

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED

JUNE 30, 2023

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

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CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2023

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	6 months ended June 30, 2023	6 months ended June 30, 2022
Interest income		9,014,540	3,852,538
Interest expense		(5,994,230)	(1,315,443)
Net interest income	10	3,020,310	2,537,095
Fees and commission income		902,734	817,430
Fees and commission expense		(66,318)	(64,256)
Net fees and commission income	11	836,416	753,174
Net trading income	12	244,393	330,797
Net gains/(losses) from financial instruments designated at fair value through profit or loss	13	6,389	(8,077)
Net gains from disposal of financial assets measured at fair value through other comprehensive income		29,132	77,343
Other operating income	14	24,450	24,430
Total operating income		4,161,090	3,714,762
Operating expenses	15	(1,486,176)	(1,474,161)
Operating profit before net charges of expected credit losses		2,674,914	2,240,601
Net charge of expected credit losses	16	(332,334)	(376,364)
Operating profit		2,342,580	1,864,237
Losses on disposal of fixed assets		-	(11)
Share of profit of joint venture		5,687	31,824
Profit before taxation		2,348,267	1,896,050
Taxation	17	(392,266)	(307,088)
Profit for the period		1,956,001	1,588,962

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended June 30, 2023	6 months ended June 30, 2022
Profit for the period	<u>1,956,001</u>	<u>1,588,962</u>
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss:		
Debt instruments measured at fair value through other comprehensive income:		
Changes in fair value recognised during the period	498,773	(1,616,868)
Reclassification adjustments for amounts transferred to profit or loss	28,719	(43,264)
Expected credit losses recognised in profit or loss	7,136	1,902
Tax effect	(93,609)	272,624
Item that will not be reclassified subsequently to profit or loss:		
Equity instruments designated at fair value through other comprehensive income	11,500	38,348
Other comprehensive income for the period, net of tax	<u>452,519</u>	<u>(1,347,258)</u>
Total comprehensive income for the period	<u><u>2,408,520</u></u>	<u><u>241,704</u></u>

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	June 30, 2023	December 31, 2022
Assets			
Cash and balances with banks and central banks	18	39,858,727	45,568,464
Placements with banks	19	29,540,539	23,012,295
Advances to customers and trade bills	20	267,818,055	270,395,785
Financial assets measured at fair value through profit or loss	21	2,630,028	2,401,965
Financial assets measured at fair value through other comprehensive income	22	115,563,317	105,422,569
Other assets measured at amortised cost	23	1,580,666	3,072,032
Derivative financial instruments	24	2,345,976	1,947,388
Interest in a joint venture		1,877,610	1,871,923
Deferred tax assets		702,806	826,054
Fixed assets	25	2,244,489	2,302,667
Right-of-use assets	26	1,371,169	1,428,130
Other assets		4,164,191	2,198,735
Total assets		469,697,573	460,448,007
Liabilities			
Deposits and balances of banks	28	23,152,974	14,346,003
Deposits from customers	29	347,942,406	352,617,154
Other trade date payables		774,156	4,489,074
Financial assets sold under repurchase agreements	30	14,263,932	8,727,525
Financial liabilities designated at fair value through profit or loss	31	655,904	169,932
Other debt securities issued	32	805,056	679,244
Derivative financial instruments	24	1,467,170	843,945
Lease liabilities	27	921,121	978,624
Current tax payable		287,668	92,947
Deferred tax liabilities		19,100	19,150
Other liabilities		4,631,381	4,969,413
Total liabilities		394,920,868	387,933,011
Equity			
Share capital		28,827,843	28,827,843
Other equity instruments	33	7,777,601	7,777,601
Reserves	34	38,171,261	35,909,552
Total equity		74,776,705	72,514,996
Total equity and liabilities		469,697,573	460,448,007

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	6 months ended June 30, 2023								
	Share capital	Other equity instruments	General reserve	Investment revaluation reserve	Regulatory reserve	Other reserve	Merger reserve	Retained earnings	Total
Balance as at January 1, 2023	28,827,843	7,777,601	750,956	(1,694,648)	909,600	15,913	62,262	35,865,469	72,514,996
Changes in equity for 2023:									
Profit for the period	-	-	-	-	-	-	-	1,956,001	1,956,001
Other comprehensive income, net of tax	-	-	-	452,519	-	-	-	-	452,519
Total comprehensive income for the period	-	-	-	452,519	-	-	-	1,956,001	2,408,520
Coupon paid for other equity instruments	-	-	-	-	-	-	-	(146,811)	(146,811)
Regulatory reserve	-	-	-	-	(118,577)	-	-	118,577	-
Balance as at June 30, 2023	28,827,843	7,777,601	750,956	(1,242,129)	791,023	15,913	62,262	37,793,236	74,776,705
	6 months ended June 30, 2022								
	Share capital	Other equity instruments	General reserve	Investment revaluation reserve	Regulatory reserve	Other reserve	Merger reserve	Retained earnings	Total
Balance as at January 1, 2022	28,827,843	15,589,333	750,956	165,342	380,852	15,913	62,262	33,946,581	79,739,082
Changes in equity for 2022:									
Profit for the period	-	-	-	-	-	-	-	1,588,962	1,588,962
Other comprehensive income, net of tax	-	-	-	(1,347,258)	-	-	-	-	(1,347,258)
Total comprehensive income for the period	-	-	-	(1,347,258)	-	-	-	1,588,962	241,704
Coupon paid for other equity instruments	-	-	-	-	-	-	-	(331,232)	(331,232)
Regulatory reserve	-	-	-	-	126,721	-	-	(126,721)	-
Balance as at June 30, 2022	28,827,843	15,589,333	750,956	(1,181,916)	507,573	15,913	62,262	35,077,590	79,649,554

