Report of the Directors and Audited Financial Statements

ANT BANK (HONG KONG) LIMITED
螞蟻銀行（香港）有限公司

31 December 2024

ANT BANK (HONG KONG) LIMITED

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ANT BANK (HONG KONG) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2024.

Principal place of business
Ant Bank (Hong Kong) Limited (the "Bank") is a limited liability company incorporated and domiciled in Hong Kong and has its registered office at Suites 2312-13, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

Principal activity
The principal activity of the Bank is the provision of banking services to its customers. The Bank is a licensed bank registered under the Hong Kong Banking Ordinance.

Share capital
Details of the Bank's share capital during the year are set out in note 15 to the financial statements. There were no movements in the Bank's share capital during both years.

Recommended dividend
The Bank's loss for the year ended 31 December 2024 is set out in the statement of profit or loss and other comprehensive income on page 6. The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2024 (2023: Nil)

Directors
The directors of the Bank during the year and up to the date of this report were:

Executive directors
Leung Yin Fan Yvonne

Non-executive directors
Chen Leiming
Lam Wai Chung Gordon *
Lee Wing Sze Venetia (resigned on 15 March 2024)
Liu Zheng (appointed on 12 April 2024)
Wang Qing *
Zee John *

* Independent non-executive directors

Directors' interests
Pursuant to the share option schemes of the Bank's ultimate holding company and its fellow subsidiary, one of the directors of the Bank has been granted share-based payment awards.

During the year, one of the directors has exercised the Restricted Share Units ("RSUs") and Share Appreciation Right ("SAR") of the ultimate holding company and the fellow subsidiary. At the end of the reporting period, there were share options outstanding in respect of the abovementioned share-based payment awards granted by the fellow subsidiary to one of the directors of the Bank.

Further details of the share option schemes of the Bank's ultimate holding company and its fellow subsidiary are set out in note 16 to the financial statements.

Save as disclosed above, at no time during the year was the Bank or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Bank's directors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Directors' interests in transactions, arrangements or contracts
No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Bank to which the Bank or any of the Bank's holding companies or fellow subsidiaries was a party during the year.

Management contracts
No contracts concerning the management or administration of the whole or any substantial part of the business of the Bank were entered into or subsisted during the year.

Compliance with the Banking (Disclosure) Rules
The Bank has fully complied with the requirements set out in the Banking (Disclosure) Rules under the Hong Kong Banking Ordinance.

Indemnity of directors
A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Bank is currently in force and was in force throughout this year.

Auditors
KPMG were first appointed as auditors of the Bank in 2024 upon the retirement of Ernst & Young. KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Bank is to be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

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Chen Leiming
Director

Hong Kong
29 April 2025

KPMG

Independent auditor's report to the members of Ant Bank (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Ant Bank (Hong Kong) Limited (the "Bank") set out on pages 6 to 32, which comprise the statement of financial position as at 31 December 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG

Independent auditor's report to the members of Ant Bank (Hong Kong) Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

KPMG

Independent auditor's report to the members of Ant Bank (Hong Kong) Limited (continued)

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 APR 2025

ANT BANK (HONG KONG) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
Interest income		156,711	70,693
Interest expense		(67,548)	(12,274)
NET INTEREST INCOME	4	89,163	58,419
Net foreign exchange differences		(3,942)	2,456
Other income		693	39
Administrative expenses	5	(328,220)	(229,328)
Net charge of impairment allowances	6	(32,850)	(11,848)
LOSS BEFORE TAX		(275,156)	(180,262)
Income tax expense	8	-	-
LOSS FOR THE YEAR		(275,156)	(180,262)
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified subsequently to profit or loss:			
Financial assets at FVOCI - debt instruments - unrealised loss on revaluation		(870)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(276,026)	(180,262)

The notes on pages 10 to 32 form part of these financial statements.

