



ANNUAL REPORT 2024

WELAB BANK LIMITED

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Chinese translation

A Chinese translation of Annual 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

MANAGEMENT DISCUSSION AND ANALYSIS

Year in Review

2024 was a pivotal year in Welab Bank's development, culminating in achieving breakeven in December – making us one of the first digital banks in Asia to reach this milestone. This achievement is a testament to our strategic foresight, unwavering commitment to innovation, and dedication to delivering exceptional value to our customers.

Scaling Profitably, Delivering Exceptional Results

Welab Bank stands as Hong Kong's leading digital bank, outperforming the digital banking industry across three key metrics in FY2024:

- Leading in Revenue – Adjusted Net Revenue of HK\$744 million for FY2024
- Leading in Unsecured Retail Loan Portfolio – HK\$5.5 billion as at 31 December 2024
- Leading in Net Interest Margin – Adjusted Net Interest Margin of 9.4%, far exceeding traditional banks' margins of 1.1 – 2.3%ⁱⁱⁱ

In 2024, amid a 100-basis-point reduction in the US Federal Reserve rate across three cuts, Welab Bank capitalized on its proprietary dynamic pricing models and advanced analytics to optimize deposit pricing. This agility strengthened our CASA ratios, lowered our cost of funds, and maintained a well-balanced deposit maturity profile. On the lending side, our precision pricing provided tailored solutions that met customer needs while safeguarding profitability. As a result, our Adjusted Net Interest Margin increased to 9.4% from 8.8% in the prior year, underscoring the strength and profitability of our balance sheet.

Powered by our proprietary AI-driven credit decision engine which leverages both traditional and alternative data to deliver rapid, responsible, and customized lending solutions, Welab Bank consistently ranks as one of the foremost lenders in new monthly unsecured loan disbursements in Hong Kong.

Despite sector-wide exposure to Corporate & SME and Property segments, Welab Bank demonstrated strong resilience through a deliberately diversified retail loan portfolio. As retail loan 30-day loan delinquencies rose 13% year-on-year – Welab Bank managed to achieve an impressive 37% improvement in delinquency rates – highlighting our superior risk management and further positioning us to capture greater market share.^{vi}

Our Adjusted Net Interest Income surged 30% year-on-year to HK\$698 million, fueled by our expertise in dynamic pricing and advanced credit risk technology. Looking ahead, we are committed to sustaining healthy risk-adjusted returns, continuing to outperform the market, and delivering exceptional value to our stakeholders.

Strategic Growth into Mainland Chinese Visitor Customer Segment

Welab Bank has strategically positioned itself to meet the growing incidental demand for banking services from Mainland Chinese Visitors (MCVs) when they visit Hong Kong – a segment now exceeding five times^{vii} Hong Kong's resident population. With 68%^{viii} of prospective MCV travelers citing managing their personal financial needs as the primary purpose for their visits, we strategically tailored our digital offerings to this emerging customer segment, resulting in 8X customer onboardings of MCVs in the second half of 2024 compared to the first half.

This momentum continues into 2025, establishing this segment as a key driver of new customer acquisition. Beyond acquisition, this cohort is exhibiting deeper product engagement, stickiness and strong lifetime value potential, and setting the stage for further growth as we launch innovative new products.

WELAB BANK LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Capital Strength and Financial Efficiency

Welab Bank's financial foundation remains robust, with total assets surpassing HK\$8.2 billion and deposits growing an extraordinary 120% year-on-year. Our adjusted cost-to-income ratio has improved from 101% to 79%, and together with our Total Capital Ratio of 18.3% and Loan-to-Deposit Ratio of 79.6% reflect our relentless efforts to optimize capital efficiency for profit maximization whilst ensuring long-term sustainability and resilience. Through sophisticated treasury operations and optimized asset allocation, we maintain strong liquidity coverage and superior risk-adjusted returns, ensuring a scalable and stable deposit base.

Our JAWS ratio^{ix} of 27.7% in 2024 underscores our operational efficiency. Despite maintaining stable operating expenses, we achieved a 30.5% increase in Adjusted Net Revenue – demonstrating our ability to scale profitably and deliver strong financial results under a digital banking model.

