



INTERIM REPORT 2023

WELAB BANK LIMITED

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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 2023**

	Note	6 months ended 30 June 2023 HK\$'000	6 months ended 30 June 2022 HK\$'000
Interest income	5	55,632	18,360
Interest expense	5	(32,774)	(7,143)
Net interest income		22,858	11,217
Net fee and commission income/(expense)	6	2,555	(360)
Other income		5,575	1,855
Other operating income		8,130	1,495
		30,988	12,712
Operating expenses	7	(168,071)	(221,067)
Finance costs on lease liabilities		(982)	(1,798)
Loss before allowances for expected credit losses		(138,065)	(210,153)
Change in allowances for expected credit losses	8	(23,479)	(13,863)
Loss and total comprehensive loss for the period		(161,544)	(224,016)

The notes on pages 6 to 14 form part of these unaudited condensed interim financial statements.

WELAB BANK LIMITED**CONDENSED STATEMENT OF FINANCIAL POSITION (Unaudited)
AT 30 JUNE 2023**

	Note	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Assets			
Balances with banks	10	557,994	543,171
Placements with banks	11	91,998	182,998
Financial investments	12	545,225	328,765
Loans and advances to customers	13	1,643,245	1,410,273
Due from a group company	23	15,000	18,000
Property and equipment	14	7,364	10,563
Right-of-use assets	15	15,436	21,737
Intangible assets	16	67,213	80,760
Other assets	17	111,295	92,661
Total assets		3,054,770	2,688,928
Liabilities			
Deposits from customers	18	2,226,162	1,977,534
Repurchase agreement at amortized cost		245,000	65,000
Lease liabilities		21,331	29,668
Other liabilities	19	66,872	96,009
Due to group companies		5,792	18,584
Total liabilities		2,565,157	2,186,795
Equity			
Share capital	20	1,945,000	1,804,000
Reserves		(1,455,387)	(1,301,867)
Total equity		489,613	502,133
Total equity and liabilities		3,054,770	2,688,928

The notes on pages 6 to 14 form part of these unaudited condensed interim financial statements.

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**CONDENSED STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE 6 MONTHS ENDED 30 JUNE 2023**

	Share Capital HK\$'000	Employee share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2022	1,371,000	10,019	(869,627)	511,392
Issuance of shares (Note 20)	235,000	–	–	235,000
Loss for the period	–	–	(224,016)	(224,016)
Recognition of equity-settled share-based payment	–	5,948	–	5,948
At 30 June 2022 and 1 July 2022	1,606,000	15,967	(1,093,643)	528,324
Issuance of shares (Note 20)	198,000	–	–	198,000
Loss for the period	–	–	(234,293)	(234,293)
Recognition of equity-settled share- based payment	–	10,102	–	10,102
Forfeiture/lapse of share options	–	(12,280)	12,280	–
At 31 December 2022 and 1 January 2023	1,804,000	13,789	(1,315,656)	502,133
Issuance of shares (Note 20)	141,000	–	–	141,000
Loss for the period	–	–	(161,544)	(161,544)
Recognition of equity-settled share-based payment	–	8,024	–	8,024
At 30 June 2023	1,945,000	21,813	(1,477,200)	489,613

The notes on pages 6 to 14 form part of these unaudited condensed interim financial statements.

WELAB BANK LIMITED**CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE 6 MONTHS ENDED 30 JUNE 2023**

	6 months ended 30 June 2023 HK\$'000	6 months ended 30 June 2022 HK\$'000
Cash flows from operating activities		
Loss for the period	(161,544)	(224,016)
Adjustments:		
Interest income	(55,632)	(18,360)
Interest expense	32,774	7,143
Change in allowances for expected credit losses	23,479	13,863
Depreciation on property and equipment	3,233	4,126
Depreciation on right-of-use assets	6,301	8,094
Amortization of intangible assets	14,410	7,960
Finance cost on lease liabilities	982	1,798
Non-cash share-based expenses	8,024	5,948
Changes in operating assets and liabilities		
Increase in loans and advances to customers	(256,439)	(459,174)
Decrease in due from a group company	3,000	–
Increase in other assets	(16,815)	(18,892)
Increase/(decrease) in deposits from customers	248,628	(328,268)
Increase in repurchase agreement at amortized cost	180,000	80,000
Decrease in other liabilities	(57,035)	(14,310)
(Decrease)/increase in due to group companies	(12,792)	2,149
Interest received	53,741	17,500
Interest paid	(4,776)	(8,398)
Net cash generated from/(used in) operating activities	9,539	(922,837)
Cash flows from investing activities		
Purchase of property and equipment	(34)	(414)
Purchase of intangible assets	(863)	–
Purchase of financial investments at amortized cost	(75,485)	(103,501)
Placements with banks with original maturity beyond 3 months	–	(80,000)
Net cash used in investing activities	(76,382)	(183,915)

