



FOR IMMEDIATE RELEASE

**China Construction Bank (Asia) Announces
Consolidated Net Profit after Tax of HKD2,741 Million for the First Half of 2024**

Hong Kong – September 30, 2024 – China Construction Bank (Asia) Corporation Limited (“CCB (Asia)”) today announced its consolidated net profit after tax to reach HKD2,741 million for the first six months ended June 30, 2024, an increase of HKD785 million or 40.1%, as compared with the same period in 2023. Set out below are the highlights:

- Total operating income of CCB (Asia) for the first half of 2024 amounted to HKD4,851 million, an increase of 16.6% as compared with the first half of 2023. If taken into account the foreign currency swap amortisation costs of HKD93 million, net interest income would be HKD3,498 million, increased by 20.2% as compared with the same period of 2023. Non-interest income after excluding the aforesaid swap amortisation costs was HKD1,353 million, representing an increase of 8.1% as compared with the same period of 2023, mainly attributable to the increase in net trading income (after exclusion of foreign currency swap amortisation costs) by HKD158 million and the increase in the net gains from disposal of financial assets measured at fair value through other comprehensive income by HKD98 million, but partly offset by the increase in net losses from financial instruments designated at fair value through profit or loss by HKD218 million.
- Total operating expenses slightly decreased by 0.1% to HKD1,484 million as compared with the same period of 2023 and the cost-to-income ratio enhanced by 5.1 percentage points to 30.6% as compared with the first half of 2023. In the first half of 2024, the amount of impairment allowance charges decreased by 71.7% to HKD94 million, of which collective impairment decreased by HKD90 million and the individual impairment decreased by HKD148 million.
- As at June 30, 2024, total consolidated assets stood at HKD505.1 billion, an increase of 2.3% from HKD493.9 billion versus that at end of 2023. The gross advances to customers and trade bills increased at the end of June 2024 by 5.3% to HKD278.3 billion, which was mainly driven by the growth in bilateral loans, but partially offset by the decrease in syndicated loans. As at June 30, 2024, the impaired loan ratio was 0.96%, enhanced by 0.11 percentage point versus that at the end of 2023.
- The financial assets measured at fair value through other comprehensive income increased by 7.2% to HKD138.0 billion, while the financial assets at amortised costs decreased by 25.0% to HKD1.2 billion. As a whole, the net aggregate balances of these two types of financial assets increased by 6.8% to HKD139.2 billion, mainly due to the increase in debt securities issued by banks and non-bank financial institutions, high quality liquefiable debt securities issued by central banks and corporate bonds. The financial assets measured at fair value through profit or loss grew by 31.6% to HKD2.5 billion, mainly due to the increase in debt securities issued by banks and other financial institutions. The cash and balances with banks and central banks, placement with banks and financial assets held under reverse repurchase agreements decreased by 14.7% to HKD76.4 billion.



- Total deposits from customers slightly decreased by 0.9% to HKD377.5 billion, of which retail deposits grew by 9.2%.
- The Total Capital Ratio, Leverage Ratio and Net Stable Funding Ratio as at June 30, 2024 were 21.1%, 14.4% and 141.1% respectively. The Average Liquidity Coverage Ratio for the first half of 2024 was 143.3%. All the aforementioned ratios were maintained at sound levels and well above regulatory requirements.

About China Construction Bank (Asia) Corporation Limited

China Construction Bank (Asia) Corporation Limited (“CCB (Asia)”) is the comprehensive and integrated commercial banking platform of China Construction Bank Corporation (“CCB”) in Hong Kong. As the flagship of CCB Group’s overseas business, CCB (Asia) holds a variety of licenses and provides a wide array of banking services including retail banking services, commercial banking services, corporate banking services and treasury business etc., along with its industry-leading advantages in RMB services, FinTech, cross-border services and green finance. Through the extensive network and diversified service channels of CCB Group in Mainland China and Hong Kong, CCB (Asia) provides comprehensive, one-stop and integrated finance solutions to individuals, corporate and institutional clients. Adheres to “market-oriented, customer-centric” business philosophy, with its integrated operational platform as the basis, FinTech as the core drive and innovation as the leading force, CCB (Asia) is committed to providing efficient, safe and novel smart banking services to the general public.

For more information about CCB (Asia), please visit www.asia.ccb.com.

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CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENTS
(UNAUDITED)**

FOR THE SIX MONTHS ENDED

JUNE 30, 2024

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

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CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	6 months ended June 30, 2024	6 months ended June 30, 2023
Interest income		11,061,188	9,014,540
Interest expense		(7,470,285)	(5,994,230)
Net interest income	10	3,590,903	3,020,310
Fees and commission income		967,709	902,734
Fees and commission expense		(82,017)	(66,318)
Net fees and commission income	11	885,692	836,416
Net trading income	12	419,807	244,393
Net (losses)/gains from financial instruments designated at fair value through profit or loss	13	(210,596)	6,389
Net gains from disposal of financial assets measured at fair value through other comprehensive income		126,928	29,132
Other operating income	14	37,676	24,450
Total operating income		4,850,410	4,161,090
Operating expenses	15	(1,483,977)	(1,486,176)
Operating profit before net charges of expected credit losses		3,366,433	2,674,914
Net charge of expected credit losses	16	(93,652)	(332,334)
Operating profit		3,272,781	2,342,580
Losses on disposal of fixed assets		(115)	-
Share of profit of joint venture		7,039	5,687
Profit before taxation		3,279,705	2,348,267
Taxation	17	(538,569)	(392,266)
Profit for the period		2,741,136	1,956,001

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended June 30, 2024	6 months ended June 30, 2023
Profit for the period	<u>2,741,136</u>	<u>1,956,001</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	513,768	556,575
Reclassification adjustments for amounts transferred to profit or loss	(126,928)	(29,132)
Expected credit losses recognised in profit or loss	17,158	7,185
Tax effect	(90,729)	(93,609)
Item that will not be reclassified subsequently to profit or loss:		
Equity instruments designated at fair value through other comprehensive income	<u>9,305</u>	<u>11,500</u>
Other comprehensive income for the period, net of tax	<u>322,574</u>	<u>452,519</u>
Total comprehensive income for the period	<u><u>3,063,710</u></u>	<u><u>2,408,520</u></u>

