



Ant Bank (Hong Kong) Limited

Condensed Interim Financial Statements (Unaudited)

30 June 2020



ANT BANK (HONG KONG) LIMITED

CONTENTS

	Pages
CONDENSED FINANCIAL STATEMENTS	
Condensed statement of profit or loss and other comprehensive income (Unaudited)	1
Condensed statement of financial position (Unaudited)	2
Condensed statement of changes in equity (Unaudited)	3
Condensed statement of cash flows (Unaudited)	4
Notes to condensed financial statements (Unaudited)	5-13

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

For the period ended 30 June 2020

		6 months ended 30 June 2020	6 months ended 30 June 2019
	Notes	HKD'000	HKD'000
Interest income	3	5,372	11,478
Interest expenses		-	-
Net interest income		5,372	11,478
Net foreign exchange losses		(2,629)	(2,172)
Administrative expenses	4	(66,426)	(2,248)
LOSS/PROFIT BEFORE TAX		(63,683)	7,058
Income tax expense	5	-	-
LOSS/PROFIT FOR THE PERIOD		<u>(63,683)</u>	<u>7,058</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-	-
TOTAL COMPREHENSIVE LOSS/PROFIT FOR THE PERIOD		<u>(63,683)</u>	<u>7,058</u>

**ANT BANK (HONG KONG) LIMITED****CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

As at 30 June 2020

		30 June 2020	31 December 2019
	Notes	HKD'000	HKD'000
CURRENT ASSETS			
Balances with banks	6	725,216	770,360
Interest receivables		1,799	159
Other receivables	7	4	-
Total current assets		<u>727,019</u>	<u>770,519</u>
CURRENT LIABILITIES			
Deposit from customers		1,344	-
Amounts due to fellow subsidiaries and related parties	8	7,079	4,892
Other payables and accruals	9	<u>13,893</u>	<u>10,324</u>
Total current liabilities		<u>22,316</u>	<u>15,216</u>
NET CURRENT ASSETS		<u>704,703</u>	<u>755,303</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>704,703</u>	<u>755,303</u>
Net assets		<u>704,703</u>	<u>755,303</u>
EQUITY			
Share capital	10	784,870	784,870
Reserves		<u>(80,167)</u>	<u>(29,567)</u>
Total equity		<u>704,703</u>	<u>755,303</u>

**ANT BANK (HONG KONG) LIMITED****CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

For the period ended 30 June 2020

		Share-based payment reserve	Accumulated loss/profit	Total equity
	Share capital	HKD'000	HKD'000	HKD'000
Notes	HKD'000	HKD'000	HKD'000	HKD'000
At 1 January 2019	784,870	-	(973)	783,897
Share-based payment	-	-	-	-
Total comprehensive gain for the period	-	-	7,058	7,058
At 30 June 2019	784,870	-	6,085	790,955
At 1 July 2019	784,870	-	6,085	790,955
Share-based payment	-	8,177	-	8,177
Total comprehensive loss for the period	-	-	(43,829)	(43,829)
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 payment	11	13,083	-	13,083
Total comprehensive loss for the period	-	-	(63,683)	(63,683)
At 30 June 2020	784,870	21,260	(101,427)	704,703

**ANT BANK (HONG KONG) LIMITED****CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**

For the period ended 30 June 2020

		For 6 months ended 30 June 2020	For 6 months ended 30 June 2019
	Notes	HKD'000	HKD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(63,683)	7,058
Adjustments for:			
Bank interest income	3	(5,372)	(11,478)
Unrealised foreign exchange losses		2,629	2,172
Equity-settled share option expense	11	13,083	-
		<u>(53,343)</u>	<u>(2,248)</u>
Increase in deposits from customers		1,344	-
Increase in prepayment and other receivables		(4)	-
Increase in amount due to the fellow subsidiaries and related parties		2,187	40
Increase in other payables and accruals		<u>3,568</u>	<u>2,193</u>
Interest received		<u>3,733</u>	<u>10,639</u>
Net cash outflow from operating activities		<u>(42,515)</u>	<u>10,624</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	10	<u>-</u>	<u>-</u>
Net cash inflow from financing activities		<u>-</u>	<u>-</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(42,515)	10,624
Cash and cash equivalents at beginning of year/period		770,360	783,060
Net foreign exchange difference		(2,629)	(2,172)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>725,216</u>	<u>791,512</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Balances with banks	6	<u>725,216</u>	<u>791,512</u>

