



Ant Bank (Hong Kong) Limited

Condensed Interim Financial Statements (Unaudited)

30 June 2021

ANT BANK (HONG KONG) LIMITED

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Condensed Statement of comprehensive income (unaudited)

For the period ended 30 June 2021

	Notes	6 months ended 30 June 2021	6 months ended 30 June 2020
		HKD'000	HKD'000
Interest income	3	924	5,372
Interest expenses	3	<u>(3,252)</u>	<u>-</u>
Net interest (expenses)/income		(2,328)	5,372
Net foreign exchange gain/(loss)		1,059	(2,629)
Administrative expenses	4	(119,123)	(66,426)
Net release of impairment allowances	5	<u>1,114</u>	<u>-</u>
Loss before taxation		(119,278)	(63,683)
Income tax expense	6	<u>-</u>	<u>-</u>
Loss for the period		<u><u>(119,278)</u></u>	<u><u>(63,683)</u></u>
Other comprehensive income for the period, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the period		<u><u>(119,278)</u></u>	<u><u>(63,683)</u></u>

Condensed Statement of financial position (unaudited)

As at 30 June 2021

		30 June 2021	31 December 2020
	Notes	HKD'000	HKD'000
Assets			
Balances with banks	7	803,149	1,345,185
Financial investments	8	298,285	-
Interest receivable		370	271
Prepayment		1,194	652
Intangible assets	9	40,622	45,497
		<u>1,143,620</u>	<u>1,391,605</u>
Liabilities			
Deposit from customers		578,602	733,511
Amounts due to fellow subsidiaries and related parties	10	31,343	13,398
Interest payable		18	25
Other payables and accruals		17,461	27,358
		<u>627,424</u>	<u>774,292</u>
NET ASSETS		<u>516,196</u>	<u>617,313</u>
CAPITAL AND RESERVES			
Share capital	11	784,870	784,870
Reserves		<u>(268,674)</u>	<u>(167,557)</u>
Total equity		<u>516,196</u>	<u>617,313</u>

Condensed statement of changes in equity (unaudited)

For the period ended 30 June 2021

	Notes	<i>Share capital</i> HKD'000	<i>Share- based payment reserve</i> HKD'000	<i>Retained loss</i> HKD'000	<i>Total equity</i> HKD'000
At 1 January 2020		784,870	8,177	(37,744)	755,303
Share-based payment	12	-	13,083	-	13,083
Total comprehensive loss for the period		<u>-</u>	<u>-</u>	<u>(63,683)</u>	<u>(63,683)</u>
At 30 June 2020		<u>784,870</u>	<u>21,260</u>	<u>(101,427)</u>	<u>704,703</u>
At 1 July 2020		784,870	21,260	(101,427)	704,703
Share-based payment		-	20,451	-	20,451
Total comprehensive loss for the period		<u>-</u>	<u>-</u>	<u>(107,841)</u>	<u>(107,841)</u>
At 31 December 2020		<u>784,870</u>	<u>41,711</u>	<u>(209,268)</u>	<u>617,313</u>
At 1 January 2021		784,870	41,711	(209,268)	617,313
Share-based payment	12	-	18,161	-	18,161
Total comprehensive loss for the period		<u>-</u>	<u>-</u>	<u>(119,278)</u>	<u>(119,278)</u>
At 30 June 2021		<u>784,870</u>	<u>59,872</u>	<u>(328,546)</u>	<u>516,196</u>

Condensed cash flow statement (unaudited)

For the period ended 30 June 2021

	Notes	6 months ended 30 June 2021 HKD'000	6 months ended 30 June 2020 HKD'000
Operating activities			
Loss before tax		(119,278)	(63,683)
Adjustments for:			
Bank interest income	3	(924)	(5,372)
Unrealised foreign exchange (gain) / losses		(1,059)	2,629
Equity-settled share-based payment expense	12	18,161	13,083
Amortisation of intangible assets	9	4,875	-
Net release of impairment allowances	5	(1,114)	-
		(99,339)	(53,343)
Increase in placements with banks with an original maturity beyond three months		(110,000)	-
Increase in amounts due to the fellow subsidiaries and related parties		17,945	1,344
Increase in prepayment and other receivables		(542)	(4)
(Decrease)/ Increase in deposits from customers		(154,909)	2,187
(Decrease)/ Increase in other payables and accruals		(9,897)	3,568
Decrease in interest payable		(7)	-
		(356,749)	(46,248)
Interest received		825	3,733
Net cash outflow from operating activities		(355,924)	(42,515)
Investing activities			
Purchase of Financial Investments	8	(298,391)	-
Net cash used in investing activities		(298,391)	-
Net decrease in cash and cash equivalents		(654,315)	(42,515)
Cash and cash equivalents at 1 January		1,346,732	770,360
Net foreign exchange difference		1,059	(2,629)
Cash and cash equivalents at 30 June		693,476	725,216
Analysis of Balances of cash and cash equivalents			
Balances with Central Bank and banks with original maturity within three months		453,691	38,477
Placements with banks with original maturity within three months		239,785	686,739
		693,476	725,216

