

**Ant Bank (Hong Kong) Limited**

**Report of the Directors and Audited Financial Statements**

**31 December 2020**



**ANT BANK (HONG KONG) LIMITED**

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## ANT BANK (HONG KONG) LIMITED

### REPORT OF THE DIRECTORS

The directors present the audited financial statements for the year ended 31 December 2020.

#### Principal place of business

Ant Bank (Hong Kong) Limited (the “Bank”) is a bank 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 activities

The Bank is a licensed bank registered under the Hong Kong Banking Ordinance. The Bank has commenced business on 28 September 2020. Principal activities of the Bank are to provide banking services to its customers.

#### Share capital

Details of movements in the Bank’s share capital during the year, together with the reasons therefor, are set out in note 13 to the financial statements.

#### Directors

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

##### Executive directors

Wang Lan	(appointed on 19 May 2020)
Yu Jinsong	(resigned on 1 May 2020)

##### Non-Executive directors

Yu Shengfa  
Chen Leiming  
Lam Wai Chung Gordon \*  
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, none of the directors have exercised the Share Economic Interest Rights (“SERs”), 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 14 to the financial statements.

**ANT BANK (HONG KONG) LIMITED**

**REPORT OF THE DIRECTORS**

Directors' interests (continued)

Save as disclosed above, at no time during the year was the Bank or any of its holding companies, subsidiaries 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.

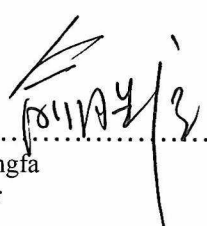
Events after the reporting period

Details of the Bank's significant events after the reporting period are set out in note 18 to the financial statements.

Auditors

Ernst & Young retires and a resolution for their reappointment as auditors of the Bank will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD OF DIRECTORS

  
.....  
Yu Shengfa  
Director

Hong Kong  
20 April 2021



Ernst & Young  
22/F, CITIC Tower  
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Central, Hong Kong

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**Independent auditor's report**  
**To the member 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 34, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, 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 ("HKSA") 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 the information included in the report of the directors.

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.

**Responsibilities of the directors and the audit committee 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.

**Independent auditor's report (continued)**  
**To the member of Ant Bank (Hong Kong) Limited**  
(Incorporated in Hong Kong with limited liability)

**Responsibilities of the directors and the audit committee for the financial statements (continued)**

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.

The audit committee is responsible for overseeing the Bank's financial reporting process.

**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. Our 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.
- 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.



**Independent auditor's report (continued)**  
**To the member of Ant Bank (Hong Kong) Limited**  
(Incorporated in Hong Kong with limited liability)

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

We communicate with the audit committee 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.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young'.

Certified Public Accountants  
Hong Kong  
20 April 2021

**ANT BANK (HONG KONG) LIMITED****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2020

		<u>2020</u>	<u>2019</u>
	Notes	HKD'000	HKD'000
Interest income	4	7,027	13,452
Interest expenses	4	<u>(1,820)</u>	<u>-</u>
Net interest income	4	5,207	13,452
Net foreign exchange losses		(3,253)	(4,512)
Administrative expenses	5	(171,931)	(45,711)
Net charge of impairment allowances	6	<u>(1,547)</u>	<u>-</u>
LOSS BEFORE TAX		(171,524)	(36,771)
Income tax expense	8	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		<u>(171,524)</u>	<u>(36,771)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(171,524)</u>	<u>(36,771)</u>

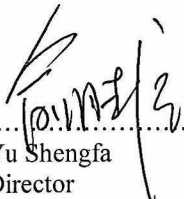


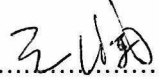
ANT BANK (HONG KONG) LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	<u>2020</u> HKD'000	<u>2019</u> HKD'000
<b>Assets</b>			
Balances with banks	9	1,345,185	770,360
Interest receivable		271	159
Prepayment		652	-
Intangible assets	10	<u>45,497</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<u>1,391,605</u>	<u>770,519</u>
<b>Liabilities</b>			
Deposits from customers		733,511	-
Amounts due to fellow subsidiaries and other related parties	12	13,398	4,892
Interest payable		25	-
Other payables and accruals		<u>27,358</u>	<u>10,324</u>
<b>TOTAL LIABILITIES</b>		<u>774,292</u>	<u>15,216</u>
<b>NET ASSETS</b>		<u>617,313</u>	<u>755,303</u>
<b>Equity</b>			
Share capital	13	784,870	784,870
Reserves		<u>(167,557)</u>	<u>(29,567)</u>
<b>TOTAL EQUITY</b>		<u>617,313</u>	<u>755,303</u>

