



PING AN ONECONNECT BANK (HONG KONG) LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

Ping An OneConnect Bank (Hong Kong) Limited

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PING AN ONECONNECT BANK (HONG KONG) LIMITED

Review of activities

Ping An OneConnect Bank (Hong Kong) Limited's (the "Bank") principal activity is to provide banking services through electronic channels instead of physical branches under a virtual bank license issued according to the Hong Kong Banking Ordinance. The Bank's loss for the six months ended 30 June 2021 was HK\$116.9 million (for the six months ended 30 June 2020: HK\$93.9 million).

Total income increased by HK\$2.5 million from HK\$4.5 million to HK\$7.0 million. Net interest income increased by HK\$3.9 million to HK\$6.9 million mainly driven by interest income from loans and advances to customers.

Total expenses increased by HK\$23.9 million from HK\$98.4 million to HK\$122.3 million.

PING AN ONECONNECT BANK (HONG KONG) LIMITED

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

	Note	Six months ended 30 June 2021 HK\$'000	Six months ended 30 June 2020 HK\$'000
Interest income	3(a)	8,638	3,260
Interest expense	3(b)	(1,774)	(338)
Net interest income		6,864	2,922
Fees and commission income	4	118	846
Other income	5	–	747
Total income		6,982	4,515
Staff costs		(63,016)	(62,576)
Premises and equipment		(1,840)	(2,317)
Other expenses		(57,492)	(33,541)
Total expenses	6	(122,348)	(98,434)
Loss before impairment losses		(115,366)	(93,919)
Charge for expected credit losses	7	(1,560)	(15)
Loss before income tax		(116,926)	(93,934)
Income tax expenses	8	–	–
Loss after income tax		(116,926)	(93,934)
Other comprehensive income:			
<u>Items may be reclassified subsequently to profit or loss:</u>			
– Changes in the fair value of debt instruments at fair value through other comprehensive income		(2)	(44)
Other comprehensive income, net of tax		(2)	(44)
Total comprehensive income		(116,928)	(93,978)

The notes on pages 6 to 14 form part of these condensed interim financial statements.

PING AN ONECONNECT BANK (HONG KONG) LIMITED

CONDENSED STATEMENT OF FINANCIAL POSITION (unaudited)

	Note	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Assets			
Balances with banks and central bank	9	279,716	251,831
Placements with and advances to banks	10	395,092	531,910
Investment securities	11	79,981	209,703
Loans and advances to customers	12	518,475	69,743
Amounts due from related companies		3,237	4,771
Property, plant and equipment	13	6,296	7,787
Intangible assets	14	134,736	121,947
Right-of-use asset	15(a)	5,974	9,194
Other assets	16	13,362	13,291
Total assets		<u>1,436,869</u>	<u>1,220,177</u>
Liabilities			
Deposits from customers	17	502,359	481,841
Lease liability	15(a)	7,911	11,687
Amounts due to related companies		81,566	77,363
Other payables and accruals	18	49,454	37,994
Total liabilities		<u>641,290</u>	<u>608,885</u>
Equity			
Share capital	19	1,200,000	900,000
Accumulated loss		(413,091)	(296,165)
Other reserves		8,670	7,457
Total equity		<u>795,579</u>	<u>611,292</u>
Total liabilities and equity		<u>1,436,869</u>	<u>1,220,177</u>

The notes on pages 6 to 14 form part of these condensed interim financial statements.

PING AN ONECONNECT BANK (HONG KONG) LIMITED

CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)

	Note	Other reserves				Total equity HK\$'000
		Share capital HK\$'000	Accumulated loss HK\$'000	Financial assets at FVOCI reserve HK\$'000	Share-based compensation reserve (Note 1) HK\$'000	
At 1 January 2020		600,000	(111,964)	44	2,597	490,677
Change in equity for the period:						
Capital contributions from ultimate holding company	19	300,000	-	-	-	300,000
Loss for the period		-	(93,934)	-	-	(93,934)
Other comprehensive income		-	-	(44)	-	(44)
Movement in respect of share-based compensation		-	-	-	2,245	2,245
At 30 June 2020		<u>900,000</u>	<u>(205,898)</u>	<u>-</u>	<u>4,842</u>	<u>698,944</u>
Change in equity for the period:						
Loss for the period		-	(90,267)	-	-	(90,267)
Other comprehensive income		-	-	2	-	2
Movement in respect of share-based compensation		-	-	-	2,613	2,613
At 31 December 2020		<u>900,000</u>	<u>(296,165)</u>	<u>2</u>	<u>7,455</u>	<u>611,292</u>
Change in equity for the period:						
Capital contributions from ultimate holding company	19	300,000	-	-	-	300,000
Loss for the period		-	(116,926)	-	-	(116,926)
Other comprehensive income		-	-	(2)	-	(2)
Movement in respect of share-based compensation		-	-	-	1,215	1,215
At 30 June 2021		<u>1,200,000</u>	<u>(413,091)</u>	<u>-</u>	<u>8,670</u>	<u>795,579</u>