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	June 30, 2024	December 31, 2023
Assets			
Cash and balances with banks and central banks	18	37,979,962	46,954,109
Placements with banks	19	36,689,266	40,632,740
Financial assets held under reverse repurchase agreements	20	1,699,776	2,023,967
Advances to customers and trade bills	21	274,223,115	259,983,444
Financial assets measured at fair value through profit or loss	22	2,459,248	1,906,328
Financial assets measured at fair value through other comprehensive income	23	138,017,011	128,717,611
Other assets measured at amortised cost	24	1,198,255	1,576,306
Derivative financial instruments	25	4,151,209	1,971,341
Interest in a joint venture		1,863,219	1,856,180
Deferred tax assets		514,592	633,945
Fixed assets	26	2,160,392	2,219,069
Right-of-use assets	27	1,227,727	1,302,952
Other assets		2,929,523	4,079,683
Total assets		505,113,295	493,857,675
Liabilities			
Deposits and balances of banks	29	10,251,282	10,014,023
Deposits from customers	30	377,481,305	381,073,831
Financial assets sold under repurchase agreements	31	11,036,380	9,370,572
Financial liabilities designated at fair value through profit or loss	32	11,801,533	6,368,794
Other debt securities issued	33	644,534	660,058
Derivative financial instruments	25	2,992,409	1,331,114
Lease liabilities	28	775,733	853,346
Current tax payable		947,347	447,954
Deferred tax liabilities		17,931	18,012
Other liabilities		8,784,807	6,257,308
Total liabilities		424,733,261	416,395,012
Equity			
Share capital		28,827,843	28,827,843
Other equity instruments	34	7,777,601	7,777,601
Reserves	35	43,774,590	40,857,219
Total equity		80,380,034	77,462,663
Total equity and liabilities		505,113,295	493,857,675

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	6 months ended June 30, 2024								
	Share capital	Other equity instruments	General reserve	Investment revaluation reserve	Regulatory reserve	Other reserve	Merger reserve	Retained earnings	Total
Balance as at January 1, 2024	28,827,843	7,777,601	750,956	(458,060)	572,887	15,913	62,262	39,913,261	77,462,663
Changes in equity for 2024:									
Profit for the period	-	-	-	-	-	-	-	2,741,136	2,741,136
Other comprehensive income, net of tax	-	-	-	322,574	-	-	-	-	322,574
Total comprehensive income for the period	-	-	-	322,574	-	-	-	2,741,136	3,063,710
Coupon paid for other equity instruments	-	-	-	-	-	-	-	(146,339)	(146,339)
Regulatory reserve	-	-	-	-	117,630	-	-	(117,630)	-
Balance as at June 30, 2024	28,827,843	7,777,601	750,956	(135,486)	690,517	15,913	62,262	42,390,428	80,380,034
	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

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended June 30, 2024	6 months ended June 30, 2023
Operating activities		
Operating profit	3,272,781	2,342,580
Adjustments for:		
Dividend income	(1,283)	(3,698)
Depreciation	240,931	243,406
Net charges on expected credit losses	93,652	332,334
Written-off of loans and advances, net of recoveries	(265,247)	(264,858)
Amortisation of premium/discount on financial assets measured at fair value through other comprehensive income	(851,081)	(416,281)
Amortisation of premium/discount on other assets measured at amortised cost	(263)	(327)
Amortisation of discount on other debt securities issued	158	231
Fair value adjustments	208,236	(7,162)
Net losses attributable to the hedged risk in respect of the hedged item under fair value hedge	125,941	73,103
Net gains from disposal of financial assets measured at fair value through other comprehensive income	(126,928)	(29,132)
Effect of foreign exchange rate changes	1,304,707	1,100,969
	4,001,604	3,371,165
(Increase)/decrease in operating assets		
Balances and placements with banks and central banks with original maturity beyond three months	(3,969,800)	2,887,901
Gross advances to customers and trade bills	(14,040,699)	2,537,258
Financial assets measured at fair value through profit or loss with original maturity beyond three months	(105,274)	329,992
Derivative financial instruments	(2,179,868)	(398,588)
Other assets	1,150,160	(1,965,456)
	(19,145,481)	3,391,107
Increase/(decrease) in operating liabilities		
Deposits and balances of banks	237,743	8,806,971
Financial assets sold under repurchase agreements	1,665,324	5,536,407
Deposits from customers	(3,592,526)	(4,674,748)
Derivative financial instruments	1,661,295	623,225
Other debt securities issued	(15,682)	125,581
Financial liabilities designated at fair value through profit or loss	5,222,143	492,361
Other liabilities	2,514,350	(4,079,449)
	7,692,647	6,830,348
Net cash (outflow)/inflow from operations	(7,451,230)	13,592,620

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	6 months ended June 30, 2024	6 months ended June 30, 2023
Net cash (outflow)/inflow from operations	(7,451,230)	13,592,620
Hong Kong Profits Tax paid	-	(163,822)
Withholding tax paid	-	(4,128)
Net cash (outflow)/inflow from operating activities	(7,451,230)	13,424,670
Purchase of financial assets measured at fair value through other comprehensive income	(81,566,095)	(34,655,753)
Proceeds received from redemption and disposal of financial assets measured at fair value through other comprehensive income	72,931,519	21,060,680
Proceeds received from redemption and disposal of other assets measured at amortised cost	375,248	1,518,105
Purchase of property and equipment	(60,065)	(68,642)
Dividends received from listed and unlisted investments	1,283	3,698
Net cash outflow from investing activities	(8,318,110)	(12,141,912)
Coupon paid for other equity instruments	(146,339)	(146,810)
Principal portion of lease payments	(122,578)	(113,210)
Net cash outflow from financing activities	(268,917)	(260,020)
(Decrease)/increase in cash and cash equivalents	(16,038,257)	1,022,738
Cash and cash equivalents as at January 1	73,181,732	50,459,251
Effect of foreign exchange rate changes	(416,435)	(110,602)
Cash and cash equivalents as at June 30	56,727,040	51,371,387
Cash flows from operating activities include:		
Interest received	10,549,802	8,270,809
Interest paid	(7,479,822)	(5,917,153)
Interest paid – interest portion of lease payments	(8,839)	(8,221)

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(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 25, 2024 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. These condensed consolidated interim financial information disclosure statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standard ('HKFRS').

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, 2024.

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, 2024, 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, 2023 that is included in the condensed consolidated interim financial information for the six months ended June 30, 2024 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).

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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, are consistent with those of the consolidated financial statements for the year ended December 31, 2023.

Standards applied during the period ended June 30, 2024

There were no new standards or amendments to standards that had a material effect on these condensed consolidated interim financial information disclosure statements.

New HKFRS not yet effective for the year ending December 31, 2024

The Group does not early adopt the following HKFRS which were issued, but not yet effective for the financial year ending December 31, 2024:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, which effective date is to be determined.
Amendments to HKAS 21	Lack of Exchangeability, which effective for annual period beginning on or after January 1, 2025.
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments, which effective for annual period beginning on or after January 1, 2026.
HKFRS 18	Presentation and Disclosure in Financial Statements, which effective for annual period beginning on or after January 1, 2027.
HKFRS 19	Subsidiaries without Public Accountability: Disclosures, which effective for annual period beginning on or after January 1, 2027.

Amendments to HKFRS 10 and HKAS 28 "Consolidated Financial Statements" and HKAS 28 "Investments in Associates and Joint Ventures"

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

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

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 21 “Lack of Exchangeability”

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application.

