



Condensed Interim Financial Statements (Unaudited)

For the period ended 30 June 2021

Index

| | Page |
|--|------|
| Introduction | 1 |
| Condensed statement of profit or loss and other comprehensive income | 2 |
| Condensed statement of financial position | 3 |
| Condensed statement of changes in equity | 4 |
| Condensed cash flow statement | 5 |
| Notes to the condensed financial statements | 6 |

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 2021.

2021 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.

Comparing to the period ended 30 June 2020, loss before taxation increased by HK\$158 million, from HK\$173 million to HK\$331 million, mainly due to costs incurred in enhancing the Bank’s digital products offering.

The Bank’s net asset increased by HK\$138 million, from HK\$1,265 billion as of 31 December 2020, to HK\$1,403 billion as of 30 June 2021.

Condensed statement of profit or loss and other comprehensive income for the period ended 30 June 2021 (unaudited)

(Expressed in thousands of Hong Kong dollars)

| | Note | 6 months ended 30 June 2021 HK\$'000 | 6 months ended 30 June 2020 HK\$'000 |
|---|------|--|--|
| Interest income | 3 | 6,851 | 7,832 |
| Interest expense | 4 | (20,906) | (412) |
| Net interest (expense)/income | | (14,055) | 7,420 |
| Net fee (expense)/income | 5 | (5,221) | 1 |
| Net trading income | 6 | 572 | 243 |
| Total operating (expense)/income | | (18,704) | 7,664 |
| Staff cost | | (116,677) | (78,942) |
| Premises and equipment | | (47,013) | (12,031) |
| Others | | (147,463) | (89,893) |
| Operating expense | 7 | (311,153) | (180,866) |
| Operating loss before credit impairment | | (329,857) | (173,202) |
| Credit impairment | 9 | (1,393) | – |
| Loss before taxation | | (331,250) | (173,202) |
| Income tax | 8 | – | – |
| Loss after taxation | | (331,250) | (173,202) |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| – Changes in the fair value of debt instruments measured at FVOCI, net of tax | | 24 | – |
| Loss and total comprehensive income for the period | | (331,226) | (173,202) |

The notes on pages 6 to 23 form part of these unaudited condensed interim financial statements.

Condensed statement of financial position at 30 June 2021 (unaudited)

(Expressed in thousands Hong Kong dollars)

| | Note | At 30 June 2021 HK\$'000 | At 31 December 2020 HK\$'000 |
|---|------|-----------------------------------|---------------------------------------|
| Assets | | | |
| Balances with central bank | 10 | 861,443 | 742,900 |
| Investment securities | 11 | 585,947 | – |
| Advances to customers | 12 | 80,878 | 719 |
| Amount due from immediate holding company | 18 | 5,049,348 | 5,519,267 |
| Amount due from a fellow subsidiary | 18 | 10 | – |
| Property and equipment | 13 | 34,439 | 42,893 |
| Intangible assets | 14 | 458,566 | 423,836 |
| Prepayment and other assets | | 22,596 | 27,050 |
| | | <u>7,093,227</u> | <u>6,756,665</u> |
| Liabilities | | | |
| Deposits from customers | 15 | 5,394,276 | 5,193,693 |
| Amounts due to immediate holding company | 18 | 118,629 | 112,234 |
| Amount due to a fellow subsidiary | 18 | 399 | 577 |
| Amount due to a related company | 18 | 7,270 | 10,569 |
| Other liabilities | | 169,440 | 174,353 |
| | | <u>5,690,014</u> | <u>5,491,426</u> |
| NET ASSETS | | <u>1,403,213</u> | <u>1,265,239</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 2,549,320 | 2,080,120 |
| Reserves | | <u>(1,146,107)</u> | <u>(814,881)</u> |
| TOTAL EQUITY | | <u>1,403,213</u> | <u>1,265,239</u> |

The notes on pages 6 to 23 form part of these unaudited condensed interim financial statements.