**ANT BANK (HONG KONG) LIMITED****NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)****30 June 2020****1. CORPORATE INFORMATION**

Ant Bank (Hong Kong) Limited (the “Bank”) is a limited liability Bank incorporated in Hong Kong on 16 August 2018. Pursuant to the special resolution dated 29 May 2019, the Bank changed its name from Ant SME Services (Hong Kong) Limited to Ant Bank (Hong Kong) Limited. The banking license was approved and obtained on 10 June 2019. As at 30 June 2020, the Bank has not commenced business. The registered office of the Bank is located at 23/F, 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.

2. BASIS OF PREPARATION**2.1 ACCOUNTING POLICIES**

The accounting policies applied in preparing this condensed interim financial statements are in compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants and are the same as those applied in preparing the financial statements for the year ended 31 December 2019 as disclosed in the Annual Report and Financial Statements for 2019.

The adoption of HKFRS and interpretations effective from 1 January 2020 did not have any significant impact on the Bank’s financial statements.

2.2 ACCOUNTING ESTIMATES

The preparation of interim financial statements requires management to exercise judgements, use estimates and make assumptions that affect the application of policies and reported amounts in the financial statements. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from these estimates. In preparing these condensed financial statements, critical accounting estimates and assumptions used that are significant to the interim financial statements, and areas involving a higher degree of judgement and complexity were the same as those disclosed in the financial statements for the year ended 31 December 2019.

2.3 COMPLIANCE WITH THE BANKING (DISCLOSURE) RULES

The condensed financial statements and Regulatory Disclosure Statements fulfill the disclosure requirements in accordance with the Banking (Disclosure) Rules.

**ANT BANK (HONG KONG) LIMITED****NOTES TO FINANCIAL STATEMENTS**

For the period ended 30 June 2020

3. INTEREST INCOME

	For 6 months ended 30 June 2020	For 6 months ended 30 June 2019
	HKD'000	HKD'000
Interest income on balances with banks	5,372	11,478

4. ADMINISTRATIVE EXPENSES

	For 6 months ended 30 June 2020	For 6 months ended 30 June 2019
	HKD'000	HKD'000
Staff costs	(44,217)	(199)
Technical costs	(11,766)	-
Premises costs	(3,825)	-
Professional fees	(6,151)	(2,034)
Other expenses	(467)	(15)
	<u>(66,426)</u>	<u>(2,248)</u>

5. INCOME TAX EXPENSE

The applicable Hong Kong profits tax rate is 16.5% (2019 Jun: 16.5%). No provision for Hong Kong Profits tax has been made (2019 Jun: Nil) as the Bank had no estimated assessable profits for the period.

No deferred tax assets have been recognized in respect of the losses incurred due to unpredictability of future profit streams.

**ANT BANK (HONG KONG) LIMITED****NOTES TO FINANCIAL STATEMENTS**

30 June 2020

6. BALANCES WITH BANKS

	<u>30 June 2020</u>	<u>31 December 2019</u>
	HKD'000	HKD'000
Balances with banks	<u>725,216</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 carrying amounts of the balances approximated to their fair values.

7. OTHER RECEIVABLES

	<u>30 June 2020</u>	<u>31 December 2019</u>
	HKD'000	HKD'000
Prepayment	<u>4</u>	<u>-</u>

8. AMOUNTS DUE TO FELLOW SUBSIDIARIES AND RELATED PARTIES

	<u>30 June 2020</u>	<u>31 December 2019</u>
	HKD'000	HKD'000
Alibaba Cloud (Singapore) Private Limited	4,409	2,361
Taobao China Holding Limited	1,941	2,146
Alipay Financial Services (HK) Limited	688	345
Alipay (Hong Kong) Holding Limited	40	40
Alipay.com Co., Ltd.	1	-
	<u>7,079</u>	<u>4,892</u>

