



INTERIM REPORT 2022

WELAB BANK LIMITED

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Chinese translation

A Chinese translation of Interim Report is available upon request. The report is also available, in English and Chinese, on the Bank's website at www.welab.bank.

WELAB BANK LIMITED

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Unaudited)
FOR THE 6 MONTHS ENDED 30 JUNE 2022**

	Note	6 months ended 30 Jun 2022 HK\$'000	6 months ended 30 Jun 2021 HK\$'000
Interest income	5	18,360	1,032
Interest expense	5	<u>(7,143)</u>	<u>(5,428)</u>
Net interest income/(expense)		11,217	(4,396)
Net fee and commission income/(expense)	6	(360)	1,018
Other income		<u>1,855</u>	<u>508</u>
Other operating income		<u>1,495</u>	<u>1,526</u>
		12,712	(2,870)
Operating expenses	7	(221,067)	(221,113)
Finance costs on lease liabilities		<u>(1,798)</u>	<u>(1,953)</u>
Loss before allowances for expected credit losses		(210,153)	(225,936)
Change in expected credit losses	8	<u>(13,863)</u>	<u>(792)</u>
Loss for the period		<u>(224,016)</u>	<u>(226,728)</u>
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of financial investments at fair value through other comprehensive loss ("FVOCI")		<u>—</u>	<u>(16)</u>
Total comprehensive loss for the period		<u>(224,016)</u>	<u>(226,744)</u>

WELAB BANK LIMITED**CONDENSED STATEMENT OF FINANCIAL POSITION (Unaudited)
AT 30 JUNE 2022**

	Note	At 30 Jun 2022 HK\$'000	At 31 Dec 2021 HK\$'000
Assets			
Balances with banks	10	982,567	1,752,038
Placements with banks	11	179,987	209,998
Financial investments	12	338,794	235,311
Loans and advances to customers	13	942,436	497,045
Due from a group company	19	17,990	18,000
Property and equipment		14,238	17,950
Right-of-use assets		36,566	44,660
Intangible assets		55,126	63,086
Prepayments and other assets	14	99,489	79,894
		<u>2,667,193</u>	<u>2,917,982</u>
Liabilities			
Deposits from customers	15	1,930,792	2,259,060
Repurchase agreement at amortized cost		80,000	–
Lease liabilities		45,756	51,793
Other liabilities and provisions	16	62,006	77,571
Due to group companies		20,315	18,166
		<u>2,138,869</u>	<u>2,406,590</u>
Equity			
Share capital	17	1,606,000	1,371,000
Reserves		(1,077,676)	(859,608)
		<u>528,324</u>	<u>511,392</u>
Total equity and liabilities		<u>2,667,193</u>	<u>2,917,982</u>

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**CONDENSED STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE 6 MONTHS ENDED 30 JUNE 2022**

	Share Capital HK\$'000	Employee share-based payment reserve HK\$'000	Financial assets at FVOCI reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 Jan 2021	870,000	7,763	16	(382,962)	494,817
Issuance of shares (Note 17)	261,000	–	–	–	261,000
Loss for the period	–	–	–	(226,728)	(226,728)
Recognition of equity-settled share-based payment	–	5,739	–	–	5,739
Other comprehensive loss for the period	–	–	(16)	–	(16)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 Jun 2021 and 1 Jul 2021	1,131,000	13,502	–	(609,690)	534,812
Issuance of shares (Note 17)	240,000	–	–	–	240,000
Loss for the period	–	–	–	(267,836)	(267,836)
Recognition of equity-settled share-based payment	–	4,416	–	–	4,416
Forfeiture/lapse of share options	–	(7,899)	–	7,899	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 Dec 2021 and 1 Jan 2022	1,371,000	10,019	–	(869,627)	511,392
Issuance of shares (Note 17)	235,000	–	–	–	235,000
Loss for the period	–	–	–	(224,016)	(224,016)
Recognition of equity-settled share-based payment	–	5,948	–	–	5,948
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 Jun 2022	<u>1,606,000</u>	<u>15,967</u>	<u>–</u>	<u>(1,093,643)</u>	<u>528,324</u>

WELAB BANK LIMITED

**CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE 6 MONTHS ENDED 30 JUNE 2022**

	6 months ended 30 Jun 2022 HK\$'000	6 months ended 30 Jun 2021 HK\$'000
Cash flows from operating activities		
Loss for the period	(224,016)	(226,728)
Adjustments:		
Interest income	(18,360)	(1,032)
Interest expense	7,143	5,428
Depreciation on property and equipment	4,126	3,579
Expected credit losses	13,863	792
Depreciation of right-of-use assets	8,094	6,544
Amortization of intangible assets	7,960	(717)
Finance cost on lease liabilities	1,798	1,953
Non-cash share-based expenses	5,948	5,739
Interest received	17,500	523
Interest paid	(8,398)	(5,041)
Changes in operating assets and liabilities		
Increase in loans and advances to customers	(459,174)	(53,253)
Increase in due from a group company	–	(18,000)
Increase in right-of-use assets	–	(348)
Decrease/(increase) in prepayments and other assets	(18,892)	5,372
Increase/(decrease) in deposits from customers	(328,268)	965,332
Increase in repurchase agreement at amortized cost	80,000	–
Decrease in other liabilities and provisions	(14,310)	(4,396)
Increase in due to group companies	2,149	4,379
Net cash generated from/(used in) operating activities	(922,837)	690,126
Cash flows from investing activities		
Purchase of property and equipment	(414)	(1,511)
Purchase of intangible assets	–	(7,394)
Purchase of financial investments at amortized cost	(103,501)	(154,706)
Proceeds from maturity of financial investments at FVOCI	–	69,805
Placements with banks with original maturity beyond 3 months	(80,000)	–
Net cash used in investing activities	(183,915)	(93,806)

