



PING AN ONECONNECT BANK (HONG KONG) LIMITED
(平安壹賬通銀行(香港)有限公司)

CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

PING AN ONECONNECT BANK (HONG KONG) LIMITED
(平安壹賬通銀行(香港)有限公司)

Review of activities

Ping An OneConnect Bank (Hong Kong) Limited (the “Bank”) started Test Public Launch on 24 June 2020 for selected retail and small-and-medium sized (“SME”) customers. The Bank’s loss for the six months ended 30 June 2020 was HK\$93.9 million (for the period from 7 December 2018 (date of incorporation) to ended 30 June 2019: HK\$15.0 million).

Total income increased by HK\$4.2 million from HK\$0.4 million to HK\$4.5 million. Net interest income increased by HK\$2.6 million to HK\$2.9 million mainly driven by interest income from exchange fund bills and interbank placements.

Operating expenses increased by HK\$83.1 million from HK\$15.3 million to HK\$98.4 million.

PING AN ONECONNECT BANK (HONG KONG) LIMITED
 (平安壹賬通銀行(香港)有限公司)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

	Notes	For the six months ended 30 June 2020 HK\$'000	For the period from 7 December 2018 (date of incorporation) to 30 June 2019 HK\$'000
Interest income	3(a)	3,260	357
Interest expense	3(b)	(338)	-
Net interest income		2,922	357
Net fee and commission income	4	846	-
Other income	5	747	-
Total income		4,515	357
Staff costs	6	(62,576)	(9,749)
Premises and equipment	6	(2,317)	(1,645)
Others	6	(33,541)	(3,947)
Operating expenses	6	(98,434)	(15,341)
Operating loss before allowance for credit losses		(93,919)	(14,984)
Allowance for credit losses	7	(15)	-
Loss before income tax		(93,934)	(14,984)
Income tax expenses	8	-	-
Loss for the period		(93,934)	(14,984)
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		(44)	-
Other comprehensive income for the period, net of tax		(44)	-
Total comprehensive income for the period		(93,978)	(14,984)

The notes on pages 6 to 17 form part of these condensed interim financial statements.

PING AN ONECONNECT BANK (HONG KONG) LIMITED
(平安壹賬通銀行(香港)有限公司)

CONDENSED STATEMENT OF FINANCIAL POSITION (unaudited)

	Notes	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Assets			
Balances with banks and central bank	9	82,688	86,072
Placements with and advances to banks	10	609,359	-
Financial assets measured at fair value through other comprehensive income ("FVOCI")	11	-	433,642
Amounts due from related company		4,987	-
Property, plant and equipment	12	8,342	9,954
Intangible assets	13	79,065	61,597
Right-of-use asset	14	11,483	14,353
Other assets	15	14,507	13,671
		810,431	619,289
Total assets		810,431	619,289
Liabilities			
Deposits from customers	16	6,591	-
Lease liability	14	13,785	16,573
Amounts due to related companies		52,603	71,494
Other payables and accruals	17	38,508	40,545
		111,487	128,612
Total liabilities		111,487	128,612
Equity			
Share capital	18	900,000	600,000
Retained earnings		(205,898)	(111,964)
Other reserves		4,842	2,641
		698,944	490,677
Total equity		698,944	490,677
Total liabilities and equity		810,431	619,289

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PING AN ONECONNECT BANK (HONG KONG) LIMITED
(平安壹賬通銀行(香港)有限公司)

CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)

	Share capital	Retained earnings	Other reserves		Total equity
			Financial assets at FVOCI reserve	Share-based compensation reserve (Note 1)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 7 December 2018	-	-	-	-	-
Change in equity for the period:					
Shares issued	600,000	-	-	-	600,000
Loss for the period	-	(14,984)	-	-	(14,984)
Movement in respect of share-based compensation	-	-	-	292	292
At 30 June 2019	<u>600,000</u>	<u>(14,984)</u>	<u>-</u>	<u>292</u>	<u>585,308</u>
Change in equity for the period:					
Loss for the period	-	(96,980)	-	-	(96,980)
Other comprehensive income	-	-	44	-	44
Movement in respect of share-based compensation	-	-	-	2,305	2,305
At 31 December 2019	<u>600,000</u>	<u>(111,964)</u>	<u>44</u>	<u>2,597</u>	<u>490,677</u>
Change in equity for the period:					
Capital contributions from ultimate holding company	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>

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 17 form part of these condensed interim financial statements.

