

WELAB DIGITAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE PERIOD FROM AUGUST 21, 2018 (DATE OF INCORPORATION)
TO DECEMBER 31, 2018**

WELAB DIGITAL LIMITED

DIRECTORS' REPORT

The directors submit their first report together with the audited financial statements of Welab Digital Limited (the "Company") for the period from August 21, 2018 (date of incorporation) to December 31, 2018 (the "period").

Principal activity

The Company intends to engage in virtual banking business. The Company has not commenced business as a virtual bank and remained inactive during the period. On April 10, 2019, the Company was granted authorization by the Hong Kong Monetary Authority to carry on banking business as a virtual bank.

Results and appropriations

The results of the Company for the period are set out in the statement of comprehensive income on page 7.

The directors do not recommend the payment of a dividend for the period.

Permitted indemnity provisions

At no time during the financial period and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

Shares issued in the period

Details of the shares issued in the period are set out in Note 11 to the financial statements.

Directors

The directors of the Company during the period and up to the date of this report were:

Loong, Pui Chi Simon	(Appointed on August 21, 2018)
Chan, Ka Keung Ceajer	(Appointed on August 21, 2018)
Leung, Wing Cheung William	(Appointed on June 1, 2019)
Lee, Ka Tat	(Appointed on June 1, 2019)
Roberts, Donald Jeffrey	(Appointed on June 1, 2019)

There being no provision to the contrary in the Company's Articles of Association for retirement by rotation, all directors continue in office.

Directors' material interests

Except for the related party transactions as disclosed in Note 13 to the financial statements, no other contracts of significance in relation to the Company's business to which the Company, its holding companies or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

WELAB DIGITAL LIMITED

DIRECTORS' REPORT (CONTINUED)

Under a share option scheme arranged by the ultimate holding company, Welab Holdings Limited, the above mentioned directors have been granted options to acquire shares in Welab Holdings Limited as follows:

Number of share options				
Outstanding balance as at August 21, 2018 (date of incorporation)	Granted during the period	Exercised during the period	Cancelled during the period	Outstanding balance as at December 31, 2018
304,732	-	-	-	304,732

The options outstanding as at December 31, 2018 had a weighted average exercise price of US\$9.00 per share.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period.

Business review

No business review is presented for the period as the Company has been able to claim an exemption under section 388(3) of the Companies Ordinance Cap. 622 since it is a wholly owned subsidiary of Welab Holdings Limited.

Auditors

PricewaterhouseCoopers was appointed as the first auditor of the Company during the period.

The financial statements have been audited by PricewaterhouseCoopers who was appointed and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Director

Hong Kong, 20 JUN 2019

Independent Auditor's Report

To the Member of Welab Digital Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of Welab Digital Limited (the "Company") set out on pages 7 to 23, which comprise:

- the balance sheet as at December 31, 2018;
- the statement of comprehensive income for the period from August 21, 2018 (date of incorporation) to December 31, 2018;
- the statement of changes in equity for the period from August 21, 2018 (date of incorporation) to December 31, 2018;
- the statement of cash flows for the period from August 21, 2018 (date of incorporation) to December 31, 2018; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the period from August 21, 2018 (date of incorporation) to December 31, 2018 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

To the Member of Welab Digital Limited (Continued)
(incorporated in Hong Kong with limited liability)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include the financial statements and our auditor's report 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 that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

To the Member of Welab Digital Limited (Continued)
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, 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 directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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Independent Auditor's Report

To the Member of Welab Digital Limited (Continued)
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in blue ink, consisting of a stylized 'P' followed by a long horizontal line.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 0 JUN 2019

WELAB DIGITAL LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM AUGUST 21, 2018 (DATE OF INCORPORATION)
TO DECEMBER 31, 2018**

	Note	For the period from August 21, 2018 (date of incorporation) to December 31, 2018 HK\$
General and administrative expenses	5	(493,146)
Loss before income tax		<u>(493,146)</u>
Income tax expense	8	-
Loss and total comprehensive loss for the period		<u><u>(493,146)</u></u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

