired	(1,480,769)	1,482,344	(1,575)	-
Transfer to stage 3: lifetime ECL credit-impaired	(6,163)	(74,874)	81,037	-
Net change in exposures	34,537,141	(318,024)	(122,860)	34,096,257
Write-offs	-	-	(142,511)	(142,511)
<b>Balance as at June 30, 2021</b>	<b>292,983,708</b>	<b>22,286,118</b>	<b>3,097,017</b>	<b>318,366,843</b>
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance as at January 1, 2020	284,757,413	7,343,338	855,989	292,956,740
Transfer to stage 1: 12-month ECL	225,596	(191,953)	(33,643)	-
Transfer to stage 2: lifetime ECL not credit-impaired	(4,490,130)	4,490,130	-	-
Transfer to stage 3: lifetime ECL credit-impaired	(26,098)	(2,289,007)	2,315,105	-
Net change in exposures	20,178,788	2,015,238	(168,717)	22,025,309
Write-offs	-	-	(135,450)	(135,450)
<b>Balance as at June 30, 2020</b>	<b>300,645,569</b>	<b>11,367,746</b>	<b>2,833,284</b>	<b>314,846,599</b>

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**(20) ADVANCES TO CUSTOMERS AND TRADE BILLS (CONTINUED)**

**(b) Movement in gross amount and ECL allowances of advances to customers and trade bills (continued)**

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

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance as at January 1, 2021	1,063,288	713,775	1,171,579	2,948,642
Transfer to stage 1: 12-month ECL	119,656	(119,619)	(37)	-
Transfer to stage 2: lifetime ECL not credit-impaired	(28,368)	28,853	(485)	-
Transfer to stage 3: lifetime ECL credit-impaired	(3,566)	(33,797)	37,363	-
New financial assets originated or purchased*	181,335	121,904	4,790	308,029
Financial assets that have been derecognised	(62,273)	(82,958)	(44,084)	(189,315)
Write-offs	-	-	(142,511)	(142,511)
Recoveries of amounts previously written-offs	-	-	14,302	14,302
Net remeasurements (Including changes in risk parameters)	(24,214)	157,188	413,735	546,709
Foreign exchange and other movements	(614)	172	37	(405)
<b>Balance as at June 30, 2021</b>	<b>1,245,244</b>	<b>785,518</b>	<b>1,454,689</b>	<b>3,485,451</b>

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



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**(20) ADVANCES TO CUSTOMERS AND TRADE BILLS (CONTINUED)**

**(b) Movement in gross amount and ECL allowances of advances to customers and trade bills (continued)**

The following tables show reconciliations from the opening balance to the closing balance of the ECL allowances on advances to customers and trade bills. (continued)

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance as at January 1, 2020	1,299,588	905,420	502,175	2,707,183
Transfer to stage 1:				
12-month ECL	39,855	(5,937)	(33,918)	-
Transfer to stage 2:				
lifetime ECL not credit-impaired	(28,350)	28,350	-	-
Transfer to stage 3:				
lifetime ECL credit-impaired	(138)	(335,981)	336,119	-
New financial assets originated or purchased*	296,869	176,330	262,953	736,152
Financial assets that have been derecognised	(229,283)	(470,034)	(227,155)	(926,472)
Write-offs	-	-	(135,450)	(135,450)
Recoveries of amounts previously written-offs	-	-	9,888	9,888
Net remeasurements (Including changes in risk parameters)	269,641	210,304	374,502	854,447
Foreign exchange and other movements	(2,480)	(46)	834	(1,692)
Balance as at June 30, 2020	<u>1,645,702</u>	<u>508,406</u>	<u>1,089,948</u>	<u>3,244,056</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.