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended June 30, 2023	6 months ended June 30, 2022
Operating activities		
Operating profit	2,342,580	1,864,237
Adjustments for:		
Dividend income	(3,698)	(1,237)
Depreciation	243,406	252,441
Net charges on expected credit losses	332,334	376,364
Written-off of loans and advances, net of recoveries	(264,858)	(612,205)
Amortisation of premium/discount on financial assets measured at fair value through other comprehensive income	(416,281)	(29,190)
Amortisation of premium/discount on other assets measured at amortised cost	(327)	(2,090)
Amortisation of discount on other debt securities issued	231	726
Fair value adjustments	(7,162)	2,084
Net losses attributable to the hedged risk in respect of the hedged item under fair value hedge	73,103	-
Effect of foreign exchange rate changes	1,100,969	777,421
	3,400,297	2,628,551
Decrease in operating assets		
Balances and placements with banks and central banks with original maturity beyond three months	2,887,901	4,929,747
Gross advances to customers and trade bills	2,537,258	996,701
Financial assets measured at fair value through profit or loss with original maturity beyond three months	329,992	2,181,916
Derivative financial instruments	(398,588)	(612,714)
Other assets	(1,965,456)	(4,449,172)
	3,391,107	3,046,478
Increase/(Decrease) in operating liabilities		
Deposits and balances of banks	8,806,971	6,960,955
Financial assets sold under repurchase agreements	5,536,407	108,061
Deposits from customers	(4,674,748)	(28,757,282)
Derivative financial instruments	623,225	(201,075)
Other debt securities issued	125,581	(32,325)
Financial liabilities designated at fair value through profit or loss	492,361	(148,218)
Other liabilities	(4,079,449)	189,910
	6,830,348	(21,879,974)
Net cash inflow/(outflow) from operations	13,621,752	(16,204,945)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	6 months ended June 30, 2023	6 months ended June 30, 2022
Net cash inflow/(outflow) from operations	13,621,752	(16,204,945)
Hong Kong Profits Tax paid	(163,822)	(171,517)
Withholding tax paid	(4,128)	-
Net cash inflow/(outflow) from operating activities	13,453,802	(16,376,462)
Purchase of financial assets measured at fair value through other comprehensive income	(34,655,753)	(32,515,122)
Purchase of other assets measured at amortised cost	-	(6,878,450)
Proceeds received from redemption and disposal of financial assets measured at fair value through other comprehensive income	21,031,548	35,295,237
Proceeds received from redemption and disposal of other assets measured at amortised cost	1,518,105	9,345,120
Purchase of property and equipment	(68,642)	(57,887)
Dividends received from listed and unlisted investments	3,698	1,237
Net cash (outflow)/inflow from investing activities	(12,171,044)	5,190,135
Coupon paid for other equity instruments	(146,810)	(331,232)
Principal portion of lease payments	(113,210)	(111,368)
Net cash outflow from financing activities	(260,020)	(442,600)
Increase/(Decrease) in cash and cash equivalents	1,022,738	(11,628,927)
Cash and cash equivalents as at January 1	50,459,251	64,646,850
Effect of foreign exchange rate changes	(110,602)	(232,856)
Cash and cash equivalents as at June 30	51,371,387	52,785,067
Cash flows from operating activities include:		
Interest received	8,687,186	3,786,040
Interest paid	(5,917,153)	(1,279,487)
Interest paid – interest portion of lease payments	(8,221)	(7,341)

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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 28, 2023 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, 2023.

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, 2023, 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, 2022 that is included in the condensed consolidated interim financial information for the six months ended June 30, 2023 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).

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

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, 2022, except for the following revised HKFRSs for the first time for the current period’s financial information:

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 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.
	International Tax Reform – Pillar Two Model Rules, 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”

Amendments to HKAS 1 and HKFRS Practice Statement 2 aim to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the HKICPA also amended HKFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The application of the amendments does not have a material impact on the Group’s financial statements.

Amendments to HKAS 8 “Definition of Accounting Estimates”

Amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The application of the amendments does not have a material impact on the Group’s financial statements.

Amendments to HKAS 12 “Deferred tax related to Asset and Liabilities arising from a Single Transaction”

Amendments to HKAS 12 require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The application of the amendments does not have a material impact on the Group’s financial statements.

Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s Pillar Two model rules. The amendments also introduce targeted disclosure requirements to help investors understand an entity’s exposure to income taxes arising from the rules. The application of the amendments does not have a material impact on the Group’s financial statements.

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

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

New HKFRSs not yet effective for the year ending December 31, 2023

The Group does not early adopt the following HKFRSs which were issued, but not yet effective for the financial year ending December 31, 2023:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current, which effective for annual period beginning on or after January 1, 2024.
	Non-current Liabilities with Covenants, which effective for annual period beginning on or after January 1, 2024.
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 HKFRS 16	Lease Liability in a Sale and Leaseback, which effective for annual period beginning on or after January 1, 2024.

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, 2022.

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, 2022. 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 2022.

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

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, 2023	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	29,540,539	-	-	-	-	29,540,539	-	29,540,539
Advances to customers and trade bills at amortised cost:								
Stage 1	256,894,640	-	-	-	-	256,894,640	(962,082)	255,932,558
Stage 2	10,623,757	1,269,143	-	-	-	11,892,900	(499,130)	11,393,770
Stage 3	-	-	240,901	2,254,382	283,611	2,778,894	(2,288,852)	490,042
Advances to customers	267,518,397	1,269,143	240,901	2,254,382	283,611	271,566,434	(3,750,064)	267,816,370
Trade bills	-	-	-	-	-	-	-	-
Stage 1	-	-	-	-	-	-	-	-
Stage 2	1,703	-	-	-	-	1,703	(18)	1,685
Trade bills	1,703	-	-	-	-	1,703	(18)	1,685
Other financial assets measured at amortised cost:								
Cash and balances with banks and central banks – stage 1	39,859,164	-	-	-	-	39,859,164	(437)	39,858,727
Other assets measured at amortised cost – stage 1	1,582,758	-	-	-	-	1,582,758	(2,092)	1,580,666

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

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, 2023 (continued)	Gross carrying / notional amount						ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss	Total		
On balance sheet: (continued)								
Other financial assets measured at amortised cost: (continued)								
Other assets – stage 1	4,165,077	-	-	-	-	4,165,077	(886)	4,164,191
Stage 1	115,055,992	-	-	-	-	115,055,992	(131,154)	114,924,838
Stage 2	507,325	-	-	-	-	507,325	(6,508)	500,817
Financial assets measured at fair value through other comprehensive income	115,563,317	-	-	-	-	115,563,317	(137,662)	115,425,655
Total gross carrying amount – on balance sheet	458,230,955	1,269,143	240,901	2,254,382	283,611	462,278,992	(3,891,159)	458,387,833
Off balance sheet:								
Stage 1	92,554,381	-	-	-	-	92,554,381	(171,828)	92,382,553
Stage 2	226,111	-	-	-	-	226,111	(35,295)	190,816
Financial guarantees, loan commitments and other credit related commitments	92,780,492	-	-	-	-	92,780,492	(207,123)	92,573,369
Total nominal amount – off balance sheet	92,780,492	-	-	-	-	92,780,492	(207,123)	92,573,369
Total at as June 30, 2023	551,011,447	1,269,143	240,901	2,254,382	283,611	555,059,484	(4,098,282)	550,961,202