  
 .....  
 Yu Shengfa  
 Director

  
 .....  
 Wang Lan  
 Director

ANT BANK (HONG KONG) LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	Share capital HKD'000	Share-based payment reserve HKD'000	Accumulated losses HKD'000	Total equity HKD'000
At 1 January 2019		784,870	-	(973)	783,897
Share-based payments		-	8,177	-	8,177
Total comprehensive loss for the year		-	-	(36,771)	(36,771)
At 31 December 2019		784,870	8,177	(37,744)	755,303
At 1 January 2020		784,870	8,177	(37,744)	755,303
Share-based payments	14	-	33,534	-	33,534
Total comprehensive loss for the year		-	-	(171,524)	(171,524)
At 31 December 2020		784,870	41,711	(209,268)	617,313

ANT BANK (HONG KONG) LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HKD'000	2019 HKD'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(171,524)	(36,771)
Adjustments for:			
Bank interest income	4	(7,027)	(13,452)
Unrealised foreign exchange losses		3,253	4,512
Equity-settled share-based payment expense	14	33,534	8,177
Amortisation of intangible assets	10	3,250	-
Net charge of impairment allowances	6	1,547	-
		(136,967)	(37,534)
Increase in amounts due to fellow subsidiaries and other related parties		8,506	4,892
Increase in prepayment		(652)	-
Increase in deposits from customers		733,511	-
Increase in other payables and accruals		17,034	10,250
Increase in interest payable		25	-
		621,457	(22,392)
Interest received		6,915	14,204
Net cash inflow/(outflow) from operating activities		628,372	(8,188)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of intangible assets	10	(48,747)	-
Net cash flows used in investing activities		(48,747)	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		579,625	(8,188)
Cash and cash equivalents at beginning of year		770,360	783,060
Net foreign exchange difference		(3,253)	(4,512)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>1,346,732</b>	<b>770,360</b>

**ANT BANK (HONG KONG) LIMITED**

**STATEMENT OF CASH FLOWS (CONTINUED)**

**For the year ended 31 December 2020**

		<u>2020</u>	<u>2019</u>
	Notes	HKD'000	HKD'000
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Balances with central bank and banks with original maturity within three months	9	772,532	342,163
Placements with banks with original maturity within three months	9	<u>574,200</u>	<u>428,197</u>
		<u>1,346,732</u>	<u>770,360</u>

## ANT BANK (HONG KONG) LIMITED

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

#### 1. CORPORATE INFORMATION

Ant Bank (Hong Kong) Limited (the “Bank”) is a limited liability bank 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 Bank’s holding company is Alipay (Hong Kong) Investment Limited, a company incorporated in Hong Kong and the Bank’s ultimate holding company is Ant Group Co., Ltd., a company incorporated in the People’s Republic of China.

The Bank is a licensed bank registered under the Hong Kong Banking Ordinance. The Bank has commenced business on 28 September 2020. Principal activities of the Bank are to provide banking services to its customers.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and 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 (“HKD”).

##### 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Bank has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Except for amendments to HKFRS 9, HKAS 39, HKFRS 7 and amendment to HKFRS 16, which are not relevant to the preparation of the Bank’s financial statements, the nature and impact of the revised HKFRSs are described below:

ANT BANK (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Conceptual Framework for Financial Reporting 2018 (the “Conceptual Framework”)

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Bank.