ANT BANK (HONG KONG) LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
ASSETS			
Balances with banks	9	998,592	127,185
Loans and advances to customers	10	875,754	314,375
Amount due from a fellow subsidiary	17(a)	-	37
Financial assets at FVOCI	11(a)	1,813,424	-
Financial assets at amortised costs	11(b)	1,066,640	1,135,728
Intangible assets	12	6,500	16,250
Prepayments and other receivables		983	45
TOTAL ASSETS		4,761,893	1,593,620
LIABILITIES			
Deposits from customers	13	4,084,214	633,822
Amounts due to fellow subsidiaries and other related parties	17(a)	52,967	67,619
Other payables and accruals		45,833	45,417
TOTAL LIABILITIES		4,183,014	746,858
NET ASSETS		578,879	846,762
EQUITY			
Share capital	15	1,563,510	1,563,510
Reserves		(984,631)	(716,748)
TOTAL EQUITY		578,879	846,762

Approved and authorised for issue by the board of directors on 29 APR 2025

Chen Leiming
Director

Leung Yin Fan Yvonne
Director

The notes on pages 10 to 32 form part of these financial statements.

ANT BANK (HONG KONG) LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Note	*Share capital* HK$'000	*Other reserve* HK$'000	*FVOCI reserve* HK$'000	*Accumulated losses* HK$'000	*Total* HK$'000
At 1 January 2023		1,563,510	97,954	-	(644,868)	1,016,596
Loss and total comprehensive income for the year		-	-	-	(180,262)	(180,262)
Share-base payments	16	-	10,428	-	-	10,428
At 31 December 2023 and 1 January 2024		1,563,510	108,382	-	(825,130)	846,762
Loss for the year		-	-	-	(275,156)	(275,156)
Other comprehensive income		-	-	(870)	-	(870)
Share-base payments	16	-	8,143	-	-	8,143
At 31 December 2024		1,563,510	116,525	(870)	(1,100,286)	578,879

The notes on pages 10 to 32 form part of these financial statements.

ANT BANK (HONG KONG) LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(275,156)	(180,262)
Adjustments for:			
Share-based payment expense	16	8,400	10,962
Amortisation of intangible assets	12	9,750	9,749
Fair value change of the financial investments at FVOCI		(1,389)	-
Net charge of impairment allowances	6	32,850	11,848
Operating cash flows before changes in operating assets and liabilities		(225,545)	(147,703)
Changes in operating assets and liabilities:			
Placements with banks with an original maturity beyond three months but less than one year		-	30,108
Loans and advances to customers		(593,263)	(279,861)
Prepayments and other receivables		(938)	67
Deposits from customers		3,450,392	279,961
Amounts due from fellow subsidiary		37	(37)
Amounts due to fellow subsidiaries and other related parties		(14,652)	26,423
Other payables and accruals		159	13,071
Net cash generated from/(used in) operating activities		2,616,190	(77,971)
Cashflow from Investing activities:			
Financial assets and investments		(1,744,504)	(777,336)
Net cash used in investing activities		(1,744,504)	(777,336)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		871,686	(855,307)
Cash and cash equivalents at beginning of year		127,185	982,492
CASH AND CASH EQUIVALENTS AT END OF YEAR		998,871	127,185
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Balances with central bank and banks	9	498,318	127,185
Placements with banks with original maturity of three months or less when acquired	9	500,553	-
Cash and cash equivalents in the statement of cash flows		998,871	127,185
CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		139,106	55,920
Interest paid		62,781	12,232

The notes on pages 10 to 32 form part of these financial statements.

1. CORPORATE INFORMATION

Ant Bank (Hong Kong) Limited (the "Bank") is a limited liability company incorporated in Hong Kong on 16 August 2018. The banking license was approved and obtained on 9 May 2019. The registered office of the Bank is located at Suites 2312-13, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The principal activity of the Bank is the provision of banking services to its customers. The Bank is a licensed bank registered under the Hong Kong Banking Ordinance.

The Bank's immediate holding company is Ant International (Hong Kong) Investment Limited (previously known as Alipay (Hong Kong) Investment Limited), a limited liability company incorporated in Hong Kong. Prior to 4 December 2024, the ultimate holding company of the Bank was formerly Ant Group Co., Ltd., which is a company established in the People's Republic of China ("PRC"). On 4 December 2024, the ultimate holding company of the Bank has been changed to Ant International (Cayman) Holding Limited, a limited company incorporated in Cayman Islands.

2. MATERIAL ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following:

- financial assets at FVOCI – measured at fair value (Note 11).