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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, 2022	Gross carrying / notional amount						ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss	Total		
On balance sheet:								
Placements with banks at amortised cost – stage 1	23,012,295	-	-	-	-	23,012,295	-	23,012,295
Advances to customers and trade bills at amortised cost:								
Stage 1	260,017,355	-	-	-	-	260,017,355	(790,874)	259,226,481
Stage 2	9,740,873	1,473,372	-	-	-	11,214,245	(571,418)	10,642,827
Stage 3	-	-	2,340,476	304,786	216,000	2,861,262	(2,347,285)	513,977
Advances to customers	269,758,228	1,473,372	2,340,476	304,786	216,000	274,092,862	(3,709,577)	270,383,285
Trade bills	12,534	-	-	-	-	12,534	(34)	12,500
Other financial assets measured at amortised cost:								
Cash and balances with banks and central banks – stage 1	45,569,964	-	-	-	-	45,569,964	(1,500)	45,568,464
Other assets measured at amortised cost – stage 1	3,075,822	-	-	-	-	3,075,822	(3,790)	3,072,032

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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, 2022 (continued)	Gross carrying /notional amount						ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss	Total		
On balance sheet: (continued)								
Other financial assets measured at amortised cost: (continued)								
Other assets – stage 1	2,199,621	-	-	-	-	2,199,621	(886)	2,198,735
Stage 1	104,921,870	-	-	-	-	104,921,870	(125,227)	104,796,643
Stage 2	500,699	-	-	-	-	500,699	(5,249)	495,450
Financial assets measured at fair value through other comprehensive income	105,422,569	-	-	-	-	105,422,569	(130,476)	105,292,093
Total gross carrying amount - on balance sheet	449,051,033	1,473,372	2,340,476	304,786	216,000	453,385,667	(3,846,263)	449,539,404
Off balance sheet:								
Stage 1	96,676,243	-	-	-	-	96,676,243	(149,309)	96,526,934
Stage 2	197,702	-	-	-	-	197,702	(35,233)	162,469
Financial guarantees, loan commitments and other credit related commitments	96,873,945	-	-	-	-	96,873,945	(184,542)	96,689,403
Total nominal amount - off balance sheet	96,873,945	-	-	-	-	96,873,945	(184,542)	96,689,403
Total at as December 31, 2022	545,924,978	1,473,372	2,340,476	304,786	216,000	550,259,612	(4,030,805)	546,228,807

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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, 2023

	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
Assets								
Cash and balances with banks and central banks	8,257,836	31,600,891	-	-	-	-	-	39,858,727
Placements with banks	-	-	12,340,243	4,747,710	12,452,586	-	-	29,540,539
Advances to customers and trade bills	8,819,234	44,586,987	49,564,276	40,967,947	75,733,879	48,145,732	-	267,818,055
Financial assets measured at fair value through profit or loss	-	211,913	645,962	212,809	1,559,344	-	-	2,630,028
Financial assets measured at fair value through other comprehensive income	-	3,299,458	15,317,795	34,418,812	56,524,640	5,824,577	178,035	115,563,317
Other assets measured at amortised cost	-	-	12,356	375,585	1,192,725	-	-	1,580,666
Derivative financial instruments	-	355,858	795,471	587,601	439,861	167,185	-	2,345,976
Interest in a joint venture	-	-	-	-	-	-	1,877,610	1,877,610
Deferred tax assets	-	-	-	-	-	-	702,806	702,806
Fixed assets	-	-	-	-	-	-	2,244,489	2,244,489
Right-of-use assets	-	158	-	17,753	219,447	589,178	544,633	1,371,169
Other assets	1,073,534	1,583,942	51,379	1,326,344	4,103	-	124,889	4,164,191
Total assets	18,150,604	81,639,207	78,727,482	82,654,561	148,126,585	54,726,672	5,672,462	469,697,573

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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, 2023 (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 of banks	2,047,445	7,697,173	4,379,494	9,028,862	-	-	-	23,152,974
Deposits from customers	126,548,023	69,512,436	121,105,165	30,704,665	72,117	-	-	347,942,406
Other trade date payables	757,085	17,071	-	-	-	-	-	774,156
Financial assets sold under repurchase agreements	-	500,000	6,001,367	7,762,565	-	-	-	14,263,932
Financial liabilities designated at fair value through profit or loss	1,461	160,566	377,770	116,107	-	-	-	655,904
Other debt securities issued	-	-	156,864	3,103	645,089	-	-	805,056
Derivative financial instruments	-	343,299	534,537	540,747	15,397	33,190	-	1,467,170
Lease liabilities	-	22,405	39,208	164,270	590,079	105,159	-	921,121
Current tax payable	-	-	-	287,668	-	-	-	287,668
Deferred tax liabilities	-	-	-	-	-	-	19,100	19,100
Other liabilities	258,009	411,080	53,677	1,203,680	54,670	6,898	2,643,367	4,631,381
Total liabilities	129,612,023	78,664,030	132,648,082	49,811,667	1,377,352	145,247	2,662,467	394,920,868
Net assets/(liabilities) gap	(111,461,419)	2,975,177	(53,920,600)	32,842,894	146,749,233	54,581,425	3,009,995	74,776,705
Of which:								
Debt securities included in:								
- Financial assets measured at fair value through other comprehensive income	-	3,299,458	15,317,795	34,418,812	56,524,640	5,824,577	-	115,385,282
- Other assets measured at amortised cost	-	-	12,356	375,585	1,192,725	-	-	1,580,666

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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, 2022	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
Assets								
Cash and balances with banks and central banks	6,702,428	38,866,036	-	-	-	-	-	45,568,464
Placements with banks	-	-	232,686	21,279,239	1,500,370	-	-	23,012,295
Advances to customers and trade bills	9,290,898	78,252,855	18,329,149	30,792,139	83,750,997	49,979,747	-	270,395,785
Financial assets measured at fair value through profit or loss	-	154,016	146,577	1,941,716	144,243	-	15,413	2,401,965
Financial assets measured at fair value through other comprehensive income	-	4,956,234	9,973,094	31,009,185	51,291,660	8,025,861	166,535	105,422,569
Other assets measured at amortised cost	-	-	1,197,348	313,689	1,560,995	-	-	3,072,032
Derivative financial instruments	-	524,922	548,807	214,279	412,258	247,122	-	1,947,388
Interest in a joint venture	-	-	-	-	-	-	1,871,923	1,871,923
Deferred tax assets	-	-	-	-	-	-	826,054	826,054
Fixed assets	-	-	-	-	-	-	2,302,667	2,302,667
Right-of-use assets	-	14	845	24,152	239,998	639,049	524,072	1,428,130
Other assets	739,581	396,911	120,499	842,861	4,801	30	94,052	2,198,735
Total assets	16,732,907	123,150,988	30,549,005	86,417,260	138,905,322	58,891,809	5,800,716	460,448,007

