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Alipay (Europe) Limited

Société anonyme

9, rue du Laboratoire
L-1911, Luxembourg
R.C.S. Luxembourg B188095
Subscribed capital: EUR 3,635,000

Annual Accounts
for the year ended 31 December 2022
(with the report of the Réviseur d'entreprises agréé thereon)

General information

Directors

Douglas Lehman Feagin
Leiming Chen
Yi Zhou

Registered office

9, rue du Laboratoire
L-1911, Luxembourg

Auditor

Ernst & Young S.A.
35E, Avenue John F. Kennedy
L-1855 Luxembourg

Bankers
HSBC
Citibank
JP Morgan
BBVA
Banking Circle

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Building a better
working world

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Independent auditor's report

To the Shareholder of
Alipay (Europe) Limited S.A.
9, rue du Laboratoire
L-1911 Luxembourg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Alipay (Europe) Limited S.A. (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" 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 a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of 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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “réviseur d’entreprises agréé” 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 report of the “réviseur d’entreprises agréé”. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Report on other legal and regulatory requirements

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Romain Swertvaeger

Luxembourg, 12 May 2023

Directors' report

The Directors are pleased to present their statement to the members, together with the audited financial statements of Alipay (Europe) Limitied S.A. (the "Company") for the financial year ended 31 December 2022.

The Company is principally engaged in payment processing, marketing and business development activities. There has been no significant change in the nature of these principal activities for the financial year ended 31 December 2022.

Director of the Company

The Directors of the Company in office at the date of the statements are:

- Douglas Lehman Feagin
- Leiming Chen
- Yi Zhou

Opinion of the directors

In the opinion of the Directors,

(i) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts.

Financial performance

The Company has continued to operate successfully in 2022 in line with the Board's directions.

The Revenue of the Company in 2022 amounted to EUR 184 million (2021: EUR 166 million).

The average number of staff was 10 persons during the financial year ended December 2022.

The financial year resulted in a profit of EUR 8.2 million (2021: EUR 7 million), while the net equity amounts to EUR 23.6 million (2021: EUR 15 million).

The Director propose allocating the profit of EUR 8.2 million to the results brought forward, leaving a balance of retained earnings after such allocation amounting to EUR 18.6 million (2021: EUR 10.4 million).

The Directors do not recommend the payment of a dividend for the financial year ended 31 December 2022.

R&D activities

The Company did not undertake R&D activities during the year.

Overseas branches

The Company did not have registered overseas branches during the year.

Allocation of free shares

The Company did not allocate any free shares during the year.

Arrangements to purchase shares or debentures

Neither at the end of nor at any time during the year 2022 was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Events since the balance sheet date

Other than as disclosed in note 22, the Directors do not believe that any other specific reportable events have occurred since the balance sheet date.

Disclosure of information to the auditors

The Directors who were members of the Board at the time of approving this report are listed above. Having made enquiries of fellow Directors and the Company's auditor, each of these Director confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps that a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Re-appointment of auditor

Ernst & Young S.A have expressed their willingness to accept re-appointment as auditor.

The auditors' remuneration is disclosed in Note 6 to the financial statements.

On behalf of the board of directors:

Director　　　　Director

12 May 2023

Statement of comprehensive income

	Notes	Year ended 31 December 2022 €'000	Year ended 31 December 2021 €'000
Revenue	20	183,650	166,099
Administrative expenses	5	(3,397)	(3,027)
Other operating expenses	7	(171,619)	(153,682)
Operating profit		**8,634**	**9,390**
Foreign exchange income	21	2,509	157
Finance income		186	5
Finance costs		(283)	(53)
Profit on ordinary activities before tax		**11,046**	**9,499**
Tax charge on profit on ordinary activities	9	(2,891)	(2,460)
Profit for the financial year from continuing operations		**8,155**	**7,039**
Total comprehensive income for the year		**8,155**	**7,039**

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Alipay (Europe) Limited S.A.
Year ended 31 December 2022 (EUR '000)