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**(20) ADVANCES TO CUSTOMERS AND TRADE BILLS (CONTINUED)**

**(c) Impaired advances to customers and trade bills and impairment allowances**

Impaired advances to customers and allowances are analysed as follows:

	<b>June 30, 2021</b>		<b>December 31, 2020</b>	
		<b>% of gross advances</b>		<b>% of gross advances</b>
Gross impaired advances	<b>3,097,017</b>	<b>0.97</b>	3,282,998	1.15
Less: Expected credit loss allowances	<b>(1,454,689)</b>		(1,171,579)	
	<b><u>1,642,328</u></b>		<b><u>2,111,419</u></b>	
Gross individually assessed impaired advances	<b>3,035,504</b>	<b>0.95</b>	3,219,546	1.13
Less: Expected credit loss allowances	<b>(1,410,116)</b>		(1,127,581)	
	<b><u>1,625,388</u></b>		<b><u>2,091,965</u></b>	
Net realisable value of collateral held against the impaired advances	<b><u>1,934,233</u></b>		<b><u>2,069,885</u></b>	

As at June 30, 2021 and December 31, 2020, there were no impaired trade bills.

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**(21) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>June 30, 2021</b>	December 31, 2020
Fund investments issued by non-bank financial institutions	<b>85,458</b>	92,633
Certificates of deposit issued by banks	<b>413,913</b>	471,417
Trading loans	<b>3,476,774</b>	8,544,752
	<b>3,976,145</b>	9,108,802
<u>Analysed by place of listing:</u>		
Listed in Hong Kong		
Certificates of deposit	<b>413,913</b>	471,417
Listed outside Hong Kong		
Fund investments	<b>27,129</b>	27,572
Unlisted		
Fund investments	<b>58,329</b>	65,061
Trading loans	<b>3,476,774</b>	8,544,752
	<b>3,535,103</b>	8,609,813
	<b>3,976,145</b>	9,108,802

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**(22) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	June 30, 2021	December 31, 2020
<i>Financial assets measured at fair value through other comprehensive income</i>		
<b>Debt investments</b>		
Treasury bills/ bonds issued by central banks/governments	33,143,957	28,313,493
Certificates of deposit issued by banks	4,623,728	4,017,378
Other debt securities issued by		
Banks	32,199,726	25,368,010
Corporates	12,473,389	7,536,913
	82,440,800	65,235,794
<i>Financial assets designated at fair value through other comprehensive income</i>		
<b>Equity investments</b>		
Equity shares issued by corporates	169,881	274,430
	82,610,681	65,510,224
<u>Analysed by place of listing</u>		
Listed in Hong Kong		
Debt investments	47,637,620	28,500,556
Listed outside Hong Kong		
Debt investments	9,358,536	8,613,694
Equity investments	50,203	46,809
	9,408,739	8,660,503
Unlisted		
Debt investments	25,444,644	28,121,544
Equity investments	119,678	227,621
	25,564,322	28,349,165
	82,610,681	65,510,224

Under the Group's business strategy, the equity investments are made for being members of the electronic payment system in Hong Kong and are held for long term purpose. These investments are designated at FVOCI. Management has no intention to dispose of these investments as at June 30, 2021.

For the period ended June 30, 2021 and December 31, 2020, there were no significant movements in the gross balances of financial assets measured at FVOCI that resulted in significant changes to the ECL allowances.

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**(23) OTHER ASSETS MEASURED AT AMORTISED COST**

	June 30, 2021	December 31, 2020
Treasury bills issued by central banks	1,209,863	6,199,472
Other debt securities issued by		
Banks and non-bank financial institutions	3,508,136	6,145,073
Corporates	1,437,893	1,985,514
	<u>6,155,892</u>	<u>14,330,059</u>
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(7,853)	(11,884)
Stage 2: Lifetime ECL but not credit-impaired	(303)	(487)
	<u>6,147,736</u>	<u>14,317,688</u>
<u>Analysed by place of listing</u>		
Listed in Hong Kong	3,632,142	3,857,639
Listed outside Hong Kong	-	473,823
Unlisted	2,523,750	9,998,597
	<u>6,155,892</u>	<u>14,330,059</u>
<u>Market value</u>		
Listed	3,646,986	4,380,154
Unlisted	2,527,400	10,012,088
	<u>6,174,386</u>	<u>14,392,242</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 disclosed in Note 8(a):

<b>As at June 30, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Other assets measured at amortised cost	<u>3,646,986</u>	<u>2,527,400</u>	-	<u>6,174,386</u>
<b>As at December 31, 2020</b>				
Other assets measured at amortised cost	<u>4,140,124</u>	<u>10,252,118</u>	-	<u>14,392,242</u>

There were no overdue financial investments as at June 30, 2021 and December 31, 2020 for the Group. The Group did not hold any asset-backed securities, mortgage-backed securities and collateralised debt obligations.

