



**Ant Bank (Hong Kong) Limited**

**Condensed Interim Financial Statements (Unaudited)**

**30 June 2023**

**ANT BANK (HONG KONG) LIMITED**

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## Condensed Statement of profit or loss and other comprehensive income (unaudited)

For the period ended 30 June 2023

		<b>6 months ended 30 June 2023</b>	<b>6 months ended 30 June 2022</b>
	Notes	HKD'000	HKD'000
Interest income	3	32,652	3,192
Interest expense	3	<u>(2,948)</u>	<u>(2,653)</u>
Net interest income		29,704	539
Net foreign exchange differences		5,263	7,387
Other income		-	15
Administrative expenses	4	(95,800)	(111,512)
Net charge of impairment losses	5	<u>(1,230)</u>	<u>(26)</u>
<b>Loss before taxation</b>		(62,063)	(103,597)
Income tax expense	6	<u>-</u>	<u>-</u>
<b>Loss for the period and total comprehensive income for the period</b>		<u>(62,063)</u>	<u>(103,597)</u>

## Condensed Statement of financial position (unaudited)

As at 30 June 2023

		<b>30 June 2023</b>	<b>31 December 2022</b>
	Notes	HKD'000	HKD'000
<b>Assets</b>			
Balances with banks	7	557,942	702,171
Loans and advances to customers	8	61,748	46,707
Financial investments	9	1,037,960	668,474
Intangible assets	10	21,124	25,999
Prepayment and other assets		210	111
		<u>1,678,984</u>	<u>1,443,462</u>
<b>Liabilities</b>			
Deposits from customers	11	646,075	353,860
Amounts due to fellow subsidiaries and other related parties	12	49,806	41,196
Other payables and accruals		22,518	31,810
		<u>718,399</u>	<u>426,866</u>
<b>NET ASSETS</b>		<u>960,585</u>	<u>1,016,596</u>
<b>EQUITY</b>			
Share capital	13	1,563,510	1,563,510
Reserves		<u>(602,925)</u>	<u>(546,914)</u>
<b>Total equity</b>		<u>960,585</u>	<u>1,016,596</u>

## Condensed statement of changes in equity (unaudited)

For the period ended 30 June 2023

	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
<b>At 1 January 2022</b>		1,563,510	74,786	(441,663)	1,196,633
Share-based payment	14	-	12,955	-	12,955
Total comprehensive loss for the period		-	-	(103,597)	(103,597)
<b>At 30 June 2022</b>		<u>1,563,510</u>	<u>87,741</u>	<u>(545,260)</u>	<u>1,105,991</u>
<b>At 1 July 2022</b>		1,563,510	87,741	(545,260)	1,105,991
Share-based payment		-	10,213	-	10,213
Total comprehensive loss for the period		-	-	(99,608)	(99,608)
<b>At 31 December 2022</b>		<u>1,563,510</u>	<u>97,954</u>	<u>(644,868)</u>	<u>1,016,596</u>
<b>At 1 January 2023</b>		1,563,510	97,954	(644,868)	1,016,596
Share-based payment	14	-	6,052	-	6,052
Total comprehensive loss for the period		-	-	(62,063)	(62,063)
<b>At 30 June 2023</b>		<u>1,563,510</u>	<u>104,006</u>	<u>(706,931)</u>	<u>960,585</u>