Statement of financial position

	Notes	As at 31 December 2022 €'000	As at 31 December 2021 €'000
Non-current assets			
Right of Use Asset	12	115	155
Property, plant and equipment		112	-
		267	**155**
Current assets			
Trade and other receivables	10	957	18
Amounts due from related companies	19	17,555	30,163
Cash and cash equivalents held for customers	4	132,291	85,526
Cash and cash equivalents	4	26,217	9,692
		177,020	**125,399**
Total assets		**177,287**	**125,554**
Current liabilities			
Amounts due to customers	4	118,319	80,454
Amounts due to related companies	19	19,422	11,868
Trade and other payables	11	11,943	14,535
Corporation tax payable		3,997	3,643
Total liabilities		**153,681**	**110,500**
Capital and reserves			
Called up share capital	15	3,635	3,635
Share based payments reserve	16	810	413
Legal reserve	17	364	364
Other reserves	18	202	202
Retained earnings		18,595	10,440
Total equity		**23,606**	**15,054**
Total equity and liabilities		**177,287**	**125,554**

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statement of changes in equity

	Notes	Called up share capital €'000	Share based payments reserve €'000	Legal reserve €'000	Other reserves €'000	Retained earnings €'000	Total equity €'000
At 1 January 2021		**3,635**	**200**	**-**	**202**	**3,765**	**7,802**
Profit for the year		-	-	-	-	7,039	7,039
Allocation to legal reserve		-	-	364	-	(364)	-
Share based payments		-	213	-	-	-	213
At 31 December 2021		**3,635**	**413**	**364**	**202**	**10,440**	**15,054**
Profit for the year		-	-	-	-	8,155	8,155
Allocation to legal reserve		-	-	-	-	-	-
Share based payments		-	397	-	-	-	397
At 31 December 2022		**3,635**	**810**	**364**	**202**	**18,595**	**23,606**

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statement of cash flows

	Notes	As at 31 December 2022 €'000	As at 31 December 2021 €'000
Operating activities			
Profit before tax		11,046	9,499
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property and equipment	5	200	155
Share-based payment expense	16	397	213
Net finance costs		97	48
Net foreign exchange differences	21	(2,643)	127
Working capital adjustments:			
Change in corporate funds balances – customer related		(5,456)	(10,182)
Change in cash and cash equivalents held for customers		(41,309)	(5,759)
Change in amounts due from related companies		12,608	(11,724)
Change in trade and other receivables		(939)	454
Change in amounts due to customers		37,865	5,759
Change in amounts due to related companies		7,553	7,281
Change in trade and other payables		(2,330)	3,974
Change in corporation tax payables		355	2,379
Cash flow from operating activities		**17,444**	**2,224**
Corporation tax paid		(23)	(30)
Net cash flows from operating activities		**17,421**	**2,194**
Cash flow from investing activities			
Purchase of property, plant and equipment		(130)	-
Increase in right-of use assets		(181)	(181)
Net cash (used in) investing activities		**(311)**	**(181)**
Financing activities			
Repayment of lease liabilities	12	(169)	(169)
Interest paid		(282)	(52)
Net cash (used in) financing activities		**(451)**	**(221)**
Change in cash and cash equivalents		16,659	1,792
Cash and cash equivalents at 1 January		9,692	7,616
Net foreign exchange differences		(134)	284
Cash and cash equivalents at 31 December		**26,217**	**9,692**

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Notes to the financial statements

1. General

The financial statements of Alipay (Europe) Limited for the year ended 31 December 2022 were authorised for issue by the Board of Directors (the "Board") on 12 May 2023.

Alipay (Europe) Limited (the "Company") was incorporated on June 20, 2014 as a "Société anonyme" under the laws of the Grand-Duchy of Luxembourg for an unlimited period, for the purpose of developing and managing its portfolio of investments and engaging in other commercial activities.

The parent company is Alipay (UK) Limited. The ultimate parent company is Ant Group Co., Ltd..

On December 21, 2018, the Company was granted the electronic money institution license by the Luxembourg Minister of Finance. The purpose of the Company was therefore amended to carry out all the activities as permitted under the law of November 10, 2009.

The Company may issue means of payment in the form of electronic money ('E-Money') and carry out any commercial activities of E-money institutions.

