



ZA Bank Limited

Interim Financial Disclosure Statement  
For the six months ended  
30 June 2020

# **ZA Bank Limited**

## **Interim Financial Disclosure Statement**

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Six months ended 30 June 2020 (unaudited) HK\$'000	Six months ended 30 June 2019 (unaudited) HK\$'000
Interest income	2	20,157	7,338
Interest expense	2	(10,674)	-
<b>Net interest income</b>		<u>9,483</u>	<u>7,338</u>
Fee and commission income		55	-
Operating expenses	3	(133,321)	(93,576)
Change in expected credit losses on loans and advances to customers		(803)	-
Change in expected credit losses on other financial assets		(2,352)	-
<b>Operating loss</b>		<u>(126,938)</u>	<u>(86,238)</u>
Other income		783	-
<b>Loss before income tax</b>		<u>(126,155)</u>	<u>(86,238)</u>
Income tax	4	-	-
<b>Net loss for the period</b>		<u><u>(126,155)</u></u>	<u><u>(86,238)</u></u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
- Changes in the fair value of investment securities measured at fair value through other comprehensive income ("FVOCI"), net of tax		(1,355)	-
<b>Total comprehensive loss for the period</b>		<u><u>(127,510)</u></u>	<u><u>(86,238)</u></u>

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	Notes	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
<b>ASSETS</b>			
Balances with central bank	6	214,123	14,587
Placements with and advances to banks	7	2,329,375	1,250,284
Loans and advances to customers	8	60,130	-
Investment securities measured at FVOCI	9	1,513,240	99,974
Intangible assets	10	12,392	13,797
Fixed assets	11	976	-
Other assets	12	31,789	12,882
<b>Total assets</b>		<b>4,162,025</b>	<b>1,391,524</b>
<b>LIABILITIES</b>			
Deposits from customers	13	2,757,955	26,607
Other accounts and accruals	14	219,014	52,351
<b>Total liabilities</b>		<b>2,976,969</b>	<b>78,958</b>
<b>EQUITY</b>			
Share capital	15	1,500,000	1,500,000
Reserves		(1,294)	61
Accumulated losses		(313,650)	(187,495)
Total equity		1,185,056	1,312,566
<b>Total liabilities and equity</b>		<b>4,162,025</b>	<b>1,391,524</b>

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

	Note	Share capital HK\$'000	Reserves HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2019</b>		1,000,000	-	6,671	1,006,671
Loss for the period		-	-	(86,238)	(86,238)
Other comprehensive income (net of tax)					
- Change in the fair value of investment securities measured at FVOCI		-	-	-	-
<b>Balance at 30 June 2019 (unaudited)</b>		<u>1,000,000</u>	<u>-</u>	<u>(79,567)</u>	<u>920,433</u>
<b>Balance at 1 July 2019</b>		1,000,000	-	(79,567)	920,433
Issue of ordinary shares	15	500,000	-	-	500,000
Loss for the period		-	-	(107,928)	(107,928)
Other comprehensive income (net of tax)					
- Change in the fair value of investment securities measured at FVOCI		-	61	-	61
<b>Balance at 31 December 2019 (audited)</b>		<u>1,500,000</u>	<u>61</u>	<u>(187,495)</u>	<u>1,312,566</u>
<b>Balance at 1 January 2020</b>		1,500,000	61	(187,495)	1,312,566
Loss for the period		-	-	(126,155)	(126,155)
Other comprehensive losses (net of tax)					
- Change in the fair value of investment securities measured at FVOCI		-	(1,355)	-	(1,355)
<b>Balance at 30 June 2020 (unaudited)</b>		<u>1,500,000</u>	<u>(1,294)</u>	<u>(313,650)</u>	<u>1,185,056</u>

**CONDENSED CASH FLOW STATEMENT**

	Notes	Six months ended 30 June 2020 (unaudited) HK\$'000	Six months ended 30 June 2019 (unaudited) HK\$'000
<b>OPERATING ACTIVITIES</b>			
Loss before income tax		(126,155)	(86,238)
Adjustment for:			
Amortisation expense	3	1,719	-
Depreciation of right of use assets	3	511	-
Interest income from investment securities measured at FVOCI	2(a)	(5,257)	-
Interest expense arising from lease liabilities	2(b)	47	-
Change in expected credit losses		3,155	-
Changes in operating assets and liabilities:			
(Increase) / decrease in other assets		(10,354)	2,995
Increase in loans and advances to customers	8	(60,932)	-
Increase in deposits from customers	13	2,731,348	-
Increase in other accounts and accruals	14	167,629	93,576
<b>Net cash inflow from operating activities</b>		<b>2,701,711</b>	<b>10,333</b>
<b>INVESTING ACTIVITIES</b>			
Placements of bank deposits with original maturity beyond 3 months		(579,000)	-
Purchase of investment securities measured at FVOCI		(2,549,584)	-
Proceeds from redemption of investment securities at FVOCI		1,125,000	-
Interest received from investment securities measured at FVOCI		4,215	-
Payments for intangible assets	10	(142)	-
Purchase of fixed assets	11	(1,148)	-
<b>Net cash outflow from investing activities</b>		<b>(2,000,659)</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>			
Principal element of lease payments		(1,092)	-
<b>Net cash outflow from financing activities</b>		<b>(1,092)</b>	<b>-</b>
Net increase in cash and cash equivalents		699,960	10,333
Cash and cash equivalents as at 1 January		1,264,963	1,001,897
<b>Cash and cash equivalents as at 30 June</b>		<b>1,964,923</b>	<b>1,012,230</b>
<b>Cash and cash equivalents comprise:</b>			
- Balances with central bank	6	214,123	-
- Balances with banks	7	255,241	49,993
- Placements with and advances to banks with original maturities 3 months or less		1,495,559	962,237
		<b>1,964,923</b>	<b>1,012,230</b>