Navigating Risks with Confidence

While economic uncertainties present challenges, Welab Bank is well-positioned to navigate them successfully. Our robust capital position, agile risk management, and technology-driven approach ensure resilience in any market environment. By continuously refining our strategies, we remain ahead of industry trends and regulatory expectations, safeguarding long-term value creation.

Financials at a Glance

Unaudited adjusted 2023 and 2024 Financialsⁱⁱ

	2024 HK\$'000	2023 HK\$'000	YoY
Net interest income ^{iv}	698,207	537,022	30.0%
Net revenue ^{iv}	744,309	570,336	30.5%
Operating expenses ^v	(589,155)	(573,080)	2.8%
Loss after income tax ⁱⁱ	(193,538)	(314,070)	(38.4%)
Total assets	8,291,353	7,496,157	10.6%

Adjusted Key Ratios

	2024	2023
Net Interest Margin ^{iv}	9.4%	8.8%
Total Capital Ratio	18.3%	23.1%

Please refer to the Notes on page 3 for the basis of the above financial information.

Looking Ahead

Achieving profitability in December 2024 marks a significant milestone, and Welab Bank has many exciting initiatives ahead across various products, customer segments, and Artificial Intelligence (AI) technology. In 2025, we will further (1) Strengthen multi-currency services, wealth and investment management capabilities to enhance fee income, (2) Explore new partnerships to tap on new products and customer segments, and (3) fully embrace AI across all of our operations.

At the heart of our strategy is a bold vision: to become Asia's first AI-first bank. By embedding AI across every facet of our operations – from credit decisioning to personalized customer experiences – we are redefining financial services. Our investment in AI Agents, set to roll out in 2025, will empower customers with seamless, intelligent, and accessible financial solutions. This transformative approach enhances operational efficiency while unlocking new revenue streams, reinforcing our competitive edge.

WELAB BANK LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Welab Bank is deliberately building a future where improving profitability, coupled with a strengthening capital base, will allow us to fully capitalize on organic growth opportunities and invest in next-generation technologies, positioning us to continue leading the market in 2025 and beyond.

Notes

Welab Bank employs adjusted loss after income tax as an additional financial measure which excludes the impact of the adjustments described below. Welab Bank believes that this financial measure provides more relevant information for understanding and evaluating its consolidated results of operations.

- Due to the internal group restructuring (“HK Segment Restructuring”) in June 2024, where the Welab Bank Limited acquired Welend Limited and its holding company, several one-off acquisition costs were incurred which are not expected to be part of the ongoing financial performance of the Group.
- Share-based compensation does not affect the net assets and liabilities or equity position of the Group.

These figures are not required by nor presented in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) but are presented to supplement the consolidated financial statements, which are presented in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the Group uses adjusted loss after income tax as an additional financial measure that is not required by, nor presented in accordance with, HKFRSs.

Notes:

- (i) *Breakeven in December 2024 is based on net profit before tax, excluding share-based compensation expenses.*
- (ii) *Following the HK Segment Restructuring in June 2024, where the Bank acquired Welend Limited and its holding company, financials are prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 (Revised) “Merger Accounting for Common Control Combinations” issued by the HKICPA.*
- (iii) *Based on Net Interest Margin comparison between traditional banks in 2023 disclosed in the Overview of financial results published by KPMG on 3 July 2024.*
- (iv) *Adjusted net interest income/adjusted net interest margin is stated as interest income net of interest expense. Net revenue and net interest income exclude one-off acquisition costs incurred during the HK Segment Restructuring in 2024.*
- (v) *Adjusted operating expenses exclude certain incurred expenses, including share-based compensation expenses in 2023 and 2024 and one-off acquisition costs incurred during the HK Segment Restructuring in 2024.*
- (vi) *Based on analysis of industry reports and internal intelligence.*
- (vii) *Based on Monthly Report – Visitor Arrival Statistics: Dec 2024 published by HK Tourism Board in January 2025, 34 million visitors from Mainland have visited Hong Kong in 2024.*
- (viii) *Based on 2Q 2024 Chinese Mainland Sentiment Tracker conducted through an online survey by Prudential plc and published in their 2024 Half Year Results on 28 August 2024.*
- (ix) *JAWS ratio is measured as the difference between the adjusted total revenue growth rate and the adjusted operating expenses growth rate.*

WELAB BANK LIMITED

DIRECTORS' REPORT

The directors are pleased to submit their annual report together with the audited consolidated financial statements of Welab Bank Limited (the "Bank") and its subsidiaries (together, the "Group") for the year ended 31 December 2024.