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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, 2022 (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	4,681,608	3,641,690	5,932,209	90,496	-	-	-	14,346,003
Deposits from customers	131,785,787	76,363,817	92,413,252	51,962,849	91,449	-	-	352,617,154
Other trade date payables	-	4,489,074	-	-	-	-	-	4,489,074
Financial assets sold under repurchase agreements	-	1,387,435	3,140,851	4,199,239	-	-	-	8,727,525
Financial liabilities designated at fair value through profit or loss	-	95,791	41,726	32,415	-	-	-	169,932
Other debt securities issued	-	-	-	3,329	675,915	-	-	679,244
Derivative financial instruments	-	379,047	210,350	170,585	52,409	31,554	-	843,945
Lease liabilities	-	22,774	36,121	164,425	593,545	161,759	-	978,624
Current tax payable	-	-	-	92,947	-	-	-	92,947
Deferred tax liabilities	-	-	-	-	-	-	19,150	19,150
Other liabilities	173,031	732,102	126,206	1,303,008	-	-	2,635,066	4,969,413
Total liabilities	136,640,426	87,111,730	101,900,715	58,019,293	1,413,318	193,313	2,654,216	387,933,011
Net assets/(liabilities) gap	(119,907,519)	36,039,258	(71,351,710)	28,397,967	137,492,004	58,698,496	3,146,500	72,514,996
Of which:								
Debt securities included in:								
- Financial assets measured at fair value through other comprehensive income	-	4,956,234	9,973,094	31,009,185	51,291,660	8,025,861	-	105,256,034
- Other assets measured at amortised cost	-	-	1,197,348	313,689	1,560,995	-	-	3,072,032

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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 values 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:

As at June 30, 2023	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Other debt securities	685,589	1,944,439	-	2,630,028
Financial assets measured at fair value through other comprehensive income				
Treasury bills/bonds	23,949,376	23,707,993	-	47,657,369
Certificates of deposit	652,540	1,389,300	-	2,041,840
Other debt securities	32,193,755	33,492,318	-	65,686,073
Equity securities	49,362	-	128,673	178,035
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	1,195,904	-	1,195,904
Options purchased	-	2	-	2
Interest rate swaps	-	1,086,251	-	1,086,251
Currency swaps	-	63,535	-	63,535
Equity swaps	-	284	-	284
	<u>57,530,622</u>	<u>62,880,026</u>	<u>128,673</u>	<u>120,539,321</u>
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	655,904	-	655,904
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	1,296,157	-	1,296,157
Options written	-	1,077	-	1,077
Interest rate swaps	-	109,929	-	109,929
Currency swaps	-	56,595	-	56,595
Equity swaps	-	3,412	-	3,412
	<u>-</u>	<u>2,123,074</u>	<u>-</u>	<u>2,123,074</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, 2022	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Fund investments	-	15,413	-	15,413
Certificates of deposit	-	1,328,800	-	1,328,800
Other debt securities	278,012	779,740	-	1,057,752
Financial assets measured at fair value through other comprehensive income				
Treasury bills/bonds	36,720,881	9,171,870	-	45,892,751
Certificates of deposit	644,454	1,857,705	-	2,502,159
Other debt securities	30,837,139	26,023,985	-	56,861,124
Equity shares	44,782	-	121,753	166,535
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	842,571	-	842,571
Options purchased	-	1	-	1
Interest rate swaps	-	1,018,047	-	1,018,047
Currency swaps	-	86,425	-	86,425
Equity swaps	-	344	-	344
	<u>68,525,268</u>	<u>41,124,901</u>	<u>121,753</u>	<u>109,771,922</u>
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	169,932	-	169,932
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	669,703	-	669,703
Options written	-	604	-	604
Interest rate swaps	-	105,440	-	105,440
Currency swaps	-	68,013	-	68,013
Equity swaps	-	185	-	185
	<u>-</u>	<u>1,013,877</u>	<u>-</u>	<u>1,013,877</u>

There were no significant transfers between instruments in Level 1 and Level 2 for the period ended June 30, 2023 and year ended December 31, 2022.

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8 FAIR VALUE MEASUREMENT (CONTINUED)

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

Reconciliation of Level 3 items

	2023	2022
<i>Financial assets measured at fair value through other comprehensive income ("FVOCI") - Unlisted equity securities</i>		
As at January 1	121,753	81,952
Change in fair value recognised in other comprehensive income	6,920	42,352
As at June 30	128,673	124,304

As at June 30, 2023 and June 30, 2022, 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 \$6,434 (2022: \$5,625).

Information about Level 3 fair value measurements

As at June 30, 2023, 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)	12.25 (2022: 13.67)	The higher the ratio, the higher the fair value
		EV/EBITDA multiples	6.02 (2022: 7.83)	The higher the multiple, the higher the fair value
		Marketability discount	40% (2022: 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 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, and placements with banks

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, other debt securities issued which measured at amortised cost and financial assets sold under repurchase agreements

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, 2023</u>						
Net interest income	1,488,406	741,573	778,828	11,503	-	3,020,310
Net fees and commission income	274,200	294,489	(9,281)	277,008	-	836,416
Total operating income						
– External	2,722,986	(1,134,749)	2,255,145	317,708	-	4,161,090
– Inter-segment	(888,843)	2,217,405	(1,323,280)	(5,282)	-	-
Total operating income	1,834,143	1,082,656	931,865	312,426	-	4,161,090
Depreciation	(52,894)	(149,157)	(11,901)	(29,454)	-	(243,406)
Operating expenses	(394,311)	(741,070)	(95,663)	(255,132)	-	(1,486,176)
Operating profit before net charges of expected credit losses	1,439,832	341,586	836,202	57,294	-	2,674,914
Net (charge)/release of expected credit losses	(351,827)	13,112	6,381	-	-	(332,334)
Non-operating income	-	-	-	5,687	-	5,687
Profit before taxation	1,088,005	354,698	842,583	62,981	-	2,348,267
<u>As at June 30, 2023</u>						
Total assets	249,873,446	56,398,214	155,756,788	8,594,086	(924,961)	469,697,573
Total liabilities	189,140,275	167,901,202	34,220,796	4,583,556	(924,961)	394,920,868

