Condensed Interim Financial Statements (Unaudited)

For the period ended 30 June 2020

Mox Bank Limited (Formerly SC Digital Solutions Limited)

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Introduction

The Directors are pleased to announce the unaudited interim results of Mox Bank Limited ("Mox" or "the Bank") for the six months ended 30 June 2020.

2020 First Half Results

Mox Bank Limited is the virtual bank set up by Standard Chartered in partnership with PCCW, HKT and Trip.com. Mox is a licensed bank registered under the Hong Kong Banking Ordinance. The Bank's principal activities are the provision of banking and related financial services in Hong Kong, initially focusing on serving the banking needs of individual retail customers.

As of 30 June 2020, Mox is not yet available to the general public in Hong Kong.

Comparing to the period ended 30 June 2019, loss before taxation increased by HK$58 million, from HK$116 million to HK$173 million, mainly due to increase in information technology related costs incurred in building of the Bank.

The Bank's net asset decreased by HK$173 million, from HK$1.25 billion as of 31 December 2019, to HK$1.08 billion as of 30 June 2020.

Condensed statement of comprehensive income for the period ended 30 June 2020 (unaudited)

(Expressed in thousands of Hong Kong dollars)

	Note	*6 months ended 30 June 2020 HK$'000*	*6 months ended 30 June 2019 HK$'000*
Interest income	3	7,832	6,662
Interest expense	4	(412)	–
Net interest income		7,420	6,662
Net fee income	5	1	–
Net trading income	6	243	273
Total operating income		7,664	6,935
Staff cost		(78,942)	(74,120)
Premises and equipment		(12,031)	(5,176)
Others		(89,893)	(43,268)
Operating expenses	7	(180,866)	(122,564)
Loss before taxation		(173,202)	(115,629)
Income tax	8	–	–
Loss and total comprehensive income for the period		(173,202)	(115,629)

The notes on pages 6 to 21 form part of these unaudited condensed interim financial statements.

Condensed statement of financial position at 30 June 2020 (unaudited)

(Expressed in thousands Hong Kong dollars)

	Note	At 30 June 2020 HK$'000	At 31 December 2019 HK$'000
Assets			
Balances with central bank	9	35,360	–
Amount due from an immediate holding company	17	1,273,911	1,500,758
Prepayment and other assets		22,102	21,446
Property and equipment	10	44,992	3,770
Intangible assets	11	385,786	247,116
		1,762,151	1,773,090
Liabilities			
Deposits from customers	12	28,030	–
Amounts due to holding companies	17	477,083	387,420
Amount due to a related company	17	7,948	4,069
Other liabilities	13	169,984	129,293
		683,045	520,782
NET ASSETS		1,079,106	1,252,308
CAPITAL AND RESERVES			
Share capital		1,610,920	1,610,920
Reserves		(531,814)	(358,612)
TOTAL EQUITY		1,079,106	1,252,308

The notes on pages 6 to 21 form part of these unaudited condensed interim financial statements.

Condensed statement of changes in equity for the period ended 30 June 2020 (unaudited)

(Expressed in thousands Hong Kong dollars)

	Share capital HK$'000	*Retained loss HK$'000*	*Total HK$'000*
Balance at 1 January 2019	1	(93,160)	(93,159)
Changes in equity for period ended 30 June 2019:			
Shares issued	1,610,919	–	1,610,919
Total comprehensive loss for the period	–	(115,629)	(115,629)
Balance at 30 June 2019	1,610,920	(208,789)	1,402,131
Changes in equity for period ended 31 December 2019:			
Total comprehensive loss for the period	–	(149,823)	(149,823)
Balance at 31 December 2019	1,610,920	(358,612)	1,252,308
Changes in equity for period ended 30 June 2020:			
Total comprehensive loss for the period	–	(173,202)	(173,202)
Balance at 30 June 2020	1,610,920	(531,814)	1,097,106

The notes on pages 6 to 21 form part of these unaudited condensed interim financial statements.