The Company's registered office was established at 19, rue de Bitbourg, L-1273 Luxembourg, registered with the Luxembourg Trade and Companies Register under the number B 188095. On January 18, 2019, the registered office was transferred to 11-13 Boulevard de la Foire, L-1528 Luxembourg, and on April 20, 2020, it was further transferred to 9, rue du Laboratoire, L-1911, Luxembourg.

The financial year is from January 1 to December 31.

These annual accounts are included in the consolidated annual accounts of Alipay (UK) Limited ("Holdings") together with its subsidiaries (the "Group") and are available at 3rd Floor, Davidson Building, 5 Southampton Street, Covent Garden, London, England, WC2E 7HA. These form the smallest body of undertakings to which the Company forms part as a direct subsidiary undertaking.

During the year, the Company was mainly involved in payment processing, marketing and business development activities.

2. Accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

The Company's financial statements are presented in EUR (€) and all values are rounded to the nearest thousand euros (€000) except when otherwise indicated.

The accounts are prepared under the historical cost convention, except for share based compensation plan.

2.2 Adoption of new and amended IFRS and interpretations

The IFRS financial information has been drawn up on the basis of accounting standards, interpretation and amendments effective at the beginning of the accounting period.

There were no applicable new standards coming into effect during the year that impacted the Company.

The Company has not adopted the following standards and interpretations that have been issued but are not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to IAS 1 *Classification of Liabilities as Current or Non-Current*	1 January 2023
Amendments to IAS 8 *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a single transaction*	1 January 2023
Amendments to IAS 1 & IFRS Practice Statement 2 - *Disclosure of Accounting Policies*	1 January 2023

The Company expects that the adoption of the amendments above will have no material impact on the financial statements in the period of initial adoption.

2.3 Summary of significant accounting policies

a) Translation of foreign currencies

Transactions in currencies different from the functional currency of the Company entering into the transaction are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of transactions.

b) Distinction between current and non-current assets and liabilities

Assets

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale for consumption in, the entity's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within twelve months after the end of the reporting period; or
- it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the entity's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be settled within twelve months after the end of the reporting period; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

c) Financial assets

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. The Company initially measures a financial asset at its fair value and, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for financial asset to be classified and measured at amortised cost for fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

iii) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include cash and cash equivalents, cash and cash equivalents held for customers, amounts due from related companies and trade and other receivables.

iv) Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company has not classified any financial assets at fair value through other comprehensive income.

v) Financial assets at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

vi) Financial assets at fair value through Profit or Loss (equity instruments)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

vii) Derecognition of financial assets

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

viii) Impairment of financial assets

An allowance for expected credit losses (ECLs) is required for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition (Stage 1), ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition (Stage 2), or are credit impaired (Stage 3), a lifetime loss allowance is required for credit losses.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. A provision matrix is used to calculate lifetime ECLs for assets that are not credit impaired. ECLs on assets that are not credit impaired are considered to be immaterial.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Amounts will be written off when there is no reasonable expectation of recovery.

d) Financial liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, amounts due to related companies and amounts due to customers.

ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost (loans and borrowings).

iii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

iv) Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

v) Derecognition of financial liabilities

A financial liability is generally derecognised when the obligation under the liability is discharged, sold, cancelled or expired.

vi) Offsetting of financial instruments

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

e) Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are measured at cost being the principal amount.

Cash and cash equivalents held for customers represents funds of the Company that are held for customer purposes, or on behalf in connection with payments to customers for online business-to-customer transactions. These cash mainly arise due to the time taken to clear transaction through external payment networks. After buyers make payments and before the related parties receive the money in their bank accounts, there is a clearing period between the time points when cash is received and settled.

f) Amounts due to/from Related Parties

Amounts due to/from Related Parties may include loans granted/received to/from group entities and intercompany recharges in connection with delivery/reception of services.

g) Employee benefits

i) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision is made for the estimated liability for leave, based on the Company's policy, as a result of services rendered by employees up to the end of the reporting period.

ii) Share based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a binomial model. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Details of share-based payments are disclosed in Note 16.

h) Taxes

i) Current Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the company's taxable profit. The taxable profit may differ from the profit included in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred taxation

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

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.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference 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.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only 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 each reporting date 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 re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Company relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it 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.

i) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost comprises the aggregate amount paid to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life:

- Office and computer equipment - 3 years;

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and values are written down immediately to their recoverable amount if needed. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the period of de-recognition.

j) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases or low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

ii) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, dilapidation costs and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are also subject to impairment.