Amendments to HKFRS 9 “Financial Instruments” and HKFRS 7 “Financial Instruments: Disclosures”

In August 2024, the HKICPA issued Amendments to HKFRS 9 “Financial Instruments” and HKFRS 7 “Financial Instruments: Disclosures”, effective for annual reporting periods beginning on or after January 1, 2026. The amendments include clarifications on how ESG-linked features could affect the assessment of contractual cash flows, and introduction on an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if specified criteria are met. Further, the amendments provide clarification on the date on which a financial asset or a financial liability is derecognized, and the requirements for classifying financial assets with non-recourse features and contractually linked instruments.

HKFRS 18 “Presentation and Disclosure in Financial Statements”

In July 2024, the HKICPA issued HKFRS 18 “Presentation and Disclosure in Financial Statements”, effective for annual reporting periods beginning on or after January 1, 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about a company’s financial performance. It will replace HKAS 1 “Presentation of Financial Statements” but carries over many requirements from this HKAS unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management defined performance measures and the aggregation and disaggregation of information.

HKFRS 19 “Subsidiaries without Public Accountability: Disclosures”

In July 2024, the HKICPA issued HKFRS 19 “Subsidiaries without Public Accountability: Disclosures”, effective for annual reporting periods beginning on or after January 1, 2027. The new accounting standard aims at simplifying financial reporting for eligible subsidiary companies by allowing reduced disclosures.

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UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENTS (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, 2023.

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 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, 2023. 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 2023.

(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.

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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, 2024	Gross carrying / notional amount						ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss	Total		
On balance sheet:								
Placements with and advances to bank at amortised cost – stage 1	36,690,028	-	-	-	-	36,690,028	(762)	36,689,266
Advances to customers and trade bills at amortised cost:								
Stage 1	264,079,608	-	-	-	-	264,079,608	(1,138,939)	262,940,669
Stage 2	9,663,653	1,713,888	-	-	-	11,377,541	(473,497)	10,904,044
Stage 3	-	-	250,499	163,088	2,251,840	2,665,427	(2,501,919)	163,508
Advances to customers	273,743,261	1,713,888	250,499	163,088	2,251,840	278,122,576	(4,114,355)	274,008,221
Trade bills	214,921	-	-	-	-	214,921	(27)	214,894
Other financial assets measured at amortised cost:								
Cash and balances with banks and central banks – stage 1	37,980,281	-	-	-	-	37,980,281	(319)	37,979,962
Other assets measured at amortised cost – Stage 1	1,198,878	-	-	-	-	1,198,878	(623)	1,198,255

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UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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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, 2024 (continued)	Gross carrying / notional amount					Total	ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss			
On balance sheet: (continued)								
Other financial assets measured at amortised cost: (continued)								
Other assets – stage 1	2,930,718	-	-	-	-	2,930,718	(1,195)	2,929,523
Stage 1	137,039,783	-	-	-	-	137,039,783	(147,493)	136,892,290
Stage 2	977,228	-	-	-	-	977,228	(22,591)	954,637
Financial assets measured at fair value through other comprehensive income	138,017,011	-	-	-	-	138,017,011	(170,084)	137,846,927
Financial assets held under reverse repurchase agreement – Stage 1	1,699,776	-	-	-	-	1,699,776	-	1,699,776
Total gross carrying amount – on balance sheet	492,474,874	1,713,888	250,499	163,088	2,251,840	496,854,189	(4,287,365)	492,566,824
Off balance sheet:								
Stage 1	92,340,473	-	-	-	-	92,340,473	(239,441)	92,101,032
Stage 2	21,553	-	-	-	-	21,553	(42)	21,511
Financial guarantees, loan commitments and other credit related commitments	92,362,026	-	-	-	-	92,362,026	(239,483)	92,122,543
Total nominal amount – off balance sheet	92,362,026	-	-	-	-	92,362,026	(239,483)	92,122,543
Total at as June 30, 2024	584,836,900	1,713,888	250,499	163,088	2,251,840	589,216,215	(4,526,848)	584,689,367

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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, 2023	Gross carrying / notional amount					Total	ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss			
On balance sheet:								
Placements with banks at amortised cost – stage 1	40,633,132	-	-	-	-	40,633,132	(392)	40,632,740
Advances to customers and trade bills at amortised cost:								
Stage 1	246,008,336	-	-	-	-	246,008,336	(949,748)	245,058,588
Stage 2	13,811,735	1,625,575	-	-	-	15,437,310	(656,505)	14,780,805
Stage 3	-	-	186,496	146,865	2,491,622	2,824,983	(2,707,090)	117,893
Advances to customers	259,820,071	1,625,575	186,496	146,865	2,491,622	264,270,629	(4,313,343)	259,957,286
Trade bills	26,169	-	-	-	-	26,169	(11)	26,158
Other financial assets measured at amortised cost:								
Cash and balances with banks and central banks – stage 1	46,954,767	-	-	-	-	46,954,767	(658)	46,954,109
Other assets measured at amortised cost – stage 1	1,577,801	-	-	-	-	1,577,801	(1,495)	1,576,306

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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, 2023 (continued)	Gross carrying /notional amount					Total	ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss			
On balance sheet: (continued)								
Other financial assets measured at amortised cost: (continued)								
Other assets – stage 1	4,080,878	-	-	-	-	4,080,878	(1,195)	4,079,683
Stage 1	128,159,330	-	-	-	-	128,159,330	(134,499)	128,024,831
Stage 2	558,281	-	-	-	-	558,281	(18,427)	539,854
Financial assets measured at fair value through other comprehensive income	128,717,611	-	-	-	-	128,717,611	(152,926)	128,564,685
Financial assets held under reverse repurchase agreements – Stage 1	2,023,967	-	-	-	-	2,023,967	-	2,023,967
Total gross carrying amount - on balance sheet	483,834,396	1,625,575	186,496	146,865	2,491,622	488,284,954	(4,470,020)	483,814,934
Off balance sheet:								
Stage 1	91,224,097	-	-	-	-	91,224,097	(228,446)	90,995,651
Stage 2	4,349	-	-	-	-	4,349	(3)	4,346
Financial guarantees, loan commitments and other credit related commitments	91,228,446	-	-	-	-	91,228,446	(228,449)	90,999,997
Total nominal amount - off balance sheet	91,228,446	-	-	-	-	91,228,446	(228,449)	90,999,997
Total at as December 31, 2023	575,062,842	1,625,575	186,496	146,865	2,491,622	579,513,400	(4,698,469)	574,814,931

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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, 2024

