



# AIRSTAR BANK LIMITED

INTERIM REPORT 2023

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**Report on Review of Interim Financial Information  
To the Board of Directors of Airstar Bank Limited**  
(incorporated in Hong Kong with limited liability)

**Introduction**

We have reviewed the interim financial information set out on pages 2 to 18, which comprises the condensed balance sheet of Airstar Bank Limited (the “Bank”) as at 30 June 2023 and the condensed statement of profit or loss, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the six-month period then ended, and selected explanatory notes. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Bank is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**Other Matter**

The comparative information for the condensed balance sheet is based on the audited financial statements as at 31 December 2022. The comparative information for the condensed statements of profit or loss, comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2022 has not been audited or reviewed.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 29 August 2023

**CONDENSED STATEMENT OF PROFIT OR LOSS (unaudited)**  
**FOR THE PERIOD ENDED 30 JUNE 2023**

	Notes	Half-year ended 30 June 2023 HK\$000	Half-year ended 30 June 2022 HK\$000
Interest income	2	44,003	42,932
Interest expense	3	(23,782)	(9,721)
<b>Net interest income</b>		<b>20,221</b>	<b>33,211</b>
Net gain / (loss) from investment in securities	4	1,040	(193)
Other income	4	124	116
<b>Total income</b>		<b>21,385</b>	<b>33,134</b>
Operating expenses	5	(120,827)	(111,142)
Finance costs	6	(962)	(269)
Impairment losses		(4,525)	(19,478)
Bad debt recovery		236	-
<b>Loss before income tax</b>		<b>(104,693)</b>	<b>(97,755)</b>
Income tax expense	7	-	-
<b>Loss for the period</b>		<b>(104,693)</b>	<b>(97,755)</b>

The notes on pages 7 to 18 are the integral part of these interim financial information.

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)**  
**FOR THE PERIOD ENDED 30 JUNE 2023**

	Half-year ended 30 June 2023 HK\$000	Half-year ended 30 June 2022 HK\$000
<b>Loss for the period</b>	<b>(104,693)</b>	(97,755)
<b>Other comprehensive income, net of tax:</b>		
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of financial assets at fair value through other comprehensive income ("FVOCI")	5,052	(4,263)
Transfer to income statement on disposal and redemption of financial assets at FVOCI	(3,129)	193
<b>Total comprehensive income for the period</b>	<b>(102,770)</b>	(101,825)

The notes on pages 7 to 18 are the integral part of these interim financial information.

**CONDENSED BALANCE SHEET (unaudited)**  
**AT 30 JUNE 2023**

	Notes	At 30 Jun 2023 HK\$000	At 31 Dec 2022 HK\$000
<b>Assets</b>			
Balances with banks	8	244,242	367,690
Placement with banks	8	159,786	312,789
Investment in securities	10	1,060,897	956,576
Loans and advances to customers	9	719,092	801,191
Prepayment and other assets		57,223	48,279
Property and equipment	11	11,734	17,012
Right-of-use assets	12	44,797	51,466
Intangible assets	13	98,624	105,463
<b>Total Assets</b>		<b>2,396,395</b>	<b>2,660,466</b>
<b>Liabilities</b>			
Deposits from customers	14	1,637,032	1,799,430
Other payables and accruals		54,141	49,890
Lease liabilities	12	43,022	49,462
Make good provision		3,418	3,418
<b>Total Liabilities</b>		<b>1,737,613</b>	<b>1,902,200</b>
<b>Equity</b>			
Share capital		1,500,000	1,500,000
Other reserves		22,777	17,568
Accumulated losses		(863,995)	(759,302)
<b>Total Equity</b>		<b>658,782</b>	<b>758,266</b>
<b>Total Liabilities and Equity</b>		<b>2,396,395</b>	<b>2,660,466</b>

The notes on pages 7 to 18 are the integral part of these interim financial information.



**CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)**  
**FOR THE PERIOD ENDED 30 JUNE 2023**

	Share capital HK\$000	Other reserves HK\$000	Accumulated losses HK\$000	Total equity HK\$000
<b>At 1 January 2022</b>	1,500,000	21,012	(559,565)	961,447
Total comprehensive income	-	(4,070)	(97,755)	(101,825)
Employee share scheme	-	1,293	-	1,293
<b>At 30 June 2022</b>	1,500,000	18,235	(657,320)	860,915
Total comprehensive income	-	(543)	(101,982)	(102,525)
Employee share scheme	-	(124)	-	(124)
<b>At 31 December 2022</b>	1,500,000	17,568	(759,302)	758,266
Total comprehensive income	-	1,923	(104,693)	(102,770)
Employee share scheme	-	3,286	-	3,286
<b>At 30 June 2023</b>	1,500,000	22,777	(863,995)	658,782

The notes on pages 7 to 18 are the integral part of these interim financial information.

**CONDENSED STATEMENT OF CASH FLOWS (unaudited)**  
**FOR THE PERIOD ENDED 30 JUNE 2023**

	Notes	Half-year ended 30 June 2023 HK\$000	Half-year ended 30 June 2022 HK\$000
<b>Cash flows from operating activities</b>			
Loss before income tax		(104,693)	(97,755)
Adjustments for:			
Interest income	2	(44,003)	(42,932)
Interest expense	3	23,782	9,721
Interest on lease liabilities	6	893	174
Impairment losses		4,525	19,478
Depreciation of property and equipment	11	5,568	9,148
Depreciation of right-of-use assets	12	8,532	11,049
Amortisation of intangible assets	13	17,321	14,085
Loss on termination of leases	12	22	-
Employee share scheme	5	3,286	1,293
Changes in:			
Loans and advances to customers		77,483	(15,375)
Placement with banks with original maturity beyond 3 months		-	(105,616)
Prepayment and other assets		(10,602)	(5,752)
Deposits from customers		(162,398)	(265,988)
Other payables and accruals		3,181	(10,001)
Interest received		45,629	43,112
Interest paid		(22,712)	(10,624)
Net cash used in operating activities		(154,186)	(445,983)
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(10,482)	(8,315)
Purchase of property and equipment		(290)	(290)
Purchase of investment securities		(678,657)	(450,958)
Proceeds from disposal and redemption of investment securities		576,351	688,807
Net cash (used in) / generated from investing activities		(113,078)	229,244
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(9,187)	(10,365)
Net cash used in financing activities		(9,187)	(10,365)
<b>Net change in cash and cash equivalents</b>		<b>(276,451)</b>	<b>(227,104)</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>680,479</b>	<b>811,059</b>
<b>Cash and cash equivalents as at 30 June</b>	15	<b>404,028</b>	<b>583,955</b>

The notes on pages 7 to 18 are the integral part of these interim financial information.



## NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

### 1 General information

Airstar Bank Limited (the “Bank”) is a private limited liability company incorporated in Hong Kong Special Administrative Region (“Hong Kong”) of the People’s Republic of China (the “PRC”) on 13 July 2018. It is a licensed bank authorised under the Hong Kong Banking Ordinance since 9 May 2019. The principal activity of the Bank is to carry out banking and related financial services as a virtual bank in Hong Kong and was officially launched on 11 June 2020.

The Bank is wholly-owned by Gravitation Fintech HK Limited, a company incorporated in Hong Kong. The Bank’s ultimate holding company is Xiaomi Corporation, a company incorporated in the Cayman Islands and is listed in Hong Kong.

The address of the Bank’s registered office is Suites 3201-07, 32/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

#### 1.1 Basis of preparation

##### a) Material accounting policies

The interim financial information for the six months ended 30 June 2023 has been prepared under the Banking (Disclosure) Rules made under Section 60A of the Banking Ordinance, and in accordance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted in the preparation of the interim financial information disclosure are consistent with those used in the preparation of the Bank’s audited financial statements for the year ended 31 December 2022 except for the adoption of the HKFRSs and HKASs issued up to 30 June 2023 which are pertinent to the Bank’s operations and relevant to these interim financial information.