Leasing are disclosed in Note 12.

iii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, or a change in the lease payments (i.e. changes to future payments resulting from a change in an index or rate used to determine such lease payments).

iv) Short-term leases and leases of low value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

k) Fair Value Measurement

For measurement and disclosure purposes, the Company determines the fair value of an asset or liability at initial measurement date or at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their best economic interest.

If the asset or liability measured at fair value has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value, regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

l) Impairment of non-financial assets

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

n) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all their liabilities. Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Company.

o) Revenue from Contract with Customers

The Company earns revenue primarily through service fees charged for payment processing services and other marketing and business development services. Revenue on the rendering of these services are recognised constantly over a period of service rendering, on the basis of the terms of services agreements.

Cost of revenue consists largely of payment processing fee, co-location expense to a third-party payment processor and vendor, and other costs attributable in providing the services. These costs are recognized in the corresponding period in which the revenue is recognized.

3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability effected in the future periods.

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

Valuation of lease liabilities and right-of-use assets

The application of IFRS 16 requires the Company to make judgements that effect the valuation of the lease liabilities and right-of-use assets. This includes the determination of the incremental borrowing rate used for discounting of future cash flows. The present value of the lease payment is determined using the discount factor representing the rate of interest rate swap applicable in the first instancing for currency of the lease contract and for similar tenor, adjusted by the average credit spread of entities with rating similar to that of the Company's. Judgement is also required to determine the estimated dilapidation cost at the end of the lease term. The dilapidation cost is part of the initial valuation of the right-of-use asset.

Fair Value of Equity Settled Share Based Payments

At each date of measurement, Ant Group Co., Ltd., the ultimate holding company, reviews internal and external sources of information to assist in the estimation of various attributes to determine the fair value of the share based awards granted, including but not limited to the fair value of the underlying shares, expected life, expected volatility and expected forfeiture rates. As the ultimate holding company is a private limited company, the sources utilised to determine those attributes at the date of measurement are subjective in nature and require the ultimate holding company to use judgement in applying such information to the share valuation models. The ultimate holding company is required to consider many factors and make certain assumptions (e.g. expected life (in years), expected volatility, expected dividend yield, risk-free interest rate, etc.) using this assessment. If any of the assumptions used to determine the fair value of the share-based payment awards change significantly, share based payment expense may differ materially in the future from that recorded in the current reporting period.

4. Cash at bank

As of 31 December 2022, cash at bank consists of operational cash at bank, corporate funds for customer purposes and cash equivalents held for customers. These balances of cash and cash equivalents held for customers can have either a regulatory or operational restriction placed upon them for their use.

A corresponding liability is maintained in connection with these amounts within "amounts due to customers" in the balance sheet.

As at 31 December 2022, the reconciliation between segregated cash and cash liabilities is as follows:

- **Cash and cash equivalents**

	2022	**2021**
	€'000	**€'000**
Cash and cash equivalents	26,217	9,692
	26,217	**9,692**

- **Cash and cash equivalents held for customers**

	2022	**2021**
	€'000	**€'000**
Corporate funds balances for customer purposes	10,528	5,072
Regulatory customer funds	50,541	27,138
Operational customer funds	71,222	53,316
	132,291	**85,526**

Corporate funds balances for customer purposes refer to own funds of the Company which are allocated for customer funds operations (e.g. pay customer related online channel fees, Bank fees).

Regulatory customer funds refer to customer funds to be disbursed/settled to local European merchants and merchant acquirers.

Operation customer funds refer to customer funds to be transferred to other related companies of Ant Group for onward settlements to non-European merchants and merchant acquirers.

All these three categories were in line with the discussion the Company had with Luxembourg Financial Sector Supervisory Commission (CSSF), and the customer fund reconciliation submitted to CSSF on monthly basis for the year 2022.