Condensed statement of changes in equity for the period ended 30 June 2021 (unaudited)

(Expressed in thousands Hong Kong dollars)

| | Share capital HK\$'000 | Retained loss HK\$'000 | FVOCI Reserves HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------|-------------------------------|-------------------|
| Balance at 1 January 2020 | 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) | – | 1,079,106 |
| Changes in equity for period ended 31 December 2020: | | | | |
| Shares issued | 469,200 | – | – | 469,200 |
| Total comprehensive loss for the period | – | (283,067) | – | (283,067) |
| Balance at 31 December 2020 | 2,080,120 | (814,881) | – | 1,265,239 |
| Changes in equity for period ended 30 June 2021: | | | | |
| Shares issued | 469,200 | – | – | 469,200 |
| Total comprehensive loss for the period | – | (331,250) | 24 | (331,226) |
| Balance at 30 June 2021 | <u>2,549,320</u> | <u>(1,146,131)</u> | <u>24</u> | <u>1,403,213</u> |

The notes on pages 6 to 23 form part of these unaudited condensed interim financial statements.

Condensed cash flow statement for the period ended 30 June 2021 (unaudited)

(Expressed in thousands Hong Kong dollars)

| | For 6 months ended 30 June 2021 HK\$'000 | For 6 months ended 30 June 2020 HK\$'000 |
|---|---|---|
| Operating activities | | |
| Loss before taxation | (331,250) | (173,202) |
| Adjustments for non-cash items and other adjustments included within income statements | 47,447 | 5,038 |
| Change in operating assets | (4,365,043) | (150,562) |
| Change in operating liabilities | 205,454 | 122,056 |
| Cash used in operations | (4,443,392) | (196,670) |
| Tax paid | – | – |
| Net cash used in operating activities | (4,443,392) | (196,670) |
| Investing activities | | |
| Payments for purchase of property and equipment | (1,238) | (5,753) |
| Payments for purchase of intangible assets | (70,536) | (138,970) |
| Net cash used in investing activities | (71,774) | (144,723) |
| Financing activities | | |
| Cash proceeds from issuance of shares | 469,200 | – |
| Principal portion of lease payments | (6,908) | – |
| Interest element on lease liabilities | (556) | – |
| Net cash from financing activities | 461,736 | – |
| Net decrease in cash and cash equivalents | (4,053,430) | (341,393) |
| Cash and cash equivalents at 1 January | 6,261,260 | 1,499,597 |
| Effect of foreign exchange | 42 | – |
| Cash and cash equivalents at 30 June | 2,207,872 | 1,158,204 |
| <i>Cash flows from operating activities include:</i> | | |
| Interest received | 4,723 | 7,926 |
| Interest paid | (20,350) | (21) |

The notes on pages 6 to 23 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 2020.

The condensed interim financial statements should be read in conjunction with the financial statements for the year ended 31 December 2020, 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 2020. None of the other revised accounting standards, which became effective from 1 January 2021, have a material impact on the condensed interim financial statements.

3 Interest income

| | <i>6 months period ended 30 June 2021 HK\$'000</i> | <i>6 months period ended 30 June 2020 HK\$'000</i> |
|--|--|--|
| Interest income arising from financial assets at amortised cost | 6,786 | 7,831 |
| Interest income arising from financial assets at fair value through comprehensive income | <u>65</u> | <u>1</u> |
| | <u><u>6,851</u></u> | <u><u>7,832</u></u> |

Interest income derived from placements made with immediate holding company amounted to HK\$6,644,000 (30 June 2020: HK\$7,831,000).

4 Interest expense

| | <i>6 months period ended 30 June 2021 HK\$'000</i> | <i>6 months period ended 30 June 2020 HK\$'000</i> |
|---|--|--|
| Interest expense arising from financial liabilities at amortised cost | 20,350 | 21 |
| Interest expense arising from lease liabilities | <u>556</u> | <u>391</u> |
| | <u><u>20,906</u></u> | <u><u>412</u></u> |

5 Net fee (expense)/income

| | <i>6 months period ended 30 June 2021 HK\$'000</i> | <i>6 months period ended 30 June 2020 HK\$'000</i> |
|---|--|--|
| 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 | 2,731 | 31 |
| – Fee and commission expense | <u>(7,952)</u> | <u>(30)</u> |
| | <u><u>(5,221)</u></u> | <u><u>(-)</u></u> |

6 Net trading Income

| | <i>6 months period ended 30 June 2021 HK\$'000</i> | <i>6 months period ended 30 June 2020 HK\$'000</i> |
|------------------------|--|--|
| Foreign exchange gains | <u>572</u> | <u>243</u> |