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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, 2022</u>						
Net interest income	1,476,287	818,232	242,189	387	-	2,537,095
Net fees and commission income	252,765	264,242	(11,778)	247,945	-	753,174
Total operating income						
– External	2,427,559	161,452	854,011	271,740	-	3,714,762
– Inter-segment	(601,889)	963,033	(359,266)	(1,878)	-	-
Total operating income	1,825,670	1,124,485	494,745	269,862	-	3,714,762
Depreciation	(54,507)	(155,658)	(10,782)	(31,494)	-	(252,441)
Operating expenses	(425,540)	(742,070)	(73,482)	(233,069)	-	(1,474,161)
Operating profit before net charges of expected credit losses	1,400,130	382,415	421,263	36,793	-	2,240,601
Net (charge)/release of expected credit losses	(316,598)	(68,198)	8,432	-	-	(376,364)
Non-operating (losses)/income	-	(10)	-	31,823	-	31,813
Profit before taxation	1,083,532	314,207	429,695	68,616	-	1,896,050
<u>As at December 31, 2022</u>						
Total assets	242,187,314	58,549,203	152,484,752	8,118,419	(891,681)	460,448,007
Total liabilities	195,187,910	166,360,684	22,787,262	4,488,836	(891,681)	387,933,011

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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.

	6 months ended June 30, 2023		As at June 30, 2023			
	Revenue from external customers	Profit before taxation	Total assets	Total liabilities	Specified non-current assets	Contingent liabilities and commitments
Hong Kong (place of domicile)	<u>4,161,090</u>	<u>2,348,267</u>	<u>469,697,573</u>	<u>394,920,868</u>	<u>5,493,268</u>	<u>92,780,492</u>

	6 months ended June 30, 2022		As at December 31, 2022			
	Revenue from external customers	Profit before taxation	Total assets	Total liabilities	Specified non-current assets	Contingent liabilities and commitments
Hong Kong (place of domicile)	<u>3,714,762</u>	<u>1,896,050</u>	<u>460,448,007</u>	<u>387,933,011</u>	<u>5,602,720</u>	<u>96,873,945</u>

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10 NET INTEREST INCOME

	6 months ended June 30, 2023	6 months ended June 30, 2022
Interest income		
<i>Interest income calculated using the effective interest rate</i>		
Placements and advances to banks	1,238,226	296,453
Advances to customers and trade bills	6,083,195	2,809,000
Financial assets measured at fair value through other comprehensive income	1,659,238	701,941
Other assets measured at amortised cost	33,881	45,144
Total interest income	<u>9,014,540</u>	<u>3,852,538</u>
Interest expense		
<i>Interest expense arising from financial liabilities that are not measured at fair value through profit or loss</i>		
Deposits and balances of banks	(433,134)	(105,535)
Deposits from customers	(5,538,730)	(1,187,690)
Other debt securities issued	(14,145)	(14,877)
	<u>(5,986,009)</u>	<u>(1,308,102)</u>
<i>Interest expense arising from lease liabilities</i>	<u>(8,221)</u>	<u>(7,341)</u>
Total interest expense	<u>(5,994,230)</u>	<u>(1,315,443)</u>
Net interest income	<u>3,020,310</u>	<u>2,537,095</u>

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11 NET FEES AND COMMISSION INCOME

	6 months ended June 30, 2023	6 months ended June 30, 2022
Fees and commission income		
Investment services	92,292	97,013
Securities broking and related services	50,861	76,189
Insurance services	136,284	126,011
Remittance, settlement and account management fees	74,329	70,868
Fee received from intermediate holding company and a fellow subsidiary (Note 36)	249,065	227,573
Trade finance	12,211	15,542
Cards	88,968	53,401
Credit facilities	197,758	150,030
Others	966	803
Total fees and commission income	902,734	817,430
Fees and commission expense		
Cards	(35,035)	(30,053)
Brokerage	(1,875)	(2,559)
Fee paid to intermediate holding company (Note 36)	(796)	(1,680)
Settlement accounts	(6,793)	(6,077)
Others	(21,819)	(23,887)
Total fees and commission expense	(66,318)	(64,256)
Net fees and commission income	836,416	753,174
Of which arise from:		
Financial assets or financial liabilities that are not measured at fair value through profit or loss		
- Fee and commission income	298,937	218,973
- Fee and commission expense	35,035	30,053
Trust and other fiduciary activities		
- Fee and commission income	16,786	13,061
- Fee and commission expense	1,468	2,090

12 NET TRADING INCOME

	6 months ended June 30, 2023	6 months ended June 30, 2022
Gains from trading activities		
Foreign exchange	35,722	313,550
Interest rate derivatives	153,895	(24,300)
Other debt instruments	54,330	44,380
Other trading	(473)	(20)
	243,474	333,610
Other trading income		
Hedge ineffectiveness on fair value hedge	919	(2,813)
	244,393	330,797

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

	6 months ended June 30, 2023	6 months ended June 30, 2022
Net gains/(losses) from structured deposits	<u>6,389</u>	<u>(8,077)</u>

14 OTHER OPERATING INCOME

	6 months ended June 30, 2023	6 months ended June 30, 2022
Dividend income		
Unlisted	3,562	1,180
Listed	<u>136</u>	<u>57</u>
	3,698	1,237
Others	<u>20,752</u>	<u>23,193</u>
	<u>24,450</u>	<u>24,430</u>

15 OPERATING EXPENSES

	6 months ended June 30, 2023	6 months ended June 30, 2022
Staff costs		
Salaries and other benefits	910,820	904,195
Pension and provident fund costs	<u>39,327</u>	<u>37,737</u>
	950,147	941,932
General and administrative expenses		
Rental expense	47,510	42,802
Other premises and equipment	63,046	58,333
Marketing expenses	61,740	54,816
Auditors' remuneration	3,263	3,220
Professional fees	17,972	18,494
Other operating expenses	<u>99,092</u>	<u>102,123</u>
	292,623	279,788
Depreciation		
Fixed assets	126,820	140,296
Right-of-use assets	<u>116,586</u>	<u>112,145</u>
	243,406	252,441
	<u>1,486,176</u>	<u>1,474,161</u>

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16 NET CHARGE OF EXPECTED CREDIT LOSSES

	6 months ended June 30, 2023	6 months ended June 30, 2022
New allowances charged, net of allowance releases	366,931	397,014
Recoveries of amounts previously written off	(34,597)	(20,650)
Net charge of expected credit losses	332,334	376,364
Attributable to:		
Balances with banks and central banks and placements with banks	(1,063)	(663)
Advances to customers and trade bills	305,329	416,398
Financial assets measured at amortized cost	(1,698)	-
Financial assets measured at fair value through other comprehensive income	7,185	1,965
Other assets measured at amortised cost	-	(1,925)
Loan and other credit related commitments	22,581	(39,411)
Net charge of expected credit losses	332,334	376,364