	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	6,522,604	31,457,358	-	-	-	-	-	37,979,962
Placements with banks	-	-	8,134,449	7,896,915	20,657,902	-	-	36,689,266
Financial assets held under reverse repurchase agreements	-	680	1,159,204	539,892	-	-	-	1,699,776
Advances to customers and trade bills	7,770,632	66,220,008	43,318,662	38,773,248	76,085,117	42,055,448	-	274,223,115
Financial assets measured at fair value through profit or loss	-	106,143	956,002	456,627	940,476	-	-	2,459,248
Financial assets measured at fair value through other comprehensive income	-	7,836,393	33,500,171	32,295,275	56,271,327	7,862,676	251,169	138,017,011
Other assets measured at amortised cost	-	-	476,445	721,810	-	-	-	1,198,255
Derivative financial instruments	-	1,044,900	2,277,343	618,888	210,078	-	-	4,151,209
Interest in a joint venture	-	-	-	-	-	-	1,863,219	1,863,219
Deferred tax assets	-	-	-	-	-	-	514,592	514,592
Fixed assets	-	-	-	-	-	-	2,160,392	2,160,392
Right-of-use assets	-	-	2,092	12,890	545,167	147,079	520,499	1,227,727
Other assets	1,790,119	327,561	20,514	703,062	5,982	-	82,285	2,929,523
Total assets	16,083,355	106,993,043	89,844,882	82,018,607	154,716,049	50,065,203	5,392,156	505,113,295

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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, 2024 (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	4,075,461	4,861,649	893,447	420,725	-	-	-	10,251,282
Deposits from customers	120,636,870	101,174,422	137,641,243	18,028,770	-	-	-	377,481,305
Financial assets sold under repurchase agreements	-	9,000,042	2,036,338	-	-	-	-	11,036,380
Financial liabilities designated at fair value through profit or loss	-	4,266,341	4,489,904	3,045,288	-	-	-	11,801,533
Other debt securities issued	-	-	-	644,534	-	-	-	644,534
Derivative financial instruments	-	850,234	1,997,162	145,013	-	-	-	2,992,409
Lease liabilities	-	24,133	38,774	161,737	490,380	60,709	-	775,733
Current tax payable	-	-	-	947,347	-	-	-	947,347
Deferred tax liabilities	-	-	-	-	-	-	17,931	17,931
Other liabilities	4,076,551	976,318	22,449	1,072,149	-	-	2,637,340	8,784,807
Total liabilities	128,788,882	121,153,139	147,119,317	24,465,563	490,380	60,709	2,655,271	424,733,261
Net assets/(liabilities) gap	(112,705,527)	(14,160,096)	(57,274,435)	57,553,044	154,225,669	50,004,494	2,736,885	80,380,034
Of which:								
Debt securities included in:								
- Financial assets measured at fair value through other comprehensive income	-	7,836,393	33,500,171	32,295,275	56,271,327	7,862,676	-	137,765,842
- Other assets measured at amortised cost	-	-	476,445	721,810	-	-	-	1,198,255

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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, 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	8,015,305	38,938,804	-	-	-	-	-	46,954,109
Placements with banks	-	-	18,722,435	6,889,318	15,020,987	-	-	40,632,740
Financial assets held under reverse repurchase agreements	-	2,023,967	-	-	-	-	-	2,023,967
Advances to customers and trade bills	8,020,622	61,582,144	25,113,031	46,902,920	73,384,396	44,980,331	-	259,983,444
Financial assets measured at fair value through profit or loss	-	47,489	569,370	221,430	848,938	219,101	-	1,906,328
Financial assets measured at fair value through other comprehensive income	-	8,358,599	25,032,097	34,471,585	52,473,933	8,139,532	241,865	128,717,611
Other assets measured at amortised cost	-	-	332,318	522,411	721,577	-	-	1,576,306
Derivative financial instruments	-	446,607	633,067	235,449	429,283	226,935	-	1,971,341
Interest in a joint venture	-	-	-	-	-	-	1,856,180	1,856,180
Deferred tax assets	-	-	-	-	-	-	633,945	633,945
Fixed assets	-	-	-	-	-	-	2,219,069	2,219,069
Right-of-use assets	-	548	1,114	28,656	594,459	156,670	521,505	1,302,952
Other assets	1,455,166	470,471	47,735	2,005,151	5,872	-	95,288	4,079,683
Total assets	17,491,093	111,868,629	70,451,167	91,276,920	143,479,445	53,722,569	5,567,852	493,857,675

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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, 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 with banks	3,658,036	6,318,284	20,031	17,672	-	-	-	10,014,023
Deposits from customers	132,367,825	89,042,922	135,380,771	24,282,313	-	-	-	381,073,831
Financial assets sold under repurchase agreements	-	2,837,324	2,747,982	3,785,266	-	-	-	9,370,572
Financial liabilities designated at fair value through profit or loss	-	2,081,378	3,801,508	485,908	-	-	-	6,368,794
Other debt securities issued	-	-	-	660,058	-	-	-	660,058
Derivative financial instruments	-	487,645	553,297	249,673	36,728	3,771	-	1,331,114
Lease liabilities	-	19,854	38,606	167,200	556,276	71,410	-	853,346
Current tax payable	-	-	-	447,954	-	-	-	447,954
Deferred tax liabilities	-	-	-	-	-	-	18,012	18,012
Other liabilities	1,334,139	592,533	61,617	1,513,481	109,345	31	2,646,162	6,257,308
Total liabilities	137,360,000	101,379,940	142,603,812	31,609,525	702,349	75,212	2,664,174	416,395,012
Net assets/(liabilities) gap	(119,868,907)	10,488,689	(72,152,645)	59,667,395	142,777,096	53,647,357	2,903,678	77,462,663
Of which:								
Debt securities included in:								
- Financial assets measured at fair value through other comprehensive income	-	8,358,599	25,032,097	34,471,585	52,473,933	8,139,532	-	128,475,746
- Other assets measured at amortised cost	-	-	332,318	522,411	721,577	-	-	1,576,306

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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, 2024	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Other debt securities	1,513,047	946,201	-	2,459,248
Financial assets measured at fair value through other comprehensive income				
Treasury bills/bonds	46,768,133	8,788,378	-	55,556,511
Certificates of deposit	770,745	684,236	-	1,454,981
Other debt securities	35,825,724	44,928,626	-	80,754,350
Equity securities	56,594	-	194,575	251,169
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	2,958,605	-	2,958,605
Options purchased	-	325	-	325
Interest rate swaps	-	1,114,388	-	1,114,388
Currency swaps	-	77,645	-	77,645
Equity swaps	-	246	-	246
	84,934,243	59,498,650	194,575	144,627,468
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	11,801,533	-	11,801,533
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	2,664,857	-	2,664,857
Options written	-	1,994	-	1,994
Interest rate swaps	-	253,244	-	253,244
Currency swaps	-	70,080	-	70,080
Equity swaps	-	2,234	-	2,234
	-	14,793,942	-	14,793,942

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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, 2023	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Certificates of deposit	-	547,881	-	547,881
Other debt instruments	843,517	514,930	-	1,358,447
Financial assets measured at fair value through other comprehensive income				
Treasury bills/bonds	41,895,805	11,520,777	-	53,416,582
Certificates of deposit	665,602	1,026,913	-	1,692,515
Other debt securities	35,581,419	37,785,231	-	73,366,650
Equity shares	56,241	-	185,623	241,864
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	948,040	-	948,040
Options purchased	-	37	-	37
Interest rate swaps	-	993,036	-	993,036
Currency swaps	-	30,087	-	30,087
Equity swaps	-	141	-	141
	<u>79,042,584</u>	<u>53,367,073</u>	<u>185,623</u>	<u>132,595,280</u>
Liabilities				
Financial liabilities designated at fair value through profit or loss				
	-	6,368,794	-	6,368,794
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	1,042,805	-	1,042,805
Options written	-	3,259	-	3,259
Interest rate swaps	-	257,137	-	257,137
Currency swaps	-	24,743	-	24,743
Equity swaps	-	3,170	-	3,170
	<u>-</u>	<u>7,699,908</u>	<u>-</u>	<u>7,699,908</u>

There were no significant transfers between instruments in Level 1 and Level 2 for the period ended June 30, 2024 and year ended December 31, 2023.