Principal activities and business review

The principal activities of the Group are to provide banking and related financial services. The Group offers products and services including savings and time deposits, debit card payments, loans and advances, wealth management and other banking services to customers. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 1 to 3 of this Annual Report. That discussion forms part of this directors' report.

Results and appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 10.

The directors do not recommend any payment of dividend for the year (2023: Nil).

Share capital

Details of movement in share capital of the Group are set out in Note 27 to the consolidated financial statements.

Directors

(a) Directors of the Bank

The directors of the Bank during the year and up to the date of this report were:

Non-executive directors:

Chan Ka Keung Ceajer (*Chairman*)
Loong Pui Chi Simon
Leung Chun Man Ernest

Executive director:

Lee Ka Tat

Independent non-executive directors:

Roberts Donald Jeffrey
Chang Suk Ling Irene
Lam Lee G (Resigned on 23 April 2024)

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

WELAB BANK LIMITED

DIRECTORS' REPORT (Continued)

(b) *Directors of the Bank's subsidiaries*

The directors of the subsidiaries of the Bank during the year and up to the date of this report were:

Wong Kelly Kwok Yee	(Resigned on 24 June 2024)
Lee Ka Tat	(Appointed on 24 June 2024)
Lee Hin Wai	

Directors' material interests

Save for the related party transactions as disclosed in Note 33 to the consolidated financial statements, no other transactions, arrangements and contracts of significance in relation to the Bank's business to which the Bank, its holding companies, its subsidiaries or its fellow subsidiaries was a party and in which a director of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Under the equity incentive plan arranged by the ultimate holding company, Welab Holdings Limited, certain directors above have been granted share-based awards ("Awards") by Welab Holdings Limited for their services to the whole group of Welab Holdings Limited as follows:

Number of Awards				
Outstanding balance at 1 January 2024	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding balance at 31 December 2024
1,498,057	61,300	(6,012)	–	1,553,345

The Awards outstanding as at 31 December 2024 had a weighted average exercise price of US\$7.5 per share (2023: US\$7.8 per share).

Certain Awards included above were granted to the relevant directors in their capacity of providing services to the Bank with details as disclosed in Notes 10, 28 and 33 to the consolidated financial statements.

Equity-linked agreements

Save for the share-based compensation plan of the ultimate holding company as disclosed above with details set out in Note 28 to the consolidated financial statements, no equity-linked agreements were entered into by the Bank, its subsidiaries or its holding companies during the year or subsisted at the end of the year.

Permitted indemnity provisions

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance) for the benefit of the directors of the Bank is currently in force and was in force throughout the year.

WELAB BANK LIMITED

DIRECTORS' REPORT (Continued)

Management contracts

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

Auditor

The consolidated financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment.

A handwritten signature in blue ink, appearing to read 'Chan Ka Keung', is positioned above the printed name of the Chairman.

On behalf of the Board
Chan Ka Keung Ceajer
Chairman

Hong Kong, 28 April 2025



Independent auditor's report to the member of Welab Bank Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Welab Bank Limited ("the Bank") and its subsidiaries ("the Group") set out on pages 10 to 65, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "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 ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.