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The HKICPA has issued a new HKFRS and a number of amendments to HKFRS that are first effective for the accounting period:

- Amendments to HKAS 1, Presentation of financial statements – Classification of liabilities as current or non-current ("2020 amendments") and amendments to HKAS 1, Presentation of financial statements – Non-current liabilities with covenants ("2022 amendments")

- Amendments to HKFRS 16, Leases – Lease liability in a sale and leaseback

- Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements

The adoption of the above amendments to standards did not have any significant impact on the significant accounting policies of the Bank and the presentation of these financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Bank if:

(a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Bank;
  - (ii) has significant influence over the Bank; or
  - (iii) is a member of the key management personnel of the Bank or of a parent of the Bank;

or

(b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Bank are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Bank are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Bank or to the parent of the Bank.

Intangible assets

Intangible assets include purchased software. Purchased software is stated at cost less accumulated amortisation and impairment.

Software is recognised when it is separable or arise from contractual or other legal rights, and it is probable that future economic benefits will flow to the Bank, the cost of which can be measured reliably. The cost of internally generated software comprises all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by management. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred.

Intangible assets with finite useful lives are amortised over the shorter of the license period or 5 years on a straight-line basis. Amortisation are recognised as an expense in the month when the asset is available for use. The intangible assets are subject to impairment testing, and both the period and method of amortisation are reviewed annually.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
The Bank assesses at the end of each reporting period whether there is an indication that non-financial asset may be impaired. If such an indication exists, the Bank makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to profit or loss in the year in which it arises.

Financial assets
All financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through other comprehensive income. Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Bank commits to purchase or sell the assets.

(a) Classification and measurement
Financial assets are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.
Financial assets are measured at FVOCI, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

(b) Impairment
The Bank applies the expected credit loss model on all the financial assets that are subject to impairment. For trade receivables and contract assets without a significant financial component, the Bank applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Bank is required to provide for credit losses that result from possible default events within the next 12 months as

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

Stage 1. For those credit exposures where there has been a significant increase in credit risk since initial recognition or the repayment is more than 30 days past due, a loss allowance as Stage 2 is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

Lifetime expected credit losses will be recognised for credit-impaired financial instruments as Stage 3 if the Bank considers that a default has occurred or the repayment is more than 90 days past due. Interest income will then be accrued net of the impairment amount of the respective Stage 3 financial assets.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Bank has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits, as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Bank's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Bank operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Bank has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Net interest income arising from financial instruments

Interest income for financial assets held at amortised cost or fair value through other comprehensive income ("FVOCI"), and interest expense on all financial liabilities held at amortised cost is recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the expected life of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating the effective interest rate for financial instruments other than credit impaired assets, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider expected credit losses. The calculation of effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability and all other premiums or discounts.

Interest income for financial assets that are held at amortised cost that have become credit impaired subsequent to initial recognition (stage 3) and have had amounts written off, is recognised using the credit adjusted effective interest rate. This rate is calculated in the same manner as the effective interest rate except that expected credit losses are included in the expected cash flows. Interest income is therefore recognised on the amortised cost of the financial asset including expected credit losses. Should the credit risk on a stage 3 financial asset improve such that the financial asset is no longer considered credit impaired, interest income recognition reverts to a computation based on the rehabilitated gross carrying value of the financial asset.

Employee benefits

(a) Bonus

Provisions for bonus plans are recognised when the Bank has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

The Bank recognises a liability and an expense for bonuses, with reference to the performance of the Bank. The Bank recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Liabilities for bonus plans that are expected to be settled within twelve months are measured at the amounts expected to be paid when they are settled.

(b) Retirement benefit costs

The Bank operates a mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Bank in an independently administered fund. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as and when the contributions fall due.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits (continued)

(c) Share-based payment

A share-based payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment. An equity-settled share-based payment is a transaction in which the Bank receives services and uses shares or other equity instruments as consideration for settlement.

The Bank operates several plans for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Bank's operations. Employees (including directors) of the Bank receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Bank's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non- vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non- vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Bank or the employee are not met. However, if a new award is substituted for the cancelled award and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially at the grant date and at each reporting date up to and including the settlement date. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The cumulative expense recognised for cash- settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of awards that will ultimately vest.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies
Transactions in foreign currencies are translated into the functional currency of the Bank using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Bank's financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed below.