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8 FAIR VALUE MEASUREMENT (CONTINUED)

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

Reconciliation of Level 3 items

	2024	2023
<i>Financial assets measured at fair value through other comprehensive income ("FVOCI") - Unlisted equity securities</i>		
As at January 1	185,623	121,753
Change in fair value recognised in other comprehensive income	8,952	6,920
As at June 30	194,575	128,673

As at June 30, 2024 and December 31, 2023, 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 \$10 million (2023: \$9 million).

Information about Level 3 fair value measurements

As at June 30, 2024, 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	Average	Relationship of unobservable inputs to fair value
Unlisted equities securities	Market-comparable approach	Earnings multiples (P/E ratio)	17.45 (2023: 13.82)	The higher the ratio, the higher the fair value
		EV/EBITDA multiples	5.91 (2023: 6.61)	The higher the multiple, the higher the fair value
		Marketability discount	37.5% (2023: 40%)	The higher the discount, the lower the fair value
		Pricing calibration	N/A (2023: 8%)	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, placements with banks, financial assets held under reverse repurchase agreements, and financial assets sold under repurchase agreements

These balances are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values.

- 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.

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

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

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, 2024</u>						
Net interest income	1,517,079	647,003	1,410,156	16,665	-	3,590,903
Net fees and commission income	333,714	264,362	(11,987)	299,603	-	885,692
Total operating income	-	-	-	-	-	-
– External	3,404,708	(2,414,072)	3,513,412	346,362	-	4,850,410
– Inter-segment	(1,469,007)	3,396,582	(1,933,290)	5,715	-	-
Total operating income	1,935,701	982,510	1,580,122	352,077	-	4,850,410
Depreciation	(56,843)	(147,787)	(9,806)	(26,495)	-	(240,931)
Operating expenses	(400,434)	(772,702)	(55,040)	(255,801)	-	(1,483,977)
Operating profit before net charges of expected credit losses	1,535,267	209,808	1,525,082	96,276	-	3,366,433
Net charge of expected credit losses	(44,072)	(46,064)	(3,516)	-	-	(93,652)
Non-operating income/(expenses)	(12)	(102)	-	7,038	-	6,924
Profit before taxation	1,491,183	163,642	1,521,566	103,314	-	3,279,705
<u>As at June 30, 2024</u>						
Total assets	270,428,909	50,953,570	177,270,493	7,425,551	(965,228)	505,113,295
Total liabilities	187,929,179	207,837,044	24,218,861	5,713,405	(965,228)	424,733,261

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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)

(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 is based on the principal place of location. 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, 2024		As at June 30, 2024			
	Revenue from external customers	Profit before taxation	Total assets	Total liabilities	Specified non-current assets	Contingent liabilities and commitments
Hong Kong (place of domicile)	4,850,410	3,279,705	505,113,295	424,733,261	5,251,338	92,362,026

	6 months ended June 30, 2023		As at December 31, 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)	4,161,090	2,348,267	493,857,675	416,395,012	5,378,201	91,228,446

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10 NET INTEREST INCOME

	6 months ended June 30, 2024	6 months ended June 30, 2023
Interest income		
<i>Interest income calculated using the effective interest rate</i>		
Placements and advances to banks	1,758,659	1,238,226
Advances to customers and trade bills	6,980,512	6,083,195
Financial assets measured at fair value through other comprehensive income	2,304,481	1,659,238
Other assets measured at amortised cost	17,536	33,881
Total interest income	11,061,188	9,014,540
Interest expense		
<i>Interest expense arising from financial liabilities that are not measured at fair value through profit or loss</i>		
Deposits and balances of banks	(204,486)	(433,134)
Deposits from customers	(7,243,536)	(5,538,730)
Other debt securities issued	(13,424)	(14,145)
	(7,461,446)	(5,986,009)
<i>Interest expense arising from lease liabilities</i>	(8,839)	(8,221)
Total interest expense	(7,470,285)	(5,994,230)
Net interest income	3,590,903	3,020,310

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11 NET FEES AND COMMISSION INCOME

	6 months ended June 30, 2024	6 months ended June 30, 2023
Fees and commission income		
Investment services	120,458	92,292
Securities broking and related services	46,165	50,861
Insurance services	150,477	136,284
Remittance, settlement and account management fees	93,357	74,329
Fee received from intermediate holding company and a fellow subsidiary (Note 37)	259,433	249,065
Trade finance	11,552	12,211
Cards	59,700	88,968
Credit facilities	225,643	197,758
Others	924	966
Total fees and commission income	967,709	902,734
Fees and commission expense		
Cards	(40,848)	(35,035)
Brokerage	(3,136)	(1,875)
Fee paid to intermediate holding company and a fellow subsidiary (Note 37)	(3,135)	(796)
Settlement accounts	(6,451)	(6,793)
Others	(28,447)	(21,819)
Total fees and commission expense	(82,017)	(66,318)
Net fees and commission income	885,692	836,416
Of which arise from:		
Financial assets or financial liabilities that are not measured at fair value through profit or loss		
- Fee and commission income	296,895	298,937
- Fee and commission expense	40,848	35,035
Trust and other fiduciary activities		
- Fee and commission income	29,012	16,786
- Fee and commission expense	3,089	1,468

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

12 NET TRADING INCOME

	6 months ended June 30, 2024	6 months ended June 30, 2023
Gains from trading activities		
Foreign exchange	123,893	35,722
Interest rate derivatives	235,383	153,895
Other debt instruments	63,756	54,330
Other trading	-	(473)
	423,032	243,474
Other trading (loss)/income		
Hedge ineffectiveness on fair value hedge	(3,225)	919
	419,807	244,393

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

	6 months ended June 30, 2024	6 months ended June 30, 2023
Net (losses)/gains from structured deposits	(210,596)	6,389

14 OTHER OPERATING INCOME

	6 months ended June 30, 2024	6 months ended June 30, 2023
Dividend income		
Unlisted	1,126	3,562
Listed	157	136
	1,283	3,698
Operating leases income	22,108	8,712
Others	14,285	12,040
	37,676	24,450