Independent auditor's report to the member of Welab Bank Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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. This report is made solely to you, as a body, in accordance with section 405 of the 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 HKSAAs 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 consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



Independent auditor's report to the member of Welab Bank Limited (continued)

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 APR 2025

WELAB BANK LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 HK\$'000	2023 HK\$'000 (Restated)
Interest income	5	1,044,003	856,519
Interest expense	5	(391,155)	(319,497)
Net interest income		<u>652,848</u>	<u>537,022</u>
Net fee and commission income	6	34,785	27,252
Other income	7	11,318	6,062
Other operating income		<u>46,103</u>	<u>33,314</u>
		698,951	570,336
Operating expenses	8	(599,664)	(613,494)
Finance cost on lease liabilities		(1,127)	(2,585)
Profit/(loss) before allowances for expected credit losses		<u>98,160</u>	<u>(45,743)</u>
Change in allowances for expected credit losses	9	(347,224)	(305,331)
Loss before income tax		<u>(249,064)</u>	<u>(351,074)</u>
Income tax	11	1,665	(3,410)
Loss after income tax		<u>(247,399)</u>	<u>(354,484)</u>
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
– Changes in the fair value of financial assets at fair value through other comprehensive income (“FVOCI”), net of tax		<u>324</u>	<u>–</u>
Other comprehensive income, net of tax		<u>324</u>	<u>–</u>
Loss and total comprehensive income		<u><u>(247,075)</u></u>	<u><u>(354,484)</u></u>

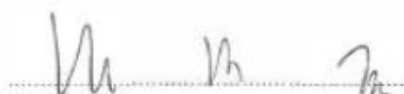
The notes on pages 15 to 65 form part of these consolidated financial statements.

WELAB BANK LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2024

	Note	2024 HK\$'000	2023 HK\$'000 (Restated)
Assets			
Balances with banks	12	444,547	407,105
Placements with banks	13	67,991	27,000
Financial investments	14	2,211,165	1,340,980
Loans and advances to customers	15	5,202,284	5,243,446
Amounts due from group companies	16	521	108,942
Property and equipment	18	2,344	9,756
Right-of-use assets	19	42,897	13,820
Intangible assets	20	63,593	67,078
Other assets	21	212,946	247,847
Deferred income tax assets	22	39,155	28,989
Tax recoverable		3,910	1,194
Total assets		8,291,353	7,496,157
Liabilities			
Deposits from customers	23	6,867,048	3,126,667
Lease liabilities		41,179	20,510
Loan payables	24	—	3,170,468
Borrowings	25	—	208,508
Other liabilities	26	348,435	265,830
Amounts due to group companies	16	6,360	206,210
Total liabilities		7,263,022	6,998,193
Equity			
Share capital	27	2,845,000	2,070,000
Reserves		(1,816,669)	(1,572,036)
Total equity		1,028,331	497,964
Total equity and liabilities		8,291,353	7,496,157


Chan Ka Keung Ceajer
Chairman


Lee Ka Tat
Director

The notes on pages 15 to 65 form part of these consolidated financial statements.

WELAB BANK LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Reserves					Total HK\$'000 (Restated)
	Share capital HK\$'000 (Restated)	Employee share-based payment reserve HK\$'000 (Restated)	FVOCI reserve HK\$'000 (Restated)	Other reserve HK\$'000 (Restated)	Accumulated losses HK\$'000 (Restated)	
At 1 January 2023	1,804,000	284,969	–	310,000	(1,852,935)	546,034
Issuance of shares (Note 27)	266,000	–	–	–	–	266,000
Loss for the year	–	–	–	–	(354,484)	(354,484)
Recognition of equity-settled share-based options (Note 28)	–	40,414	–	–	–	40,414
Forfeiture/lapse of share awards	–	(11,699)	–	–	11,699	–
At 31 December 2023	<u>2,070,000</u>	<u>313,684</u>	<u>–</u>	<u>310,000</u>	<u>(2,195,720)</u>	<u>497,964</u>
At 1 January 2024	2,070,000	313,684	–	310,000	(2,195,720)	497,964
Issuance of shares (Note 27)	775,000	–	–	–	–	775,000
Loss for the year	–	–	–	–	(247,399)	(247,399)
Recognition of equity-settled share-based options (Note 28)	–	8,701	–	–	–	8,701
Forfeiture/lapse of share awards	–	(8,317)	–	–	8,317	–
Other comprehensive income	–	–	324	–	–	324
Acquisition of subsidiaries	–	–	–	(6,259)	–	(6,259)
At 31 December 2024	<u>2,845,000</u>	<u>314,068</u>	<u>324</u>	<u>303,741</u>	<u>(2,434,802)</u>	<u>1,028,331</u>

The notes on pages 15 to 65 form part of these consolidated financial statements.