17 TAXATION

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

	6 months ended June 30, 2023	6 months ended June 30, 2022
Current tax – Hong Kong Profits Tax		
Provision for the period	391,070	284,847
Over-provision in respect of prior years	-	(50)
	391,070	284,797
Current tax – Overseas		
Provision for the period	1	12
Withholding tax for the period	5,958	279
	5,959	291
Deferred tax		
Origination and reversal of temporary differences	(4,763)	22,000
	392,266	307,088

The provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 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:

	6 months ended June 30, 2023	6 months ended June 30, 2022
Profit before taxation	<u>2,348,267</u>	<u>1,896,050</u>
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	387,464	312,848
Income not subject to taxation	(14,244)	(16,768)
Expenses not deductible for taxation purposes	16,685	41,642
Tax effect of utilization of temporary difference recognised	-	(34,704)
Over-provision in prior years	-	(50)
Overseas withholding tax	5,958	279
Others	(3,597)	3,841
Actual tax expense	<u>392,266</u>	<u>307,088</u>

18 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	June 30, 2023	December 31, 2022
Cash in hand	192,859	257,696
Balances with banks	7,177,600	6,197,875
Balances with central banks	887,384	246,864
Placement with banks maturing within one month	<u>31,601,321</u>	<u>38,867,529</u>
Gross cash and balances with banks and central banks	39,859,164	45,569,964
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(437)	(1,500)
Net cash and balances with banks and central banks	<u>39,858,727</u>	<u>45,568,464</u>

19 PLACEMENTS WITH BANKS

	June 30, 2023	December 31, 2022
Maturing between one and twelve months	17,087,952	21,511,925
Maturing more than twelve months	<u>12,452,587</u>	<u>1,500,370</u>
Gross placements with banks	29,540,539	23,012,295
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	-	-
Net placements with banks	<u>29,540,539</u>	<u>23,012,295</u>

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20 ADVANCES TO CUSTOMERS AND TRADE BILLS

(a) Advances to customers and trade bills

	June 30, 2023	December 31, 2022
Advances to customers		
Gross advances to corporate customers	214,486,238	214,307,073
Gross advances to personal customers	57,080,196	59,785,789
	<u>271,566,434</u>	<u>274,092,862</u>
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(962,082)	(790,874)
Stage 2: Lifetime ECL but not credit-impaired	(499,130)	(571,418)
Stage 3: Lifetime ECL and credit-impaired	(2,288,852)	(2,347,285)
	<u>267,816,370</u>	<u>270,383,285</u>
Trade bills		
Gross trade bills	1,703	12,534
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	-	(1)
Stage 2: Lifetime ECL but not credit-impaired	(18)	(33)
	<u>1,685</u>	<u>12,500</u>
Net advances to customers and trade bills	<u><u>267,818,055</u></u>	<u><u>270,395,785</u></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, 2023	260,025,561	11,218,573	2,861,262	274,105,396
Transfer to stage 1: 12-month ECL	664,271	(664,260)	(11)	-
Transfer to stage 2: lifetime ECL not credit-impaired	(2,627,706)	2,627,720	(14)	-
Transfer to stage 3: lifetime ECL credit-impaired	(6,682)	(111,258)	117,940	-
Net change in exposures	(1,160,804)	(1,176,172)	99,172	(2,237,804)
Write-offs	-	-	(299,455)	(299,455)
Balance as at June 30, 2023	256,894,640	11,894,603	2,778,894	271,568,137

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance as at January 1, 2022	281,523,946	19,832,681	1,940,724	303,297,351
Transfer to stage 1: 12-month ECL	154,737	(150,151)	(4,586)	-
Transfer to stage 2: lifetime ECL not credit-impaired	(4,402,988)	5,243,952	(840,964)	-
Transfer to stage 3: lifetime ECL credit-impaired	(267,160)	(2,016,990)	2,284,150	-
Net change in exposures	965,718	(1,360,578)	31,015	(363,845)
Write-offs	-	-	(632,855)	(632,855)
Balance as at June 30, 2022	277,974,253	21,548,914	2,777,484	302,300,651

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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.

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance as at January 1, 2023	790,875	571,451	2,347,285	3,709,611
Transfer to stage 1: 12-month ECL	40,870	(40,859)	(11)	-
Transfer to stage 2: lifetime ECL not credit-impaired	(8,619)	8,661	(42)	-
Transfer to stage 3: lifetime ECL credit-impaired	(6,752)	(53,345)	60,097	-
New financial assets originated or purchased*	171,550	32,535	4,542	208,627
Financial assets that have been derecognised	(80,335)	(99,903)	(16,642)	(196,880)
Write-offs	-	-	(299,455)	(299,455)
Recoveries of amounts previously written-offs	-	-	34,597	34,597
Net remeasurements (Including changes in risk parameters)	54,656	80,028	158,481	293,165
Foreign exchange and other movements	(163)	580	-	417
Balance as at June 30, 2023	962,082	499,148	2,288,852	3,750,082

* 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, 2022	1,273,364	887,929	901,400	3,062,693
Transfer to stage 1:				
12-month ECL	29,790	(25,339)	(4,451)	-
Transfer to stage 2:				
lifetime ECL not credit-impaired	(8,335)	61,429	(53,094)	-
Transfer to stage 3:				
lifetime ECL credit-impaired	(4,781)	(107,237)	112,018	-
New financial assets originated or purchased*	116,674	157,955	3,858	278,487
Financial assets that have been derecognised	(64,852)	(167,233)	(3,483)	(235,568)
Write-offs	-	-	(632,855)	(632,855)
Recoveries of amounts previously written-offs	-	-	20,650	20,650
Net remeasurements (Including changes in risk parameters)	(93,947)	(28,024)	498,194	376,223
Foreign exchange and other movements	(4,321)	(1,556)	3,132	(2,745)
Balance as at June 30, 2022	1,243,592	777,924	845,369	2,866,885

* 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:

	June 30, 2023		December 31, 2022	
		% of gross advances		% of gross advances
Gross impaired advances	2,778,894	1.02	2,861,262	1.04
Less: Expected credit loss allowances	(2,288,852)		(2,347,285)	
	490,042		513,977	
Gross individually assessed impaired advances	2,722,960	1.00	2,801,498	1.02
Less: Expected credit loss allowances	(2,249,884)		(2,305,242)	
	473,076		496,256	
Net realisable value of collateral held against the impaired advances	188,528		63,420	

As at June 30, 2023 and December 31, 2022, there were no impaired trade bills.