WELAB DIGITAL LIMITED

**BALANCE SHEET
AS AT DECEMBER 31, 2018**

	Note	2018 HK\$
ASSETS		
Non-current asset		
Amount due from the immediate holding company	9	1
Current assets		
Deposits and prepayments	10	486,599
Total assets		486,600
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	11	1
Accumulated losses		(493,146)
Capital deficiencies		(493,145)
LIABILITIES		
Non-current liabilities		
Amount due to the ultimate holding company	9	301,239
Amount due to a fellow subsidiary	9	495,869
		797,108
Current liabilities		
Accruals	12	182,637
Total liabilities		979,745
Total equity and liabilities		486,600

The financial statements on page 7 to 23 were approved by the Board of Directors on 20 JUN 2019 and were signed on its behalf:



Loong, Pui Chi Simon
Director



Chan, Ka Keung Ceajer
Director

The above balance sheet should be read in conjunction with the accompanying notes.

WELAB DIGITAL LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM AUGUST 21, 2018 (DATE OF INCORPORATION)
TO DECEMBER 31, 2018**

	Share capital HK\$	Accumulated losses HK\$	Total HK\$
Balance as at August 21, 2018 (date of incorporation)			
Issuance of share upon incorporation of the Company (Note 11)	1	-	1
Loss and total comprehensive loss for the period	-	(493,146)	(493,146)
	<hr/>	<hr/>	<hr/>
Balance as at December 31, 2018	<u>1</u>	<u>(493,146)</u>	<u>(493,145)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

WELAB DIGITAL LIMITED**STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM AUGUST 21, 2018 (DATE OF INCORPORATION)
TO DECEMBER 31, 2018**

	Note	For the period from August 21, 2018 (date of incorporation) to December 31, 2018 HK\$
Cash flows from operating activities		
Loss before income tax		(493,146)
		<hr/>
Operating cash flow before changes in working capital		(493,146)
Increase in deposits and prepayments		(486,599)
Increase in accruals		182,637
		<hr/>
Net cash used in operating activities		(797,108)
		<hr/>
Cash flows from investing activity		
Increase in amount due from the immediate holding company		(1)
		<hr/>
Net cash used in investing activity		(1)
		<hr/>
Cash flows from financing activities		
Proceeds from issuance of an ordinary share	11	1
Increase in amount due to the ultimate holding company		301,239
Increase in amount due to a fellow subsidiary		495,869
		<hr/>
Net cash generated from financing activities		797,109
		<hr/>
Net change in cash and cash equivalents		-
Cash and cash equivalents at beginning of the period		-
		<hr/>
Cash and cash equivalents at end of the period		-
		<hr/>

The above statement of cash flows should be read in conjunction with the accompanying notes.

WELAB DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Welab Digital Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The Company’s registered office is Unit 301-6, OfficePlus @ Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong.

The Company intends to engage in virtual banking business. The Company has not commenced business as a virtual bank and remained inactive during the period. On April 10, 2019, the Company was granted authorization by the Hong Kong Monetary Authority to carry on banking business as a virtual bank.

The Company is wholly owned by Welab Capital Limited, a company incorporated in Hong Kong.

The financial statements are presented in Hong Kong dollars (“HK\$”) unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap. 622. The financial statements have been prepared under the historical cost convention.

HKFRS 1, “First-time Adoption of Hong Kong Accounting Standards”, has been applied in preparing these financial statements. These financial statements are the first financial statements of the Company to be prepared in accordance with HKFRSs.

As at December 31, 2018, the Company has capital deficiencies of HK\$493,145 and incurred a loss of HK\$493,146 for the period then ended. The ultimate holding company, Welab Holdings Limited, has confirmed its intention to provide financial support for the continuous operations of the Company so as to enable the Company to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in twelve months from the balance sheet date as at December 31, 2018. Consequently, the financial statements have been prepared on a going concern basis.

The preparation of financial statements of the Company in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements of the Company are disclosed in Note 4.

New standards and interpretations not yet adopted by the Company

A number of new standards and amendments to standards and interpretations that are relevant to the Company but not yet effective for the financial period beginning on August 21, 2018 (date of incorporation) and have not been early adopted by the Company.