WELAB BANK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 HK\$'000	2023 HK\$'000 (Restated)
Cash flows from operating activities:			
Loss for the year		(249,064)	(351,074)
Adjustments:			
Depreciation on property and equipment	18	7,954	9,990
Depreciation and reassessment of right-of-use assets	19	14,817	18,502
Amortization of intangible assets	20	31,457	27,276
Write-off property and equipment	18	—	27
Interest expense on lease liabilities	32	1,127	2,585
Non-cash share-based expenses	28	8,701	40,414
Change in allowances for expected credit losses	9	347,224	305,331
Changes in operating assets and liabilities			
Decrease in balances with banks with original maturity beyond 3 months		—	23,150
Increase in placements with banks with original maturity beyond 3 months		(36,000)	—
Increase in loans and advances to customers		(303,898)	(1,900,974)
Decrease in amounts due from group companies		108,421	21,478
Decrease/(increase) in other assets		33,127	(33,947)
Decrease in repurchase agreement at amortized cost		—	(65,000)
Increase in deposits from customers		3,740,381	1,149,133
(Decrease)/increase in loan payables		(3,170,468)	577,123
(Decrease)/increase in borrowings		(208,508)	595,687
Increase in other liabilities		73,742	73,895
Decrease in amounts due to group companies		(157,996)	(76,097)
Tax paid		(2,716)	(10,610)
Net cash generated from operating activities		<u>238,301</u>	<u>406,889</u>
Cash flows from investing activities:			
Cash consideration from acquisition of subsidiaries		(6,259)	—
Purchase of property and equipment	18	(542)	(739)
Purchase of intangible assets	20	(27,972)	(13,594)
Proceeds from/(purchase of) financial investments		<u>991,339</u>	<u>(774,228)</u>
Net cash generated from/(used in) investing activities		<u>956,566</u>	<u>(788,561)</u>

The notes on pages 15 to 65 form part of these consolidated financial statements.

WELAB BANK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 HK\$'000	2023 HK\$'000 (Restated)
Cash flows from financing activities:			
Principal element of lease payment	32	(23,225)	(24,878)
Interest element of lease payment	32	(1,127)	(2,585)
Proceeds from the issuance of shares	27	775,000	266,000
Decrease in amounts due to group companies		(41,854)	(57,802)
Net cash generated from financing activities		708,794	180,735
Net change in cash and cash equivalents		1,903,661	(200,937)
Cash and cash equivalent at the beginning of the year		778,158	979,095
Cash and cash equivalent at the end of the year		2,681,819	778,158
Analysis of balances of cash and cash equivalents			
Balances with banks		444,642	407,158
Placement with banks with original maturity within three months		32,000	27,000
Financial investments with original maturity within three months		2,205,177	344,000
		2,681,819	778,158
Cash flows from operating activities include:			
Interest received		1,036,450	854,595
Interest paid		(370,551)	(284,872)

The notes on pages 15 to 65 form part of these consolidated financial statements.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Welab Bank Limited (the “Bank”) is a limited liability company incorporated in Hong Kong. The principal activities of the Bank together with its subsidiaries (collectively the “Group”) are to provide banking and related financial services. The Group provide products and services including savings and time deposits, debit card payments, loans and advances, wealth management and is also engaged in the online consumer technology lending business by extending credit directly to borrowers through its direct-to-consumer lending services in Hong Kong.

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 the Cayman Islands. The ultimate holding company of the Bank is Welab Holdings Limited, which is incorporated in the British Virgin Islands.

On 6 June 2024, Welab Holdings Limited group completed an internal group restructuring (“HK Segment Restructuring”). For more details, please refer to Note 2(a)(iii).

2 Summary of material accounting policies

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

(a) Basis of preparation

(i) *Compliance with Hong Kong Financial Reporting Standards (“HKFRSs”) and Companies Ordinance (“CO”)*

The consolidated financial statements of the Group have been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants and requirements of the CO (Cap. 622 of the Laws of Hong Kong).