Judgements
In the process of applying the Bank's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Useful lives of intangible assets
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.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of financial assets
The impairment provisions for financial assets are based on assumptions about expected credit losses. The Bank uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Bank's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Further details of the financial assets are given in notes 18 to the financial statements.

Deferred tax assets
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are disclosed in note 14 to the financial statements.

4. NET INTEREST INCOME

	2024 HK$'000	2023 HK$'000
Interest income arising from financial assets at amortised cost and FVOCI	156,711	70,693
Interest expense arising from financial liabilities at amortised cost	(67,548)	(12,274)
Net interest income	89,163	58,419

5. ADMINISTRATIVE EXPENSES

	Notes	2024 HK$'000	2023 HK$'000
Staff costs (a):			
Salaries and others	16	106,075	81,927
Defined contribution pension scheme contributions		2,311	2,003
Server and technical service fees		87,647	77,124
Rental expenses		6,682	8,082
Legal and professional fees		11,393	9,955
Amortisation of intangible assets	12	9,750	9,749
Auditor's remuneration		850	1,050
Marketing expenses		63,659	22,928
Written off		18,835	1,271
Other expenses		21,018	15,239
		328,220	229,328

6. NET CHARGE OF IMPAIRMENT ALLOWANCES

The amount is arrived at after (charging)/crediting:

	Notes	2024 HK$'000	2023 HK$'000
Balances with banks	9	(279)	270
Loans and advances to customers	18	(31,883)	(12,194)
Financial assets and investments		(688)	76
		(32,850)	(11,848)

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 HK$'000	2023 HK$'000
Fees	1,440	1,440
Other emoluments (a)	3,875	4,032
	5,315	5,472

Note (a): Included in other emoluments is a defined contribution pension scheme contribution of HK$97,000 (2023: HK$96,000).

During the years ended 31 December 2024 and 2023, share-based payment awards were granted by the Bank's related parties to certain directors in respect of their services rendered to the Bank. Further details of awards granted are set out in note 16 to the financial statements. The fair value of such awards has been recognised in profit or loss over the vesting period and was determined as at the date of grant. The amount included in the financial statements for current year is included in above directors' remuneration disclosures.

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Bank did not generate any assessable profits arising in Hong Kong during the year (2023: Nil).

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2024 HK$'000	2023 HK$'000
Loss before tax	(275,156)	(180,262)
Tax at the statutory tax rate of 16.5%	(45,401)	(29,743)
Income not subject to tax	650	(405)
Expenses not deductible for tax	1,386	1,809
Tax losses not recognised	43,365	28,339
Income tax expense	-	-

9. BALANCES WITH BANKS

	2024 HK$'000	2023 HK$'000
Balances with central bank	190,448	86,553
Balances with banks	307,870	40,632
Placements with banks with original maturity of three months or less when acquired	500,553	-
	998,871	127,185
Less: Allowances for expected credit losses - Stage 1	(279)	-
	998,592	127,185

The movement in allowances for expected credit losses is as follows:

	2024 HK$'000	2023 HK$'000
At beginning of year - Stage 1	-	270
Net charge/(reversal) of impairment allowances	279	(270)
At end of year	279	-

10. LOANS AND ADVANCES TO CUSTOMERS

	2024 HK$'000	2023 HK$'000
Loans and advances to customers	920,829	327,567
Less: Allowances for expected credit losses	(45,075)	(13,192)
	875,754	314,375

The Bank's credit risk policy, including the movement in allowances for expected credit losses, is set out in note 18.