7 Operating expenses

| | <i>6 months period ended 30 June 2021 HK\$'000</i> | <i>6 months period ended 30 June 2020 HK\$'000</i> |
|---|--|--|
| (a) Staff costs | | |
| Salaries, wages and other benefits | 101,392 | 63,046 |
| Share based payments | 1,578 | 1,240 |
| Retirement benefits | 5,628 | 5,642 |
| Other staff costs | <u>8,079</u> | <u>9,014</u> |
| | <u>116,677</u> | <u>78,942</u> |
| | | |
| | <i>6 months period ended 30 June 2021 HK\$'000</i> | <i>6 months period ended 30 June 2020 HK\$'000</i> |
| (b) Premises and equipment | | |
| Amortisation of capitalised software | 35,506 | – |
| Depreciation of right-of-use operating lease asset | 6,636 | 3,318 |
| Depreciation of computer equipment, furnitures and fittings | 3,056 | 1,029 |
| Other premises and equipment costs | <u>1,815</u> | <u>7,684</u> |
| | <u>47,013</u> | <u>12,031</u> |

7 Operating expenses (continued)

| | <i>6 months period ended 30 June 2021 HK\$'000</i> | <i>6 months period ended 30 June 2020 HK\$'000</i> |
|--|--|--|
| (c) Other items | | |
| Service fee paid to an immediate holding company | 6,520 | 11,378 |
| Auditors' remuneration | 800 | 605 |
| Amortisation of other intangible assets | 300 | 300 |
| Other expenses | <u>139,843</u> | <u>77,610</u> |
| | <u><u>147,463</u></u> | <u><u>89,893</u></u> |

Service fee paid to immediate holding company relates to service support for various function. The service fee is charged on a cost basis.

Professional fee included purchase of services from related parties amounted to HK\$12,843,000 (30 June 2020: HK\$9,429,000). These purchases are made on similar terms as those with other suppliers.

8 Income tax in the statement of comprehensive income

Taxation in the statement of comprehensive income represents:

| | <i>6 months period ended 30 June 2021 HK\$'000</i> | <i>6 months period ended 30 June 2020 HK\$'000</i> |
|---|--|--|
| Current taxation – Hong Kong profits tax | | |
| Provision for the year | – | – |
| Deferred tax | | |
| Origination and reversal of temporary differences | <u>–</u> | <u>–</u> |
| | <u><u>–</u></u> | <u><u>–</u></u> |

9 Credit impairment

| | <i>6 months period ended 30 June 2021 HK\$'000</i> | <i>6 months period ended 30 June 2020 HK\$'000</i> |
|---|--|--|
| Credit impairment on advances to customers, analysed by: | | |
| – Stage 1 | 1,393 | – |
| – Stage 2 | – | – |
| – Stage 3 | – | – |
| | <u>1,393</u> | <u>–</u> |

10 Balances with central bank

| | <i>At 30 June 2021 HK\$'000</i> | <i>At 31 December 2020 HK\$'000</i> |
|---|---|---|
| Balances with central bank in Hong Kong | <u>861,443</u> | <u>742,900</u> |

As at 30 June 2021, there were no impaired, overdue or rescheduled balances with central bank.

11 Investment securities

| | <i>At 30 June 2021 HK\$'000</i> | <i>At 31 December 2020 HK\$'000</i> |
|--|---|---|
| <i>At fair value through other comprehensive income:</i> | | |
| Treasury bills | <u>585,947</u> | <u>–</u> |

As at 30 June 2021, there were no investment securities that is impaired, overdue or rescheduled.

12 Advances to customers

| | At 30 June 2021 HK\$'000 | At 31 December 2020 HK\$'000 |
|---------------------------------------|--------------------------------|------------------------------------|
| Gross advances to customers | 82,281 | 729 |
| Less: Credit impairment, analysed by: | | |
| – Stage 1 | (1,403) | (10) |
| – Stage 2 | – | – |
| – Stage 3 | – | – |
| | 80,878 | 719 |
| | 80,878 | 719 |

13 Property and equipment

| | At 30 June 2021 | | | |
|---------------------------------|---|---|--|---------------------------|
| | <i>Right-of-use operating lease property HK\$'000</i> | <i>Leasehold improvement HK\$'000</i> | <i>Office equipment HK\$'000</i> | <i>Total HK\$'000</i> |
| Cost | | | | |
| At 1 January 2021 | 39,817 | 6,500 | 11,642 | 57,959 |
| Additions | – | – | 1,238 | 1,238 |
| Disposals | – | – | – | – |
| | 39,817 | 6,500 | 12,880 | 59,197 |
| At 30 June 2021 | 39,817 | 6,500 | 12,880 | 59,197 |
| Accumulated depreciation | | | | |
| At 1 January 2021 | 9,954 | 1,264 | 3,848 | 15,066 |
| Charge for the year | 6,636 | 1,083 | 1,973 | 9,692 |
| | 16,590 | 2,347 | 5,821 | 24,758 |
| At 30 June 2021 | 16,590 | 2,347 | 5,821 | 24,758 |
| Net book value | | | | |
| At 30 June 2021 | 23,227 | 4,153 | 7,059 | 34,439 |