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21 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2023	December 31, 2022
Fund investments issued by non-bank financial institutions	-	15,413
Certificates of deposit issued by banks	-	1,328,800
Other debt securities issued by banks and other financial institutions	2,337,824	779,740
Other debt securities issued by corporates	31,108	46,628
Trading securities issued by central bank	261,096	231,384
	2,630,028	2,401,965
<u>Analysed by place of listing:</u>		
Listed in Hong Kong		
Certificates of deposit	-	1,328,800
Other debt securities	15,897	127,956
	15,897	1,456,756
Listed outside Hong Kong		
Other debt securities	150,995	204,541
Unlisted		
Fund investments	-	15,413
Other debt securities issued by other financial institutions	2,202,040	493,871
Trading securities issued by central bank	261,096	231,384
	2,463,136	740,668
	2,630,028	2,401,965

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22 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2023	December 31, 2022
<i>Financial assets measured at fair value through other comprehensive income</i>		
Debt investments		
Treasury bills/ bonds issued by central banks/governments	47,657,369	45,892,751
Certificates of deposit issued by banks	2,041,840	2,502,159
Other debt securities issued by		
Banks and non-bank financial institutions	46,180,822	41,675,621
Corporates	19,505,251	15,185,503
	<u>115,385,282</u>	<u>105,256,034</u>
<i>Financial assets designated at fair value through other comprehensive income</i>		
Equity investments		
Equity shares issued by corporates	178,035	166,535
	<u>115,563,317</u>	<u>105,422,569</u>
<u>Analysed by place of listing</u>		
Listed in Hong Kong		
Debt investments	50,480,003	47,130,830
Listed outside Hong Kong		
Debt investments	25,289,096	14,680,401
Equity investments	49,362	44,782
	<u>25,338,458</u>	<u>14,725,183</u>
Unlisted		
Debt investments	39,616,183	43,444,803
Equity investments	128,673	121,753
	<u>39,744,856</u>	<u>43,566,556</u>
	<u>115,563,317</u>	<u>105,422,569</u>

Under the Group's business strategy, the equity investments are made for being members of the electronic payment system in Hong Kong and are held for long term purpose. These investments are designated at FVOCI. Management has no intention to dispose of these investments as at June 30, 2023.

For the period ended June 30, 2023 and December 31, 2022, 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, 2023	December 31, 2022
Other debt securities issued by		
Banks and non-bank financial institutions	1,582,758	2,755,615
Corporates	-	320,207
	<u>1,582,758</u>	<u>3,075,822</u>
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(2,092)	(3,790)
	<u>1,580,666</u>	<u>3,072,032</u>
<u>Analysed by place of listing</u>		
Listed in Hong Kong	1,582,758	2,761,933
Unlisted	-	313,889
	<u>1,582,758</u>	<u>3,075,822</u>
<u>Market value</u>		
Listed	1,509,105	2,673,274
Unlisted	-	309,421
	<u>1,509,105</u>	<u>2,982,695</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):

As at June 30, 2023	Level 1	Level 2	Level 3	Total
Other assets measured at amortised cost	<u>1,590,105</u>	<u>-</u>	<u>-</u>	<u>1,590,105</u>
As at December 31, 2022				
Other assets measured at amortised cost	<u>2,673,274</u>	<u>309,421</u>	<u>-</u>	<u>2,982,695</u>

There were no overdue financial investments as at June 30, 2023 and December 31, 2022 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, 2023				December 31, 2022			
	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	104,332,358	1,195,904	1,296,157	820,157	93,164,689	842,571	669,703	809,835
Options purchased	-	2	-	-	-	1	-	-
Options written	172,161	-	1,077	116	146,423	-	604	158
Interest rate swaps	23,170,200	1,086,251	109,929	889,407	16,291,072	1,018,047	105,440	846,830
Currency swaps	7,428,134	63,535	56,595	225,338	6,703,474	86,425	68,013	148,919
Equity swaps	63,100	284	3,412	2,791	26,500	344	185	1,669
	<u>135,165,953</u>	<u>2,345,976</u>	<u>1,467,170</u>	<u>1,937,809</u>	<u>116,332,158</u>	<u>1,947,388</u>	<u>843,945</u>	<u>1,807,411</u>

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25 FIXED ASSETS

	Buildings	Leasehold improvements	Furniture and equipment	Total
Cost:				
As at January 1, 2023	2,818,069	610,427	1,567,259	4,995,755
Additions	-	19,031	49,611	68,642
Disposals	-	(3,652)	(5,528)	(9,180)
As at June 30, 2023	2,818,069	625,806	1,611,342	5,055,217
Accumulated depreciation:				
As at January 1, 2023	836,403	503,456	1,353,229	2,693,088
Charge for the period	38,877	16,770	71,173	126,820
Disposals	-	(3,652)	(5,528)	(9,180)
As at June 30, 2023	875,280	516,574	1,418,874	2,810,728
Net book value:				
As at June 30, 2023	1,942,789	109,232	192,468	2,244,489
	Buildings	Leasehold improvements	Furniture and equipment	Total
Cost:				
As at January 1, 2022	2,818,069	609,068	1,472,504	4,899,641
Additions	-	20,826	117,386	138,212
Disposals	-	(19,467)	(22,631)	(42,098)
As at December 31, 2022	2,818,069	610,427	1,567,259	4,995,755
Accumulated depreciation:				
As at January 1, 2022	758,649	484,183	1,211,254	2,454,086
Charge for the year	77,754	36,708	164,258	278,720
Disposals	-	(17,435)	(22,283)	(39,718)
As at December 31, 2022	836,403	503,456	1,353,229	2,693,088
Net book value:				
As at December 31, 2022	1,981,666	106,971	214,030	2,302,667

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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:

	Right-of-use assets			
	Leasehold land	Buildings	Equipment	Total
As at January 1, 2023	523,521	895,712	8,897	1,428,130
Additions	-	57,628	-	57,628
Remeasurement	-	1,997	-	1,997
Depreciation charge for the period	(1,007)	(111,332)	(4,247)	(116,586)
As at June 30, 2023	522,514	844,005	4,650	1,371,169

	Right-of-use assets			
	Leasehold land	Buildings	Equipment	Total
As at January 1, 2022	525,536	1,211,551	16,278	1,753,365
Additions	-	149,686	-	149,686
Remeasurement	-	(246,273)	1,153	(245,120)
Depreciation charge for the year	(2,015)	(219,252)	(8,534)	(229,801)
As at December 31, 2022	523,521	895,712	8,897	1,428,130

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:

	Lease liabilities
As at January 1, 2023	978,624
Additions	53,711
Remeasurement	1,996
Interest expense	8,221
Payments	(121,431)
As at June 30, 2023	921,121
Total lease liabilities	
Current	225,883
Non-current	695,238
	921,121

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(CONTINUED)

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, 2022	1,298,508
Additions	135,540
Remeasurement	(231,895)
Interest expense	15,022
Payments	<u>(238,551)</u>
As at December 31, 2022	<u>978,624</u>
 Total lease liabilities	
Current	223,320
Non-current	<u>755,304</u>
	<u>978,624</u>

The Group recognised rental expenses from short-term leases and leases of low-value assets of \$130 for the six months ended June 30, 2023 (June 30, 2022: \$664).