11. FINANCIAL ASSETS

(a) Financial assets at FVOCI

	2024 HK$'000	2023 HK$'000
At fair value:		
Debt securities	1,813,424	-

(b) Financial assets at amortised costs

	2024 HK$'000	2023 HK$'000
At amortised cost:		
Debt securities	1,066,944	1,135,863
Less: Allowances for expected credit losses - Stage 1	(304)	(135)
	1,066,640	1,135,728

11. FINANCIAL ASSETS (continued)

The movement in allowances for expected credit losses is as follows:

	2024 HK$'000	2023 HK$'000
At beginning of year - Stage 1	135	211
Net charge/(reversal) of impairment allowances	169	(76)
At end of year	304	135

12. INTANGIBLE ASSETS

	Software HK$'000
Cost:	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	48,747
Accumulated amortisation:	
At 1 January 2023	22,748
Amortisation provided during the year	9,749
At 31 December 2023 and 1 January 2024	32,497
Amortisation provided during the year	9,750
At 31 December 2024	42,247
Carrying amount:	
At 31 December 2024	6,500
At 31 December 2023	16,250

13. DEPOSITS FROM CUSTOMERS

	2024 HK$'000	2023 HK$'000
Savings deposits	3,059,525	633,822
Fixed deposits	1,024,689	-
At end of year	4,084,214	633,822

14. DEFERRED TAX

Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	*Amortisation of intangible assets HK$'000*	*Impairment allowance HK$'000*	*Change in fair value of financial assets measured at FVOCI HK$'000*	*Unused tax losses HK$'000*	*Total HK$'000*
At 1 January 2023	4,290	(244)	-	(4,046)	-
Recognised in profit or loss	(1,609)	(1,955)	-	3,564	-
At 31 December 2023 and 1 January 2024	2,681	(2,199)	-	(482)	-
Recognised in profit or loss	(1,609)	(5,420)	-	7,029	-
Recognised in revaluation reserve	-	-	(144)	144	-
At 31 December 2024	1,072	(7,619)	(144)	6,691	-

Deferred tax assets not recognised

As at 31 December 2024, the Bank has estimated tax losses arising in Hong Kong of approximately HK$949,703,000 (2023: HK$729,489,000) that are available indefinitely for offsetting against its future taxable profits.

Except for the amount disclosed in the table above, deferred tax assets have not been recognised in respect of these losses as the Bank has been loss-making and it is considered uncertain in terms of timing that taxable profits will be available against which the tax losses can be utilised. The estimated tax loss in respect of the year of assessment 2023/24 has not yet been confirmed by the Hong Kong Inland Revenue Department.

15. SHARE CAPITAL

	2024 Number of shares	2024 HK$'000	2023 Number of shares	2023 HK$'000
Ordinary shares, issued and fully paid				
At beginning and end of year	200,000,000	1,563,510	200,000,000	1,563,510

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

16. SHARE OPTION SCHEMES

Share Economic Interest Rights ("SERs")

Since 2014, Hangzhou Junhan Equity Investment Partnership ("Junhan") made a grant of Share Economic Interest Rights ("SERs") similar to share-appreciation awards linked to the valuation of Ant Group Co., Ltd. ("Ant Group") to employees of the Bank. The vesting of SERs is conditional upon the fulfilment of requisite service conditions to the Bank, and SERs will be settled by Junhan according to the SERs plan. Junhan has the right to repurchase the vested awards from the holders upon certain conditions.

During the year, the Bank recognised share-based payment expense of HK$958,000 (2023:HK$146,000) in connection with the above SERs.

Restricted Share Units ("RSUs")

In 2018, Ant Group adopted the 2018 Equity Incentive Plan (the "2018 Plan"). A fellow subsidiary, Ant International Co., Limited ("Ant International") was established to hold the 2018 Plan. Some employees were granted RSUs. The fair value of RSUs at the grant date was based on the fair value of an ordinary share of Ant Group. The vesting of RSUs is conditional upon the fulfilment of requisite service conditions to the Bank and RSUs will be settled by Ant International according to the RSUs plan.

During the year, the Bank recognised share-based payment expense of HK$1,533,000 (2023: HK$4,900,000) in connection with the above RSUs.

Share Appreciation Right ("SAR")

According to the 2018 Equity Incentive Plan (the "2018 Plan"), some employees were granted SAR by Ant International. The fair value of SAR at the grant date was based on the fair value of an ordinary share of Ant Group. The vesting of SAR is conditional upon the fulfilment of requisite service conditions to the Bank and SAR will be settled by Ant International according to the SAR plan.

During the year, the Bank recognised share-based payment expense of HK$3,956,000 (2023: HK$6,166,000) in connection with the above SAR plan.