**Notes to the unaudited financial disclosure statement**

**1. General information**

(a) Review of activities

The Bank was officially launched on 24 March 2020 with principal activities on providing banking services to its customers.

The Bank is a wholly-owned subsidiary of ZhongAn Financial Services Limited. The ultimate parent company of the Bank is ZhongAn Online P&C Insurance Co., Ltd., incorporated in the People's Republic of China and listed on the Main Board of the Stock Exchange of Hong Kong.

As at 30 June 2020, total assets was HK\$4.2 billion which increased by HK\$2.8 billion compared to the position ended 31 December 2019. The growth was mainly driven by the increase in bank exposures and marketable debt securities held. Increase in total liabilities by HK\$2.8 billion was mainly driven by increase in deposits from customers. The net loss for the six months ended 30 June 2020 increased by HK\$40 million compared with the same period last year which was mainly contributed by the increase in operating expenses.

(b) Basis of preparation

The accounting policies adopted in the preparation of the interim financial disclosure statement are consistent with those used in the preparation of the Bank's audited financial statements for the year ended 31 December 2019 except for the adoption of the HKFRSs and HKASs issued up to 30 June 2020 which are pertinent to the Bank's operations and relevant to these interim financial disclosure statement.

The unaudited interim financial disclosure statement does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements for the year ended 31 December 2019.

The preparation of unaudited interim financial disclosure statements requires management to exercise its judgment and make estimates and assumptions in the process of applying the Bank's accounting policies and reporting amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgments made by management were the same as those applied to the annual financial statements for the year ended 31 December 2019.

The financial information relating to the year ended 31 December 2019 that is included in the unaudited interim financial disclosure statements for the six months ended 30 June 2020 as comparative information does not constitute the Bank's statutory annual financial statements for the year ended 31 December 2019 but is derived from the audited financial statements for the year ended 31 December 2019. Further information related to the audited financial statements for the year ended 31 December 2019 disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

As the Company is a private company, the Company 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 audited financial statements for the year ended 31 December 2019. The auditor's report was unqualified; did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

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**2. Net interest income**

**(a) Interest income**

	Six months ended 30 June 2020 (unaudited) HK\$'000	Six months ended 30 June 2019 (unaudited) HK\$'000
Interest income arising from:		
- financial assets measured at amortised cost ("AC")	14,900	7,338
- financial assets measured at FVOCI	5,257	-
	<u>20,157</u>	<u>7,338</u>

**(b) Interest expense**

	Six months ended 30 June 2020 (unaudited) HK\$'000	Six months ended 30 June 2019 (unaudited) HK\$'000
Interest expense arising from:		
- financial liabilities measured at AC	10,627	-
- lease liabilities (note 5)	47	-
	<u>10,674</u>	<u>-</u>

**3. Operating expenses**

	Six months ended 30 June 2020 (unaudited) HK\$'000	Six months ended 30 June 2019 (unaudited) HK\$'000
Employee benefit expense	67,823	57,217
Rental expense	6,136	5,556
Legal and professional fees	4,563	11,021
Amortisation expense (note 10)	1,719	-
Auditors' remuneration	537	174
Depreciation charge of right-of-use assets (note 5)	511	-
Others	52,032	19,608
	<u>133,321</u>	<u>93,576</u>

**4. Income tax**

Hong Kong profits tax has been provided at the effective rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Six months ended 30 June 2020 (unaudited) HK\$'000	Six months ended 30 June 2019 (unaudited) HK\$'000
Total current tax expense	<u>-</u>	<u>-</u>



**5. Leases**

This note provides information for leases where the Bank is a lessee.

*(i) Amounts recognised in the statement of financial position*

The statement of financial position shows the following amounts relating to leases:

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Right-of-use assets		
- Building	825	1,058
- Equipment	707	906
	<u>1,532</u>	<u>1,964</u>
	<u><u>1,532</u></u>	<u><u>1,964</u></u>
	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Lease liabilities		
- Current	1,050	1,035
- Non-current	-	981
	<u>1,050</u>	<u>2,016</u>
	<u><u>1,050</u></u>	<u><u>2,016</u></u>

No new additions to the right-of-use assets during the six months ended 30 June 2020 (31 December 2019: HK\$2,947,000).