- **Amount due to customers**

	2022	**2021**
	€'000	**€'000**
Regulatory customer funds payable	(48,121)	(27,138)
Operational customer funds payable	(70,198)	(53,316)
	(118,319)	**(80,454)**

5. Administrative expenses

	Notes	2022 €'000	2021 €'000
Staff costs	8	2,333	1,782
Professional fees		433	499
Depreciation		200	155
Audit fees		93	95
Legal fees		176	272
Travelling and entertainment		57	28
Tax advisory fees		38	8
Other expenses		67	188
		3,397	**3,027**

6. Audit fees

Fees (including VAT and allowance, etc) charged to the Company by EY Luxembourg during the year is analysed as follows:

	Notes	2022 €'000	2021 €'000
Audit fees		93	95
		93	**95**

7. Other operating expenses

	Notes	2022 €'000	2021 €'000
Marketing costs		958	2,137
International payment service fees*		170,661	151,545
		171,619	**153,682**

*EUR 5.9 million was paid to related Companies, out of the EUR 170.6 million international payment service fees.

8. Staff Costs

(a) Employee remuneration

	Notes	2022 €'000	2021 €'000
Wages and salaries		1,247	1,007
Bonus		369	308
Social security costs		195	161
Share based payments	16	397	214
Staff welfare		125	92
		2,333	**1,782**

The number of employees for 2022 was 10 (2021: 10).

(b) Directors’ remuneration

The remuneration of the directors is included in the accounts of Ant Group Co., Ltd. the ultimate holding company of the Company. The Company does not pay for their services as directors of the Company. Compared with the services rendered to other companies within Ant Group Co., Ltd., the services rendered to the Company were insignificant and it is estimated that the remuneration for their services to the Company in the current year was nil (2021: nil).

Similarly, no allocation of share-based payment expense was made to the profit or loss account of the Company for the Directors as services rendered were deemed insignificant.

9. Corporation tax

(a) The major components of income tax expense are:

	2022 €'000	2021 €'000
Current income tax:		
Corporation tax at 24.94% (2021: 24.94%)	2,853	2,422
	2,853	**2,422**
Deferred tax:		
Losses available for offsetting against future taxable income	-	-
Reversal of timing differences	-	-
	-	-
Net worth tax	38	38
Tax expense in the income statement	**2,891**	**2,460**

(b) The tax expense in the income statement for the year is higher than the standard rate of corporation tax in Luxembourg of 24.94% (2021: 24.94%). The differences are reconciled below:

	2022 €'000	2021 €'000
Accounting profit before income tax	11,046	9,499
At Luxembourg's statutory income tax rate of 24.94% (2020: 24.94%)	2,754	2,369
Income not subject to tax	-	-
Non-deductible expenses	99	53
Utilization of previously unrecognized tax losses	-	-
Recognition of tax loss not previously recognized	-	-
Net worth tax	38	38
Income tax expense	**2,891**	**2,460**

10. Trade and other receivables

	2022 €'000	2021 €'000
Prepayments	1	5
Other receivables	956	13
	957	**18**

11. Trade and other payables

	2022	2021
	€'000	€'000
Accruals	2,096	1,855
Trade payables	9,179	8,318
Other creditors	668	4,362
	11,943	**14,535**

12. Leases

The Company has lease contracts for various items of office and parking spaces used in its operations. In April 20, 2020 the Company terminated its old leasing contact and entered in a new lease for twelve (12) months (the “Initial Term”), with an option to renew the lease term automatically for additional periods of six (6) months at the end of the Initial Term or any extended term under mutually acceptable terms and conditions.

In December 2022, the company renew their lease contracts until December 31, 2023.