During the year ended 31 December 2024, the Bank recognised cash-settled share-based payment expense of HK$172,000 (2023: HK$573,000).

Alibaba Restricted Share Units ("Alibaba RSUs")

Some employees were granted Alibaba RSUs by Alibaba Group Holding Limited. The fair values of Alibaba RSUs are the fair value of the underlying stock of Alibaba Group Holding Limited. The vesting of Alibaba RSUs is conditional upon the fulfilment of requisite service conditions to the Bank.

During the year, the Bank recognised share-based payment expense of HK$27,000 (2023: HK$81,000) in connection with the above Alibaba RSUs.

Growth Rewards Units ("GRUs")

According to the 2021 equity incentive plan ("2021 plan"), some employees were granted GRUs by the Ant Group. The vesting of GRUs is conditional upon the fulfilment of requisite service conditions by the employee to the Bank. The value of GRUs is linked to the fair value of an ordinary share of Ant Group. Since GRUs shall be settled using cash of the subsidiaries of Ant Group according to the fair value of GRUs at exercise date, GRUs were recognised as cash-settled share-based payments.

16. SHARE OPTION SCHEMES (continued)

During the year, the Bank recognised share-based payment expense of HK$87,000 (2023: HK$39,000) in connection with the above GRUs.

Ant International Option ("ESOP")

In 2024, some of the employees of the Bank were granted ESOP. The fair value of ESOP at the grant date was based on the fair value of the relative ordinary share. The vesting of ESOP is conditional upon the fulfilment of requisite service conditions to the Bank.

During this year, the Bank recognised share-based payment expense of HKD1,839,000 (2023: Nil).

The number and weighted-average exercise price of ESOP as follows:

	As at 31 December 2024	
	Weighted-average exercise price	Number of Options
Outstanding at the beginning of the year	-	-
Granted during the year	1.04	14,410,700
Exercised during the year	-	259,600
Outstanding at the end of the year	1.06	14,151,100
Exercisable at the end of the year	-	259,600

The fair values of SERs, RSUs, SAR, Alibaba RSUs and GRUs were determined at the grant date using the market approach. The fair values of ESOP were determined at the grant date using the binomial option-valuation model.

The following table lists the inputs to the pricing models for the years ended 31 December 2024 and 2023:

Share-based payments plan	Valuation models	The main inputs in the model	Inputs For the year ended 31 December 2024	Inputs For the year ended 31 December 2023
SERs, RSUs, SARs, GRUs (exercise price not at zero) and ESOP	Binomial option - valuation model	Expected dividend yield (%)	0.00%	0.00%
		Expected volatility (%)	29.51%-29.90%	27.76%-27.80%
		Risk-free interest rate (%) (p.a.)	2.57%-3.40%	2.74%-2.76%
		Expected life (years)	5	6
SERs, RSUs, SARs, and GRUs (exercise price at zero)	Recent transaction price	Not applicable	Not applicable	Not applicable

Management estimated the equity volatility based on the average historical volatility of the comparable companies with a term commensurate with the time to expiration date as of the valuation dates.

17. RELATED PARTY TRANSACTIONS

(a) The Bank had the following outstanding balances due from/(to) fellow subsidiaries and other related parties:

	2024 HK$'000	2023 HK$'000
Antfin (Hong Kong) Holding Limited	-	37
Taobao China Holding Limited	(7,017)	(21,641)
Alipay (Hangzhou) Information Technology Co., Ltd.	(5)	(18,700)
Alibaba Cloud (Singapore) Private Limited	(2,062)	(4,999)
Alipay Financial Services (HK) Limited	(13,864)	(504)
Alipay Payment Services (HK) Limited	(19,207)	(14,564)
Alipay (Hong Kong) Holding Limited	-	(497)
Shanghai Ant Chuangjiang Information Technology Co., Ltd.	(7,269)	(6,116)
Alipay Hong Kong Limited	(35)	(36)
Ant (Hong Kong) Holding Limited	(3,249)	(270)
Alipay (China) Internet Technology Co., Ltd.	-	(1)
Alipay LABS (Singapore) Pte., Ltd.	(259)	(291)
	(52,967)	(67,619)

The amounts due to fellow subsidiaries and other related parties are unsecured, interest-free and repayable within 12 months.