PING AN ONECONNECT BANK (HONG KONG) LIMITED
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CONDENSED STATEMENT OF CASH FLOWS (unaudited)

	Notes	For the six months ended 30 June 2020 HK\$'000	For the period from 7 December 2018 (date of incorporation) to 30 June 2019 HK\$'000
Cash flows from operating activities			
Loss before taxation		(93,934)	(14,984)
Adjustment for:			
Depreciation on property, plant and equipment		1,889	-
Depreciation on right-of-use asset	14(b)	2,870	-
Amortisation of intangible assets		4,596	-
Share-based compensation		2,245	292
Interest income from bank deposits	3(a)	(913)	(357)
Interest income from investments in debt securities measured at FVOCI	3(a)	(2,347)	-
Interest expense on lease liability		331	-
Cash flows before working capital changes		(85,263)	(15,049)
Changes in amounts due from related companies		(4,987)	-
Changes in other assets and other receivable		(836)	(730)
Changes in deposits from customers		6,591	-
Changes in amounts due to related companies		(18,891)	7,742
Changes in other payable and accruals		(2,037)	1,931
Cash used in operating activities		(105,423)	(6,106)
Interest received		3,260	357
Net cash used in operating activities		(102,163)	(5,749)
Cash flows from investing activities			
Purchase of property, plant and equipment		(277)	-
Purchase of intangible assets		(22,064)	-
Net cash used in investing activities		(22,341)	-
Cash flow from financing activities			
Proceeds from capital contributions		300,000	600,000
Principle elements of lease payments		(3,119)	-
Net cash generated from financing activities		296,881	600,000
Net increase in cash and cash equivalents		172,377	594,251
Cash and cash equivalents at 1 January 2020 / 7 December 2018		519,714	-
Effect of exchange rate and other changes on cash and cash equivalents		(44)	-
Cash and cash equivalents at 30 June	20	692,047	594,251

The notes on pages 6 to 17 form part of these condensed interim financial statements.

PING AN ONECONNECT BANK (HONG KONG) LIMITED

(平安壹賬通銀行(香港)有限公司)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

1. Principal activities

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, Limited. The Bank is a licensed bank registered under the Hong Kong Banking Ordinance. The Bank’s principal activity is to operate a virtual bank in Hong Kong. A “virtual bank” is a bank licensed under the Banking Ordinance, which primarily delivers banking services through the internet or other forms of electronic channels instead of physical branches.

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 period from 7 December 2018 (date of incorporation) to 31 December 2019.

The adoption of HKFRS and interpretations effective from 1 January 2020 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 period ended 31 December 2019.

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

The financial information relating to the period from 7 December 2018 to 30 June 2019 that is included in the condensed interim financial statements for the six months ended 30 June 2020 as comparative information does not constitute the Bank’s statutory annual financial statements for the period ended 31 December 2019 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 period ended 31 December 2019. 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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)**3. Interest income and interest expense**

	For the six months ended 30 June 2020 HK\$'000	For the period from 7 December 2018 (date of incorporation) to 30 June 2019 HK\$'000
(a) Interest income		
Financial assets at amortised cost	913	357
Financial assets at fair value through other comprehensive income	2,347	-
	<u>3,260</u>	<u>357</u>

	For the six months ended 30 June 2020 HK\$'000	For the period from 7 December 2018 (date of incorporation) to 30 June 2019 HK\$'000
(b) Interest expense		
Financial liabilities at amortised cost	<u>338</u>	<u>-</u>