Set out below is the carrying amount of right-of-use assets recognised and the movements during the year

Right-of-use asset	**Leasehold Property €'000**
As at 1 January 2021	**129**
Additions	181
Depreciation expense	(155)
As at 31 December 2021	**155**
Additions	181
Depreciation expense	(181)
As at 31 December 2022	**155**

Set out below is the carrying amount of lease liabilities and the movements during the year:

Lease liabilities	**Leasehold Property €'000**
As at 1 January 2021	**130**
Additions	181
Accretion of interest	1
Payments	(169)
As at 31 December 2021	**143**
Additions	181
Accretion of interest	1
Payments	(169)
As at 31 December 2022	**156**
Current	**156**
Non-current	**-**

The following are the amounts recognised in profit or loss:

	Year ended 31 December 2022 €'000	Year ended 31 December 2021 €'000
Depreciation expense of right-of-use assets	181	155
Interest expense on lease liabilities	1	1
Total amount recognized in profit or loss	**182**	**156**

There were no leases of low-value assets, leases with residual value guarantees or leases not yet commenced to which the Company is committed.

The Company used the incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. As of 31 December 2022, The IBR used by the Company was 0.85%.

Interest expense on lease liabilities is disclosed as finance costs in the Statement of Comprehensive Income.

The total cash outflow for leases for the year ending 31 December 2022 amounts to €169K (2021: €169K).

13. Risk

The Company's principal financial instruments comprise cash and cash equivalents, cash and cash equivalents held for customers, amounts due to/from related parties and amounts due to customers

The main risk arising from the Company's financial instruments is credit risk, foreign currency risk and liquidity risk. The directors review and agree policies for managing each of these risks.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty of a financial instrument fails to meet its obligations, and arise principally from receivables and cash and cash equivalents.

Receivable balances are monitored on an ongoing basis. Cash and cash equivalents are placed with or entered into with reputable institutions or companies with high credit ratings and no history of default. The Group has no significant concentration of credit risk.

The carrying amount of financial assets recognised in the balance sheet represents the Company's maximum exposure to credit risk at the reporting date.

Foreign currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Company (when receipt or payment is settled using a currency that is different to the functional currency).

The Company conducts its business mainly in its functional currency (EUR), with certain transactions denominated in other currencies. The Company seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The below sensitivity analysis illustrates potential movement in the statement of comprehensive income and has been prepared based on reasonably possible changes in exchange rates that would happen one at a time and assumes all other variables are held constant.

Year ended 31 December 2022 (EUR '000)

Sensitivity of profit before tax to a +/- 5% change in foreign exchange rates

	2022	2021
CHF	(145)	(145)
CNY	(64)	(59)
GBP	(47)	(42)
HKD	(1)	(2)
PLN	(59)	(58)
RUB	-	(21)
USD	2,328	2,189
JPY	(20)	(19)
ZAR	(16)	(4)
MXN	(20)	(25)
THB	(14)	(5)
ILS	-	(2)
CZK	(35)	(35)
HUF	(20)	(20)
SGD	(9)	(7)
AUD	-	(1)
	1,878	**1,744**

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities.

The Company's policy on liquidity risk management is to maintain sufficient cash and available funding to meet forecast cash movements. Cash balances and forecast cash movements are reviewed on a regular basis to ensure that the Company maintains adequate working capital.

The maturity profile of the Company's financial assets and liabilities are closely matched with balances receivable/payable within 1 year, which mitigates the risks of default on financial obligations.

Other risks

The Company has exposure to other risks including operational, regulatory and reputational risk.

Operational risk is the risk of loss resulting from inadequate internal processes, people and systems or from external events.

Reputational risk is the risk of damage to the Company's brand or reputation which could lead to further financial risk including risk to earnings, capital or liquidity.

The Company is subject to regulation by local regulatory authorities. Regulatory risk is the risk of changes by such authorities that could adverse effect the business. This includes regulatory capital and own funds requirements. Capital management is detailed in Note 14 below.

The Board and Management of the Company regularly monitor key risks through the Risk Management Committee and the quarterly Board meetings.

14. Capital Management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may return capital to equity holders or demand further capital contributions from equity holders through new share issuance. Sufficient capital was held as at 31st December 2022 and 2021 to meet all Company requirements.

The minimum capital requirement for the Company is determined with reference to 10% of the prior year's fixed costs (Method A) and 2% of the moving six-month average outstanding E-money liabilities at the end of each calendar day (Method D). Both Method A and D are own funds calculation methods defined by CSSF circular 10/462.

15. Share capital

The Company was incorporated on June 20, 2014 and issued 31.000 ordinary shares (EUR 1 par value).