Condensed cash flow statement for the period ended 30 June 2020 (unaudited)

(Expressed in thousands Hong Kong dollars)

	Note	*For 6 months ended 30 June 2020 HK$'000*	*For 6 months ended 30 June 2019 HK$'000*
Operating activities			
Loss before taxation		(173,202)	(115,629)
Adjustments for non-cash items and other adjustments included within income statements		5,038	294
Change in operating assets		(150,562)	(7,463)
Change in operating liabilities		122,056	174,407
Cash (used in)/generated from operations		(196,670)	51,609
Tax paid		–	–
Net cash (used in)/from operating activities		(196,670)	51,609
Investing activities			
Payments for purchase of property and equipment		(5,753)	(1,760)
Payments for purchase of intangible assets		(138,970)	(45,335)
Net cash used in investing activities		(144,723)	(47,095)
Financing activities			
Cash proceeds from issuance of shares		–	1,610,919
Net cash from financing activities		–	1,610,919
Net (decrease)/increase in cash and cash equivalents		(341,393)	1,615,433
Cash and cash equivalents at 1 January		1,499,597	–
Cash and cash equivalents at 30 June	14	1,158,204	1,615,433
Cash flows from operating activities include:			
Interest received		7,926	5,060

The notes on pages 6 to 21 form part of these unaudited condensed interim financial statements.

Notes to the condensed financial statements

(Expressed in thousands Hong Kong dollars)

1 Principal activities

Mox Bank Limited (the "Bank") is a licensed virtual bank registered under the Hong Kong Banking Ordinance. The principal activities of the Bank are the provision of banking and related financial services.

2 Significant accounting policies

(a) Statement of compliance

These condensed interim financial statements have been prepared in compliance with Hong Kong Accounting Standards ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing the condensed interim financial statements, the significant judgement made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2019.

The condensed interim financial statements should be read in conjunction with the financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The condensed interim financial statements are unaudited.

(b) Basis of preparation

The accounting policies applied in preparing these condensed interim financial statements are materially consistent with those applied in preparing the financial statements for the year ended 31 December 2019. None of the other revised accounting standards, which became effective from 1 January 2020, have a material impact on the condensed interim financial statements.

(c) Financial instruments

Classification and measurement of financial instruments

<u>Classification</u>

The Bank classifies its financial assets into the following measurement categories: amortised cost and fair value through other comprehensive income. Financial liabilities are classified as either amortised cost, or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

2 Significant accounting policies (continued)

(c) Financial instruments (continued)

Financial assets held at amortised cost and fair value through other comprehensive income ("FVOCI")

Debt instruments held at amortised cost or held at FVOCI have contractual terms that give rise to cash flows that are solely payments of principal and interest ("SPPI characteristics"). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify the consideration of the time value of money (e.g. periodical reset of interest rates).

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Bank manages financial assets to generate cash flows.

The Bank makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management. Factors considered include:

- how the performance of the product business line is evaluated and reported to the Bank's management;
- how managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cash flows collected;
- the risks that affect the performance of the business model and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

2 Significant accounting policies (continued)

(c) Financial instruments (continued)

Financial assets held at amortised cost and fair value through other comprehensive income ("FVOCI") (continued)

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("hold to collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

Both hold to collect and hold to collect and sell business models involve holding financial assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in the credit risk of financial assets but sales for other reasons should be both infrequent and insignificant.

Cash flows from the sale of financial assets under a hold to collect and sell business model in contrast are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the Group's daily liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities through profit or loss are classified as financial liabilities held at amortised cost.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Bank has access at that date. The fair value of a liability includes the risk that the Bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

2 Significant accounting policies (continued)

(c) Financial instruments (continued)

Fair value of financial assets and liabilities (continued)

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, the Bank establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade-date (the date on which the Bank commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on settlement date (the date on which cash is advanced to the borrowers). Financial liabilities, which include borrowings, not classified as held at fair value through profit or loss are classified at amortised cost on settlement date.

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets and financial liabilities which are not subsequently measured at fair value through profit or loss.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised or released to the income statement as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

(1) <u>Financial assets and financial liabilities held at amortised cost</u>

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method. Foreign exchange gains and losses are recognised in the income statement.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

2 Significant accounting policies (continued)

(c) Financial instruments (continued)

(2) <u>Financial assets held at FVOCI</u>

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in the income statement. Changes in expected credit losses are recognised in the income statement and are accumulated in a separate component of equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss in reserve, are transferred to the income statement.

Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognised to the extent of the Bank's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement except for equity instruments elected FVOCI and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expired and this is evaluated both qualitatively and quantitatively.

If the Bank purchases its own debt, it is derecognised and the difference between the carrying amount of the liability and the consideration paid is included in 'other operating income' except for the cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income and are never recycled to the income statement.

2 Significant accounting policies (continued)

(c) Financial instruments (continued)

Impairment

The Bank assesses on a forward-looking basis the expected credit loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk. At initial recognition, allowance is required for expected credit loss resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, allowance is required for expected credit loss from all possible default events over the expected life of the financial instrument. For financial assets that is credit-impaired at the reporting date, the Bank measure the expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

(d) Share based payment

The Bank's ultimate holding company, Standard Chartered PLC Group operates equity-settled share-based compensation plans in which the Bank's employees participate. The fair value of the employee services received in exchange for the grant of the share awards is recognized as an expense with the corresponding amount credited to amounts due to an immediate holding company.

In addition, the Bank operates cash-settled equity compensation, namely, Cash-settled Share Option, which are in reference to the Bank's share price. The cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors such as failure to satisfy service conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement. Any revaluation related to cash-settled awards is included in "Other liabilities". Please see note 18 for further details.

3 Interest income

	6 months period ended 30 June 2020 HK$'000	*6 months period ended 30 June 2019 HK$'000*
Interest income from an immediate holding company at amortised cost	7,831	6,662
Interest income arising from financial assets at fair value through comprehensive income	1	–
	7,832	6,662

4 Interest expense

	6 months period ended 30 June 2020 HK$'000	*6 months period ended 30 June 2019 HK$'000*
Interest expense arising from financial liabilities at amortised cost	21	–
Interest expense arising from lease liabilities	391	–
	412	–

5 Net fee Income

	6 months period ended 30 June 2020 HK$'000	*6 months period ended 30 June 2019 HK$'000*
Net fee and commission income (other than amounts included in determining effective interest rate) arising from financial asset or financial liabilities:		
– Fee and commission income	31	–
– Fee and commission expense	(30)	–

6 Net trading Income

	6 months period ended 30 June 2020 HK$'000	*6 months period ended 30 June 2019 HK$'000*
Foreign exchange gains	243	273

7 Operating expenses

	6 months period ended 30 June 2020 HK$'000	*6 months period ended 30 June 2019 HK$'000*
(a) Staff costs		
Salaries, wages and other benefits	63,046	50,157
Equity compensation benefit	1,240	309
Retirement benefits	5,642	3,143
Other staff costs	9,014	20,511
	78,942	74,120

7 Operating expenses (continued)

	6 months period ended 30 June 2020 HK$'000	6 months period ended 30 June 2019 HK$'000
(b) Premises and equipment		
Depreciation of right-of-use operating lease asset	3,318	–
Depreciation of computer equipment, furnitures and fittings	1,029	294
Other premises and equipment costs	7,684	4,882
	12,031	5,176

	6 months period ended 30 June 2020 HK$'000	6 months period ended 30 June 2019 HK$'000
(c) Other items		
Service fee paid to an immediate holding company	11,378	7,152
Auditors' remuneration	605	175
Amortisation of intangible assets	300	–
Other expenses	77,610	35,941
	89,893	43,268

8 Income tax in the statement of comprehensive income

Taxation in the statement of comprehensive income represents:

	6 months period ended 30 June 2020 HK$'000	6 months period ended 30 June 2019 HK$'000
Current taxation – Hong Kong profits tax		
Provision for the year	–	–
Deferred tax		
Origination and reversal of temporary differences	–	–
	–	–

9 Balances with central bank

	At 30 June 2020 HK$'000	*At 31 December 2019 HK$'000*
Balances with central bank in Hong Kong	35,360	–

As at 30 June 2020, there were no impaired, overdue or rescheduled balances with central bank.

