



ZA Bank Limited

Interim Financial Disclosure Statement  
For the six months ended  
30 June 2021

# **ZA Bank Limited**

## **Interim Financial Disclosure Statement**

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Six months ended 30 June 2021 (unaudited) HK\$'000	Six months ended 30 June 2020 (unaudited) HK\$'000
Interest income	2	69,430	20,157
Interest expense	2	(34,706)	(10,674)
<b>Net interest income</b>		<b>34,724</b>	<b>9,483</b>
Fee and commission income	3	28,529	55
Fee and commission expense	3	(5,440)	-
<b>Net fee and commission income</b>		<b>23,089</b>	<b>55</b>
Net losses from disposal of investment securities at fair value through other comprehensive income		(11,851)	-
Operating expenses	4	(300,843)	(133,321)
Change in expected credit losses on loans and advances to customers		(9,505)	(803)
Change in expected credit losses on other financial assets		4,470	(2,352)
<b>Operating loss</b>		<b>(259,916)</b>	<b>(126,938)</b>
Other income		7,820	783
<b>Loss before income tax</b>		<b>(252,096)</b>	<b>(126,155)</b>
Income tax	6	-	-
<b>Net loss for the period</b>		<b>(252,096)</b>	<b>(126,155)</b>
<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		(26,722)	(1,355)
<b>Total comprehensive loss for the period</b>		<b>(278,818)</b>	<b>(127,510)</b>

**CONDENSED STATEMENT OF FINANCIAL POSITION**

	Notes	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
<b>ASSETS</b>			
Cash on hand		30	-
Balances with central bank	8	1,871,869	646,127
Placements with and advances to banks	9	2,741,135	1,782,537
Loans and advances to customers	10	1,358,471	674,135
Investment securities measured at FVOCI	11	3,775,058	4,651,714
Intangible assets	12	16,223	18,598
Fixed assets	13	4,240	1,945
Other assets	14	145,008	86,122
<b>Total assets</b>		<u>9,912,034</u>	<u>7,861,178</u>
<b>LIABILITIES</b>			
Deposits from customers	15	7,731,423	6,036,580
Other accounts and accruals	16	398,048	263,217
<b>Total liabilities</b>		<u>8,129,471</u>	<u>6,299,797</u>
<b>EQUITY</b>			
Share capital	17	2,600,000	2,100,000
Reserves		(25,645)	1,077
Accumulated losses		(791,792)	(539,696)
<b>Total equity</b>		<u>1,782,563</u>	<u>1,561,381</u>
<b>Total liabilities and equity</b>		<u>9,912,034</u>	<u>7,861,178</u>

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

	Note	Share capital HK\$'000	Reserves HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2020</b>		1,500,000	61	(187,495)	1,312,566
Issue of ordinary shares		-	-	-	-
Loss for the period		-	-	(126,155)	(126,155)
Other comprehensive income (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>
<b>Balance at 1 July 200</b>		1,500,000	(1,294)	(313,650)	1,185,056
Issue of ordinary shares	17	600,000	-	-	600,000
Loss for the period		-	-	(226,046)	(226,046)
Other comprehensive income (net of tax)					
- Change in the fair value of investment securities measured at FVOCI		-	2,371	-	2,371
<b>Balance at 31 December 2010 (audited)</b>		<u>2,100,000</u>	<u>1,077</u>	<u>(539,696)</u>	<u>1,561,381</u>
<b>Balance at 1 January 2021</b>		2,100,000	1,077	(539,696)	1,561,381
Issue of ordinary shares	17	500,000	-	-	500,000
Loss for the period		-	-	(252,096)	(252,096)
Other comprehensive losses (net of tax)					
- Change in the fair value of investment securities measured at FVOCI		-	(26,722)	-	(26,722)
<b>Balance at 30 June 2021 (unaudited)</b>		<u>2,600,000</u>	<u>(25,645)</u>	<u>(791,792)</u>	<u>1,782,563</u>