Amendments to HKAS 1 and HKAS 8 Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the financial position and performance of the Bank.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Bank has not early applied the following new and revised HKFRSs that have been issued but are not yet effective for the accounting period ended 31 December 2020 in these financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework<sup>2</sup></i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform - Phase 2<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to HKFRS 17	<i>Insurance Contracts<sup>3, 6</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current<sup>3, 5</sup></i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>2</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract<sup>2</sup></i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

<sup>5</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

## ANT BANK (HONG KONG) LIMITED

### NOTES TO FINANCIAL STATEMENTS

31 December 2020

#### 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

- <sup>6</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Bank is described below:

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Bank are as follows:

HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Bank's financial statements.

#### 2.5 SUMMARY OF SIGNIFICANT 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.

**ANT BANK (HONG KONG) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when 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.

(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. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Bank considers a default has occurred when a financial asset is more than 90 days past due unless the Bank has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(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.



ANT BANK (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Financial liabilities include trade payables and accruals. They 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Bank and the revenue and costs, if applicable, can be measured reliably.

Interest income and interest expense

Interest income and expense for all financial instruments are recognised in “Interest income” and “interest expense” in profit or loss using the effective interest method.

Balances with banks

For the purpose of the statement of cash flows, balances with banks include cash at bank, time deposits with banks and placements with banks with original maturity of three months or less when acquired.

Foreign currency transactions

These financial statements are presented in Hong Kong dollars (“HKD”), which is the Bank’s functional currency. 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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.

Bonus payments that are not due wholly within twelve months after the end of the year in which the employees render the related services are included as staff costs. The long-term employee benefits are measured at the present value of the expected payments which also reflects the possibility that some employees may leave without receiving the bonus.

**ANT BANK (HONG KONG) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Employee benefits (continued)

(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.

(c) Share-based payment

The Bank’s ultimate holding company operates several equity-settled share option schemes for the purpose of providing incentives and rewards to eligible participants including certain employees (including directors) of the Bank.

Where share-based payment awards are awarded to employees, the fair value of the awards at the date of grant is charged to profit or loss over the vesting period, with a corresponding increase in equity as a contribution from the ultimate holding company. At the end of each reporting period, the Bank revises its estimates of the number of awards that are expected to become vested. The impact of the revision of original estimates is recognised in profit or loss and a corresponding adjustment is made to the contribution from the ultimate holding company over the remaining vesting period.

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.

**ANT BANK (HONG KONG) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, 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, 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.

**ANT BANK (HONG KONG) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

Impairment of non-financial assets

The Bank assesses at the end of each reporting period whether there is an indication that an 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.

**ANT BANK (HONG KONG) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

Judgements

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

*Income tax*

The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. Please refer to note 8 to the financial statements for details.

*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 not identified, as there are no complex transactions for the Bank.

ANT BANK (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. NET INTEREST INCOME

	<u>2020</u>	<u>2019</u>
	HKD'000	HKD'000
Interest income on balances with banks	7,027	13,452
Interest expense on deposits from customers	<u>(1,820)</u>	<u>-</u>
	<u>5,207</u>	<u>13,452</u>

5. ADMINISTRATIVE EXPENSES

	<u>2020</u>	<u>2019</u>
	HKD'000	HKD'000
Staff costs (a)	(105,790)	(22,327)
Server and technical service fees	(41,964)	(11,773)
Rental expenses recharged by a related party	(8,402)	(2,146)
Legal and professional fees	(8,885)	(8,369)
Amortisation of intangible assets	(3,250)	-
Auditor's remuneration	(700)	(130)
Other expenses	<u>(2,940)</u>	<u>(966)</u>
	<u>(171,931)</u>	<u>(45,711)</u>

(a) The staff costs include directors' remuneration (note 7) and share-based payment expenses (note 14).

ANT BANK (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

6. NET CHARGE OF IMPAIRMENT ALLOWANCES

	<u>2020</u>	<u>2019</u>
	HKD'000	HKD'000
Balances with banks (note 9)		
- Stage 1	(1,547)	-
- Stage 2	-	-
- Stage 3	-	-
	<u>(1,547)</u>	<u>-</u>

Under HKFRS 9, ECL is assessed using an approach which classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile in each instance.

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:

	<u>2020</u>	<u>2019</u>
	HKD'000	HKD'000
Fee	1,470	720
Other emoluments (a)	9,830	1,806
	<u>11,300</u>	<u>2,526</u>

(a) Included in other emoluments is a post-employment benefit (MPF) of HKD131,000.