4. Net fee and commission income

	For the six months ended 30 June 2020 HK\$'000	For the period from 7 December 2018 (date of incorporation) to 30 June 2019 HK\$'000
Net fee and commission income arising from financial assets or financial liabilities that are not at fair value through profit or loss (other than amounts included in determining the effective interest rate):		
-Fee and commission income	846	-
-Fee and commission expense	-	-
Net fee and commission income	<u>846</u>	<u>-</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)**5. Other income**

	For the six months ended 30 June 2020 HK\$'000	For the period from 7 December 2018 (date of incorporation) to 30 June 2019 HK\$'000
Government grant	747	-

6. Operating expenses

	Notes	For the six months ended 30 June 2020 HK\$'000	For the period from 7 December 2018 (date of incorporation) to 30 June 2019 HK\$'000
Staff costs			
- Salaries and other short term benefits		59,397	9,358
- Pension		934	99
- Share-based compensation		2,245	292
Premises and equipment expense, excluding depreciation			
- Rental of premises		1,476	1,645
- Others		841	-
Legal and consultancy fee		4,459	250
Staff recruitment cost		1,729	3,199
Software licensing and other IT cost		12,144	-
Depreciation of property, plant and equipment	12	1,889	-
Amortisation of intangible assets	13	4,596	-
Depreciation of right-of-use assets	14	2,870	-
Marketing expenses		1,859	-
Membership fee		1,129	-
Exchange difference		(1,701)	-
Other operating expenses		4,567	498
		<u>98,434</u>	<u>15,341</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)**7. Allowance for credit losses**

	For the six months ended 30 June 2020 HK\$'000	For the period from 7 December 2018 (date of incorporation) to 30 June 2019 HK\$'000
Net expected credit loss charges on:		
- Balances with banks and central bank	-	-
- Placements with and advances to banks	15	-
	<u>15</u>	<u>-</u>

8. Income tax expenses

	For the six months ended 30 June 2020 HK\$'000	For the period from 7 December 2018 (date of incorporation) to 30 June 2019 HK\$'000
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

The applicable Hong Kong profits tax rate is 16.5% (2019: 16.5%). No provision for Hong Kong profits tax has been made (2019: Nil) as the Bank had no estimated assessable profits for the period.

The Bank had estimated unused tax losses of approximately HK\$111,409,000 (For the period from 7 December 2018 (date of incorporation) to 30 June 2019: HK\$14,442,000) available for offset against future profits. No deferred tax assets have been recognized in respect of such losses due to unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

9. Balances with banks and central bank

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Balances with banks and central bank	82,688	86,072
Less: Expected credit loss provision	-	-
	<u>82,688</u>	<u>86,072</u>

10. Placements with and advances to banks

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Placements with and advances to banks		
- Maturity within one month	509,374	-
- Maturity between one month and one year	100,000	-
Less: Expected credit loss provision	(15)	-
	<u>609,359</u>	<u>-</u>

11. Financial assets measured at FVOCI

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Exchange fund bills	-	433,642
Less: Expected credit loss provision	-	-
	<u>-</u>	<u>433,642</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

12. Property, plant and equipment

	Equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
For the period from 1 January 2020 to 30 June 2020			
Opening net book amount	2,753	7,201	9,954
Additions	89	188	277
Depreciation charge for the period	(436)	(1,453)	(1,889)
Closing net book amount	<u>2,406</u>	<u>5,936</u>	<u>8,342</u>
At 30 June 2020			
Cost	3,013	8,109	11,122
Accumulated depreciation	(607)	(2,173)	(2,780)
Net book amount	<u>2,406</u>	<u>5,936</u>	<u>8,342</u>
For the period from 7 December 2018 to 31 December 2019			
Opening net book amount	-	-	-
Additions	2,924	7,921	10,845
Depreciation charge for the period	(171)	(720)	(891)
Closing net book amount	<u>2,753</u>	<u>7,201</u>	<u>9,954</u>
At 31 December 2019			
Cost	2,924	7,921	10,845
Accumulated depreciation	(171)	(720)	(891)
Net book amount	<u>2,753</u>	<u>7,201</u>	<u>9,954</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