**CONDENSED CASH FLOW STATEMENT**

	Notes	Six months ended 30 June 2021 (unaudited) HK\$'000	Six months ended 30 June 2020 (unaudited) HK\$'000
<b>OPERATING ACTIVITIES</b>			
Loss before income tax		(252,096)	(126,155)
Adjustment for:			
Depreciation and amortization expense	4	3,960	2,230
Interest income from investment securities measured at FVOCI	2(a)	-	(5,257)
Interest expense arising from lease liabilities	2(b)	8	47
Change in expected credit losses		8,309	3,155
Changes in operating assets and liabilities:			
Placements of bank deposits with original maturity beyond 3 months		348,000	-
Increase in other assets	14	(60,021)	(10,354)
Increase in loans and advances to customers	10	(692,869)	(60,932)
Increase in deposits from customers	15	1,694,843	2,731,348
Increase in other accounts and accruals	16	134,652	167,629
<b>Net cash inflow from operating activities</b>		<b>488,786</b>	<b>2,701,711</b>
<b>INVESTING ACTIVITIES</b>			
Withdrawal of bank deposits with original maturity beyond 3 months		-	(579,000)
Purchase of investment securities measured at FVOCI		(2,201,212)	(2,549,584)
Proceeds from redemption of investment securities at FVOCI		3,046,572	1,125,000
Interest received		-	4,215
Payments for intangible assets	12	-	(142)
Purchase of fixed assets	13	(2,932)	(1,148)
<b>Net cash outflow from investing activities</b>		<b>842,428</b>	<b>(2,000,659)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		500,000	-
Principal element of lease payments		(404)	(1,092)
<b>Net cash outflow from financing activities</b>		<b>499,596</b>	<b>(1,092)</b>
Net increase in cash and cash equivalents		1,830,810	699,960
Cash and cash equivalents as at 1 January		1,565,999	1,264,963
Effect of exchange rate changes on cash and cash equivalents		5,345	-
<b>Cash and cash equivalents as at 30 June</b>		<b>3,402,154</b>	<b>1,964,923</b>
<b>Cash and cash equivalents comprise:</b>			
- Cash on hand		30	-
- Balances with central bank	8	1,871,870	214,123
- Balances with banks	9	656,031	255,241
- Placements of bank deposits with original maturity 3 months or less		874,223	1,495,559
		<b>3,402,154</b>	<b>1,964,923</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 address of its registered office is Unit 1301, Level 13, IT Street, Cyberport 3, 100 Cyberport Road, Hong Kong.

The Bank is a wholly-owned subsidiary of ZhongAn Financial Services Limited (the “parent company”). The ultimate parent company of the Bank is ZhongAn Online P&C Insurance Co., Ltd. (the “ultimate parent company”), 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 2021, total assets was HK\$9.9 billion which increased by HK\$2.1 billion compared to the position ended 31 December 2020. The growth in total assets and total liabilities were mainly driven by the increase in deposits from customers and capital injection. The net loss for the six months ended 30 June 2021 increased by HK\$126 million compared with the same period last year which was mainly contributed by the increase in operating expenses, offset by the higher net interest income.

(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 2020 except for the adoption of the HKFRSs and HKASs issued up to 30 June 2021 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 2020.

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 2020.

The financial information relating to the year ended 31 December 2020 that is included in the unaudited interim financial disclosure statements for the six months ended 30 June 2021 as comparative information does not constitute the Bank’s statutory annual financial statements for the year ended 31 December 2020 but is derived from the audited financial statements for the year ended 31 December 2020. Further information related to the audited financial statements for the year ended 31 December 2020 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 2020. 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.