(b) The Bank had the following transactions with the related parties during the year:

	Notes	2024 HK$'000	2023 HK$'000
Interest income received from:			
Alipay Financial Services (HK) Limited	(v)	12,600	-
		12,600	-
Administrative expenses paid to:			
Alibaba Cloud (Singapore) Private Limited	(i)	31,084	32,695
Alipay (Hangzhou) Information Technology Co., Ltd.	(ii)	-	44,008
Taobao China Holding Limited	(iii)	3,629	9,413
Alipay Financial Services (HK) Limited		306	504
Alipay Payment Services (HK) Limited	(iv)	17,658	6,775
Ant (Hong Kong) Holding Limited	(iii)	3,054	-
Alipay LABS (Singapore) Pte., Ltd.		150	-
Zoloz Pte. Ltd	(i)	8,183	-
Shanghai Ant Chuangjiang Information Technology Co., Ltd.	(ii)	59,341	6,091
		123,405	99,486

17. RELATED PARTY TRANSACTIONS (continued)

Notes:

(i) The software support services provided by the related party were made on terms mutually agreed between the Bank and the related party.

(ii) The IT system and software support services provided by the related parties were based on the direct costs incurred plus a margin, depending on the nature and location of the services performed.

(iii) The premises fee charged by the related party was based on the actual usage of the premises.

(iv) The marketing fee charged by the related party was based on the actual usage.

(v) The interest income received from the related party was based on the transaction amount funded by the Bank during the year.

(c) Compensation of key management personnel of the Bank

	2024 HK$'000	2023 HK$'000
Short-term employee benefits	7,856	7,618
Pension scheme contributions	311	308
Share-based payments	2,741	4,181
	10,908	12,107

Further details of directors' remunerations are disclosed in note 7 to the financial statements.

18. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Bank's exposure to credit, liquidity, interest rate and currency risks arises in the normal course of its business. These risks are managed by the Bank's financial management policies and practices described below:

Credit risk
Credit risk is the risk of financial loss to the Bank if a counterparty of a financial instrument fails to meet its obligations, and arise principally from banks and other financial institutions.

All the Bank's balances with banks are held in major financial institutions or central bank located in Hong Kong, which management believes are of high credit quality. All the Bank's Financial assets and investments are issued by financial institutions at investment grade, Hong Kong government and US Treasury bonds. The Bank has no significant concentration of credit risk.

Expected credit loss ("ECL")
HKFRS 9 requires an impairment model that calculates the recognition of ECL on all financial debt instruments held at amortised cost, fair value through other comprehensive income, undrawn loan commitments and financial guarantees. ECL is computed as unbiased, probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward looking.

The internal rating and probability of defaults ("PDs") estimation process
The Bank operates its internal rating models for its key portfolios in which its customers are rated or assigned to specific internal grades or risk pools. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. The Bank adjusts the PDs to incorporate forward looking information and the HKFRS 9 stage classification of the exposure to determine the PDs for ECL calculations. This is repeated for each economic scenario as appropriate. Loans and advances to customers mainly comprise retail loans and corporate loans. These products are rated based on the models.

Maximum exposure and year-end staging
The tables below show the credit quality and the maximum exposure to credit risk based on the Bank's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2024 and 2023. The amounts presented are gross carrying amounts for financial assets.

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 31 December 2024				
Balances with banks	998,871	-	-	998,871
Loans and advances to customers	852,022	42,612	26,195	920,829
Financial assets and investments	2,880,368	-	-	2,880,368
Off balance sheet exposures	3,021,416	70	-	3,021,486
	7,752,677	42,682	26,195	7,821,554
At 31 December 2023				
Balances with banks	127,185	-	-	127,185
Loans and advances to customers	325,172	1,301	1,094	327,567
Financial assets and investments	1,135,863	-	-	1,135,863
Off balance sheet exposures	879,607	-	-	879,607
	2,467,827	1,301	1,094	2,470,222

18. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The details of the exposure of loans and advances to customers for which allowances for expected credit losses is recognised are set out as below.