## Condensed statement of cash flows (unaudited)

For the period ended 30 June 2023

	Notes	<u>6 months ended 30 June 2023</u> HKD'000	<u>6 months ended 30 June 2022</u> HKD'000
<b>Cash flows from Operating activities</b>			
Loss before tax		(62,063)	(103,597)
Adjustments for:			
Unrealised foreign exchange differences		(5,263)	(7,387)
Share-based payment expense	14	6,052	12,955
Amortisation of intangible assets	10	4,875	4,875
Net charge of impairment allowances	5	1,230	26
Operating cash flows before changes in operating assets and liabilities		(55,169)	(93,128)
Changes in operating assets and liabilities:			
Placements with banks with an original maturity beyond three months but less than one year		30,108	(197,947)
Certificate of deposit with an original maturity beyond three months		(709,548)	(426,450)
Financial investments		39,933	(640)
Loans and advances to customers		(16,557)	(2,420)
Prepayments and other receivables		(99)	(418)
Decrease in deposits from customers		292,213	(54,407)
Amounts due to the fellow subsidiaries and other related parties		8,610	9,909
Other payables and accruals		(9,291)	(2,476)
<b>Net cash used in operating activities</b>		(419,800)	(767,977)
<b>Net decrease in cash and cash equivalents</b>		(419,800)	(767,977)
<b>Cash and cash equivalents at 1 January</b>		982,492	1,416,088
Net foreign exchange difference		5,263	7,387
<b>Cash and cash equivalents at 30 June</b>	17	<u>567,955</u>	<u>655,498</u>
Analysis of Balances of cash and cash equivalents			
Balance with central bank and banks	17	354,388	655,498
Placements with banks with original maturity of three months or less when acquired	17	203,600	-
Certificates of deposit with original maturity within three months	17	9,967	-
Cash and cash equivalents in the statements of cash flows		<u>567,955</u>	<u>655,498</u>
<b>Cash flows from operating activities include:</b>			
Interest received		28,344	3,017
Interest paid		2,905	2,641

## 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 2022.

The condensed interim financial statements should be read in conjunction with the financial statements for the period ended 31 December 2022, 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 2022.

**3. Net Interest income**

	<b>6 months ended 30 June 2023</b>	<b>6 months ended 30 June 2022</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Interest income arising from financial assets at amortised cost	32,652	3,192
Interest expense arising from financial liabilities at amortised cost	(2,948)	(2,653)
	<u>29,704</u>	<u>539</u>

**4. Administrative expenses**

	<b>6 months ended 30 June 2023</b>	<b>6 months ended 30 June 2022</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Staff costs (a)	(36,818)	(56,683)
Server and technical service fees	(37,586)	(34,440)
Rental expenses	(4,901)	(5,530)
Legal and professional fees	(7,117)	(3,641)
Amortisation of intangible assets	(4,875)	(4,875)
Auditor's remuneration	-	-
Other expenses	(4,503)	(6,343)
	<u>(95,800)</u>	<u>(111,512)</u>

(a) The staff costs include share-based payment expenses (note 14).



## 5. Net charge of impairment losses

	6 months ended 30 June 2023 HKD'000	6 months ended 30 June 2022 HKD'000
Balances with banks	224	29
Loans and advances to customers (Note 8)	(1,516)	(53)
Financial investments	62	(2)
	<u>(1,230)</u>	<u>(26)</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% (2021 Jun: 16.5%). No provision for Hong Kong Profits tax has been made (2021 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 2023 HKD'000	31 December 2022 HKD'000
Balances with central bank	193,302	40,592
Balances with banks	161,086	294,170
Placements with banks with original maturity of three months or less	203,600	337,571
Placements with banks with original maturity of beyond three months	-	30,108
	<u>557,988</u>	<u>702,441</u>
Less: Allowances for expected credit losses	(46)	(270)
	<u>557,942</u>	<u>702,171</u>

## 7. Balances with banks (continued)

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

	<b>30 June 2023</b>	<b>31 December 2022</b>
	HKD'000	HKD'000
Beginning of year – Stage 1	270	129
Net (reversal)/charge of impairment allowances	(224)	141
	<u>46</u>	<u>270</u>

## 8. Loans and advances to customers

	<b>30 June 2023</b>	<b>31 December 2022</b>
	HKD'000	HKD'000
Loans and advances to customers	63,944	47,705
Less: Allowances for expected credit losses	(2,196)	(998)
	<u>61,748</u>	<u>46,707</u>

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

	2023			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
<b>Allowances for expected credit losses</b>				
At 1 January	856	38	104	998
Net transfers between stages	(45)	(746)	791	-
Net change in exposures	624	876	16	1,516
Net re-measurement from stage change	-	-	-	-
Write-offs	-	-	(318)	(318)
Recoveries	-	-	-	-
At 30 June	<u>1,435</u>	<u>168</u>	<u>593</u>	<u>2,196</u>