Note 1: The share-based compensation reserve is to record the corresponding amount of shares and share options granted by OneConnect Financial Technology Co. Ltd. ("OCFT"), the ultimate holding company of the Bank, to the Bank's employees.

The notes on pages 6 to 14 form part of these condensed interim financial statements.

PING AN ONECONNECT BANK (HONG KONG) LIMITED

CONDENSED STATEMENT OF CASH FLOWS (unaudited)

	Note	Six months ended 30 June 2021 HK\$'000	Six months ended 30 June 2020 HK\$'000*
Cash flows from operating activities			
Loss before taxation		(116,926)	(93,934)
Adjustment for:			
Charge for expected credit losses	7	1,560	15
Depreciation and amortisation		14,123	9,355
Share-based compensation		1,215	2,245
Interest income	3(a)	(8,638)	(3,260)
Interest expense	3(b)	1,774	338
Cash flows before working capital changes		(106,892)	(85,241)
Changes in loans and advances to customers		(450,300)	–
Changes in amounts due from related companies		1,534	(4,987)
Changes in other assets and other receivable		466	(836)
Changes in deposits from customers		20,518	6,591
Changes in amounts due to related companies		4,203	(18,891)
Changes in other payable and accruals		11,619	(2,043)
Cash generated used in operating activities		(518,852)	(105,407)
Interest received		8,095	3,260
Interest paid		(1,711)	(1)
Net cash generated used in operating activities		(512,468)	(102,148)
Cash flows from investing activities			
Purchase of property, plant and equipment		(768)	(277)
Purchase of intangible assets		(21,433)	(22,064)
Proceeds from maturity of investment securities at amortised cost		129,734	–
Net cash generated from/(used in) investing activities		107,533	(22,341)
Cash flows from financing activities			
Capital contributions		300,000	300,000
Principal elements of lease payments		(3,998)	(3,119)
Net cash generated from financing activities		296,002	296,881
Net increase/(decrease) in cash and cash equivalents		(108,933)	172,392
Cash and cash equivalents at 1 January		783,747	519,714
Effect of exchange rate and other changes on cash and cash equivalents		–	(44)
Cash and cash equivalents at 30 June	21	674,814	692,062

* Prior period figures are restated to conform with current period presentation.

The notes on pages 6 to 14 form part of these condensed interim financial statements.

PING AN ONECONNECT BANK (HONG KONG) LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

1. General information

The Bank is a wholly-owned subsidiary of OneConnect Financial Technology Co., Ltd. (“OCFT”) and it is an associated company of Ping An Insurance (Group) Company of China. The Bank is a licensed bank registered under the Hong Kong Banking Ordinance.

2. Basis of preparation

(a) Accounting policies

The accounting policies applied in preparing these condensed interim financial statements are in compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants and are the same as those applied in preparing the audited financial statements for the year ended 31 December 2020.

The adoption of HKFRS and interpretations effective from 1 January 2021 did not have any significant impact on the Bank’s interim financial statements.

(b) Accounting estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank’s accounting policies.

In preparing the condensed interim financial statements, the significant judgement made by management in applying the Bank’s accounting policies and the key approaches of estimation were the same as those that were applied to the audited financial statements for the year ended 31 December 2020.

(c) Requirement in connection with publication of condensed financial statements

The financial information relating to the year ended 31 December 2020 that is included in the condensed interim financial statements for the six months ended 30 June 2021 as comparative information does not constitute the Bank’s statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As the Bank is a private company, the Bank is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Bank’s auditor has reported on the financial statements for the year ended 31 December 2020. 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.