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**CONDENSED STATEMENT OF CASH FLOWS (Continued) (Unaudited)
FOR THE 6 MONTHS ENDED 30 JUNE 2022**

	6 months ended 30 Jun 2022 HK\$'000	6 months ended 30 Jun 2021 HK\$'000
Cash flows from financing activities		
Principal element of lease payment	(6,037)	(4,245)
Interest element of lease payment	(1,798)	(1,953)
Proceeds from issuance of ordinary shares	<u>235,000</u>	<u>261,000</u>
Net cash generated from financing activities	<u>227,165</u>	<u>254,802</u>
Net change in cash and cash equivalents	(879,587)	851,122
Cash and cash equivalent at the beginning of the period	<u>1,902,293</u>	<u>1,442,553</u>
Cash and cash equivalent at the end of the period	<u><u>1,022,706</u></u>	<u><u>2,293,675</u></u>
Analysis of balances of cash and cash equivalents		
Balances with banks	982,706	1,716,715
Placements with banks with original maturity within 3 months	40,000	399,972
Financial investments with original maturity within 3 months	<u>–</u>	<u>176,988</u>
	<u><u>1,022,706</u></u>	<u><u>2,293,675</u></u>

WELAB BANK LIMITED

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

1 General information

Welab Bank Limited (the “Bank”) is a limited liability company incorporated in Hong Kong. The principal activities of the Bank are to provide banking and related financial services. It offers products and services including savings and time deposits, debit card payments, loans and advances and other banking services to customers.

The Bank’s registered office is 23rd floor, K11 Atelier King’s Road, 728 King’s Road, Quarry Bay, Hong Kong.

The immediate holding company of the Bank is Welab Capital Limited, which is incorporated in Hong Kong. The intermediate holding company of the Bank is Welab Venture Business Limited, which is incorporated in Cayman Islands. The ultimate holding company of the Bank is Welab Holdings Limited, which is incorporated in British Virgin Islands.

2 Basis of preparation

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

The preparation of the condensed interim financial statements in conformity with HKAS34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing the condensed interim financial statements, the significant judgements made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Annual Report 2021.

These condensed interim financial statements should be read in conjunction with the Annual Report 2021, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 Accounting policies

The accounting policies applied in the preparation of the condensed interim financial statements are consistent with those described in the Bank’s Annual Report 2021.

For the 6 months ended 30 June 2022, there were no new standards or amendments to standards that had a material effect on these condensed interim financial statements.

4 Compliance with the Banking (Disclosure) Rules

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

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Continued) (Unaudited)

5 Interest income and expense

	6 months ended 30 Jun 2022 HK\$'000	6 months ended 30 Jun 2021 HK\$'000
Interest income from:		
Financial assets at amortized cost	18,360	807
Financial assets at FVOCI	—	225
	<u>18,360</u>	<u>1,032</u>
Interest expense on:		
Financial liabilities at amortized cost	<u>7,143</u>	<u>5,428</u>
Net interest income/(expense)	<u><u>11,217</u></u>	<u><u>(4,396)</u></u>

6 Net fee and commission income/(expense)

	6 months ended 30 Jun 2022 HK\$'000	6 months ended 30 Jun 2021 HK\$'000
Fee and commission income	3,594	4,045
Less: Fee and commission expense	<u>(3,954)</u>	<u>(3,027)</u>
Net fee and commission income/(expense)	<u><u>(360)</u></u>	<u><u>1,018</u></u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Continued) (Unaudited)

7 Operating expenses

	6 months ended 30 Jun 2022 HK\$'000	6 months ended 30 Jun 2021 HK\$'000
Employee benefits		
– Salaries and other short-term employee benefits	94,403	78,537
– Pension	2,154	1,824
– Share-based compensation	5,948	5,739
Premises and equipment expenses excluding depreciation		
– Rental of other premises	79	114
– Others	1,773	1,161
Depreciation of property and equipment	4,126	3,579
Depreciation of right-of-use assets	8,094	6,544
Amortization of intangible assets	7,960	(717)
Auditor's remuneration		
– Statutory audit	972	1,020
– Other services	150	270
Software licensing and IT costs	58,124	57,851
Legal and professional fees	729	1,863
Other operating expenses	36,555	63,328
	221,067	221,113

8 Change in expected credit losses

	6 months ended 30 Jun 2022 HK\$'000	6 months ended 30 Jun 2021 HK\$'000
Balances with banks	(116)	98
Placements with banks	10	12
Loans and advances to customers	13,783	675
Others	186	7
	13,863	792

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Continued) (Unaudited)

9 Income tax

The applicable Hong Kong profits tax rate is 16.5% (2021: 16.5%). No provision for Hong Kong profits tax has been made in the financial statements for the 6 months ended 30 June 2022 (2021: Nil) as the Bank had no estimated assessable profit for the period.