On June 4, 2018, the Company increased its share capital through the issue of 4.000 new shares (EUR 1 par value).

On October 17, 2018, the Company further increased its share capital through the issue of an additional 600.000 new shares (EUR 1 par value).

On December 13, 2019, the Company further increased its share capital through the issuance of an additional 3,000.000 new shares (EUR 1 par value).

All shares issued are fully paid up.

	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
	Number	**Number**		
	thousands	**thousands**	**€'000**	**€'000**
Authorised				
Ordinary share of €1 each	3,635	3,635	3,635	3,635
Allotted, issued and fully paid				
Ordinary shares of €1 each				
Opening balance	3,635	3,635	3,635	3,635
Issued in the year	-	-	-	-
Closing balance	3,635	3,635	3,635	3,635

Year ended 31 December 2022 (EUR ‘000)

16. Share based payments and reserves

Ant Group Co., Ltd, the ultimate holding company of the Company, operates equity settled share option schemes (the Schemes) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company’s operations. Eligible participants of the Scheme include the employees of the Company.

Restricted Share Units (“RSU”)

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 Restricted Share Units (“RSUs”) from newly granted or replaced SERs in 2018. 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 Ant Group Co., Ltd. Group and RSUs will be settled by Ant International according to the RSUs plan.

In September 2019, Alibaba Group Holding Limited (“Alibaba Group”) became the shareholder of Ant Group Co., Ltd. Alibaba Restricted Share Units (“Alibaba RSUs”) were granted to employees who were transferred from Alibaba Group during their employment will continue to be effective as the employees of the Company. 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 Company.

For the year ended 31 December 2022, the Company recognized share-based compensation expense of €142K (2021: €69K) to the statement of comprehensive income in relation to these shares.

The following are details for movements in the numbers at grant date of RSUs that were granted but not vested during the year:

	31 December 2022	**31 December 2021**
	Number of RSUs	**Number of RSUs**
At beginning of year	85,660	40,000
Granted	17,600	46,460
Vested	(25,550)	(650)
Forfeited	(12,100)	(1,100)
Transferred in	-	1,350
At end of year	**65,610**	**86,060**

Stock Appreciation Rights (“SAR”)

Stock Appreciation Rights (“SAR”) are granted to employees of the Company by Ant International. The fair value of SAR at the grant date is 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 Company and SAR will be settled by Ant International according to the SAR plan.

During the year end 31 December 2022, there was a charge of €255K (2021: €145K) to the statement of comprehensive income in relation to these shares.

Year ended 31 December 2022 (EUR ‘000)

The following tables lists the inputs to the option pricing model for the year ended 31 December 2022:

SAR	
Expected life (in years)	6
Expected volatility	24.82%-25.61%
Risk-free interest rate	2.51%-2.72%
Expected dividend yield	0%

The following are details for movements in the numbers at grant date of SARs that were granted but not vested during the year:

	31 December 2022	**31 December 2021**
	Number of SARs	**Number of SARs**
At beginning of year	125,936	88,311
Granted	80,770	41,030
Vested	(46,207)	(3,405)
Forfeited	(26,996)	-
Transferred in	-	-
At end of year	**133,503**	**125,936**

17. Legal reserve

Under Luxembourg law an amount equal to at least 5 percent of the income of the year must be allocated to a legal reserve until such reserve equals 10 percent of the share capital of the Company. This reserve is not available for dividend distribution.

The annual general meeting of the Company dated 15 July 2021 approved the appropriation of the 2020 result and decided to allocate EUR 363,500 (10% of the share capital of the Company) to be legal reserve.

No amount was allocated to a legal reserve in the current financial period, as the previous allocated reserve equals 10 percent of the share capital of the Company.

18. Other reserves

When the Company first time prepared its financial statements in accordance with IFRS for the year ended 31 December 2019, an amount of €202K related to the waiver of professional fees paid by Alipay (UK) Limited on behalf of the Company, was accounted as a capital contribution directly to equity.