Notes to condensed financial statements

1. General 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. The principal activities of the Bank are to provide banking services to its customers.

2. Significant accounting policies

2.1 Statement of compliance

These condensed interim financial statements have been prepared in compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of the condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing the condensed interim financial statements, the significant judgements made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were consistent with those that were applied to the financial statements for the period ended 31 December 2020.

The condensed interim financial statements should be read in conjunction with the financial statements for the period ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The condensed interim financial statements fulfill the disclosure requirements in accordance with the Banking (Disclosure) Rules.

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 Accounting policies

The accounting policies applied in the preparation of the condensed interim financial statements are consistent with those used and described in the Bank’s audited annual financial statements for the year ended 31 December 2020.

3. Net Interest (expenses)/income

	6 months ended 30 June 2021	6 months ended 30 June 2020
	HKD'000	HKD'000
Interest income on balances with banks	924	5,372
Interest expense on deposits from customers	<u>(3,252)</u>	<u>-</u>
	<u><u>(2,328)</u></u>	<u><u>5,372</u></u>

4. Administrative expenses

	6 months ended 30 June 2021	6 months ended 30 June 2020
	HKD'000	HKD'000
Staff costs (a)	(59,972)	(44,217)
Server and technical service fees	(43,465)	(11,766)
Rental expenses recharged by a related party	(5,494)	(3,825)
Legal and professional fees	(1,421)	(6,151)
Amortisation of intangible assets	(4,875)	-
Auditor's remuneration	-	-
Other expenses	<u>(3,896)</u>	<u>(467)</u>
	<u><u>(119,123)</u></u>	<u><u>(66,426)</u></u>

(a) The staff costs include share-based payment expenses (note 12).

5. Net release of impairment allowances

	6 months ended 30 June 2021	6 months ended 30 June 2020
	HKD'000	HKD'000
Balances with banks (note 7)		
- Stage 1	1,114	-
- Stage 2	-	-
- Stage 3	-	-
	<u><u>1,114</u></u>	<u><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.

6. Income tax expense

The applicable Hong Kong profits tax rate is 16.5% (2020 Jun: 16.5%). No provision for Hong Kong Profits tax has been made (2020 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.

7. Balances with banks

	30 June 2021	31 December 2020
	HKD'000	HKD'000
Balances with central bank	338,566	466,661
Balances with banks	115,125	305,871
Placements with banks with original maturity of three months or less	239,785	574,200
Placements with banks with original maturity of beyond three months	110,000	-
	<u>803,476</u>	<u>1,346,732</u>
Less: Allowances for expected credit losses – Stage 1	(327)	(1,547)
	<u>803,149</u>	<u>1,345,185</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 six 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:

	30 June 2021	31 December 2020
	HKD'000	HKD'000
Beginning of year – Stage 1	1,547	-
Net (release)/ charge during the period – Stage 1	(1,220)	1,547
	<u>327</u>	<u>1,547</u>

8. Financial Investments

	30 June 2021	31 December 2020
	HKD'000	HKD'000
At amortised cost:		
Certificate of deposits – Stage 1	298,391	-
Less: Allowances for expected credit losses – Stage 1	(106)	-
	<u>298,285</u>	<u>-</u>

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

	30 June 2021	31 December 2020
	HKD'000	HKD'000
Beginning of year – Stage 1	-	-
Net charge during the period – Stage 1	106	-
	<u>106</u>	<u>-</u>

9. Intangible assets

30 June 2021

	Software
	HKD'000
Cost	
At 1 January 2021	48,747
Addition	-
At 30 June 2021	<u>48,747</u>
Accumulated depreciation	
At 1 January 2021	(3,250)
Amortisation provided during the year	(4,875)
At 30 June 2021	<u>(8,125)</u>
Net book value	
At 30 June 2021	<u>40,622</u>