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**(24) 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 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 at the reporting date:

	June 30, 2021				December 31, 2020			
	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	161,153,615	877,598	556,816	1,027,628	118,818,571	1,780,639	1,693,429	587,027
Options purchased	778	40	-	3	90,085	10,514	-	1,314
Options written	349,320	-	2,010	274	305,644	-	11,182	792
Interest rate swaps	16,787,507	46,726	298,719	120,572	17,659,707	51,517	441,029	60,433
Currency swaps	3,314,064	50,716	47,653	103,388	3,174,794	72,921	66,305	98,275
Equity swaps	249,779	5,053	30,115	12,091	217,973	1,213	10,329	1,621
	<b>181,855,063</b>	<b>980,133</b>	<b>935,313</b>	<b>1,263,956</b>	<b>140,266,774</b>	<b>1,916,804</b>	<b>2,222,274</b>	<b>749,462</b>

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**(25) FIXED ASSETS**

	Buildings	Leasehold improvements	Furniture and equipment	Total
<b>Cost:</b>				
As at January 1, 2021	2,818,069	607,343	1,376,594	4,802,006
Additions	-	32,115	50,230	82,345
Disposals	-	(1,394)	(317)	(1,711)
As at June 30, 2021	<u>2,818,069</u>	<u>638,064</u>	<u>1,426,507</u>	<u>4,882,640</u>
<b>Accumulated depreciation:</b>				
As at January 1, 2021	680,895	512,565	1,080,729	2,274,189
Charge for the period	38,877	16,559	89,405	144,841
Disposals	-	(1,394)	(317)	(1,711)
As at June 30, 2021	<u>719,772</u>	<u>527,730</u>	<u>1,169,817</u>	<u>2,417,319</u>
<b>Net book value:</b>				
As at June 30, 2021	<u>2,098,297</u>	<u>110,334</u>	<u>256,690</u>	<u>2,465,321</u>

	Buildings	Leasehold improvements	Furniture and equipment	Total
<b>Cost:</b>				
As at January 1, 2020	2,818,069	592,255	1,221,247	4,631,571
Additions	-	40,626	177,781	218,407
Disposals	-	(25,538)	(22,434)	(47,972)
As at December 31, 2020	<u>2,818,069</u>	<u>607,343</u>	<u>1,376,594</u>	<u>4,802,006</u>
<b>Accumulated depreciation:</b>				
As at January 1, 2020	603,122	494,085	939,753	2,036,960
Charge for the year	77,773	43,546	162,345	283,664
Disposals	-	(25,066)	(21,369)	(46,435)
As at December 31, 2020	<u>680,895</u>	<u>512,565</u>	<u>1,080,729</u>	<u>2,274,189</u>
<b>Net book value:</b>				
As at December 31, 2020	<u>2,137,174</u>	<u>94,778</u>	<u>295,865</u>	<u>2,527,817</u>

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**(26) RIGHT-OF-USE ASSETS**

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

	<b>Right-of-use assets</b>			
	<b>Leasehold land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Total</b>
<b>As at January 1, 2021</b>	<b>527,551</b>	<b>1,462,191</b>	<b>25,110</b>	<b>2,014,852</b>
Additions	-	45,870	-	45,870
Remeasurement	-	(1,269)	(70)	(1,339)
Depreciation charge for the period	(1,007)	(140,588)	(4,417)	(146,012)
<b>As at June 30, 2021</b>	<b>526,544</b>	<b>1,366,204</b>	<b>20,623</b>	<b>1,913,371</b>