WELAB DIGITAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS****2 Summary of significant accounting policies (Continued)****2.1 Basis of preparation (Continued)****New standards and interpretations not yet adopted by the Company (Continued)**

Standards	Key requirements	Effective for annual periods beginning on or after
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	January 1, 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	January 1, 2019
HKFRS 16	Leases	January 1, 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	January 1, 2019
Amendments to HKFRS	Annual Improvement to HKFRS 2015–2017 Cycle	January 1, 2019
Revision to HKAS 1	Presentation of Financial Statements	January 1, 2020
Amendment to HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors	January 1, 2020
Amendment to HKFRS 3	Business Combinations	January 1, 2020
HKFRS 17	Insurance Contracts	January 1, 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Company has identified some aspects of HKFRS 16 which may have an impact on the financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Company. The Company may also change its accounting policy elections, including the transition options, until the standard is initially applied in the financial report.

HKFRS 16: Leases

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard replaces HKAS 17 Leases and related interpretations.

HKFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value or the lease is short-term, in the balance sheet. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability in the statement of comprehensive income, and also classifies cash repayments of the lease liability into a principal portion and an interest portion for presentation in the statement of cash flows.

WELAB DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

New standards and interpretations not yet adopted by the Company (Continued)

HKFRS 16: Leases (Continued)

The standard will affect primarily the accounting for the Company's operating leases when the Company is the lessee. The Company has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Company's profit and classification of cash flows. Some of the commitments may be covered by the exceptions for short-term and low-value leases that will not qualify as leases under HKFRS 16.

For the lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

2.2 Functional currency and foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in HK\$, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are generally recognized in the statement of comprehensive income. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2.3 Financial assets

2.3.1 Classification and measurement

The Company has applied HKFRS 9 and classified its financial assets as amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

WELAB DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Financial assets (Continued)

2.3.2 Recognition and measurement

At initial recognition, the Company 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Debt instruments

Business model assessment:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at fair value through profit or loss. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI test:

The Company assesses the contractual terms of instruments to identify whether the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' ("SPPI"). Financial assets that are consistent with a basic lending arrangement are considered to meet the SPPI criterion. In a 'basic lending arrangement', consideration for the time value of money and credit risk are typically the most significant elements of interest. It may also include consideration for other basic lending risks such as liquidity risks, costs associated with holding the financial assets for a period of time (e.g., servicing or administrative costs) and a profit margin.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in loan interest income or finance income using the effective interest method.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets measured at fair value through profit or loss are recognized in the statement of comprehensive income.

WELAB DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Financial assets (Continued)

2.3.3 De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

2.4 Impairment of financial assets

Assets carried at amortized cost

For all financial assets, the Company makes periodic collective assessments as well as individual assessment on their recoverability based on historical settlement records and past experience.

2.5 Financial liabilities

All financial liabilities are initially measured at fair value, net of transaction costs incurred. The subsequent measurement of financial liabilities depends on their classification.

(a) Financial liabilities

Financial liabilities are subsequently stated at amortized cost. Any difference between proceeds net of transaction costs and the redemption value is recognized in the statement of comprehensive income over the period of the other financial liabilities using the effective interest method.

(b) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Arrangements do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.6 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and demand deposits with original maturities of three months or less that are convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

WELAB DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.7 Share capital

Ordinary shares is classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.8 Current and deferred income tax

Current income tax is calculated based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income and retained earnings because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in the statement of comprehensive income, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

WELAB DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.9 Employee benefits

Salaries, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current period. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Company operates defined contribution pension scheme regulated under the Mandatory Provident Fund ("MPF") in respect of employees in Hong Kong. The Company contributes to MPF based on certain percentages of the salary of employees, subject to certain ceiling, as stipulated by the relevant regulations. The Company's liability in respect of MPF is limited to the contributions payable in each period. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payment is available. Contributions to MPF are expensed as incurred. Assets of the plans are held by government authorities and are separate from those of the Company.

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.10 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

WELAB DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management

3.1 Financial risk factors

The Company is exposed to various kinds of financial risks including credit risk and liquidity risk. The Company's risk management objectives and policies seek to minimize the potential adverse effects on its financial performance.

(a) Credit risk

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Company.

For all financial assets, the Company makes periodic collective assessments as well as individual assessment on their recoverability based on historical settlement records and past experience.

The maximum credit risk exposure of the Company in relation to its financial assets without taking account of any collateral and other credit enhancements is presented below:

	2018 HK\$
Amount due from the immediate holding company	1
Deposits	312,000
	<hr/>
Total maximum credit risk exposure	312,001
	<hr/> <hr/>

(b) Liquidity risk

The Company regularly monitors its liquidity requirements to ensure that it always maintains sufficient funding from its operations and from its ultimate holding company as and when required to meet its liquidity requirements in the short and longer term.