9. Intangible assets (continued)

31 December 2020

	Software
	HKD'000
Cost	
At 1 January 2020	-
Addition	48,747
Disposal	-
At 31 December 2020	<u>48,747</u>
Accumulated depreciation	
At 1 January 2020	-
Amortisation provided during the year	(3,250)
At 31 December 2020	<u>(3,250)</u>
Net book value	
At 31 December 2020	<u>45,497</u>

10. Amounts due to fellow subsidiaries and related parties

	30 June 2021	31 December 2020
	HKD'000	HKD'000
Taobao China Holding Limited	10,627	6,520
Alipay (Hangzhou) Information Technology Co., Ltd.	19,227	3,295
Alibaba Cloud (Singapore) Private Limited	62	2,507
Alipay Financial Services (HK) Limited	1,385	1,034
Alipay (Hong Kong) Holding Limited	40	40
Alipay (China) Internet Technology	1	1
阿里巴巴(中国)网络技术有限公司	1	1
	<u>31,343</u>	<u>13,398</u>

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

11. Share Capital

	30 June 2021	31 December 2020
	HKD'000	HKD'000
Issued and fully paid:		
100,000,001 (2020: 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 2020	784,870
Issue of share capital	-
At 31 December 2020	<u>784,870</u>
At 1 January 2021	784,870
Issue of share capital	-
At 30 June 2021	<u>784,870</u>

12. Share option scheme

The following table lists the total fair value of share option schemes for the period ended 30 June 2021:

	30 Jun 2021
	HKD'000
Granted during the period/ year	<u>33,962</u>
Vested during the period/ year	12,131
Replaced/forfeited during the period/ year	14,032
Average remaining life (years)	4.69

The fair values of SER, RSUs, SARs, Alibaba RSUs and GRUs 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 2021:

	For the period ended 30 June 2021
Risk free interest rate	<u>2.93% - 3.16%</u>
Expected dividend yield	0%
Expected life (years)	6.00
Expected volatility	23.50% - 24.76%

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.

12. Share option scheme (Continued)

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 period, the Bank recognised share-based payment expense of HKD2,083 (2020 Jun: HKD1,698,078) 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 HKD10,964,714 (2020 Jun: HKD7,353,201) 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 HKD6,000,580 (2020 Jun: HKD2,587,048) in connection with the above SAR.

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 HKD1,193,542 (2020 Jun: HKD1,445,203) in connection with the above Alibaba RSUs.

Growth Rewards Units (“GRUs”)

According to the 2021 equity incentive plan (“2021 plan”), some employees were granted Growth reward units (GRUs) by the Ant Group Co., Ltd. The vesting of GRUs is conditional upon the fulfilment of requisite service conditions by the employee. The value of GRUs are linked to the equity value of the 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 recognized in cash-settled share-based payments.

13. Related party transaction

There were no changes in the related party transaction described in 2020 Annual Report that have had a material impact on the financial position or performance of the Bank in the six months ended 30 June 2021.

14. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at 30 June 2021 and 31 December 2020 are as follows:

Financial assets

	30 June 2021	31 December 2020
	HKD'000	HKD'000
Balances with banks	803,149	1,345,185
Financial Investments	298,285	-
Interest receivables	370	271
	<u>1,101,804</u>	<u>1,345,456</u>

Financial liabilities

	30 June 2021	31 December 2020
	HKD'000	HKD'000
Deposits from customers	578,602	733,511
Amounts due to fellow subsidiaries and other related parties	31,343	13,398
Interest payable	18	25
Financial liabilities included in other payables and accruals	11,467	11,534
	<u>621,430</u>	<u>758,468</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.

15. 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 2021, the Bank has short term deposits with fixed interest rates. 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 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.

15. Financial risk management objectives and policies (continued)

The tables below summarise the maturity profile of the Bank's non-derivative financial liabilities at 30 June 2021 and 31 December 2020 based on the contractual undiscounted cash flows:

As at 30 June 2021	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	578,602	-	-	-	578,602
Amounts due to fellow subsidiaries and other related parties	-	31,343	-	-	31,343
Interest payable	-	18	-	-	18
Financial liabilities included in other payables and accruals	-	11,467	-	-	11,467
Total financial liabilities	578,602	42,828	-	-	621,430
As at 31 December 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	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
Total financial liabilities	733,536	24,932	-	-	758,468

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.