During the year ended 31 December 2020, share-based payment awards were granted by the Bank's related party to certain directors in respect of their services rendered to the Bank. Further details of awards granted are set out in note 14 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.

**ANT BANK (HONG KONG) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

**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 (2019: Nil). A reconciliation of the tax expense applicable to loss before tax is as follows:

	<u>2020</u>	<u>2019</u>
	HKD'000	HKD'000
Loss before tax	(171,524)	(36,771)
Tax credit at statutory tax rate 16.5% (2019: 16.5%)	(28,301)	(6,067)
Income not subject to tax	-	(1,313)
Expenses not deductible for taxation purpose	6,100	1,349
Tax losses not recognised	22,201	6,031
	<u>-</u>	<u>-</u>

**9. BALANCES WITH BANKS**

	<u>2020</u>	<u>2019</u>
	HKD'000	HKD'000
Balance with central bank	466,661	144,041
Balances with banks	305,871	198,122
Placements with banks with original maturity of three months or less when acquired	574,200	428,197
	1,346,732	770,360
Less: Allowances for expected credit losses - Stage 1	(1,547)	-
	<u>1,345,185</u>	<u>770,360</u>

Balances include saving deposits earning interest at floating rates based on daily bank deposit rates and short-term time deposits made for varying periods of between one day and three months depending on the immediate cash requirements of the Bank. Time deposits earn interest at the respective time deposit rates.

The movement in provision for impairment against balances with banks is as follows:

	<u>2020</u>	<u>2019</u>
	HKD'000	HKD'000
Beginning of year - Stage 1	-	-
Net charge during the year - Stage 1	1,547	-
As at 31 December	<u>1,547</u>	<u>-</u>



ANT BANK (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

10. INTANGIBLE ASSETS

	<u>Software</u>
	HKD'000
<b>31 December 2020</b>	
At 1 January 2020	
Cost	-
Accumulated amortisation	-
Net carrying amount	<u>-</u>
Cost at 1 January 2020, net of accumulated amortisation	-
Additions	48,747
Amortisation provided during the year	(3,250)
At 31 December 2020	<u>45,497</u>
At 31 December 2020	
Cost	48,747
Accumulated amortisation	(3,250)
Net carrying amount	<u>45,497</u>

ANT BANK (HONG KONG) LIMITED  
 NOTES TO FINANCIAL STATEMENTS

31 December 2020

11. DEFERRED TAX

The movements in deferred tax (liabilities)/assets arising from amortisation of capitalised intangibles and tax losses during the year are as follows:

	Amortisation of capitalised intangibles HKD'000	Tax losses HKD'000	Total HKD'000
At 1 January 2019	-	-	-
Deferred tax (charged)/credited to profit or loss during the year	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2019 and 1 January 2020	-	-	-
Deferred tax (charged)/credited to profit or loss during the year	<u>(7,507)</u>	<u>7,507</u>	<u>-</u>
At 31 December 2020	<u><u>(7,507)</u></u>	<u><u>7,507</u></u>	<u><u>-</u></u>

The Bank has unused tax losses arising in Hong Kong of HKD172,991,146 (2019: HKD38,437,030) that are available indefinitely for offsetting against its future taxable profits. Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that taxable profits will be available against which the above item can be utilised.

**ANT BANK (HONG KONG) LIMITED****NOTES TO FINANCIAL STATEMENTS****31 December 2020****12. AMOUNTS DUE TO FELLOW SUBSIDIARIES AND OTHER RELATED PARTIES**

	<u>2020</u>	<u>2019</u>
	HKD'000	HKD'000
Taobao China Holding Limited	6,520	2,146
Alipay (Hangzhou) Information Technology Co., Ltd.	3,295	-
Alibaba Cloud (Singapore) Private Limited	2,507	2,361
Alipay Financial Services (HK) Limited	1,034	345
Alipay (Hong Kong) Holding Limited	40	40
Alipay (China) Internet Technology Co., Ltd.	1	-
阿里巴巴（中国）网络技术有限公司	1	-
	<u>13,398</u>	<u>4,892</u>