The table below presents the cash flows receivable and payable by the Company under financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Company manages the liquidity risk based on the estimation of future cash flows.

	Carrying amount HK\$	Total contractual undiscounted cash flows HK\$	Within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$
As at December 31, 2018				
Amount due from the immediate holding company	1	1	-	1
Deposits	312,000	312,000	312,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	312,001	312,001	312,000	1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

WELAB DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk (Continued)

	Carrying amount HK\$	Total contractual undiscounted cash flows HK\$	Within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$
As at December 31, 2018				
Amount due to the ultimate holding company	301,239	301,239	-	301,239
Amount due to a fellow subsidiary	495,869	495,869	-	495,869
Accruals	182,637	182,637	182,637	-
Total financial liabilities	979,745	979,745	182,637	797,108

3.2 Fair value estimation

As at December 31, 2018, the Company's financial assets and liabilities are recognized at amortized cost. Based on the estimate of the management, the carrying value of these financial assets and liabilities are approximate to their fair values.

3.3 Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit for other stakeholders. 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 adjust the dividend payment to shareholders or issue new shares.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The directors, however, are of the opinion that there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Company within the next financial year.

WELAB DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 Expenses by nature

	For the period from August 21, 2018 (date of incorporation) to December 31, 2018 HK\$
Employee benefit expenses (Note 6)	329,140
Recruiting expenses	35,200
Travelling and entertainment expenses	884
Legal and professional fees	119,816
Auditor's remuneration	7,750
Others	356
	<hr/>
	493,146
	<hr/>

6 Employee benefit expenses

	For the period from August 21, 2018 (date of incorporation) to December 31, 2018 HK\$
Wages and salaries	325,000
Pension costs - defined contribution plans	-
Other employee benefit expenses	4,140
	<hr/>
	329,140
	<hr/>

WELAB DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 Directors' remuneration

(a) Directors' emoluments

No fees or emoluments were received or receivable by the directors in respect of their services to the Company during the period.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the period.

(c) Consideration provided to third parties for making available directors' services

During the period, the Company did not pay consideration to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealing arrangements in favor of directors, controlled bodies corporate by and connected entities with such directors for the period.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

8 Income tax

The applicable Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax has been made in the financial statements for the period from August 21, 2018 (date of incorporation) to December 31, 2018 as the Company had no estimated assessable profit for the period.

The taxation on the Company's loss before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	For the period from August 21, 2018 (date of incorporation) to December 31, 2018 HK\$
Loss before income tax	(493,146)
Tax calculated at tax rate of 16.5%	(81,369)
Tax effect of non-deductible expenses	81,369
Income tax expense	-

WELAB DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 Amounts due from/(to) group companies

The amounts due are unsecured, interest free, have no fixed repayment terms and are denominated in HK\$. In the opinion of the directors, the amounts due are not expected to be repayable or repaid within the next 12 months.

10 Deposits and prepayments

	2018 HK\$
Deposits	312,000
Prepayments	174,599
	<u>486,599</u>

The deposits and prepayments do not contain impaired assets. The carrying amounts of deposits and prepayments are denominated in HK\$.

11 Share capital

	Number of shares	Share capital HK\$
Ordinary share, issued and fully paid:		
As at August 21, 2018 (date of incorporation)	-	-
Issuance of share	1	1
	<u>1</u>	<u>1</u>
As at December 31, 2018	<u>1</u>	<u>1</u>

12 Accruals

As at December 31, 2018, the carrying amount of accruals is denominated in HK\$.

13 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Company and their close family members are also considered as related parties.

(a) Balances with related parties

Amount due from the immediate holding company, amounts due to the ultimate holding company and a fellow subsidiary are set out in the balance sheet. The terms are set out in Note 9.

(b) Key management compensation

The Board of Directors considers the Company's key management are the directors and their compensations are disclosed in Note 7.

WELAB DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 Subsequent event

Saved as disclosed elsewhere in the report, subsequent event of the Company after December 31, 2018 is detailed as below:

On January 28, 2019, written resolution of the sole shareholder of the Company was passed pursuant to which the Company issued and allotted 500,000,000 ordinary shares to its sole shareholder for a consideration of HK\$500,000,000.