**2. Net interest income**

**(a) Interest income**

	Six months ended 30 June 2021 (unaudited) HK\$'000	Six months ended 30 June 2020 (unaudited) HK\$'000
Interest income arising from:		
- financial assets measured at amortised cost ("AC")	18,475	14,900
- financial assets measured at FVOCI	50,955	5,257
	<u>69,430</u>	<u>20,157</u>

**(b) Interest expense**

	Six months ended 30 June 2021 (unaudited) HK\$'000	Six months ended 30 June 2020 (unaudited) HK\$'000
Interest expense arising from:		
- financial liabilities measured at AC	34,698	10,627
- lease liabilities (note 7)	8	47
	<u>34,706</u>	<u>10,674</u>

**3. Net fee and commission income**

	Six months ended 30 June 2021 (unaudited) HK\$'000	Six months ended 30 June 2020 (unaudited) HK\$'000
Fee and commission income	28,529	55
Less: fee and commission expense	(5,440)	-
	<u>23,089</u>	<u>55</u>

**4. Operating expenses**

	Six months ended 30 June 2021 (unaudited) HK\$'000	Six months ended 30 June 2020 (unaudited) HK\$'000
Employee benefit expense	139,872	67,823
Advertising and promotion expense	108,557	23,735
Rental expense	8,223	6,136
Legal and professional fees	6,506	4,563
Amortisation expense	3,960	2,230
Auditors' remuneration	1,231	537
Others	32,494	28,297
	<u>300,843</u>	<u>133,321</u>



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**5. Employee benefit expense (including director's emolument)**

	Six months ended 30 June 2021 (unaudited) HK\$'000	Six months ended 30 June 2020 (unaudited) HK\$'000
Salaries, staff welfare and insurance cost	139,060	67,391
Pension costs - defined contribution plans	812	432
	<u>139,872</u>	<u>67,823</u>

**6. Income tax**

Hong Kong profits tax has been provided at the effective rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Six months ended 30 June 2021 (unaudited) HK\$'000	Six months ended 30 June 2020 (unaudited) HK\$'000
Total current tax expense	<u>-</u>	<u>-</u>

**7. 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 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Right-of-use assets		
- Building	1,372	2,275
- Equipment	241	482
	<u>1,613</u>	<u>2,757</u>
	<u><u>1,613</u></u>	<u><u>2,757</u></u>
	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Lease liabilities		
- Current	1,026	1,021
- Non-current	314	828
	<u>1,340</u>	<u>1,849</u>
	<u><u>1,340</u></u>	<u><u>1,849</u></u>

No new additions to the right-of-use assets during the six months ended 30 June 2021 (31 December 2020: HK\$1,955,000).

*(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 2021 (unaudited) HK\$'000	Six months ended 30 June 2020 (unaudited) HK\$'000
Depreciation charge of right-of-use assets	944	511
Interest expense (note 2)	8	47
Expense relating to leases of low-value assets (included in operating expenses)	2,168	2,272

The total cash outflow for leases during the six months ended 30 June 2021 was HK\$404,395 (six months ended 30 June 2020: HK\$1,092,190).

**8. Balances with central bank**

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Balances with central bank	1,871,870	646,128
Less: expected credit losses	(1)	(1)
	<u>1,871,869</u>	<u>646,127</u>

As at 30 June 2021, there were no impaired, overdue or rescheduled balances with central bank (31 December 2020: nil).

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

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Balances with banks	656,031	117,787
Placements with and advances to banks within one month	608,000	600,084
Placements with and advances to banks maturity after one month but less than one year	1,477,223	1,065,000
Less: expected credit losses	(119)	(334)
	<u>2,741,135</u>	<u>1,782,537</u>

As at 30 June 2021, there were no impaired, overdue or rescheduled placements with and advances to banks (31 December 2020: nil).

**10. Loans and advances to customers**

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Loans and advances to customers measured at AC	1,375,623	682,754
Less: expected credit losses		
- Stage 1	(16,872)	(7,850)
- Stage 2	(113)	-
- Stage 3	(167)	(769)
	<u>1,358,471</u>	<u>674,135</u>

**11. Investment securities measured at FVOCI**

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Debt securities	3,775,058	4,656,962
Less: expected credit losses	-	(5,248)
	<u>3,775,058</u>	<u>4,651,714</u>