(d) Compliance with the Banking (Disclosure) Rules

The condensed interim financial statements and Regulatory Disclosure Statements fulfill the disclosure requirements in accordance with the Banking (Disclosure) Rules.

PING AN ONECONNECT BANK (HONG KONG) LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

3. Interest income and interest expense

	Six months ended 30 June 2021 HK\$'000	Six months ended 30 June 2020 HK\$'000
(a) Interest income		
Financial assets at amortised cost	8,632	913
Financial assets at fair value through other comprehensive income	6	2,347
	<u>8,638</u>	<u>3,260</u>
(b) Interest expense		
Financial liabilities at amortised cost	1,552	7
Lease liability (Note 15(b))	222	331
	<u>1,774</u>	<u>338</u>

4. Fees and commission income

	Six months ended 30 June 2021 HK\$'000	Six months ended 30 June 2020 HK\$'000
Agency services	111	846
Others	7	–
	<u>118</u>	<u>846</u>

5. Other income

	Six months ended 30 June 2021 HK\$'000	Six months ended 30 June 2020 HK\$'000
Government grant	–	747
	<u>–</u>	<u>747</u>

PING AN ONECONNECT BANK (HONG KONG) LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

6. Total expenses

	Note	Six months ended 30 June 2021 HK\$'000	Six months ended 30 June 2020 HK\$'000
Staff costs			
– Salaries and other short term benefits		60,942	59,397
– Pension		859	934
– Share-based compensation		1,215	2,245
Premises and equipment expense, excluding depreciation		1,840	2,317
Legal and consultancy fee		2,515	4,459
Software licensing and other IT cost		15,216	12,144
Depreciation of property, plant and equipment		2,259	1,889
Amortisation of intangible assets		9,032	4,596
Depreciation of right-of-use assets	15(b)	2,832	2,870
Auditor's remuneration		1,205	997
Others		24,433	6,586
		<u>122,348</u>	<u>98,434</u>

7. Charge for expected credit losses

		Six months ended 30 June 2021 HK\$'000	Six months ended 30 June 2020 HK\$'000
Placements with and advances to banks		–	15
Investment securities		(7)	–
Loans and advances to customers		1,567	–
		<u>1,560</u>	<u>15</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

8. Income tax expenses

	Six months ended 30 June 2021 HK\$'000	Six months ended 30 June 2020 HK\$'000
Current tax	–	–
Deferred tax	–	–
	<hr/>	<hr/>
Total tax expenses	–	–
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The applicable Hong Kong profits tax rate is 16.5% (2020: 16.5%). No provision for Hong Kong profits tax has been made (first half of 2020: Nil) as the Bank had no estimated assessable profits for the period.

9. Balances with banks and central bank

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Balances with central bank	264,543	235,507
Balances with banks	15,173	16,324
Less: Expected credit loss provision	–	–
	<hr/>	<hr/>
	279,716	251,831
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10. Placements with and advances to banks

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Placements with and advances to banks		
– Maturity within one month	395,098	301,916
– Maturity between one month and one year	–	230,000
Less: Expected credit loss provision (Stage 1)	(6)	(6)
	<hr/>	<hr/>
	395,092	531,910
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PING AN ONECONNECT BANK (HONG KONG) LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

11. Investment securities

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
At fair value through OCI:		
Exchange fund bills	20,000	19,995
At amortised cost:		
Debt securities	59,982	189,716
Less: Expected credit loss provision (Stage 1)	(1)	(8)
	59,981	189,708

12. Loans and advances to customers

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Loans and advances to customers	520,828	70,528
Less: Expected credit loss provision (Stage 1)	(2,353)	(785)
	518,475	69,743

13. Property, plant and equipment

	Equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
At 1 January 2021			
Opening net book amount	3,225	4,562	7,787
Additions	413	355	768
Depreciation charge for the period	(645)	(1,614)	(2,259)
Closing net book amount	2,993	3,303	6,296
At 30 June 2021			
Cost	4,808	8,609	13,417
Accumulated depreciation	(1,815)	(5,306)	(7,121)
Net book amount	2,993	3,303	6,296

PING AN ONECONNECT BANK (HONG KONG) LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