13 Property and equipment (continued)

| | <i>At 31 December 2020</i> | | | |
|---------------------------------|---|---|--|---------------------------|
| | <i>Right-of-use operating lease property HK\$'000</i> | <i>Leasehold improvement HK\$'000</i> | <i>Office equipment HK\$'000</i> | <i>Total HK\$'000</i> |
| Cost | | | | |
| At 1 January 2020 | – | – | 4,635 | 4,635 |
| Additions | 39,817 | 6,500 | 7,007 | 53,324 |
| Disposals | – | – | – | – |
| At 31 December 2020 | <u>39,817</u> | <u>6,500</u> | <u>11,642</u> | <u>57,959</u> |
| Accumulated depreciation | | | | |
| At 1 January 2020 | – | – | 865 | 865 |
| Charge for the year | 9,954 | 1,264 | 2,983 | 14,201 |
| At 31 December 2020 | <u>9,954</u> | <u>1,264</u> | <u>3,848</u> | <u>15,066</u> |
| Net book value | | | | |
| At 31 December 2020 | <u>29,863</u> | <u>5,236</u> | <u>7,794</u> | <u>42,893</u> |

14 Intangible assets

| | <i>At 30 June 2021</i> | | | |
|---------------------------------|---|---|---|---------------------------|
| | <i>Capitalised software* HK\$'000</i> | <i>Work in Progress* HK\$'000</i> | <i>Other intangible assets** HK\$'000</i> | <i>Total HK\$'000</i> |
| Cost | | | | |
| At 1 January 2021 | 382,062 | 53,128 | 9,822 | 445,012 |
| Additions | 49,907 | 20,629 | – | 70,536 |
| Reclassification | 50,114 | (50,114) | – | – |
| Disposals | – | – | – | – |
| At 30 June 2021 | <u>482,083</u> | <u>23,643</u> | <u>9,822</u> | <u>515,548</u> |
| Accumulated amortisation | | | | |
| At 1 January 2021 | 20,526 | – | 650 | 21,176 |
| Charge for the period | 35,506 | – | 300 | 35,806 |
| At 30 June 2021 | <u>56,032</u> | <u>–</u> | <u>950</u> | <u>56,982</u> |
| Net book value | | | | |
| At 30 June 2021 | <u>426,051</u> | <u>23,643</u> | <u>8,872</u> | <u>458,566</u> |

14 Intangible assets (continued)

| | At 31 December 2020 | | | |
|---------------------------------|-----------------------------------|-------------------------------|---------------------------------------|-------------------|
| | Capitalised software* HK\$'000 | 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 | – | 197,846 | – | 197,846 |
| Reclassification | 382,062 | (382,062) | – | – |
| Disposals | – | – | – | – |
| At 31 December 2020 | <u>382,062</u> | <u>53,128</u> | <u>9,822</u> | <u>445,012</u> |
| Accumulated amortisation | | | | |
| At 1 January 2020 | – | – | 50 | 50 |
| Charge for the year | <u>20,526</u> | – | <u>600</u> | <u>21,126</u> |
| At 31 December 2020 | <u>20,526</u> | – | <u>650</u> | <u>21,176</u> |
| Net book value | | | | |
| At 31 December 2020 | <u>361,536</u> | <u>53,128</u> | <u>9,172</u> | <u>423,836</u> |

* Capitalised Software and Work in Progress are internally developed software.

** Other intangible assets consist of costs on patents, trademarks and membership amounting to HK\$9,822,182 (31 December 2020: HK\$9,822,182). Amount of intangible asset with indefinite useful life comprise HK\$6,822,182 (31 December 2020: HK\$6,822,182).