	2023			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
<b>Gross loans and advances to customers</b>				
At 1 January	47,176	422	107	47,705
Transfer to Stage 1	25	(23)	(2)	-
Transfer to Stage 2	(1,429)	1,735	(306)	-
Transfer to Stage 3	(101)	(1,346)	1,447	-
Net change in exposures	16,815	47	(305)	16,557
Write-offs	-	(25)	(293)	(318)
At 30 June	<u>62,486</u>	<u>810</u>	<u>648</u>	<u>63,944</u>

## 8. Loans and advances to customers (continued)

	2022			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
<b>Allowances for expected credit losses</b>				
At 1 January	5	-	-	5
Net transfers between stages	-	-	-	-
Net change in exposures	851	38	104	993
Net re-measurement from stage change	-	-	-	-
Write-offs	-	-	-	-
Recoveries	-	-	-	-
At 31 December	<u>856</u>	<u>38</u>	<u>104</u>	<u>998</u>

	2022			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
<b>Gross loans and advances to customers</b>				
At 1 January	550	-	-	550
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(529)	529	-	-
Transfer to Stage 3	-	(107)	107	-
Net change in exposures	47,155	-	-	47,155
Write-offs	-	-	-	-
At 31 December	<u>47,176</u>	<u>422</u>	<u>107</u>	<u>47,705</u>

## 9. Financial Investments

	<b>30 June 2023</b>	<b>31 December 2022</b>
	HKD'000	HKD'000
At amortised cost:		
Debt Securities (a)	1,038,109	668,685
Less: Allowances for expected credit losses – Stage 1	<u>(149)</u>	<u>(211)</u>
	<u>1,037,960</u>	<u>668,474</u>

Note (a): Certificates of deposit with original maturity within three months amounting to HK\$9,967,376 (2022: HK\$310,159,000) have been included in the above debt securities balances.

## 9. Financial Investments (continued)

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

	<b>30 June 2022</b>	<b>31 December 2021</b>
	HKD'000	HKD'000
Beginning of year – Stage 1	211	142
Net (reversal)/ charge of impairment allowances	<u>(62)</u>	<u>69</u>
	<u>149</u>	<u>211</u>

## 10. Intangible assets

	<b>Software</b>
	HKD'000
Cost at 1 January 2022, net of accumulated amortisation	35,748
Addition	-
Amortisation provided during the period	<u>(9,749)</u>
At 31 December 2022	<u>25,999</u>
At 31 December 2022 and 1 January 2023	
Cost	48,747
Accumulated amortisation	<u>(22,748)</u>
Net carrying amount	<u>25,999</u>
Cost at 1 January 2022, net of accumulated amortisation	25,999
Addition	-
Amortisation provided during the period	<u>(4,875)</u>
At 30 June 30 2023	<u>21,124</u>
At 30 June 30 2023	
Cost	48,747
Accumulated amortisation	<u>(27,623)</u>
Net carrying amount	<u>21,124</u>

## 11. Deposits from Customers

	<b>30 June 2023</b>	<b>31 December 2022</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Savings deposits	646,075	353,860

## 12. Amounts due to fellow subsidiaries and related parties

	<b>30 June 2023</b>	<b>31 December 2022</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Taobao China Holding Limited	20,133	16,259
Alipay (Hangzhou) Information Technology Co., Ltd.	21,911	18,281
Alibaba Cloud (Singapore) Private Limited	5,416	3,063
Alipay Financial Services (HK) Limited	241	2,351
Alipay Payment Services (HK) Limited	1,531	744
Alipay (Hong Kong) Holding Limited	497	497
Alipay Labs (Singapore) Pte. Ltd.	76	-
Alipay (China) Internet Technology	1	1
Alibaba (China) Network Technology Co., Ltd.	-	-
	<b>49,806</b>	<b>41,196</b>

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

## 13. SHARE CAPITAL

	<b>30 June 2023</b>		<b>31 December 2022</b>	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Ordinary shares, issued and fully paid				
At beginning of year	200,000,000	1,563,510	200,000,000	1,563,510
Issuance of shares (a)	-	-	-	-
At end of year	<b>200,000,000</b>	<b>1,563,510</b>	<b>200,000,000</b>	<b>1,563,510</b>

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

#### 14. Share option scheme

The following table lists the total fair value of share option schemes for the period ended 30 June 2023:

	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	HKD'000	HKD'000
Granted during the period/ year	14,676	23,468
Vested during the period/ year	9,482	20,959
Replaced/forfeited during the period/ year	4,274	11,107
Average remaining life (years)	4.75	4.87

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 2023:

	<b>For the period ended 30 June 2023</b>	<b>For the period ended 30 June 2022</b>
Risk free interest rate	2.74%	2.55%~2.72%
Expected dividend yield	0%	0%
Expected life (years)	6.00	6.00
Expected volatility	27.80%	24.80%~25.33%

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 period, the Bank reversed share-based payment expense of HKD681,844 (2022 Jun: HKD195,728) 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 period, the Bank recognised share-based payment expense of HKD3,601,294 (2022 Jun: HKD8,096,090) in connection with the above RSUs.

#### **14. Share option scheme (Continued)**

##### **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 period, the Bank recognised share-based payment expense of HKD3,074,818 (2022 Jun: HKD4,682,342) 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 period, the Bank recognised share-based payment expense of HKD57,966 (2022 Jun: HKD372,182) in connection with the above Alibaba RSUs.

##### **Growth Rewards Units (“GRUs”)**

According to the 2022 equity incentive plan (the “2022 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.

During this period, the Bank has not recognised share-based payment expense (2022 Jun: HKD167) in connection with the above GRUs.

#### **15. Related party transaction**

There were no changes in the related party transaction described in 2022 Annual Report that have had a material impact on the financial position or performance of the Bank in the six months ended 30 June 2023.

## 16. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at 30 June 2023 and 31 December 2022 are as follows:

### Financial assets

	<b>30 June 2023</b>	<b>31 December 2022</b>
	HKD'000	HKD'000
Loans and advances to customers	63,944	47,705
Financial Investments	1,038,109	668,685
Balances with banks	557,988	702,441
	<u>1,660,041</u>	<u>1,418,831</u>

### Financial liabilities

	<b>30 June 2023</b>	<b>31 December 2022</b>
	HKD'000	HKD'000
Deposits from customers	646,075	351,260
Amounts due to fellow subsidiaries and other related parties	49,806	41,196
Financial liabilities included in other payables and accruals	15,797	14,210
	<u>711,678</u>	<u>406,666</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.

## 17. Cash and cash equivalents

	<b>30 June 2023</b>	<b>31 December 2022</b>
	HKD'000	HKD'000
Balances with central bank and banks	354,388	334,762
Placements with banks with original maturity of three months or less when acquired	203,600	337,571
Certificates of deposit with original maturity within three months	9,967	310,159
Cash and cash equivalents in the statement of cash flow	<u>567,955</u>	<u>982,492</u>



## 18. 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 2023, 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.

## 18. 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 2023 and 31 December 2022 based on the contractual undiscounted cash flows:

As at 30 June 2023	Total contractual undiscounted cash flow	On demand	Less than 3 months	3 to 12 months
	HKD'000	HKD'000	HKD'000	HKD'000
<b>FINANCIAL LIABILITIES:</b>				
Deposits from customers	646,075	646,075	-	-
Amounts due to fellow subsidiaries and other related parties	49,806	-	49,806	-
Financial liabilities included in other payables and accruals	15,797	-	15,797	-
	<u>711,678</u>	<u>646,075</u>	<u>65,603</u>	<u>-</u>
Total financial liabilities	<u>711,678</u>	<u>646,075</u>	<u>65,603</u>	<u>-</u>
<b>As at 31 December 2022</b>				
	Total contractual undiscounted cash flow	On demand	Less than 3 months	3 to 12 months
	HKD'000	HKD'000	HKD'000	HKD'000
<b>FINANCIAL LIABILITIES:</b>				
Deposits from customers	351,260	351,260	-	-
Amounts due to fellow subsidiaries and other related parties	41,196	-	41,196	-
Financial liabilities included in other payables and accruals	14,210	-	14,210	-
	<u>406,666</u>	<u>351,260</u>	<u>55,406</u>	<u>-</u>
Total financial liabilities	<u>406,666</u>	<u>351,260</u>	<u>55,406</u>	<u>-</u>

### *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.