10 Property and equipment

	At 30 June 2020			
	Right-of-use operating lease property HK$'000	*Office equipment HK$'000*	*Furnitures & fitting HK$'000*	*Total HK$'000*
Cost				
At 1 January 2020	–	4,635	–	4,635
Additions	39,816	878	4,875	45,569
Disposals	–	–	–	–
At 30 June 2020	39,816	5,513	4,875	50,204
Accumulated depreciation				
At 1 January 2020	–	865	–	865
Charge for the period (note 7(b))	3,318	894	135	4,347
At 30 June 2020	3,318	1,759	135	5,212
Net book value				
At 30 June 2020	36,498	3,754	4,740	44,992

10 Property and equipment (continued)

	At 31 December 2019			
	Right-of-use operating lease property HK$'000	*Office equipment HK$'000*	*Furnitures & fitting HK$'000*	*Total HK$'000*
Cost				
At 1 January 2019	–	1,294	–	1,294
Additions	–	3,341	–	3,341
Disposals	–	–	–	–
At 31 December 2019	–	4,635	–	4,635
Accumulated depreciation				
At 1 January 2019	–	–	–	–
Charge for the year	–	865	–	865
At 31 December 2019	–	865	–	865
Net book value				
At 31 December 2019	–	3,770	–	3,770

11 Intangible assets

	At 30 June 2020		
	Work in Progress HK$'000	*Other intangible assets HK$'000*	*Total HK$'000*
Cost			
At 1 January 2020	237,344	9,822	247,166
Additions	138,970	–	138,970
Disposals	–	–	–
At 30 June 2020	376,314	9,822	386,136
Accumulated depreciation			
At 1 January 2020	–	50	50
Charge for the period (note 7(c))	–	300	300
At 30 June 2020	–	350	350
Net book value			
At 30 June 2020	376,314	9,472	385,786

11 Intangible assets (continued)

	At 31 December 2019		
	Work in Progress HK$'000	*Other intangible assets HK$'000*	*Total HK$'000*
Cost			
At 1 January 2019	16,220	–	16,220
Additions	221,124	9,822	230,946
Disposal	–	–	–
At 31 December 2019	237,344	9,822	247,166
Accumulated depreciation			
At 1 January 2019	–	–	–
Charge for the year	–	50	50
At 31 December 2019	–	50	50
Net book value			
At 31 December 2019	237,344	9,772	247,116

12 Deposits from customers

	At 30 June 2020 HK$'000	*At 31 December 2019 HK$'000*
Savings accounts	28,030	–

13 Other liabilities

	At 30 June 2020 HK$'000	*At 31 December 2019 HK$'000*
Cash-settled share-based payments	790	–
Operating lease liabilities	38,964	–
Other liabilities	130,230	129,293
	169,984	129,293

14 Cash and cash equivalents

(a) Components of cash and cash equivalents in the cash flow statements

	At 30 June 2020 HK$'000	*At 31 December 2019 HK$'000*
Balances with central bank	35,360	–
Cash held at immediate holding company	592,844	149,597
Placements with an immediate holding company with original maturity less than three months	530,000	1,350,000
Cash and cash equivalents in the condensed cash flow statement	1,158,204	1,499,597

(b) Reconciliation with the condensed statements of financial position

	At 30 June 2020 HK$'000	*At 31 December 2019 HK$'000*
Balances with central bank	35,360	–
Amount due from an immediate holding company	1,273,911	1,500,758
Amounts shown in the condensed statements of financial position	1,309,271	1,500,758
Less: amounts with original maturities beyond three months	(150,000)	–
Less: accrued interest receivables included in "Amount due from an immediate holding company"	(1,067)	(1,161)
	1,158,204	1,499,597

15 Fair values of financial instruments

Valuation of financial instruments carried at amortised costs

All financial instruments are stated at fair value or amounts not materially different from their fair values as at 30 June 2020 and 31 December 2019.

16 Immediate parent and ultimate controlling party

At 30 June 2020, the Directors consider the immediate holding company and ultimate holding company of the Bank to be Standard Chartered Bank (Hong Kong) Limited and Standard Chartered PLC respectively, which are incorporated in Hong Kong and the United Kingdom and registered in Hong Kong and England and Wales respectively.