15 Deposits from customers

| | At 30 June 2021 HK\$'000 | At 31 December 2020 HK\$'000 |
|------------------|-----------------------------------|---------------------------------------|
| Savings accounts | <u>5,394,276</u> | <u>5,193,693</u> |

16 Fair values of financial instruments

Valuation of financial instruments carried at amortised costs

For financial instruments as of 30 June 2021 and 31 December 2020 that are not carried at fair value, the Bank has ascertained that their fair values were the reasonable approximation of the carrying amounts at period end due to short-term nature.

Valuation of financial instruments carried at fair value

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

| | <i>Level 1</i> <i>HK\$'000</i> | <i>Total</i> <i>HK\$'000</i> |
|--|-----------------------------------|---------------------------------|
| At 30 June 2021 | | |
| Investments securities measured at FVOCI | | |
| – Treasury bills | <u>585,947</u> | <u>585,947</u> |
| | <u>585,947</u> | <u>585,947</u> |
| | <i>Level 1</i> <i>HK\$'000</i> | <i>Total</i> <i>HK\$'000</i> |
| At 31 December 2020 | | |
| Investments securities measured at FVOCI | | |
| – Treasury bills | <u>–</u> | <u>–</u> |
| | <u>–</u> | <u>–</u> |

The 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 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.

17 Immediate parent and ultimate controlling party

At 30 June 2021, 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.

18 Material related party transactions

There were no significant changes in the related party transaction described in 2020 annual report that have a material impact on the financial position or performance of the Bank in the six month ended 30 June 2021. All related party transactions that took place in the six months ended 30 June 2021 were of similar nature to those disclosed in the 2020 annual report.

As at 30 June 2021, there were no impaired, overdue or rescheduled balances recorded in “Amount due from immediate holding company” and “Amount due from a fellow subsidiary”.

19 Off balance sheet exposures

The following is a summary of the contractual amounts of each significant contingent liability and commitment:

| | <i>At 30 June 2021 HK\$'000</i> | <i>At 31 December 2020 HK\$'000</i> |
|---|---|---|
| Direct credit substitutes | 13,493 | 11,015 |
| Other commitments which are unconditionally cancellable | <u>2,092,965</u> | <u>7,509</u> |
| | <u>2,106,458</u> | <u>18,524</u> |

The direct credit substitute represents financial guarantee the Bank issued to its immediate holding company for collateralised staff housing mortgage loan issued by its immediate holding company to the Bank’s employees as part of staff benefit programme.

The amount of guarantee is the aggregated amount of loan granted to employees that was in excess of the HKMA regulatory loan to value ratio cap. The amount of ‘excess’ were assessed individually for each loan.

As of 30 June 2021 and 31 December 2020, these loans remain fully collateralised by the respective property values.

The remaining contractual maturities for the financial guarantee range between 15 years to 26 years.

Other commitments which are unconditionally cancellable represent the undrawn portion of the credit card facilities issued to customers.

The total credit risk weighted amount of off-balance sheet exposures is HK\$13,493,000 (31 December 2020: HK\$11,015,000).

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:

| | <i>Banks</i> HK\$'000 | <i>Official Sector</i> HK\$'000 | <i>Non-bank Financial institution</i> HK\$'000 | <i>Non- financial private sector</i> HK\$'000 | <i>Total</i> HK\$'000 |
|----------------------------|--------------------------|--|---|--|--------------------------|
| At 30 June 2021 | | | | | |
| Offshore centres | 34,105 | – | – | – | 34,105 |
| – of which Hong Kong SAR | 34,105 | – | – | – | 34,105 |
| At 31 December 2020 | | | | | |
| Offshore centres | 30,760 | – | – | – | 30,760 |
| – of which Hong Kong SAR | 30,760 | – | – | – | 30,760 |

21 Advances to customers analysed by industry sector

The analysis of gross advances to customers by industry sector is based on the categories used by the HKMA.

| | <i>At 30 June 2021 HK\$'000</i> | <i>% of collateral covered by collateral or other liabilities HK\$'000</i> |
|--|---|--|
| Gross advances for use in Hong Kong | | |
| Industrial, commercial and financial | | |
| – Property development | – | – |
| – Property investment | – | – |
| – Financial concerns | – | – |
| – Stockbrokers | – | – |
| – Wholesale and retail trade | – | – |
| – Manufacturing | – | – |
| – Transport and transport equipment | – | – |
| – Recreational activities | – | – |
| – Information technology | – | – |
| – Others | – | – |
| Individuals | | |
| – Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | – | – |
| – Advances for the purchase of other residential properties | – | – |
| – Credit card advances | 82,248 | – |
| – Others | 33 | – |
| Total gross advances for use in Hong Kong | 82,281 | – |
| Gross advances for use outside Hong Kong | – | – |
| Gross advances to customers | <u>82,281</u> | <u>–</u> |