  

	<b>Right-of-use assets</b>			
	<b>Leasehold land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Total</b>
As at January 1, 2020	529,566	1,659,885	33,699	2,223,150
Additions	-	80,641	494	81,135
Remeasurement	-	(4,642)	-	(4,642)
Depreciation charge for the year	(2,015)	(273,693)	(9,083)	(284,791)
As at December 31, 2020	527,551	1,462,191	25,110	2,014,852

**(27) LEASE LIABILITIES**

The carrying amounts of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the period are as follows:

	<b>Lease liabilities</b>
<b>As at January 1, 2021</b>	<b>1,552,237</b>
Additions	41,274
Remeasurement	(1,401)
Interest expense	25,726
Payments	(158,436)
<b>As at June 30, 2021</b>	<b>1,459,400</b>
Total lease liabilities	
Current	255,293
Non-current	1,204,107
	<b>1,459,400</b>



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**(27) LEASE LIABILITIES (CONTINUED)**

The carrying amounts of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the period are as follows: (continued)

	Lease liabilities
As at January 1, 2020	1,736,851
Additions	76,565
Remeasurement	(4,489)
Interest expense	57,261
Payments	<u>(313,951)</u>
As at December 31, 2020	<u>1,552,237</u>
Total lease liabilities	
Current	256,566
Non-current	<u>1,295,671</u>
	<u>1,552,237</u>

The Group recognised rental expenses from short-term leases and leases of low-value assets of \$352 for the six months ended June 30, 2021 (June 30, 2020: \$1,051).

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**(28) DEPOSITS AND BALANCES OF BANKS**

	<b>June 30, 2021</b>	December 31, 2020
Deposits from banks	<b>4,585,849</b>	2,027,727
Takings from banks	<b>28,303,004</b>	14,049,917
	<b>32,888,853</b>	16,077,644

**(29) DEPOSITS FROM CUSTOMERS**

	<b>June 30, 2021</b>	December 31, 2020
Demand deposits and current accounts	<b>37,518,785</b>	29,256,487
Savings deposits	<b>107,610,578</b>	105,643,877
Time and call deposits	<b>237,399,617</b>	233,381,001
Other deposits	<b>818,717</b>	1,139,348
	<b>383,347,697</b>	369,420,713

**(30) FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS**

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	<b>June 30, 2021</b>	December 31, 2020
Other debt securities issued by		
Banks and non-bank financial institutions	<b>2,923,609</b>	-
Corporates	<b>1,291,690</b>	-
	<b>4,215,299</b>	-

**(31) FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>June 30, 2021</b>	December 31, 2020
Structured deposits	<b>563,540</b>	418,299

**(32) OTHER DEBT SECURITIES ISSUED**

	<b>June 30, 2021</b>	December 31, 2020
Other debt securities issued at amortised cost	<b>1,928,603</b>	1,912,429

As at June 30, 2021, the fair values of other debt securities issued at amortised cost were at \$1,965,619 (December 31, 2020: \$1,957,513).

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**(33) OTHER EQUITY INSTRUMENTS**

		June 30, 2021	December 31, 2020
Nominal value	Description		
USD1 billion	Fixed rate perpetual capital instrument callable from December 29, 2022	7,811,732	7,811,732
USD0.5 billion	Fixed rate perpetual capital instrument callable from December 13, 2024	3,901,108	3,901,108
USD0.5 billion	Fixed rate perpetual capital instrument callable from March 26, 2025	3,876,493	3,876,493
		<u>15,589,333</u>	<u>15,589,333</u>

The additional tier 1 capital instruments are perpetual and subordinated, and the coupon payments may be cancelled at the sole discretion of the Group. The capital instruments will be written down at the point of non-viability on the occurrence of a trigger event as defined in the Banking (Capital) Rule. They rank higher than ordinary shares in the event of a winding-up.