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

15 OPERATING EXPENSES

	6 months ended June 30, 2024	6 months ended June 30, 2023
Staff costs		
Salaries and other benefits	910,516	910,820
Pension and provident fund costs	44,559	39,327
	955,075	950,147
General and administrative expenses		
Rental expense	49,872	47,510
Other premises and equipment	61,789	63,046
Marketing expenses	53,663	61,740
Auditors' remuneration	3,422	3,263
Professional fees	16,408	17,972
Other operating expenses	102,817	99,092
	287,971	292,623
Depreciation		
Fixed assets	118,627	126,820
Right-of-use assets	122,304	116,586
	240,931	243,406
	1,483,977	1,486,176

16 NET CHARGE OF EXPECTED CREDIT LOSSES

	6 months ended June 30, 2024	6 months ended June 30, 2023
New allowances charged, net of allowance releases	127,054	366,931
Recoveries of amounts previously written off	(33,402)	(34,597)
Net charge of expected credit losses	93,652	332,334
Attributable to:		
Balances with banks and central banks and placements with banks	29	(1,063)
Advances to customers and trade bills	66,303	305,329
Financial assets measured at amortized cost	(872)	(1,698)
Financial assets measured at fair value through other comprehensive income	17,158	7,185
Loan and other credit related commitments	11,034	22,581
Net charge of expected credit losses	93,652	332,334

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

17 TAXATION

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

	6 months ended June 30, 2024	6 months ended June 30, 2023
Current tax – Hong Kong Profits Tax		
Provision for the period	<u>499,760</u>	391,070
	<u>499,760</u>	391,070
Current tax – Overseas		
Provision for the period	<u>7</u>	1
Withholding tax for the period	<u>10,258</u>	5,958
	<u>10,265</u>	5,959
Deferred tax		
Origination/(reversal) of temporary differences	<u>28,544</u>	(4,763)
	<u>538,569</u>	392,266

The provision for Hong Kong Profits Tax is calculated at 16.5% (2023: 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.

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

	6 months ended June 30, 2024	6 months ended June 30, 2023
Profit before taxation	<u>3,279,705</u>	2,348,267
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	541,151	387,464
Income not subject to taxation	(19,076)	(14,244)
Expenses not deductible for taxation purposes	7,989	16,685
Overseas withholding tax	10,258	5,958
Others	<u>(1,753)</u>	(3,597)
Actual tax expense	<u>538,569</u>	392,266

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18 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	June 30, 2024	December 31, 2023
Cash on hand	196,976	182,172
Balances with banks	5,341,312	6,410,174
Balances with central banks	984,329	1,422,973
Placements with banks maturing within one month	31,457,664	38,939,448
Gross cash and balances with banks and central banks	37,980,281	46,954,767
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(319)	(658)
Net cash and balances with banks and central banks	37,979,962	46,954,109

19 PLACEMENTS WITH BANKS

	June 30, 2024	December 31, 2023
Maturing between one and twelve months	16,032,128	25,612,145
Maturing over twelve months	20,657,900	15,020,987
Gross placements with banks	36,690,028	40,633,132
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(762)	(392)
Net placements with banks	36,689,266	40,632,740

20 FINANCIAL ASSETS HELD UNDER REVERSE REPURCHASE AGREEMENTS

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

	June 30, 2024	December 31, 2023
Debt securities issued by central banks	-	2,023,967
Debt securities issued by banks and other financial institutions	1,699,776	-
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	-	-
Net financial assets held under reverse repurchase agreements	1,699,776	2,023,967

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21 ADVANCES TO CUSTOMERS AND TRADE BILLS

(a) Advances to customers and trade bills

	June 30, 2024	December 31, 2023
Advances to customers		
Gross advances to corporate customers	225,784,260	210,069,878
Gross advances to personal customers	52,338,316	54,200,751
	278,122,576	264,270,629
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(1,138,939)	(949,748)
Stage 2: Lifetime ECL but not credit-impaired	(473,497)	(656,505)
Stage 3: Lifetime ECL and credit-impaired	(2,501,919)	(2,707,090)
Net advances to customers	274,008,221	259,957,286
Trade bills		
Gross trade bills	214,921	26,169
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(27)	(11)
Net trade bills	214,894	26,158
Net advances to customers and trade bills	274,223,115	259,983,444

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21 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, 2024	246,034,505	15,437,310	2,824,983	264,296,798
Transfer to stage 1:				
12-month ECL	3,914,841	(3,914,841)	-	-
Transfer to stage 2:				
lifetime ECL not credit-impaired	(4,935,232)	4,935,232	-	-
Transfer to stage 3:				
lifetime ECL credit-impaired	(17,127)	(109,532)	126,659	-
Net change in exposures	19,297,542	(4,970,628)	12,434	14,339,348
Write-offs	-	-	(298,649)	(298,649)
Balance as at June 30, 2024	264,294,529	11,377,541	2,665,427	278,337,497

	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

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21 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, 2024	949,759	656,505	2,707,090	4,313,354
Transfer to stage 1: 12-month ECL	176,986	(176,986)	-	-
Transfer to stage 2: lifetime ECL not credit-impaired	(8,850)	8,850	-	-
Transfer to stage 3: lifetime ECL credit-impaired	(2,404)	(23,531)	25,935	-
New financial assets originated or purchased*	180,735	101,988	3,222	285,945
Financial assets that have been derecognised	(128,023)	(217,166)	(14,777)	(359,966)
Write-offs	-	-	(298,649)	(298,649)
Recoveries of amounts previously written-offs	-	-	33,402	33,402
Net remeasurements (Including changes in risk parameters)	(27,206)	123,846	45,711	142,351
Foreign exchange and other movements	(2,031)	(9)	(15)	(2,055)
Balance as at June 30, 2024	1,138,966	473,497	2,501,919	4,114,382

* 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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21 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, 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	<u>962,082</u>	<u>499,148</u>	<u>2,288,852</u>	<u>3,750,082</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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21 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:

	<u>June 30, 2024</u>		<u>December 31, 2023</u>	
		% of gross advances		% of gross advances
Gross impaired advances	2,665,427	0.96	2,824,983	1.07
Less: Expected credit loss allowances	<u>(2,501,919)</u>		<u>(2,707,090)</u>	
	<u>163,508</u>		<u>117,893</u>	
Gross individually assessed impaired advances	2,612,070	0.94	2,766,393	1.05
Less: Expected credit loss allowances	<u>(2,464,067)</u>		<u>(2,665,351)</u>	
	<u>148,003</u>		<u>101,042</u>	
Net realisable value of collateral held against the impaired advances	<u>379,632</u>		<u>285,574</u>	
Covered portion of impaired advances	208,799		210,080	
Uncovered portion of impaired advances	<u>2,456,627</u>		<u>2,614,903</u>	
	<u>2,665,426</u>		<u>2,824,983</u>	

As at June 30, 2024 and December 31, 2023, there were no impaired trade bills.