Loans and advances to customers – gross amount

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 January 2023	47,176	422	107	47,705
Transfer to Stage 1	4,696	(1,850)	(2,846)	-
Transfer to Stage 2	(6,492)	6,492	-	-
Transfer to Stage 3	(22)	(2,445)	2,467	-
Net change in exposures	279,814	(1,318)	1,366	279,862
At 31 December 2023 and 1 January 2024	325,172	1,301	1,094	327,567
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(140)	140	-	-
Transfer to Stage 3	(4,526)	-	4,526	-
Net change in exposures	531,516	41,171	20,575	593,262
At 31 December 2024	852,022	42,612	26,195	920,829

Loans and advances to customers – Allowances for expected credit losses

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 January 2023	856	38	104	998
Net transfers between stages	279	(2,105)	1,826	-
Net change in exposures	10,401	2,629	(836)	12,194
Net re-measurement from stage change	-	-	-	-
At 31 December 2023 and 1 January 2024	11,536	562	1,094	13,192
Net transfers between stages	(217)	85	132	-
Net change in exposures	(1,572)	12,595	18,054	29,077
Net re-measurement from stage change	-	671	4,316	4,987
Net charge / release due to change in estimation methodology	(2,121)	(39)	(21)	(2,181)
At 31 December 2024	7,626	13,874	23,575	45,075

18. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Liquidity risk
The Bank aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Bank finances its working capital requirements through balances with banks.

The tables below summarise the maturity profile of the Bank's non-derivative financial liabilities at 31 December 2024 and 2023 based on the contractual undiscounted cash flows:

	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000
At 31 December 2024				
Deposits from customers	4,096,205	3,059,525	640,730	395,950
Amounts due to fellow subsidiaries and other related parties	52,967	-	52,967	-
Financial liabilities included in other payables and accruals	29,047	-	29,047	-
	4,178,219	3,059,525	722,744	395,950
At 31 December 2023				
Deposits from customers	632,656	632,656	-	-
Amounts due to fellow subsidiaries and other related parties	67,619	-	67,619	-
Financial liabilities included in other payables and accruals	31,707	-	31,707	-
	731,982	632,656	99,326	-

Interest rate risk
As at 31 December 2024 and 2023, the Bank has placements with banks, loans and advances to customers, financial assets and investments and deposits from customers with fixed interest rates and the interest rate risk is considered to be minimal.

Currency risk
The Bank has no significant foreign currency risk because most of the transactions are denominated in the Bank's functional currency and United States dollars. Since the Hong Kong dollar is pegged to the United States dollars, the Bank's exposure to foreign currency risk in respect of the financial instruments denominated in United States Dollars is considered to be minimal.

18. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value measurement

The carrying amounts of the Bank's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2024 and 2023, except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount HK$'000	Fair value HK$'000	Fair value measurement categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
At 31 December 2024					
Financial assets and investments at FVOCI	1,812,294	1,813,424	109,087	1,704,337	-
Financial assets and investments at amortised cost	1,066,640	1,067,085	46,739	1,020,346	-
At 31 December 2023					
Financial assets and investments at amortised cost	1,135,728	1,135,663	-	1,135,663	-

Capital management

The Bank's primary objectives when managing its capital are to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, and to secure access to finance at a reasonable cost.

The Hong Kong Monetary Authority ("HKMA") sets out capital requirements for the Bank. In implementing current capital requirements, the HKMA requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted amount. The Bank calculates its capital adequacy ratios in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance.

The Bank actively and regularly reviews and manages its capital structure to maintain a balance between maximising return on capital with higher borrowing level, and the advantages of a higher capital level, and adjusts the capital level and structure in light of changes in economic conditions and business opportunities. The Bank engages in banking activities is regulated by the HKMA. The capital management function is undertaken by the Asset and Liability Management Committee and is reviewed regularly by the board of directors.

19. EVENT SUBSEQUENT TO THE DATE OF STATEMENT OF FINANCIAL POSITION

On 18 March 2025, the Bank increased its issued and fully paid up capital from HKD1,563,510,000 to HKD2,341,417,000 via the issuance of 100,000,000 new ordinary shares by cash.

20. POSSIBLE IMPACTS OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Bank.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *The effects of changes in foreign exchange rates - Lack of exchangeability*	1 January 2025
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Bank is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.