21 Advances to customers analysed by industry sector (continued)

| | <i>At 31 December 2020 HK\$'000</i> | <i>% of collateral covered by collateral or other liabilities HK\$'000</i> |
|--|---|--|
| Gross advances for use in Hong Kong | | |
| Industrial, commercial and financial | | |
| – Property development | – | – |
| – Property investment | – | – |
| – Financial concerns | – | – |
| – Stockbrokers | – | – |
| – Wholesale and retail trade | – | – |
| – Manufacturing | – | – |
| – Transport and transport equipment | – | – |
| – Recreational activities | – | – |
| – Information technology | – | – |
| – Others | – | – |
| Individuals | | |
| – Advances for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | – | – |
| – Advances for the purchase of other residential properties | – | – |
| – Credit card advances | 639 | – |
| – Others | 90 | – |
| Total gross advances for use in Hong Kong | 729 | – |
| Gross advances for use outside Hong Kong | – | – |
| Gross advances to customers | <u>729</u> | <u>–</u> |

22 Overdue and rescheduled assets

There are no impaired, overdue nor rescheduled assets as at 30 June 2021 and 31 December 2020.

| | <i>Total gross loans and advances to customers HK\$'000</i> | <i>Impaired advances to customers</i> | <i>Overdue advances to customers HK\$'000</i> | <i>stage 3 credit loss provision HK\$'000</i> | <i>Stage 1 & 2 expected credit loss provision HK\$'000</i> |
|---------------------|---|---|---|---|--|
| 30 June 2021 | | | | | |
| Hong Kong | 82,281 | – | – | – | 1,403 |
| Total | <u>82,281</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>1,403</u> |
| 31 Dec 2020 | | | | | |
| Hong Kong | 729 | – | – | – | 10 |
| Total | <u>729</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>10</u> |

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.

| | <i>At 30 June 2021</i> | | |
|--|---|--|---------------------------|
| | <i>On-balance sheet exposure HK\$'000</i> | <i>Off-balance sheet exposure HK\$'000</i> | <i>Total HK\$'000</i> |
| <u>Type of counterparties</u> | | | |
| 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 | 7,093,227 | | |
| On-balance sheet exposures as percentage of total assets | 0.0% | – | – |

23 Mainland exposure (continued)

| | <i>At 31 December 2020</i> | | |
|--|---|--|---------------------------|
| | <i>On-balance sheet exposure HK\$'000</i> | <i>Off-balance sheet exposure HK\$'000</i> | <i>Total HK\$'000</i> |
| <u>Type of counterparties</u> | | | |
| 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 | <u>–</u> | <u>–</u> | <u>–</u> |
| Total assets after provision | <u>6,756,665</u> | | |
| On-balance sheet exposures as percentage of total assets | <u>0.0%</u> | <u>–</u> | <u>–</u> |

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:

| | <i>At 30 June 2021</i> | <i>At 31 December</i> |
|---|------------------------|-----------------------|
| | <i>HK\$’000</i> | <i>2020</i> |
| | | <i>HK\$’000</i> |
| Financial assets | | |
| Amount due from immediate holding company | 34,105 | 30,760 |
| Financial liabilities | | |
| Amount due to immediate holding company | 18,676 | 22,527 |
| Amount due to a fellow subsidiary | 355 | 554 |
| Other liabilities | 3,207 | 4,243 |

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.

Capitalisation criteria on capitalised software and work-in-progress

Capitalised software and work-in-progress are intangible assets developed in-house. Management exercises judgement in determining that the intangible asset meets the criteria to be capitalised as intangible assets in accordance with applicable accounting framework. Management also exercises judgment in determining the proportion of internal costs that are directly attributable to the development of intangible assets.

Impairment of capitalised software and work-in-progress

Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an impairment is required, the recoverable amount is determined based on value-in-use calculations prepared using management’s assumptions and estimates.

25 Accounting judgements and estimates (continued)

Amortisation of capitalised software

Amortisation are provided to write down assets to their residual values over their estimated useful lives. The determination of these residual values and estimated lives, and any change to the residual values or estimated lives, requires the exercise of management judgement.