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22 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2024	December 31, 2023
Certificates of deposit issued by banks	-	547,881
Other debt securities issued by banks and other financial institutions	2,076,200	1,257,547
Other debt securities issued by corporates	85,683	20,256
Other debt securities issued by central banks	297,365	80,644
	2,459,248	1,906,328
<u>Analysed by place of listing:</u>		
Listed in Hong Kong		
Certificates of deposit	-	547,881
Other debt securities	190,229	142,311
	190,229	690,192
Listed outside Hong Kong		
Other debt securities	492,279	214,878
	492,279	214,878
Unlisted		
Other debt securities issued by other financial institutions	1,449,298	900,358
Other debt securities issued by central banks	297,365	80,644
Other debt securities issued by corporates	30,077	20,256
	1,776,740	1,001,258
	2,459,248	1,906,328

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23 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2024	December 31, 2023
<i>Financial assets measured at fair value through other comprehensive income</i>		
Debt investments		
Treasury bills/ bonds issued by central banks/governments	55,556,511	53,416,582
Certificates of deposit issued by banks	1,454,981	1,692,515
Other debt securities issued by		
Banks and non-bank financial institutions	56,501,143	50,295,132
Corporates	24,253,207	23,071,518
	137,765,842	128,475,747
<i>Financial assets designated at fair value through other comprehensive income</i>		
Equity investments		
Equity shares issued by		
Non-bank financial institutions	251,169	241,864
	138,017,011	128,717,611
<u>Analysed by place of listing</u>		
Listed in Hong Kong		
Debt investments	44,641,094	43,911,527
Listed outside Hong Kong		
Debt investments	34,804,001	34,625,305
Equity investments	56,594	56,241
	34,860,595	34,681,546
Unlisted		
Debt investments	58,320,747	49,938,915
Equity investments	194,575	185,623
	58,515,322	50,124,538
	138,017,011	128,717,611

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, 2024.

For the period ended June 30, 2024 and December 31, 2023, 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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24 OTHER ASSETS MEASURED AT AMORTISED COST

	June 30, 2024	December 31, 2023
Other debt securities issued by Banks and non-bank financial institutions	1,198,878	1,577,801
Less: Expected credit loss allowances Stage 1: 12-month ECL	<u>(623)</u>	<u>(1,495)</u>
	<u>1,198,255</u>	<u>1,576,306</u>
<u>Analysed by place of listing</u>		
Listed in Hong Kong	<u>1,198,878</u>	1,577,801
	<u>1,198,878</u>	<u>1,577,801</u>
<u>Market value</u>		
Listed	<u>1,176,409</u>	1,537,968
	<u>1,176,409</u>	<u>1,537,968</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, 2024	Level 1	Level 2	Level 3	Total
Other assets measured at amortised cost	<u>1,176,409</u>	<u>-</u>	<u>-</u>	<u>1,176,409</u>
As at December 31, 2023				
Other assets measured at amortised cost	<u>1,537,968</u>	<u>-</u>	<u>-</u>	<u>1,537,968</u>

There were no overdue financial investments as at June 30, 2024 and December 31, 2023 for the Group. The Group did not hold any asset-backed securities, mortgage-backed securities and collateralised debt obligations.

For the period ended June 30, 2024 and December 31, 2023, there were no significant movements in the gross balances of other assets measured at amortised cost that resulted in significant changes to the expected credit loss allowances.

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25 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, 2024			December 31, 2023		
	Notional amount	Fair value assets	Fair value liabilities	Notional amount	Fair value assets	Fair value liabilities
Exchange rate contracts						
Forwards	511,885,924	2,958,605	2,664,857	183,131,161	948,040	1,042,805
Options purchased	-	325	-	-	37	-
Options written	730,379	-	1,994	368,336	-	3,259
Interest rate swaps	34,624,509	1,114,388	253,244	24,295,655	993,036	257,137
Currency swaps	12,116,667	77,645	70,080	6,050,160	30,087	24,743
Equity swaps	18,000	246	2,234	20,000	141	3,170
	559,375,479	4,151,209	2,992,409	213,865,312	1,971,341	1,331,114

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26 FIXED ASSETS

	Buildings	Leasehold improvements	Furniture and equipment	Total
Cost:				
As at January 1, 2024	2,818,069	657,851	1,663,020	5,138,940
Additions	-	926	59,139	60,065
Disposals	-	(13,983)	(11,638)	(25,621)
As at June 30, 2024	<u>2,818,069</u>	<u>644,794</u>	<u>1,710,521</u>	<u>5,173,384</u>
Accumulated depreciation:				
As at January 1, 2024	914,157	530,811	1,474,903	2,919,871
Charge for the period	38,844	20,490	59,293	118,627
Disposals	-	(13,983)	(11,523)	(25,506)
As at June 30, 2024	<u>953,001</u>	<u>537,318</u>	<u>1,522,673</u>	<u>3,012,992</u>
Net book value:				
As at June 30, 2024	<u>1,865,068</u>	<u>107,476</u>	<u>187,848</u>	<u>2,160,392</u>
	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	-	58,273	112,345	170,618
Disposals	-	(10,849)	(16,584)	(27,433)
As at December 31, 2023	<u>2,818,069</u>	<u>657,851</u>	<u>1,663,020</u>	<u>5,138,940</u>
Accumulated depreciation:				
As at January 1, 2023	836,403	503,456	1,353,229	2,693,088
Charge for the year	77,754	38,204	138,143	254,101
Disposals	-	(10,849)	(16,469)	(27,318)
As at December 31, 2023	<u>914,157</u>	<u>530,811</u>	<u>1,474,903</u>	<u>2,919,871</u>
Net book value:				
As at December 31, 2023	<u>1,903,912</u>	<u>127,040</u>	<u>188,117</u>	<u>2,219,069</u>

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27 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, 2024	521,506	780,980	466	1,302,952
Additions	-	20,051	27,028	47,079
Depreciation charge for the period	(1,007)	(116,591)	(4,706)	(122,304)
As at June 30, 2024	520,499	684,440	22,788	1,227,727
	Leasehold land	Buildings	Equipment	Total
As at January 1, 2023	523,521	895,712	8,897	1,428,130
Additions	-	115,451	76	115,527
Depreciation charge for the year	(2,015)	(230,183)	(8,507)	(240,705)
As at December 31, 2023	521,506	780,980	466	1,302,952

28 LEASE LIABILITIES

The carrying amounts of lease liabilities and the movements during the period are as follows:

	Lease liabilities
As at January 1, 2024	853,346
Additions	44,965
Remeasurement	-
Interest expense	8,839
Payments	(131,417)
As at June 30, 2024	775,733
Total lease liabilities	
Current	224,645
Non-current	551,088
	775,733

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28 LEASE LIABILITIES (CONTINUED)

The carrying amounts of lease liabilities and the movements during the period are as follows:
(continued)

	Lease liabilities
As at January 1, 2023	978,624
Additions	111,802
Remeasurement	-
Interest expense	16,737
Payments	<u>(253,817)</u>
As at December 31, 2023	<u>853,346</u>
Total lease liabilities	
Current	225,660
Non-current	<u>627,686</u>
	<u>853,346</u>

The Group recognised rental expenses from short-term leases and leases of low-value assets of \$0.2 million for the six months ended June 30, 2024 (June 30, 2023: \$0.1 million).