WELAB BANK LIMITED**CONDENSED STATEMENT OF CASH FLOWS (Continued) (Unaudited)
FOR THE 6 MONTHS ENDED 30 JUNE 2023**

	6 months ended 30 June 2023 HK\$'000	6 months ended 30 June 2022 HK\$'000
Cash flows from financing activities		
Principal element of lease payment	(8,337)	(6,037)
Interest element of lease payment	(982)	(1,798)
Proceeds from issuance of ordinary shares	141,000	235,000
Net cash generated from financing activities	131,681	227,165
Net change in cash and cash equivalents	64,838	(879,587)
Cash and cash equivalent at the beginning of the period	832,255	1,902,293
Cash and cash equivalent at the end of the period	897,093	1,022,706
Analysis of balances of cash and cash equivalents		
Balances with banks	558,093	982,706
Placements with banks with original maturity within 3 months	92,000	40,000
Financial investments with original maturity within 3 months	247,000	–
	897,093	1,022,706

The notes on pages 6 to 14 form part of these unaudited condensed interim financial statements.

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, wealth management 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 2022.

These condensed interim financial statements should be read in conjunction with the Annual Report 2022, 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 2022.

For the 6 months ended 30 June 2023, 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 June 2023 HK\$'000	6 months ended 30 June 2022 HK\$'000
Interest income from:		
Loans and advances to customers	48,298	16,023
Balances and placements with banks	1,749	455
Financial investments at amortized cost	4,690	906
Others	895	976
	<hr/>	<hr/>
Interest income from financial assets not measured at FVPL	55,632	18,360
Interest expense on:		
Deposit from customers	(32,774)	(7,143)
	<hr/>	<hr/>
Net interest income	22,858	11,217
	<hr/> <hr/>	<hr/> <hr/>

6 Net fee and commission income/(expense)

	6 months ended 30 June 2023 HK\$'000	6 months ended 30 June 2022 HK\$'000
Fee and commission income	6,514	3,594
Less: Fee and commission expense	(3,959)	(3,954)
	<hr/>	<hr/>
Net fee and commission income/(expense)	2,555	(360)
	<hr/> <hr/>	<hr/> <hr/>

WELAB BANK LIMITED

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

7 Operating expenses

	6 months ended 30 June 2023 HK\$'000	6 months ended 30 June 2022 HK\$'000
Employee benefits		
– Salaries and other short-term employee benefits	67,452	94,403
– Pension	1,972	2,154
– Share-based compensation	8,024	5,948
Premises and equipment expenses excluding depreciation		
– Rental of other premises	146	79
– Others	2,143	1,773
Depreciation on property and equipment	3,233	4,126
Depreciation on right-of-use assets	6,301	8,094
Amortization of intangible assets	14,410	7,960
Auditor's remuneration		
– Statutory audit	853	972
– Other services	525	150
Software licensing and IT costs	47,667	58,124
Legal and professional fees	518	729
Other operating expenses	14,827	36,555
	<u>168,071</u>	<u>221,067</u>

8 Change in allowances for expected credit losses

	6 months ended 30 June 2023 HK\$'000	6 months ended 30 June 2022 HK\$'000
Loans and advances to customers	23,467	13,783
Balances with banks	15	(116)
Placements with banks	–	10
Financial investments at amortized cost	25	–
Other assets	72	186
Expected credit loss provision on loan commitments	(100)	–
	<u>23,479</u>	<u>13,863</u>

WELAB BANK LIMITED

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

9 Income tax

The applicable Hong Kong profits tax rate is 16.5% (2022: 16.5%). No provision for Hong Kong profits tax has been made in the financial statements for the 6 months ended 30 June 2023 (2022: Nil) as the Bank had no estimated assessable profit for the period.

10 Balances with banks

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Balances with central bank	476,962	471,904
Balances with banks	81,131	71,351
Less: Expected credit losses allowances	(99)	(84)
	<u>557,994</u>	<u>543,171</u>

11 Placements with banks

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Placements with banks	92,000	183,000
Less: Expected credit losses allowances	(2)	(2)
	<u>91,998</u>	<u>182,998</u>

12 Financial investments

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
At amortized cost		
Government bonds	150,966	151,893
Exchange fund bills	246,708	69,913
Bank and corporate debt securities	147,617	107,000
Less: Expected credit losses allowances	(66)	(41)
	<u>545,225</u>	<u>328,765</u>

WELAB BANK LIMITED

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

13 Loans and advances to customers

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Gross loans and advances to customers	1,680,754	1,442,797
Less: Expected credit losses allowances		
– Stage 1	(23,266)	(19,617)
– Stage 2	(5,011)	(6,435)
– Stage 3	(9,232)	(6,472)
	<u>1,643,245</u>	<u>1,410,273</u>