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

**ANT BANK (HONG KONG) LIMITED****NOTES TO FINANCIAL STATEMENTS**

30 June 2020

9. OTHER PAYABLES AND ACCRUALS

	<u>30 June 2020</u>	<u>31 December 2019</u>
	HKD'000	HKD'000
Other payables and accruals	<u>13,893</u>	<u>10,324</u>

10. SHARE CAPITAL

	<u>30 June 2020</u>	<u>31 December 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>

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 30 June 2020	<u>784,870</u>

**ANT BANK (HONG KONG) LIMITED****NOTES TO FINANCIAL STATEMENTS****30 June 2020****11. SHARE OPTION SCHEME**

The following table lists the total fair value of share option schemes for the year ended 30 June 2020:

	For the year ended 30 June 2020
Granted during the year	64,036K
Vested during the year	23,836K
Cancelled/forfeited during the year	22,066K
Average remaining life (years)	5.02

The fair values of SER, RSUs, SARs and Alibaba RSUs were determined at the grant date using the binomial option-valuation model. The following table lists the inputs to the option pricing models for the year ended 30 June 2020:

	For the year ended 30 June 2020
Risk free interest rate	2.34%
Expected dividend yield	0%
Expected life/ Maximum term of option granted (years)	6.00
Expected volatility	24.97%

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 ("SER")

Since 2014, Hangzhou Junhan Equity Investment Partnership ("Junhan") made a grant of Share Economic Interest Rights ("SER") similar to share-appreciation awards linked to the valuation of Ant Group Co., Ltd. to employees of the Bank. The vesting of SER is conditional upon the fulfilment of requisite service conditions to the Bank, and SER will be settled by Junhan according to the SER 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 HKD1,698,078 (2019 Jun: Nil) in connection with the above SER.

**ANT BANK (HONG KONG) LIMITED****NOTES TO FINANCIAL STATEMENTS****30 June 2020****11. SHARE OPTION SCHEME (CONTINUED)*****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 compensation expense of HKD7,353,201 (2019 Jun: Nil) in connection with the above RSUs.

Share Appreciation Right (“SARs”)

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

During this year, the Bank recognised share-based compensation expense of HKD2,587,048 (2019 Jun: Nil) in connection with the above SARs.

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 compensation expense of HKD1,445,203 (2019 Jun: Nil) in connection with the above Alibaba RSUs.

12. RELATED PARTY TRANSACTIONS

There were no changes in the related party transaction described in 2019 Annual Report that have had a material impact on the financial position or performance of the Bank in the six months ended 30 June 2020.

**ANT BANK (HONG KONG) LIMITED****NOTES TO FINANCIAL STATEMENTS****30 June 2020****13. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at 30 June 2020 and 31 December 2019 are as follows:

Financial assets

	30 June 2020	31 December 2019
	HKD'000	HKD'000
Balances with banks	725,216	770,360
Interest receivables	1,799	159
Other receivables	4	-
	<u>727,019</u>	<u>770,519</u>

Financial liabilities

	30 June 2020	31 December 2019
	HKD'000	HKD'000
Deposits from customers	1,344	-
Amounts due to the fellow subsidiaries and related parties	7,079	4,892
Other payables and accruals	13,893	10,324
	<u>22,316</u>	<u>15,216</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.

14. 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 30 June 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.



ANT BANK (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2020

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 period 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.

The tables below summarise the maturity profile of the Bank's non-derivative financial liabilities at 30 June 2020 based on the contractual undiscounted cash flows:

As at 30 June 2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
FINANCIAL LIABILITIES:					
Deposits from customers	1,344	-	-	-	1,344
Amounts due to fellow subsidiaries and related parties	-	7,079	-	-	7,079
Other payables and accruals	-	8,234	5,659	-	13,893
Total financial liabilities	1,344	15,313	5,659	-	22,316
As at 31 December 2019					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
FINANCIAL LIABILITIES:					
Amounts due to a fellow subsidiary	-	2,746	2,146	-	4,892
Other payables and accruals	-	5,989	4,335	-	10,324
Total financial liabilities	-	8,735	6,481	-	15,216



ANT BANK (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

30 June 2020

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.