13. Intangible Assets

	Acquired Software HK\$'000	Internally developed software HK\$'000	Total HK\$'000
For the period from 1 January 2020 to 30 June 2020			
Opening net book amount	7,986	53,611	61,597
Additions	-	22,064	22,064
Amortisation charge for the period	(1,418)	(3,178)	(4,596)
Closing net book amount	<u>6,568</u>	<u>72,497</u>	<u>79,065</u>
At 30 June 2020			
Cost	8,497	76,071	84,568
Accumulated amortisation	(1,929)	(3,574)	(5,503)
Net book amount	<u>6,568</u>	<u>72,497</u>	<u>79,065</u>
For the period from 7 December 2018 to 31 December 2019			
Opening net book amount	-	-	-
Additions	8,497	54,007	62,504
Amortisation charge for the period	(511)	(396)	(907)
Closing net book amount	<u>7,986</u>	<u>53,611</u>	<u>61,597</u>
At 31 December 2019			
Cost	8,497	54,007	62,504
Accumulated amortisation	(511)	(396)	(907)
Net book amount	<u>7,986</u>	<u>53,611</u>	<u>61,597</u>

PING AN ONECONNECT BANK (HONG KONG) LIMITED**(平安壹賬通銀行(香港)有限公司)****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)****14. Leases****(a) Amount recognised in the statement of financial position**

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Right-of-use assets	11,483	14,353
Lease Liability	13,785	16,573

(b) Amount recognised in the statement of comprehensive income

	For the six months ended 30 June 2020 HK\$'000	For the six months ended 30 June 2019 HK\$'000
Depreciation charge of right-of-use assets (Note 6)	2,870	-
Interest expense	331	-

PING AN ONECONNECT BANK (HONG KONG) LIMITED**(平安壹賬通銀行(香港)有限公司)****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)****15. Other assets**

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Prepaid expenses	8,620	7,986
Rental and other deposits	2,324	2,685
Other deposits	3,000	3,000
Accrued interest	563	-
	<u>14,507</u>	<u>13,671</u>

16. Deposit from customers

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Savings deposits	<u>6,591</u>	<u>-</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

17. Other payables and accruals

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Accruals for employee benefits	15,378	15,263
Accruals for consultancy fee	7,604	7,048
Other accruals and deferred income	15,526	18,234
	<u>38,508</u>	<u>40,545</u>

18. Issued share capital

	No. of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 7 December 2018	-	-
Shares issued during the period	1	600,000
	<u>1</u>	<u>600,000</u>
At 31 December 2019	1	600,000
Capital contributions from ultimate holding company	-	300,000
	<u>1</u>	<u>900,000</u>
At 30 June 2020	<u>1</u>	<u>900,000</u>

PING AN ONECONNECT BANK (HONG KONG) LIMITED

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

19. Fair value of financial instrument

(a) Financial instruments carried at fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The following table and paragraph give information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<u>As at 30 June 2020</u>		<u>As at 31 December 2019</u>	
	Level 1	Total	Level 1	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets measured at FVOCI	-	-	433,642	433,642
	<u>-</u>	<u>-</u>	<u>433,642</u>	<u>433,642</u>
	<u>-</u>	<u>-</u>	<u>433,642</u>	<u>433,642</u>

During the first half of 2020, there were no transfers between Level 1, Level 2 and Level 3 financial assets (For the period from 7 December 2018 to 30 June 2019:Nil).

(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 2020 and 31 December 2019.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

20. 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 maturity of three months or less from the date of acquisition.

	As at 30 June 2020 HK\$'000	As at 30 June 2019 HK\$'000
Balances with banks and central bank	82,688	251
Placements with and advances to banks repayable with original maturity within three months	609,359	594,000
	<u>692,047</u>	<u>594,251</u>

21. Material related-party transactions

There were no changes in nature in the related party transactions described in 2019 financial statements that have had a material impact on the financial position or performance of the Bank in the six months ended 30 June 2020.

The condensed interim financial statements were approved by the Board of Directors on 15 September 2020.