19. Related party transactions and balances

The Company entered into transactions, in the ordinary course of business, with other related parties on normal commercial terms and conditions. These transactions may include loans granted/received to/from group entities and intercompany recharges in connection with delivery/reception of services. Income for services rendered to related parties are recognised as revenue. The Company provides payment services for Ant Group entities and is reimbursed for transaction costs incurred. Transactions entered into and trading balances outstanding were:

	2022 €'000	2021 €'000
Services rendered to related companies (Associates)		
Alipay Singapore E-Commerce Private Limited*	174,095	158,574
Alipay (Hangzhou) Information Technology Co., Ltd.*	9,077	7,617
Services received from related companies (Associates)		
Alibaba Cloud US LLC.	5,943	1,111
Amounts due from related companies (Associates)		
Alipay Singapore E-Commerce Private Limited	17,199	26,834
Alipay (Hangzhou) Information Technology Co., Ltd.	-	216
Alipay Global Markets (Singapore) Pte. Ltd.	-	52
Alibaba.com (Europe) Limited	-	9
Antfin (Netherlands) Holding B.V.	347	3,053
Alibaba (Netherlands) B.V.	9	-
	17,555	**30,163**
Amount due to related companies (Associates)		
Alibaba.com Singapore E-Commerce Private Limited	2,174	2,047
Alipay Singapore E-Commerce Private Limited	12,260	9,611
Hangzhou Zhisheng Information Technology Co., Ltd.	190	194
Alipay.com Co., Ltd.	79	12
Alipay (Hong Kong) Holding Limited	-	4
Alipay (Hangzhou) Information Technology Co., Ltd.	1,130	-
Alipay Global Markets (Singapore) Pte. Ltd.	3,516	-
eWTP Digital Services (Belgium) SRL	18	-
Alipay Connect Pte. Ltd.	55	-
	19,422	**11,868**

*Services includes payment processing, technical support, marketing and business development for AliExpress, etc.

20. Revenue

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2022 €'000	2021 €'000
Geographical markets		
Asia	183,172	166,191
EU	478	(92)
Total revenue from contract with customers	**183,650**	**166,099**

Timing of revenue recognition		
Services transferred over time	183,650	166,099
Total revenue from contract with customers	**183,650**	**166,099**
Revenue		
External customers	478	(92)
Related party	183,172	166,191
Total revenue from contract with customers	**183,650**	**166,099**

21. Foreign exchange income

As detailed in Note 2.3 a), monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Euro at the exchange rate ruling at that date. Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit and loss and are as follows:

	2022	**2021**
	€'000	**€'000**
Foreign exchange income	2,509	157
	2,509	**157**

The Company’s policies for managing risk and foreign currency risk are disclosed in Note 13.

22. Post balance sheet events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

23. Contingent liabilities and commitments

The Company does not have any significant contingent liabilities or commitments.

Alipay (Europe) Limited

Société anonyme

Siège social : 9, rue du Laboratoire
L - 1911 Luxembourg
R.C.S. Luxembourg B188095

Conseil d'administration en fonction :

Monsieur **Leiming CHEN**, Administrateur
1, Matheson Street, Tower One, Times Square, 26/F, Causeway Bay, Hong Kong, Chine

Monsieur **Douglas Lehman FEAGIN**, Administrateur
1, Matheson Street, Tower One, Times Square, 26/F, Causeway Bay, Hong Kong, Chine

Monsieur **Yi ZHOU**, Administrateur
77, Xueyuan Road, Building E, Huanglong Vanke Center, Xihu District, Hangzhou, Chine

Réviseur d'entreprises agréé :

ERNST & YOUNG
35E, Avenue John F. Kennedy, L-1855 Luxembourg

Affectation du résultat :

Le conseil d'administration a proposé et l'assemblée générale annuelle de la société a décidé de reporter le profit de l'exercice social clos au 31 décembre 2022 dont le montant s'élève à EUR 8.155.000,00 de la manière suivante :

Résultat reporté des années précédentes :	EUR	10.440.000,00
Profit de l'exercice social clos au 31 décembre 2022 :	EUR	8.155.000,00
Affectation à la réserve spéciale d'impôt sur la fortune 2022 :	EUR	(372.475,00)
Résultat à reporter à l'exercice social suivant :	**EUR**	**18.222.525,00**