**12. Intangible assets**

	Software HK\$'000	Total HK\$'000
Cost:		
At 1 January 2020	14,695	14,695
Additions	8,184	8,184
	<u>22,879</u>	<u>22,879</u>
At 31 December 2020 (audited)	22,879	22,879
Additions	-	-
Exchange difference	4	4
	<u>22,883</u>	<u>22,883</u>
At 30 June 2021 (unaudited)	22,883	22,883
Accumulated amortisation:		
At 1 January 2020	898	898
Amortisation for the year	3,383	3,383
	<u>4,281</u>	<u>4,281</u>
At 31 December 2020 (audited)	4,281	4,281
Amortisation for the period	2,379	2,379
	<u>6,660</u>	<u>6,660</u>
At 30 June 2021 (unaudited)	6,660	6,660
Net book value at 31 December 2020 (audited)	<u>18,598</u>	<u>18,598</u>
Net book value at 30 June 2021 (unaudited)	<u>16,223</u>	<u>16,223</u>

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

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**13. Fixed assets**

	Equipment HK\$'000	Total HK\$'000
Cost:		
At 1 January 2020	-	-
Additions	2,458	2,458
	<hr/>	<hr/>
At 31 December 2020 (audited)	2,458	2,458
Additions	2,932	2,932
	<hr/>	<hr/>
At 30 June 2021 (unaudited)	5,390	5,390
	<hr/>	<hr/>
Accumulated depreciation:		
At 1 January 2020	-	-
Depreciation for the year	513	513
	<hr/>	<hr/>
At 31 December 2020 (audited)	513	513
Depreciation for the period	637	637
	<hr/>	<hr/>
At 30 June 2021 (unaudited)	1,150	1,150
	<hr/>	<hr/>
Net book value at 31 December 2020 (audited)	1,945	1,945
	<hr/> <hr/>	<hr/> <hr/>
Net book value at 30 June 2021 (unaudited)	4,240	4,240
	<hr/> <hr/>	<hr/> <hr/>

**14. Other assets**

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Interest receivable	32,203	35,909
Deposits	46,919	16,064
Prepaid expenses	10,833	9,616
Others	53,478	21,823
Right-of-use asset (note 7)	1,613	2,757
Less: Stage 1 impairment allowances	(38)	(45)
Stage 3 impairment allowances	-	(2)
	<hr/>	<hr/>
	145,008	86,122
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**15. Deposits from customers**

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Saving deposits	5,869,259	3,909,023
Time deposits	1,862,164	2,127,557
	<u>7,731,423</u>	<u>6,036,580</u>

**16. Other accounts and accruals**

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Accounts payable and accruals	132,900	94,306
Amounts due to related party	223,928	130,138
Interest payable	5,868	5,832
Accruals for employee benefit	31,300	26,116
Lease liabilities	1,340	1,849
Others	2,712	4,976
	<u>398,048</u>	<u>263,217</u>

**17. Share capital**

	As at 30 June 2021 (unaudited) Shares	As at 31 December 2020 (audited) Shares	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Ordinary shares Fully Paid	2,600,000,000	2,100,000,000	2,600,000	2,100,000

On 4 May 2021, 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.

On 16 November 2020, 600,000,000 ordinary shares were issued by the Bank to the parent company at HK\$600,000,000 for cash. All the cash was paid up on the date of issuance.

**18. Fair value estimation**

The following tables present the carrying value of the Bank's financial assets and financial liabilities recognized at fair value on a recurring basis, classified according to the fair value hierarchy.

	Level 1	Total
At 30 June 2021 (unaudited)		
Investment securities measured at FVOCI		
Debt securities	3,775,058	3,775,058
	<hr/>	<hr/>
	3,775,058	3,775,058
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2020 (audited)		
Investment securities measured at FVOCI		
Debt securities	4,651,714	4,651,714
	<hr/>	<hr/>
	4,651,714	4,651,714
	<hr/> <hr/>	<hr/> <hr/>

There were no significant transfers of financial assets or liabilities between level 1 and level 2 fair value hierarchy classifications.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

For financial assets and financial liabilities not carried at fair value on the financial statements, the Bank has ascertained that their fair values were the reasonable approximation of the carrying amounts at year end due to short-term nature.

**19. Dividends**

No dividend was paid or proposed for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).