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28 DEPOSITS AND BALANCES OF BANKS

	June 30, 2023	December 31, 2022
Deposits from banks	2,047,445	4,681,608
Takings from banks	21,105,529	9,664,395
	23,152,974	14,346,003

29 DEPOSITS FROM CUSTOMERS

	June 30, 2023	December 31, 2022
Demand deposits and current accounts	30,257,969	28,109,486
Savings deposits	95,166,445	103,034,238
Time and call deposits	221,587,292	221,034,150
Other deposits	930,700	439,280
	347,942,406	352,617,154

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

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

	June 30, 2023	December 31, 2022
Other debt securities issued by		
Governments	500,000	54,073
Banks and non-bank financial institutions	6,802,405	4,507,652
Corporates	6,961,527	4,165,800
	14,263,932	8,727,525

31 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2023	December 31, 2022
Structured deposits	655,904	169,932

32 OTHER DEBT SECURITIES ISSUED

	June 30, 2023	December 31, 2022
Other debt securities issued at amortised cost	805,056	679,244

As at June 30, 2023, the fair values of other debt securities issued at amortised cost were at \$816,446 (December 31, 2022: \$692,962).

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33 OTHER EQUITY INSTRUMENTS

		June 30, 2023	December 31, 2022
Nominal value	Description		
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>7,777,601</u>	<u>7,777,601</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 \$791,023 (December 31, 2022: \$909,600) 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:

	June 30, 2023	December 31, 2022
Direct credit substitutes	60,595	102,700
Transaction-related contingencies	3,054,210	2,963,201
Trade-related contingencies	2,435,472	1,132,808
Other commitments:		
which are unconditionally cancellable or automatically cancellable due to the deterioration in the credit worthiness of the borrower	53,942,129	54,900,558
with an original maturity up to one year	844,679	4,514,432
with an original maturity over one year	32,443,407	33,260,246
	92,780,492	96,873,945

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	
For the period ended	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Interest income	603,116	180,613	58,231	34,241	-	-
Interest expense	140,750	68,866	55,630	1,901	2,815	3,364
Fee and commission income	249,065	227,573	-	-	-	-
Fee and commission expense	796	1,680	-	-	-	-
Other operating income	15,555	15,597	-	1,784	-	-
Operating expenses	956	1,236	-	-	41,283	42,686
<hr/>						
As at	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Amounts due from:						
Cash and balances with banks and central banks	18,607,139	17,390,400	-	-	-	-
Placements with banks	29,540,539	13,986,679	-	-	-	-
Advance to customers and trade bills	-	-	46,075	1,707,070	-	-
Financial assets measured at fair value through other comprehensive income	-	-	237,281	235,898	-	-
Other assets measured at amortised cost	-	-	-	-	-	-
Derivative financial instruments	54,660	70,948	-	-	-	-
Right-of-use assets	-	-	-	-	422,917	463,885
Other assets	914,220	534,446	163	181	-	-
Amounts due to:						
Deposits and balances of banks	13,109,683	11,126,592	6,677	477,746	-	-
Financial assets sold under repurchase agreements	-	-	-	-	-	-
Deposits from customers	-	-	1,389,912	3,975,050	-	-
Derivative financial instruments	217,715	43,847	-	-	-	-
Lease liabilities	-	-	-	-	472,723	516,893
Other liabilities	2,641,079	2,647,666	-	-	20,147	19,494

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(CONTINUED)

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)

	<u>Intermediate holding company</u>		<u>Fellow subsidiary</u>		<u>Joint venture</u>	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
As at						
Contingencies and commitments:						
Transaction-related contingencies	12,306	3,143	-	-	-	-
Other commitments	-	-	1,042,601	1,254,548	-	-
Derivative financial instrument: (notional amount)						
Exchange rate contracts	8,454,052	10,653,557	-	-	-	-
Interest rate swaps	410,057	-	-	-	-	-
Currency swaps	-	108,220	-	-	-	-

37 ASSETS PLEDGED AS COLLATERALS

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

	June 30, 2023		December 31, 2022	
	Carrying amount of transferred assets	Carrying amount of associated liabilities (Note 30)	Carrying amount of transferred assets	Carrying amount of associated liabilities (Note 30)
Repurchase agreements	15,009,600	14,263,932	9,702,426	8,727,525

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

38 COMPARATIVES

Certain comparative figures have been adjusted to conform with the presentation and disclosures in the current period.

39 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, 2023		December 31, 2022	
		% on total advances to customers		% on total advances to customers
Six months or less but over three months	33,990	0.01	514,810	0.19
One year or less but over six months	515,342	0.19	135,167	0.05
Over one year	141,917	0.05	16,135	0.00
Total gross amount of advances overdue for more than three months	691,249	0.25	666,112	0.24
Expected credit losses allowances made in respect of the above overdue advances	599,792		565,104	
Net realisable value of collateral held against the overdue advances	16,836		21,099	
Covered portion of overdue advances	16,836		21,099	
Uncovered portion of overdue advances	674,413		645,013	
	691,249		666,112	

As at June 30, 2023 and December 31, 2022, collaterals held with respect of overdue advances to customers were mainly commercial properties and residential properties.

As at June 30, 2023 and December 31, 2022, there were no trade bills and advances to banks overdue for more than three months.

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SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

1 OVERDUE AND RESCHEDULED ASSETS (CONTINUED)

(b) Rescheduled advances to customers

	<u>June 30, 2023</u>		<u>December 31, 2022</u>	
		% on total advances to customers		% on total advances to customers
Rescheduled advances to customers	58,526	0.02	61,795	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, 2023 and December 31, 2022, there were no rescheduled advances to banks and trade bills.

(c) Other overdue and rescheduled assets

As at June 30, 2023 and December 31, 2022, there were no other overdue and rescheduled assets.

Hong Kong, September 28, 2023