29 DEPOSITS AND BALANCES OF BANKS

	June 30, 2024	December 31, 2023
Deposits from banks	4,075,461	3,658,036
Takings from banks	<u>6,175,821</u>	<u>6,355,987</u>
	<u>10,251,282</u>	<u>10,014,023</u>

30 DEPOSITS FROM CUSTOMERS

	June 30, 2024	December 31, 2023
Demand deposits and current accounts	24,737,538	21,170,990
Savings deposits	95,150,134	109,833,583
Time and call deposits	257,168,005	248,885,771
Other deposits	<u>425,628</u>	<u>1,183,487</u>
	<u>377,481,305</u>	<u>381,073,831</u>

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31 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

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

	June 30, 2024	December 31, 2023
Other debt securities issued by		
Governments	-	1,313,735
Central banks	1,281,304	-
Banks and non-bank financial institutions	6,979,449	5,921,181
Corporates	2,775,627	2,135,656
	11,036,380	9,370,572

32 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2024	December 31, 2023
Structured deposits	11,801,533	6,368,794

33 OTHER DEBT SECURITIES ISSUED

	June 30, 2024	December 31, 2023
Other debt securities issued at amortised cost	644,534	660,058

As at June 30, 2024, the fair values of other debt securities issued at amortised cost were at \$648 million (December 31, 2023: \$667 million).

34 OTHER EQUITY INSTRUMENTS

Nominal value	Description	June 30, 2024	December 31, 2023
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
		7,777,601	7,777,601

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34 OTHER EQUITY INSTRUMENTS (CONTINUED)

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.

35 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 \$691 million (December 31, 2023: \$573 million) 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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36 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, 2024	December 31, 2023
Direct credit substitutes	37,818	56,451
Transaction-related contingencies	3,368,142	3,173,537
Trade-related contingencies	1,368,664	1,283,388
Other commitments:		
which are unconditionally cancellable or automatically cancellable due to the deterioration in the credit worthiness of the borrower	51,511,369	51,009,753
with an original maturity up to one year	1,581,663	1,117,015
with an original maturity over one year	34,494,370	34,588,302
	<u>92,362,026</u>	<u>91,228,446</u>

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

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37 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 subsidiaries		Joint venture	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
For the period ended						
Interest income	986,287	603,116	20,501	58,231	-	-
Interest expense	50,815	140,750	48,685	55,630	2,622	2,815
Fee and commission income	259,426	249,052	7	13	-	-
Fee and commission expense	3,135	796	-	-	-	-
Other operating income	12,046	8,047	9,329	-	-	-
Operating expenses	874	956	-	-	44,534	41,283
As at	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Amounts due from:						
Cash and balances with banks and central banks	3,176,364	4,125,151	107	109	-	-
Placements with banks	32,851,349	40,581,474	-	-	-	-
Financial assets held under reverse repurchase agreements	1,699,776	-	-	-	-	-
Advance to customers and trade bills	-	-	1,404,391	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	236,951	237,495	-	-
Derivative financial instruments	1,771,090	101,231	-	-	-	-
Right-of-use assets	-	-	-	-	355,272	542,554
Other assets	353,379	1,623,861	23	23	-	-
Amounts due to:						
Deposits and balances of banks	4,602,240	2,345,757	-	13	-	-
Deposits from customers	250	18	3,443,078	1,742,406	-	-
Derivative financial instruments	1,730,965	226,789	-	-	-	-
Financial assets sold under repurchase agreements	3,670,444	1,523,590	-	-	-	-
Lease liabilities	-	-	-	-	396,712	428,918
Other liabilities	2,644,297	2,644,917	1,143	-	23,372	20,147

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37 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 subsidiaries</u>		<u>Joint venture</u>	
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Contingencies and commitments:						
Transaction-related contingencies	46,779	42,299	-	-	-	-
Other commitments	-	-	536,984	1,537,044	-	-
Derivative financial instrument:						
(notional amount)						
Exchange rate contracts	454,165,996	28,920,021	-	-	-	-
Interest rate swaps	6,165,649	818,602	-	-	-	-
Currency swaps	-	-	-	-	-	-

38 ASSETS PLEDGED AS COLLATERALS

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

	June 30, 2024		December 31, 2023	
	Carrying amount of transferred assets	Carrying amount of associated liabilities (Note 31)	Carrying amount of transferred assets	Carrying amount of associated liabilities (Note 31)
Repurchase agreements	<u>11,469,267</u>	<u>11,036,380</u>	<u>10,180,130</u>	<u>9,370,572</u>

The financial assets shown above include amounts transferred to third parties that do not qualify for derecognition are mainly debt securities held by counterparties as collateral under repurchase agreements. As the substance of these transactions is secured borrowings, the collateral assets continue to be recognised in full 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.

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39 COMPARATIVES

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

40 EVENTS AFTER THE REPORTING PERIOD

On September 9, 2024, the Group issued RMB 3 billion (equivalent to HKD 3.3 billion) panda bond. The bond is denominated in RMB, has a maturity of 3 years due in 2027, bears a fixed interest rate of 2.05% per annum payable annually.

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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, 2024		December 31, 2023	
		% on total advances to customers		% on total advances to customers
Six months or less but over three months	63,456	0.02	540,591	0.20
One year or less but over six months	93,990	0.03	395,238	0.15
Over one year	<u>2,376,792</u>	<u>0.85</u>	<u>634,336</u>	<u>0.24</u>
Total gross amount of advances overdue for more than three months	<u>2,534,238</u>	<u>0.90</u>	<u>1,570,165</u>	<u>0.59</u>
Expected credit losses allowances made in respect of the above overdue advances	<u>(2,427,603)</u>		<u>1,484,278</u>	
Net realisable value of collateral held against the overdue advances	<u>173,449</u>		<u>160,525</u>	
Covered portion of overdue advances	135,925		127,195	
Uncovered portion of overdue advances	<u>2,398,313</u>		<u>1,442,970</u>	
	<u>2,534,238</u>		<u>1,570,165</u>	

As at June 30, 2024 and December 31, 2023, collaterals held with respect of overdue advances to customers were mainly commercial properties and residential properties.

As at June 30, 2024 and December 31, 2023, 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

	June 30, 2024		December 31, 2023	
	% on total advances to customers		% on total advances to customers	
Rescheduled advances to customers	53,517	0.02	58,191	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, 2024 and December 31, 2024, there were no rescheduled advances to banks and trade bills.

(c) Other overdue and rescheduled assets

As at June 30, 2024 and December 31, 2023, there were no other overdue and rescheduled assets.

Hong Kong, September 25, 2024