The consolidated financial statements are presented in Hong Kong dollars and rounded to nearest thousand, unless otherwise stated.

(ii) *Historical cost convention*

The consolidated financial statements have been prepared on a historical cost convention, except for financial assets at FVOCI which have been measured at fair value.

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

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) Application of merger accounting

The Group has applied Hong Kong Accounting Guideline 5 (Revised) “Merger Accounting for Common Control Combinations” issued by the HKICPA in accounting for the acquisition of Welab Crest Limited and its subsidiary (“Welab Crest Group”) as both the Bank and Welab Crest Group were under the common control of Welab Holdings Limited. On 6 June 2024, the Bank acquired 100% equity interests in Welab Crest Limited from Welab Holdings Limited for a cash consideration of HK\$6,259,000. The difference between consideration and nominal value of share capital of Welab Crest Limited is recognised in other reserve. Through this acquisition, the Bank indirectly gained full ownership of Welend Limited (“Welend”), which is wholly-owned by Welab Crest Limited.

As the Bank and Welab Crest Group were under the common control of Welab Holdings Limited before and after the above-mentioned acquisition, in accordance with the principles of merger accounting, the consolidated financial statements have been presented as if the acquisition by the Bank had occurred from the date when Welab Crest Group first came under the control of Welab Holdings Limited.

The net assets of Welab Crest Group have been recognized using the carrying amounts in the consolidated financial statements of the Group. Comparative amounts have been restated to present Welab Crest Group as if it had been combined at the earliest date presented in these consolidated financial statements.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the consolidated financial statements.

No amount is recognized in respect of goodwill or the excess of the acquirers’ interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of the acquisition under common control.

(iv) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 January 2024:

- Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants
- Hong Kong Interpretation 5 (Revised) – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
- Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback
- Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements

The adoption of the above amendments to standards did not have any significant impact on the significant accounting policies of the Group and the presentation of these consolidated financial statements.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(a) Basis of preparation (Continued)

(v) *New standards, amendments and interpretations to standards not yet adopted by the Group*

A number of new standards, amendments and interpretations to standards that are relevant to the Group but not yet effective for the financial year beginning on 1 January 2024 and have not been early adopted by the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates – Lack of Exchangeability</i>	1 January 2025
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 8, <i>Financial Instruments: disclosures – Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027

The Group is in the process of assessing the impact of these new standards, amendments and interpretations to standards. The Group expects to adopt these new standards, amendments to standards, interpretations and accounting guideline when they become effective.

(b) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

A subsidiary is fully consolidated from the date on which the control is transferred to the Group. It is de-consolidated from the date that the control ceases.

All intra-group transactions, balances, and any unrealised income and expenses are eliminated in full on consolidation.

When necessary, accounting policies of the subsidiary have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(c) Business combination

(i) Common control combinations

Business combinations under common control are accounted for in accordance with the Hong Kong Accounting Guideline 5 (Revised) “Merger Accounting for Common Control Combinations”. In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combination. If consolidated financial statements were not previously prepared by the controlling party or parties, the carrying amounts are included as if such consolidated financial statements had been prepared, including adjustments required for conforming the combined entity’s accounting policies and applying those policies to all periods presented. These carrying amounts are referred to below as existing book values from the controlling parties’ perspective. There is no recognition of any additional goodwill or excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination to the extent of the continuation of the controlling party or parties’ interests. Similarly, in accordance with HKFRS 10, the effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the combined entity.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(d) Income/expense recognition

(i) *Interest income and interest expenses*

Interest income and expense for all financial instruments are recognized in "Interest income" and "Interest expense" respectively in the profit or loss using the effective interest method.

(ii) *Fee and commission income*

Fee and commission income is recognized when the Group has satisfied its performance obligation in providing the promised products and services to the customers, and are recognized based on contractual rates agreed with customers net of expenses directly related to it. Such income excludes those that determine the effective interest rate.

(iii) *Other income*

Other income includes grants from the government which are recognised at their fair value when there is a reasonable assurance that the Group is entitled to it and could fulfil the conditions.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(e) Employee benefits

(i) *Short-term employee benefits*

Salaries, annual bonuses, and the cost of non-monetary benefits are accrued in the year in which the associated service is rendered by employees.