17 Material related party transactions

There were no significant changes in the related party transaction described in 2019 annual report that have a material impact on the financial position or performance of the Bank in the six month ended 30 June 2020. All related party transactions that took place in the six months ended 30 June 2020 were similar nature to those disclosed in the 2019 annual report.

As at 30 June 2020, there were no impaired, overdue or rescheduled balances recorded in "Amount due from an immediate holding company".

18 Share based payment

Cash-settled Share Option (the "share award")

Cash-settled Share Option was approved by Directors of the Bank in April 2020. The share award serves to meet regulatory requirements to defer a portion of variable pay for senior management (the 'participants').

The share award is a zero exercise price option, which are vested proportionately over three years period from time of grant. It is granted to participants based on the latest market value of a share of the Bank. Participants are allowed up to seven years from date of grant to exercise the option at no cost to the participants. The option when exercised, are settled in cash, based on the most recent valuation of the share price of the Bank. Any unexercised options after seven years will lapse.

Share award granted to directors and chief executive are subject to approval in advance by the Remuneration Committee.

Valuation

The share award is measured at fair value, which is based on the share price valuation of the Bank conducted by independent external valuation experts. The cost approach is used with corroboration of range of value using the probability weighted discounted cash flow methodology. The approach considered a range of possible scenarios impacting the Bank's future profitability, and the discount rate based on the Capital Asset Pricing Model, which broadly corresponds to the internal rate of return.

Independent valuation is expected to be carried out at least once annually.

19 Off balance sheet exposures (other than derivative transactions)

As of 30 June 2020, the Bank does not have any off-balance sheet exposure.

20 International claims

International claims are on-balance sheet exposures of counterparties based on the location of those counterparties after taking into account the transfer of risk. Recognised risk transfer refers to the reduction of exposure to a particular country by an effective transfer of credit risk to a different country.

International claims on individual countries or segments, after risk transfer, amounting to 10% or more of the aggregated international claims are shown as below:

At 30 June 2020	*Banks*	*Official Sector*	*Non-bank Financial institution*	*Non-financial private sector*	*Total*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Offshore centres	90,015	–	–	–	90,015
– of which Hong Kong SAR	90,015	–	–	–	90,015

Note: Comparative information is not applicable.

21 Sector information

There are no loan and advances outstanding as of 30 June 2020 and comparative information is not applicable.

22 Overdue and rescheduled assets

There are no loan and advances outstanding as of 30 June 2020 and comparative information is not applicable.

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23 Mainland exposure

The following illustrates the disclosure the Bank is required to make under the prevailing Return of Mainland Activities (MA(BS)20) in respect of its Non-bank Mainland China exposures.

	At 30 June 2020		
	On-balance sheet exposure HK$'000	*Off-balance sheet exposure HK$'000*	*Total HK$'000*
Type of counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures	–	–	–
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	–	–	–
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	–	–	–
4. Other entities of central government not reported in item 1 above	–	–	–
5. Other entities of local government not reported in item 2 above	–	–	–
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	–	–	–
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	–	–	–
Total	–	–	–
Total assets after provision	1,762,151		
On-balance sheet exposures as percentage of total assets	0.0%		

Note: Comparative information is not applicable.

24 Currency risk

The Bank is exposed to foreign exchange risk, primarily the United States dollar ("USD"). The Bank's exposure to foreign currency risk at the end of the reporting period was as follows:

	At 30 June 2020 *HK$'000*
Financial assets	
Amount due from an immediate holding company	90,015
Financial liabilities	
Amount due to an immediate holding company	94,308
Other liabilities	76

Note: Comparative information is not applicable.

25 Accounting judgements and estimates

In determining the carrying amounts of certain assets and liabilities, the Bank makes assumptions about the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimations and assumptions are based on historical experience and expectations of future events and are reviewed periodically as actual results may differ from these estimates.

Taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Deferred tax liabilities are recognised on all temporary differences and deferred tax assets are recognised on temporary differences where it is probable that there will be taxable revenue against which these can be offset.