**(34) RESERVES**

**(a) General reserve**

General reserve is appropriated from the retained earnings for future use.

**(b) Investment revaluation reserve**

The investment revaluation reserve comprises the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income until the financial assets are derecognised and is dealt with in accordance with the accounting policies adopted for the measurement of these financial assets at fair value.

**(c) Regulatory reserve**

Regulatory reserve comprises reserves maintained in accordance with Hong Kong regulations. At Group level, it includes a regulatory reserve of \$665,256 (December 31, 2020: \$656,248) to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movement in this reserve is made directly through retained earnings and in consultation with HKMA.

**(d) Other reserve**

Other reserve is used to record the corresponding amount of the share options and bonus rewards granted by the former parent company to the Bank's employees. The options and rewards granted are classified as equity-settled share-based payments and the amount recognised in other reserve represents capital contribution from its former parent company and is not distributable.

**(e) Merger reserve**

Merger reserve arises as a result of the acquisition of a majority of the corporate banking business ("Acquired Business") of CCB Hong Kong Branch. This amount represented the difference between the net book value of the Acquired Business and the consideration paid.

**(f) Retained earnings**

The Bank and its financial subsidiaries are required to maintain minimum capital adequacy ratios under their respective regulatory jurisdictions. The minimum capital requirements could therefore potentially restrict the amount of retained earnings available for distribution to the shareholders.

All reserves, except for general reserve and retained earnings, are not available for distribution.

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**(35) 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:

	<b>June 30, 2021</b>	December 31, 2020
Direct credit substitutes	<b>295,349</b>	371,050
Transaction-related contingencies	<b>5,693,538</b>	5,097,298
Trade-related contingencies	<b>2,503,223</b>	1,614,033
Other commitments:		
which are unconditionally cancellable or automatically cancellable due		
to the deterioration in the credit worthiness of the borrower	<b>53,951,928</b>	55,023,274
with an original maturity up to one year	<b>1,620,030</b>	2,306,442
with an original maturity over one year	<b>33,719,191</b>	41,398,215
	<b>97,783,259</b>	105,810,312

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 contractual amounts do not represent expected future cash flows.

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**(36) MATERIAL RELATED PARTY TRANSACTIONS**

During the period, the Group entered into transactions with related parties in the normal course of its banking business including lending, acceptance and placement of inter-bank deposits, correspondent banking transactions, securities brokerage and derivative transactions. The transactions were priced at the relevant market rates at the time of each transaction.

The amount of material related party transactions during the period and outstanding balances at the reporting date are set out below:

	Intermediate holding company		Fellow subsidiary		Joint venture	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
For the period ended						
Interest income	351,478	484,988	35,412	43,078	-	-
Interest expense	16,182	78,988	640	18,613	14,944	16,552
Fee and commission income	243,244	305,816	58	-	-	-
Fee and commission expense	4,497	6,317	-	-	-	-
Other operating income	15,951	8,202	7,129	-	-	-
Operating expenses	1,185	1,768	-	-	53,352	52,861
As at	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
<b>Amounts due from:</b>						
Cash and balances with banks and central banks	9,817,388	11,264,099	-	-	-	-
Placements with banks	26,985,158	25,838,568	-	-	-	-
Advance to customers and trade bills	143,461	-	2,391,700	2,964,694	-	-
Financial assets measured at fair value through other comprehensive income	-	-	233,599	1,169,005	-	-
Other assets measured at amortised cost	242,151	240,140	-	-	-	-
Derivative financial instruments	235,121	239,696	-	-	-	-
Right-of-use assets	-	-	-	-	750,489	803,841
Other assets	422,859	8,613,731	3,686	8,050	-	-
<b>Amounts due to:</b>						
Deposits and balances of banks	26,985,316	14,429,085	3,411	33,965	-	-
Financial assets sold under repurchase agreements	746,879	-	-	-	-	-
Deposits from customers	-	-	4,386,895	4,964,425	-	-
Derivative financial instruments	165,162	134,089	-	-	-	-
Lease liabilities	-	-	-	-	811,833	861,779
Other liabilities	2,662,177	2,746,069	111	287	16,672	16,672