The preparation of the interim financial information requires management to exercise judgements, use estimates and make assumptions that affect the application of policies and reported amounts in the financial statements. Actual results may differ from these estimates. The significant judgements made by management are the same as those disclosed in the financial statements for the year ended 31 December 2022.

The interim financial information should be read in conjunction with the financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The interim financial information are unaudited.

“Improvement to HKFRSs” contains numerous amendment to HKFRSs which the Hong Kong Institute of Certified Public Accountants considers not urgent but necessary. It comprises amendments that result in account changes for presentation, recognition or measurement purpose as well as terminology or editorial amendments related to a variety of individual HKFRSs.

The adoption of the above amendments and improvements, do not have a material impact to the interim financial information of the Bank.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

### 1.1 Basis of preparation (continued)

#### b) Requirement in connection with publication of interim financial information

The financial information relating to the year ended 31 December 2022 that is included in the interim financial information for the six months ended 30 June 2023 as comparative information does not constitute the Bank's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As the Bank is a private company, the Bank is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Bank's auditor has reported on the financial statements for the year ended 31 December 2022. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

### 2 Interest income

	Half-year ended 30 June 2023 HK\$000	Half-year ended 30 June 2022 HK\$000
Interest income arising from:		
Financial assets measured at amortised cost	38,687	38,330
Financial assets measured at FVOCI	5,316	4,602
	<hr/>	<hr/>
<b>Total</b>	<b>44,003</b>	<b>42,932</b>
	<hr/>	<hr/>

### 3 Interest expense

	Half-year ended 30 June 2023 HK\$000	Half-year ended 30 June 2022 HK\$000
Interest expense arising from:		
Financial liabilities measured at amortised cost	23,782	9,721
	<hr/>	<hr/>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

### 4 Net gain / (loss) from investment in securities and other income

	Half-year ended 30 June 2023 HK\$000	Half-year ended 30 June 2022 HK\$000
Net loss on derecognition of financial assets at amortised cost	(2,089)	-
Net gain / (loss) on derecognition of financial assets at FVOCI	3,129	(193)
Other income	124	116
<b>Total</b>	<b>1,164</b>	<b>(77)</b>

### 5 Operating expenses

	Notes	Half-year ended 30 June 2023 HK\$000	Half-year ended 30 June 2022 HK\$000
Auditor's remuneration		1,160	1,080
Depreciation of property and equipment	11	5,568	9,148
Depreciation of right-of-use assets	12	8,532	11,049
Amortisation of intangible assets	13	17,321	14,085
Staff costs		53,655	55,337
- Salaries, allowances and benefits in kind		47,797	51,280
- Retirement benefit		2,572	2,764
- Employee share scheme		3,286	1,293
Legal and professional fees		5,459	1,542
Other operating expenses		29,132	18,901
- Marketing and agency fee		7,639	6,515
- Information services fee		20,557	13,828
- Foreign exchange differences, net		(3,596)	(4,628)
- Others		4,532	3,186
<b>Total</b>		<b>120,827</b>	<b>111,142</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

### 6 Finance costs

	Half-year ended 30 June 2023 HK\$000	Half-year ended 30 June 2022 HK\$000
Interest on lease liabilities	893	174
Bank charges	69	95
	<hr/>	<hr/>
<b>Total</b>	962	269
	<hr/>	<hr/>

### 7 Income tax expense

	Half-year ended 30 June 2023 HK\$000	Half-year ended 30 June 2022 HK\$000
Current income tax	-	-
Deferred income tax	-	-
	<hr/>	<hr/>
<b>Total</b>	-	-
	<hr/>	<hr/>

The applicable Hong Kong profits tax rate is 16.5% (2022: 16.5%). No provision for Hong Kong profits tax has been made (first half of 2022: Nil) as the Bank had no estimated assessable profits for the periods.



## NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

### 8 Balances and placement with banks

	At 30 June 2023 HK\$000	At 31 December 2022 HK\$000
Balances with banks		
- Cash at banks	68,733	83,507
- Due from Hong Kong Monetary Authority	175,509	284,183
Less: Impairment allowances	-	-
<b>Total</b>	<b>244,242</b>	<b>367,690</b>

Balances with banks are denominated in Hong Kong dollars, Renminbi and United States dollars.

	At 30 June 2023 HK\$000	At 31 December 2022 HK\$000
Placement with banks maturing		
- On or less than 3 months	159,786	312,789
Less: Impairment allowances	-	-
<b>Total</b>	<b>159,786</b>	<b>312,789</b>

Placement with banks are denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 30 June 2023 and 31 December 2022, there were no impaired, overdue or rescheduled balances and placement with banks.

### 9 Loans and advances to customers

	At 30 June 2023 HK\$000	At 31 December 2022 HK\$000
Gross loans and advances to customers	751,339	838,876
Less: Impairment allowances		
- Stage 1	(21,110)	(26,248)
- Stage 2	(2,033)	(1,757)
- Stage 3	(9,104)	(9,680)
<b>Total</b>	<b>719,092</b>	<b>801,191</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

### 10 Investment in securities

	At 30 June 2023 HK\$000	At 31 December 2022 HK\$000
Investment in securities measured at:		
- FVOCI	634,600	502,770
- Amortised cost	426,526	454,100
Less: Impairment allowances	(229)	(294)
<b>Total</b>	<b>1,060,897</b>	<b>956,576</b>
Issued by:		
- Sovereigns	273,129	109,937
- Banks	185,046	188,372
- Corporates and Financial institutions	602,722	658,267
<b>Total</b>	<b>1,060,897</b>	<b>956,576</b>

As at 30 June 2023 and 31 December 2022, there were no impaired, overdue or rescheduled investment securities.



## NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

### 11 Property and equipment

	Leasehold improvement HK\$000	Furniture and fixture HK\$000	Computer equipment HK\$000	Total HK\$000
<b>Cost</b>				
At 31 December 2021	14,396	2,025	47,667	64,088
Additions	-	-	4,479	4,479
At 31 December 2022	14,396	2,025	52,146	68,567
Additions	-	-	290	290
At 30 June 2023	14,396	2,025	52,436	68,857
<b>Accumulated depreciation</b>				
At 31 December 2021	(10,769)	(867)	(22,718)	(34,354)
Depreciation charge	(3,255)	(405)	(13,541)	(17,201)
At 31 December 2022	(14,024)	(1,272)	(36,259)	(51,555)
Depreciation charge	(301)	(203)	(5,064)	(5,568)
At 30 June 2023	(14,325)	(1,475)	(41,323)	(57,123)
<b>Carrying amount</b>				
At 31 December 2022	372	753	15,887	17,012
At 30 June 2023	71	550	11,113	11,734

## NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

### 12 Leases

The condensed balance sheet shows the following amounts relating to leases:

	At 30 June 2023 HK\$000	At 31 December 2022 HK\$000
<b>Right-of-use assets</b>		
Office and centres	31,981	37,367
Equipment and server racks	11,524	14,099
Staff quarters	1,292	-
	<hr/>	<hr/>
<b>Total</b>	44,797	51,466
	<hr/>	<hr/>
<b>Lease liabilities</b>		
Current	16,552	15,572
Non-current	26,470	33,890
	<hr/>	<hr/>
<b>Total</b>	43,022	49,462
	<hr/>	<hr/>

Additions to the right-of-use assets for the period ended 30 June 2023 were HK\$2,124,000 (30 June 2022: HK\$17,855,000). The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 4.04% (30 June 2022: 3.48%).