*(ii) Amounts recognised in the statement of comprehensive income*

The statement of comprehensive income shows the following amounts relating to leases:

	Six months ended 30 June 2020 (unaudited) HK\$'000	Six months ended 30 June 2019 (unaudited) HK\$'000
Depreciation charge of right-of-use assets (note 3)	511	-
Interest expense (note 2)	47	-
Expense relating to leases of low-value assets (included in operating expenses)	2,272	-

The total cash outflow for leases during the six months ended 30 June 2020 was HK\$1,092,190 (six months ended 30 June 2019: nil).

**6. Balances with central bank**

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Balances with central bank	214,123	14,587
Less: expected credit losses	-	-
	<u>214,123</u>	<u>14,587</u>

As at 30 June 2020, there were no impaired, overdue or rescheduled balances with central bank (31 December 2019: nil).

**7. Placements with and advances to banks**

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Balances with banks	255,241	15,212
Placements with and advances to banks within one month	1,140,559	745,163
Placements with and advances to banks maturity after one month but less than one year	934,000	490,000
Less: expected credit losses	(425)	(91)
	<u>2,329,375</u>	<u>1,250,284</u>

As at 30 June 2020, there were no impaired, overdue or rescheduled placements with and advances to banks (31 December 2019: nil).

**8. Loans and advances to customers**

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Loans and advances to customers measured at AC	60,932	-
Less: expected credit losses	(802)	-
	<u>60,130</u>	<u>-</u>

**9. Investment securities measured at FVOCI**

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Debt securities	1,515,258	99,974
Less: expected credit losses	(2,018)	-
	<u>1,513,240</u>	<u>99,974</u>

**10. Intangible assets**

	Software HK\$'000	Total HK\$'000
Cost:		
At 1 January 2019	-	-
Additions	14,695	14,695
	<u>14,695</u>	<u>14,695</u>
At 31 December 2019 (audited)	14,695	14,695
Additions	142	142
	<u>14,837</u>	<u>14,837</u>
At 30 June 2020 (unaudited)	14,837	14,837
Accumulated amortisation:		
At 1 January 2019	-	-
Amortisation for the year	898	898
	<u>898</u>	<u>898</u>
At 31 December 2019 (audited)	898	898
Amortisation for the period	1,547	1,547
	<u>2,445</u>	<u>2,445</u>
At 30 June 2020 (unaudited)	2,445	2,445
Net book value at 31 December 2019 (audited)	<u>13,797</u>	<u>13,797</u>
Net book value at 30 June 2020 (unaudited)	<u>12,392</u>	<u>12,392</u>

The management of the Bank determines no impairment loss on the intangible assets.

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**11. Fixed assets**

	Equipment HK\$'000	Total HK\$'000
Cost:		
At 1 January 2019	-	-
Additions	-	-
	<hr/>	<hr/>
At 31 December 2019 (audited)	-	-
Additions	1,148	1,148
	<hr/>	<hr/>
At 30 June 2020 (unaudited)	1,148	1,148
	<hr/>	<hr/>
Accumulated depreciation:		
At 1 January 2019	-	-
Depreciation for the year	-	-
	<hr/>	<hr/>
At 31 December 2019 (audited)	-	-
Depreciation for the period	(172)	(172)
	<hr/>	<hr/>
At 30 June 2020 (unaudited)	(172)	(172)
	<hr/>	<hr/>
Net book value at 31 December 2019 (audited)	-	-
	<hr/> <hr/>	<hr/> <hr/>
Net book value at 30 June 2020 (unaudited)	976	976
	<hr/> <hr/>	<hr/> <hr/>

**12. Other assets**

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Interest receivable	14,455	3,594
Prepaid expenses	9,735	7,011
Others	6,067	313
Right-of-use asset (note 5)	1,532	1,964
	<hr/>	<hr/>
	31,789	12,882
	<hr/> <hr/>	<hr/> <hr/>

**13. Deposits from customers**

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Saving deposits	872,434	8,638
Time deposits	1,885,521	17,969
	<hr/>	<hr/>
	2,757,955	26,607
	<hr/> <hr/>	<hr/> <hr/>

**14. Other accounts and accruals**

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Accounts payable and accruals	115,161	15,198
Amounts due to related party	92,543	16,036
Interest payable	6,076	58
Accruals for employee benefit	4,184	19,043
Lease liabilities	1,050	2,016
	<u>219,014</u>	<u>52,351</u>

**15. Share capital**

	As at 30 June 2020 (unaudited) Shares	As at 31 December 2019 (audited) Shares	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Ordinary shares Fully Paid	1,500,000,000	1,500,000,000	1,500,000	1,500,000

On 8 October 2019, 500,000,000 ordinary shares were issued by the Bank to the parent company at HK\$500,000 thousand for cash. All the cash was paid up on the date of issuance.

**16. Dividends**

No dividend was paid or proposed for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).