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**(36) MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)**

The amount of material related party transactions during the period and outstanding balances at the reporting date are set out below: (continued)

As at	<u>Intermediate holding company</u>		<u>Fellow subsidiary</u>		<u>Joint venture</u>	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
<b>Contingencies and commitments:</b>						
Transaction-related contingencies	5,716	6,111	-	-	-	-
Other commitments	-	-	1,687,072	1,185,252	-	-
<b>Derivative financial instrument: (notional amount)</b>						
Exchange rate contracts	72,065,850	8,596,842	-	-	-	-
Interest rate swaps	992,871	1,011,822	-	-	-	-
Currency swaps	650,638	671,174	-	-	-	-

**(37) EVENTS AFTER THE REPORTING PERIOD**

There are no significant events after the reporting period.

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**SUPPLEMENTARY FINANCIAL INFORMATION**

**(1) OVERDUE AND RESCHEDULED ASSETS**

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

	June 30, 2021		December 31, 2020	
		% on total advances to customers		% on total advances to customers
Six months or less but over three months	20,283	0.01	532,808	0.19
One year or less but over six months	591,324	0.19	41,692	0.01
Over one year	31,600	0.01	118,176	0.04
Total gross amount of advances overdue for more than three months	643,207	0.21	692,676	0.24
Expected credit losses allowances made in respect of the above overdue advances	569,714		412,890	
Net realisable value of collateral held against the overdue advances	178,825		161,187	
Covered portion of overdue advances	178,825		161,187	
Uncovered portion of overdue advances	464,382		531,489	
	643,207		692,676	

As at June 30, 2021, collaterals held with respect of overdue advances to customers was mainly residential properties (December 31, 2020: residential properties).

As at June 30, 2021 and December 31, 2020, there were no trade bills overdue for more than three months.

As at June 30, 2021 and December 31, 2020, there were no overdue advances to banks.

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**SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)**

**(1) OVERDUE AND RESCHEDULED ASSETS (CONTINUED)**

**(b) Rescheduled advances to customers**

	June 30, 2021		December 31, 2020	
		% on total advances to customers		% on total advances to customers
Rescheduled advances to customers	67,485	0.02	69,290	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 June 30, 2021 and December 31, 2020, there were no rescheduled advances to banks and trade bills.

**(c) Other overdue and rescheduled assets**

As at June 30, 2021 and December 31, 2020, there were no other overdue and rescheduled assets.



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**SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)**

**(2) GROSS ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS**

	June 30, 2021		December 31, 2020	
	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	20,440,268	88.86	16,637,039	89.37
Property investment	25,474,164	93.27	26,025,290	89.38
Financial concerns	34,963,937	24.16	38,265,535	29.22
Stockbrokers	2,980,000	21.48	1,695,339	29.49
Wholesale and retail trade	6,162,487	77.63	4,633,315	86.85
Manufacturing	9,615,873	69.96	7,785,393	77.76
Transport and transport equipment	7,760,219	77.60	6,906,945	74.92
Recreational activities	12,842	100.00	14,021	100.00
Information technology	5,184,566	70.05	5,196,353	56.22
Others	20,360,315	67.32	17,907,185	76.42
	<b>132,954,671</b>		<b>125,066,415</b>	
Individuals				
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,905	100.00	2,230	100.00
Loans for the purchase of other residential properties	31,435,053	100.00	26,697,270	99.98
Credit card advances	3,499,251	0.00	3,880,087	0.00
Others	16,369,642	27.94	14,959,019	26.39
	<b>51,305,851</b>		<b>45,538,606</b>	
Trade finance	5,466,264	46.29	3,069,805	77.31
Advances for use outside Hong Kong	128,280,642	55.06	110,364,506	58.84
Accrued interest	359,415		373,765	
Gross advances to customers	<b>318,366,843</b>		<b>284,413,097</b>	

Hong Kong, September 24, 2021