(ii) *Pension obligations*

Contributions to Mandatory Provident Funds as required under the Mandatory Provident Fund Schemes Ordinance are recognized as an expense as they are incurred in the profit or loss.

(iii) *Annual leave*

Employee entitlement to annual leave is recognized when they are accrued to employees. A provision is made for the estimated liability for unused annual leave as a result of services rendered by employees up to the end of the reporting period.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(f) Share-based payments

Share-based compensation benefits are provided to employees via share-based compensation plan operated by the Group's ultimate holding company, Welab Holdings Limited. Information relating to the plan is set out in Note 28. The fair value of the employee services received in exchange for the grant of the equity instruments (share options or restricted share units) is recognized as an expense with a corresponding increase in equity, over the vesting period of the awards.

The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, Welab Holdings Limited issues new ordinary shares to employees.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(g) Current and deferred tax

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(h) Financial assets

Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

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

For assets measured at fair value, gains and losses will either be recorded in the profit or loss or other comprehensive income.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(h) Financial assets (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are recorded in the profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories that the Group classifies its debt instruments:

- **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. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains or losses together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains or losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.
- **Assets that do not meet the criteria for amortized cost or FVOCI** are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains or losses in the period in which it arises.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(i) 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.

(i) Borrowings

Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowing using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

(ii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iii) Derecognition

A financial liability is derecognised from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(j) Impairment of financial assets

The Group applied the impairment requirements under HKFRS 9 Financial Instruments.

All financial assets, except for financial assets classified or designated as FVPL, are subject to impairment and recognition of expected credit losses ("ECL").

Under HKFRS 9, ECL will be assessed using an approach which classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile. A financial asset is classified under:

- **Stage 1**, if it was not credit-impaired upon origination, and there has not been a significant increase in its credit risk. Stage 1 ECL are measured as the credit loss that is expected to result from a default occurring within the next 12 months;
- **Stage 2**, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. Stage 2 ECL are measured as the lifetime expected credit loss from the expected remaining life of the financial instrument;
- **Stage 3**, if it has been credit-impaired with objective evidence of default. Stage 3 ECL are measured as the lifetime expected credit loss from the expected remaining life of the financial instrument.

The impairment requirements of HKFRS 9 are subject to management judgements, estimates and assumptions.

(k) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their costs or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Leasehold improvement: the shorter of the lease term of the leased properties or 5 years
- Furniture, fixtures and equipment: 3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(I) Leases

The Group as a lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the Group under residual value guarantees
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

If a readily observable amortizing loan rate is available (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(l) Leases (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets (US\$5,000 or less) are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

(m) Intangible assets

Intangible assets that have an indefinite estimated useful life or are not yet ready for use are tested for impairment annually. Intangible assets that have a finite estimated useful life, are stated at cost less amortization and accumulated impairment losses and are amortized over their estimated useful lives. Estimated useful life is the lower of legal duration and expected economic life. Intangible assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. Management has exercised judgement in determining whether these costs fulfilled the recognition criteria and whether the platforms and systems could generate probable future economic benefits to the Group.

(i) *Software*

Software is recognised when it is separable or arises from contractual or other legal rights, and it is probable that future economic benefits will flow to the Group, the cost of which can be measured reliably.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use or sale;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use; or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(m) Intangible assets (Continued)

(i) *Software (Continued)*

Directly attributable costs that are capitalized as part of the software include employee costs and relevant overheads costs.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Purchased software products acquired by the Group are capitalized as intangible assets and are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses.

Costs associated with maintaining software programs are recognized as an expense as incurred.

(ii) *Research and development*

Research expenditure and development expenditure that do not meet the criteria in (i) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(iii) *Amortization methods and periods*

Intangible assets with finite useful life, are stated at cost less amortization and accumulated impairment losses and are amortized over their estimated useful lives. Estimated useful life is measured as the shorter of the period of the contractual or other legal rights and expected economic life. If the contractual or other legal rights are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost.