13. Property, plant and equipment (continued)

	Equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
At 1 January 2020			
Opening net book amount	2,753	7,201	9,954
Additions	1,472	332	1,804
Depreciation charge for the year	(1,000)	(2,971)	(3,971)
Closing net book amount	<u>3,225</u>	<u>4,562</u>	<u>7,787</u>
At 31 December 2020			
Cost	4,396	8,253	12,649
Accumulated depreciation	(1,171)	(3,691)	(4,862)
Net book amount	<u>3,225</u>	<u>4,562</u>	<u>7,787</u>

14. Intangible assets

	Acquired Software HK\$'000	Internally developed software HK\$'000	Total HK\$'000
At 1 January 2021			
Opening net book amount	9,470	112,477	121,947
Additions	5,345	16,476	21,821
Amortisation charge for the period	(2,434)	(6,598)	(9,032)
Closing net book amount	<u>12,381</u>	<u>122,355</u>	<u>134,736</u>
At 30 June 2021			
Cost	19,035	137,692	156,727
Accumulated amortisation	(6,654)	(15,337)	(21,991)
Net book amount	<u>12,381</u>	<u>122,355</u>	<u>134,736</u>
At 1 January 2020			
Opening net book amount	7,986	53,611	61,597
Additions	5,191	67,210	72,401
Amortisation charge for the year	(3,707)	(8,344)	(12,051)
Closing net book amount	<u>9,470</u>	<u>112,477</u>	<u>121,947</u>
At 31 December 2020			
Cost	13,688	121,217	134,905
Accumulated amortisation	(4,218)	(8,740)	(12,958)
Net book amount	<u>9,470</u>	<u>112,477</u>	<u>121,947</u>

PING AN ONECONNECT BANK (HONG KONG) LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

15. Leases

(a) Amount recognised in the statement of financial position

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Right-of-use assets	5,974	9,194
Lease liability	7,911	11,687

(b) Amount recognised in the statement of comprehensive income

	Six months ended 30 June 2021 HK\$'000	Six months ended 30 June 2020 HK\$'000
Depreciation charge of right-of-use assets (Note 6)	2,832	2,870
Interest expense (Note 3(b))	222	331

16. Other assets

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Prepaid expenses	7,286	7,492
Rental and other deposits	1,993	2,325
Other deposits and receivable	3,144	3,072
Accrued interests	939	402
	13,362	13,291

17. Deposits from customers

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Savings deposits	502,359	481,841

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

18. Other payables and accruals

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Accruals for employee benefits	12,342	21,932
Accruals for consultancy fee	3,191	3,537
Other accruals	33,921	12,525
	<u>49,454</u>	<u>37,994</u>

19. Issued share capital

	No. of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2020	1	600,000
Capital contributions from ultimate holding company	–	300,000
	<u>1</u>	<u>900,000</u>
At 31 December 2020	1	900,000
Capital contributions from ultimate holding company	–	300,000
	<u>1</u>	<u>1,200,000</u>
At 30 June 2021	<u>1</u>	<u>1,200,000</u>

20. Fair value of financial instrument

(a) Financial instruments carried at fair value

	At 30 June 2021			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets measured at FVOCI	<u>20,000</u>	<u>–</u>	<u>–</u>	<u>20,000</u>
	At 31 December 2020			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets measured at FVOCI	<u>19,995</u>	<u>–</u>	<u>–</u>	<u>19,995</u>

PING AN ONECONNECT BANK (HONG KONG) LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

20. Fair value of financial instrument (continued)

(b) Financial instruments carried at amortised cost

All financial instruments carried at amortised cost are stated at amounts not materially different from their fair value as at 30 June 2021 and 31 December 2020.

21. Notes to the condensed statement of cash flows

For the purposes of the condensed cash flow statement, cash and cash equivalents comprise the following balances with original maturity of three months or less from the date of acquisition.

	As at 30 June 2021 HK\$'000	As at 30 June 2020 HK\$'000*
Balances with banks and central bank	279,716	82,688
Placements with and advances to banks repayable with original maturity within three months	395,098	609,374
	<u>674,814</u>	<u>692,062</u>

* Prior period figures are restated to conform with current period presentation.

22. Material related-party transactions

There were no changes in nature in the related party transactions described in 2020 financial statements that have had a material impact on the financial position or performance of the Bank in the six months ended 30 June 2021.

The condensed interim financial statements were approved by the Board of Directors on 15 September 2021.