10 Balances with banks

	At 30 Jun 2022 HK\$'000	At 31 Dec 2021 HK\$'000
Balances with central bank – Stage 1	848,807	1,629,519
Balances with banks – Stage 1	133,899	122,774
Less: Expected credit losses allowances – Stage 1	<u>(139)</u>	<u>(255)</u>
	<u>982,567</u>	<u>1,752,038</u>

11 Placements with banks

	At 30 Jun 2022 HK\$'000	At 31 Dec 2021 HK\$'000
Placements with banks – Stage 1	180,000	210,000
Less: Expected credit losses allowances – Stage 1	<u>(13)</u>	<u>(2)</u>
	<u>179,987</u>	<u>209,998</u>

12 Financial investments

	At 30 Jun 2022 HK\$'000	At 31 Dec 2021 HK\$'000
At amortized cost		
Government debt securities – Stage 1	242,658	225,235
Bank and corporate debt securities – Stage 1	96,186	10,108
Less: Expected credit losses allowances – Stage 1	<u>(50)</u>	<u>(32)</u>
	<u>338,794</u>	<u>235,311</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Continued) (Unaudited)

13 Loans and advances to customers

	At 30 Jun 2022 HK\$'000	At 31 Dec 2021 HK\$'000
Gross loans and advances to customers	961,770	504,586
Less: Expected credit losses allowances		
– Stage 1	(15,802)	(7,529)
– Stage 2	(2,653)	(12)
– Stage 3	(879)	–
	<u>942,436</u>	<u>497,045</u>

14 Prepayments and other assets

	At 30 Jun 2022 HK\$'000	At 31 Dec 2021 HK\$'000
Prepayments	68,678	50,055
Rental and other deposits	26,526	26,414
Other receivables	4,443	3,425
Less: Expected credit losses allowances	(158)	–
	<u>99,489</u>	<u>79,894</u>

15 Deposits from customers

	At 30 Jun 2022 HK\$'000	At 31 Dec 2021 HK\$'000
Savings accounts	521,033	336,863
Time deposits	1,409,759	1,922,197
	<u>1,930,792</u>	<u>2,259,060</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Continued) (Unaudited)

16 Other liabilities and provisions

	At 30 Jun 2022 HK\$'000	At 31 Dec 2021 HK\$'000
Accruals	50,466	63,320
Interest payables	1,762	3,017
Other payables and provisions	9,778	11,234
	<u>62,006</u>	<u>77,571</u>

17 Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares, issued and fully paid:		
At 1 Jan 2021	870,000,001	870,000
Issuance of shares	261,000,000	261,000
	<u>1,131,000,001</u>	<u>1,131,000</u>
At 30 Jun 2021	1,131,000,001	1,131,000
Issuance of shares	240,000,000	240,000
	<u>1,371,000,001</u>	<u>1,371,000</u>
At 31 Dec 2021 and 1 Jan 2022	1,371,000,001	1,371,000
Issuance of shares (Note)	235,000,000	235,000
	<u>1,606,000,001</u>	<u>1,606,000</u>
At 30 Jun 2022	1,606,000,001	1,606,000

Note: During the period, a total of 235,000,000 ordinary shares have been issued for a total consideration of HK\$235,000,000.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Continued) (Unaudited)

18 Capital commitments

The Bank has the following significant outstanding capital commitments not provided for:

	At 30 Jun 2022 HK\$'000	At 31 Dec 2021 HK\$'000
Capital commitments authorised and contracted, but not provided for	<u>3,194</u>	<u>5,670</u>

19 Material related party transactions

There were no significant changes to the nature of the related party transactions described in the Annual Report 2021 that have had a material effect on the financial position or performance of the Bank in the 6 months to 30 June 2022. All related party transactions that took place in the 6 months to 30 June 2022 were similar in nature to those disclosed in the Annual Report 2021.

20 Subsequent event

In July 2022, the Bank issued 40,000,000 ordinary shares to Welab Capital Limited for a consideration of HK\$40,000,000.

In August 2022, the Bank issued 35,000,000 ordinary shares to Welab Capital Limited for a consideration of HK\$35,000,000.

In September 2022, the Bank issued 30,000,000 ordinary shares to Welab Capital Limited for a consideration of HK\$30,000,000.

A total of 105,000,000 ordinary shares were issued by the Bank to Welab Capital Limited after the period end for a total consideration of HK\$105,000,000.

21 Interim Report 2022 and statutory accounts

The information in this Interim Report 2022 is unaudited and does not constitute statutory accounts. The Interim Report 2022 was approved by the Board of Directors on 28 September 2022.