The condensed statement of profit or loss shows the following amounts relating to leases:

	Half-year ended 30 June 2023 HK\$000	Half-year ended 30 June 2022 HK\$000
<b>Depreciation of right-of-use assets</b>		
Office and centres	5,385	7,007
Equipment and server racks	2,962	4,042
Staff quarters	185	-
	<hr/>	<hr/>
<b>Total</b>	8,532	11,049
	<hr/>	<hr/>
Interest expense (Note 6)	893	174
Expense relating to short-term leases (included in operating expenses)	-	330
Loss on termination of leases (included in operating expenses)	22	-

The total cash outflow for leases for the period ended 30 June 2023 was HK\$9,187,000 (30 June 2022: HK\$10,365,000).

## NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

### 13 Intangible assets

	HK\$000
<b>Cost</b>	
At 31 December 2021	137,108
Addition	30,043
	<hr/>
At 31 December 2022	167,151
Addition	10,482
	<hr/>
At 30 June 2023	177,633
	<hr/>
<b>Accumulated amortisation</b>	
At 31 December 2021	(31,720)
Amortisation charge	(29,968)
	<hr/>
At 31 December 2022	(61,688)
Amortisation charge	(17,321)
	<hr/>
At 30 June 2023	(79,009)
	<hr/>
<b>Carrying amount</b>	
At 31 December 2022	105,463
	<hr/>
At 30 June 2023	98,624
	<hr/>

### 14 Deposits from customers

	At 30 June 2023 HK\$000	At 31 December 2022 HK\$000
Current and saving accounts	302,170	410,489
Time deposits	1,334,862	1,388,941
	<hr/>	<hr/>
<b>Total</b>	1,637,032	1,799,430
	<hr/>	<hr/>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

### 15 Analysis of the balances of cash and cash equivalents

	At 30 June 2023 HK\$000	At 31 December 2022 HK\$000
Balances with banks	244,242	367,690
Placement with banks	159,786	312,789
<b>Total</b>	<b>404,028</b>	<b>680,479</b>

### 16 Issued share capital

	Number of shares	At 30 June 2023 and 31 December 2022 HK\$000
Ordinary shares issued and fully paid	1,500,000,000	1,500,000
<b>Total</b>	<b>1,500,000,000</b>	<b>1,500,000</b>

There is no movements of ordinary shares for the period ended 30 June 2023 and for the year ended 31 December 2022.

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Bank do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

### 17 Fair value estimation

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

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

The carrying amounts of the Bank's financial instruments are assumed to approximate their fair values, because of the short-term maturities of these instruments.

The following table provides an analysis of investment in securities measured at FVOCI, grouped into Levels 1 to 3 on the degree to which the fair value is observable.

	At 30 June 2023 HK\$000	At 31 December 2022 HK\$000
Fair value hierarchy		
- Level 1	634,600	502,770
- Level 2	-	-
- Level 3	-	-
	<hr/>	<hr/>
<b>Total</b>	634,600	502,770
	<hr/>	<hr/>

There are no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the period ended 30 June 2023 and the year ended 31 December 2022.

In estimating the fair value of the investment in securities classified as Level 1, the fair value is arrived at with reference to the unadjusted quoted prices in active market.



## NOTES TO THE INTERIM FINANCIAL INFORMATION (unaudited)

### 18 Related-party transactions

The Bank had the following material outstanding balances with related parties:

Relationship	Nature	At 30 June 2023	At 31 December 2022
		HK\$000	HK\$000
Close member of key management personnel in Ultimate holding company, Xiaomi Corporation	Deposits from customers	(32,357)	(31,912)

There were no other related party transactions described in 2022 financial statements that have had a material impact on the financial position or performance of the Bank for the period ended 30 June 2023.

### 19 Approval of interim report

The interim report was approved and authorised for issue by the Board of Directors on 29 August 2023.