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

**13. SHARE CAPITAL**

	<u>2020</u>	<u>2019</u>
	HKD'000	HKD'000
Issued and fully paid:		
100,000,001 (2019: 100,000,001) ordinary shares	<u>784,870</u>	<u>784,870</u>

**ANT BANK (HONG KONG) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

**13. SHARE CAPITAL (CONTINUED)**

A summary of the movements in the Bank's share capital is as follows:

	Share capital HKD'000
At 1 January 2019	784,870
Issue of share capital	-
At 31 December 2019	<u>784,870</u>
At 1 January 2020	784,870
Issue of share capital	-
At 31 December 2020	<u>784,870</u>

- (a) On 16 August 2018, the Bank was established by Alipay (Hong Kong) Investment Limited with an issued capital of USD1 and on 29 August 2018, 100,000,000 ordinary shares were issued at USD1 each to the existing shareholder of the Bank, which resulted in total proceeds of HKD784,870,008.

**14. SHARE OPTION SCHEMES**

The following table lists the total fair value of share option schemes for the years ended 31 December 2020 and 31 December 2019:

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Granted during the year	78,224,325	18,578,323
Vested during the year	32,900,686	9,102,752
Replaced/forfeited during the year	33,329,431	1,368,798
Average remaining life (years)	4.83	4.81

ANT BANK (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

14. SHARE OPTION SCHEMES (CONTINUED)

The fair values of SERs, RSUs, SAR and Alibaba RSUs 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 2020 and 31 December 2019:

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Risk free interest rate	2.34% - 3.21%	2.99% - 3.24%
Expected dividend yield	0%	0%
Expected life (years)	6.00 - 10.00	6.00
Expected volatility	23.74% - 25.26%	23.90% - 24.35%

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.

***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. 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 this year, the Bank recognised share-based payment expense of HKD8,070,942 (2019: HKD2,885,001) in connection with the above SERs.

***Restricted Share Units (“RSUs”)***

In 2018, Ant Group Co., Ltd. adopted the 2018 Equity Incentive Plan (the “2018 Plan”). 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 Co., Ltd.. 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 this year, the Bank recognised share-based payment expense of HKD13,978,727 (2019: HKD4,569,269) 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, its fellow subsidiary. The fair value of SAR at the grant date was based on the fair value of an ordinary share of Ant Group Co., Ltd.. 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 this year, the Bank recognised share-based payment expense of HKD8,822,849 (2019: HKD214,362) in connection with the above SAR.

**ANT BANK (HONG KONG) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

**14. SHARE OPTION SCHEMES (CONTINUED)**

*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 this year, the Bank recognised share-based payment expense of HKD2,661,553 (2019: HKD507,952) in connection with the above Alibaba RSUs.

**15. RELATED PARTY TRANSACTIONS**

The relationships between the Bank and its related parties are as follows:

*Ultimate holding company*

Ant Group Co., Ltd.

*Immediate Holding company*

Alipay (Hong Kong) Investment Limited

*Subsidiaries of the ultimate holding company (the “fellow subsidiaries”)*

Alipay.com Co., Ltd.

Alipay Financial Services (HK) Limited

Alipay (Hong Kong) Holding Limited

Alipay (Hangzhou) Information Technology Co., Ltd.

Alipay (China) Internet Technology Co., Ltd.

Zoloz PTE Ltd.

As Alibaba Group Holding Limited is a shareholder and has significant influence over Ant Group Co., Ltd., the Bank’s related parties also include companies within Alibaba Group Holding Limited. These related parties mainly include:

Alibaba Cloud (Singapore) Private Limited

Taobao China Holding Limited

阿里巴巴（中国）网络技术有限公司

**ANT BANK (HONG KONG) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

**15. RELATED PARTY TRANSACTIONS (CONTINUED)**

(a) In addition to the transactions disclosed elsewhere in these financial statements, the Bank had the following transactions with the related parties during the year:

Intercompany transactions with the related parties	<u>2020</u>	<u>2019</u>
	HKD'000	HKD'000
Administrative expenses paid to:		
Alibaba Cloud (Singapore) Private Limited	23,738	9,616
Alipay (Hangzhou) Information Technology Co., Ltd.	19,424	-
Taobao China Holding Limited	8,402	2,146
Alipay Financial Services (HK) Limited	688	345
阿里巴巴（中国）网络技术有限公司	4	-
Alipay.com Co., Ltd.	-	1
	<u>52,256</u>	<u>12,108</u>
Intangible assets purchased from:		
Alipay (Hangzhou) Information Technology Co., Ltd.	46,267	-
Zoloz PTE Ltd.	2,480	-
	<u>48,747</u>	<u>-</u>

(b) Compensation of key management personnel of the Bank

	<u>2020</u>	<u>2019</u>
	HKD'000	HKD'000
Short-term employee benefits	9,843	3,961
Post-employment benefits (MPF)	275	79
Share-based payments	9,342	3,458
Total compensation paid to key management personnel	<u>19,460</u>	<u>7,498</u>

Further details of directors' emoluments are included in note 7 to the financial statements.

ANT BANK (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

16. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2020 and 31 December 2019 are as follows:

Financial assets

2020

	<b>Financial assets at amortised cost</b>
	<u>HKD'000</u>
Balances with banks	1,345,185
Interest receivable	<u>271</u>
Total	<u><u>1,345,456</u></u>

2019

	<b>Financial assets at amortised cost</b>
	<u>HKD'000</u>
Balances with banks	770,360
Interest receivable	<u>159</u>
Total	<u><u>770,519</u></u>



ANT BANK (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

16. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

2020

	<b>Financial liabilities at amortised cost</b>
	HKD'000
Deposits from customers	733,511
Amounts due to fellow subsidiaries and other related parties	13,398
Interest payable	25
Financial liabilities included in other payables and accruals	11,534
Total	<u>758,468</u>

2019

	<b>Financial liabilities at amortised cost</b>
	HKD'000
Amounts due to fellow subsidiaries and other related parties	4,892
Financial liabilities included in other payables and accruals	7,389
Total	<u>12,281</u>

The fair values of the financial assets and liabilities measured at amortised cost approximated the carrying amounts largely due to the short-term maturities of these instruments.

**ANT BANK (HONG KONG) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

**17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

*Interest rate risk*

As at 31 December 2020, the Bank has time deposits with fixed interest rates and has no borrowing or lending with interests. The interest rate risk is considered to be minimal.

*Foreign 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 bank balances denominated in United States Dollars is considered to be minimal.

*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 bank balances are held in major financial institutions located in Hong Kong, which management believes are of high credit quality. The Bank has no significant concentration of credit risk. The maximum exposure is the carrying amount as at the year end. There are no financial assets that are past due or impaired.

*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.

ANT BANK (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The tables below summarise the maturity profile of the Bank's non-derivative financial liabilities at 31 December 2020 and 31 December 2019 based on the contractual undiscounted cash flows:

As at 31 December 2020	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Total</u>
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>FINANCIAL LIABILITIES:</b>					
Deposits from customers	733,511	-	-	-	733,511
Amounts due to fellow subsidiaries and other related parties	-	13,398	-	-	13,398
Interest payable	25	-	-	-	25
Financial liabilities included in other payables and accruals	-	11,534	-	-	11,534
<b>Total financial liabilities</b>	<b>733,536</b>	<b>24,932</b>	<b>-</b>	<b>-</b>	<b>758,468</b>
<b>As at 31 December 2019</b>					
	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Total</u>
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>FINANCIAL LIABILITIES:</b>					
Amounts due to fellow subsidiaries and other related parties	-	2,745	2,147	-	4,892
Financial liabilities included in other payables and accruals	-	3,054	4,335	-	7,389
<b>Total financial liabilities</b>	<b>-</b>	<b>5,799</b>	<b>6,482</b>	<b>-</b>	<b>12,281</b>

*Capital management*

The Bank's objectives for managing capital are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Bank may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**ANT BANK (HONG KONG) LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**31 December 2020**

**18. EVENTS AFTER THE REPORTING PERIOD**

There are no material subsequent events undertaken by the Bank since 31 December 2020 to the report date.

**19. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on 20 April 2021.