14 Property and equipment

	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2023	12,916	18,744	31,660
Additions	–	34	34
At 30 June 2023	<u>12,916</u>	<u>18,778</u>	<u>31,694</u>
Accumulated depreciation			
At 1 January 2023	7,498	13,599	21,097
Charge for the period	1,502	1,731	3,233
At 30 June 2023	<u>9,000</u>	<u>15,330</u>	<u>24,330</u>
Net book value			
At 30 June 2023	<u>3,916</u>	<u>3,448</u>	<u>7,364</u>
Cost			
At 1 January 2022	12,916	18,154	31,070
Additions	–	590	590
At 31 December 2022	<u>12,916</u>	<u>18,744</u>	<u>31,660</u>
Accumulated depreciation			
At 1 January 2022	4,495	8,625	13,120
Charge for the year	3,003	4,974	7,977
At 31 December 2022	<u>7,498</u>	<u>13,599</u>	<u>21,097</u>
Net book value			
At 31 December 2022	<u>5,418</u>	<u>5,145</u>	<u>10,563</u>

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

15 Right-of-use assets

The Bank has lease contracts for office premises with lease terms up to 5 years. Lease payments are agreed upfront except for renewal periods whereby the lease payments are subject to prevailing market rates. Extension options are currently not included in the lease term.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

	HK\$'000
At 1 January 2022	44,660
Depreciation	(16,190)
Reassessment	(6,733)
	<hr/>
At 31 December 2022 and 1 January 2023	21,737
Depreciation	(6,301)
	<hr/>
At 30 June 2023	15,436
	<hr/> <hr/>

16 Intangible assets

The Bank recognizes intangible assets which include separately acquired software developed with external third parties and fellow subsidiaries.

	HK\$'000
Cost	
At 1 January 2022	81,968
Additions	38,325
	<hr/>
At 31 December 2022 and 1 January 2023	120,293
Additions	863
	<hr/>
At 30 June 2023	121,156
	<hr/> <hr/>
Accumulated amortization	
At 1 January 2022	18,882
Charge for the year	20,651
	<hr/>
At 31 December 2022 and 1 January 2023	39,533
Charge for the period	14,410
	<hr/>
At 30 June 2023	53,943
	<hr/> <hr/>
Net book value	
At 30 June 2023	67,213
	<hr/> <hr/>
At 31 December 2022	80,760
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WELAB BANK LIMITED**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Continued) (Unaudited)****17 Other assets**

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Prepayments	60,817	56,644
Rental and other deposits	26,505	26,417
Other receivables	23,973	9,600
	<u>111,295</u>	<u>92,661</u>

18 Deposits from customers

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Savings accounts	375,363	328,234
Time deposits	1,850,799	1,649,300
	<u>2,226,162</u>	<u>1,977,534</u>

19 Other liabilities

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Accruals	22,426	68,594
Interest payables	26,225	11,357
Others	18,147	15,884
Expected credit loss provision on loan commitments	74	174
	<u>66,872</u>	<u>96,009</u>

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

20 Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares, issued and fully paid:		
At 31 December 2021 and 1 January 2022	1,371,000,001	1,371,000
Issuance of shares	433,000,000	433,000
	<u>1,804,000,001</u>	<u>1,804,000</u>
At 31 December 2022 and 1 January 2023	1,804,000,001	1,804,000
Issuance of shares (Note)	141,000,000	141,000
	<u>1,945,000,001</u>	<u>1,945,000</u>
At 30 June 2023	<u>1,945,000,001</u>	<u>1,945,000</u>

Note: During the period, a total of 141,000,000 ordinary shares have been issued for a total consideration of HK\$141,000,000.

21 Capital commitments

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

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Capital commitments authorised and contracted, but not provided for	<u>–</u>	<u>2,344</u>

22 Off-balance sheet exposures

The following is a summary of the contractual amounts of loan commitments:

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Loan commitments which are unconditionally cancellable	<u>161,224</u>	<u>93,937</u>

The loan commitments which are unconditionally cancellable represent the undrawn portion of the revolving credit facilities granted to customers.

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

23 Material related party transactions

There were no significant changes to the nature of the related party transactions described in 2022 Annual Report that have a material impact on the financial position or performance of the Bank in the 6 months ended 30 June 2023. All related party transactions that took place in the 6 months ended 30 June 2023 were similar in nature to those disclosed in the 2022 Annual Report.

As at 30 June 2023, there were no impaired, overdue or rescheduled balances.

24 Subsequent events

In July, August and September 2023, the Bank issued 20,000,000 ordinary shares to Welab Capital Limited for a consideration of HK\$20,000,000 each time.

25 Interim Report 2023 and statutory accounts

The information in this Interim Report 2023 is unaudited and does not constitute statutory accounts. The Interim Report 2023 was approved by the Board of Directors on 20 September 2023.