The Group estimates the useful life of the intangible assets to be 2 to 10 years based on the expected technical obsolescence of such assets.

(n) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash, balances with banks, placements with banks and financial investments 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.

(o) Other assets

Other assets represent rental and other deposits, prepayments and other receivables.

Other assets are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the other assets with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. The loss arising from impairment is recognized in the profit or loss.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(p) Provisions

Provisions are recognized when the Group 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 unwinding of the discount is recognised as interest expenses.

(q) Share capital

Ordinary shares are 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.

(r) Functional currency and foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

Foreign currency transactions are translated into Hong Kong dollars 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 year-end exchange rates, are generally recognised in the profit or loss.

Non-monetary items are measured at historical cost that are translated using the exchange rates at the initial transaction date. Translation differences on assets and liabilities are included in other comprehensive income or in profit or loss depending on where the gain or loss on the underlying item is recognised.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Summary of material accounting policies (Continued)

(s) Related parties

For the purpose of these consolidated financial statements, related parties of the Group are defined as below:

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or the Group's parent entities.
- (ii) An entity is related to the Group if any of the following conditions apply:
 - (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (f) The entity is controlled or jointly controlled by a person identified in (i).
 - (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**3 Financial risk management**

The Board has the ultimate responsibility for the effective management of risk and approves and oversees the Group's overall risk management framework. The Board delegates its power to supervise the Group's major functional areas, including product risk management, compliance, treasury and financial control, and the risks associated with them to the Risk Committee, the Audit Committee, and the Executive Committee based on the respective terms of reference. The Risk Committee in particular has the authority and responsibility to oversee and guide the overall management of the collective set of different risks undertaken by the Group. The Chief Executive, Chief Risk Officer and senior management have the responsibility to ensure various risk limits are appropriately established according to the risk management strategies set by the Board, and to oversee the effectiveness of managing and controlling risk in the day-to-day management of the Group. At management level, Risk Management Committee ("RMC"), Asset and Liability Committee ("ALCO"), Credit Risk Management Committee ("CRMC") and Information Security Committee ("ISC") oversee the risk management of the various risk types.

Business units act as the first line of defence in risk management while other functional units, in particular, Risk, Legal & Compliance and Finance departments, which are independent from the business units, act as the second line of defence, and assist in managing different kinds of risks. Internal Audit Department acts as the third line of defence responsible for providing independent assurance through conducting internal audits, and reporting to the Audit Committee on the quality of risk controls and management, the adequacy and the compliance of internal policies and procedures.

(a) Financial risk factors

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

Market risk

Market risk is the risk that interest rates, foreign exchange rates, equity or commodity prices will move relative to positions taken, resulting in profits or losses. In the ordinary course of business, the Group enters into various types of financial instruments, mainly foreign exchange and debt securities, that comprise transactions initiated for the Group's own account and customer needs. The Group's positions are managed under the limits and guidelines laid down in the market risk management policy and the policy on allocating transaction of financial instruments to the trading or non-trading portfolios as applicable. The Risk Department is responsible for monitoring the transactions to ensure the activities are within the relevant limits and guidelines.

For market risk measurement techniques, the measuring procedures and limit system used for market risk management have been approved by the Risk Committee. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress testing is tailored to the business and typically uses scenario analysis. The results of the stress tests are subject to the review by management, ALCO, the Risk Committee and the Board of Directors.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Market risk (Continued)

Foreign exchange risk

Foreign exchange risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The foreign exchange risk is monitored by the Risk Department, management and ALCO within position limits set in the foreign exchange risk management policy approved by the Risk Committee. The Board sets limits on the level of exposure by currency and in aggregate for overnight positions, which are monitored on a daily basis.

The Group mainly has most of its transactions settled in HK\$ and United States dollars ("US\$"). In respect of transactions settled in US\$, the Group did not have significant exposure to foreign exchange risk during the year as HK\$ is pegged against US\$.

Interest rate risk

Interest rate risk is referred to the risk to the Group's financial condition resulting from adverse movements in interest rates. This consists of repricing risk, basis risk, option risk and yield curve risk. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movement arises. The Group's interest rate risk exposure is mainly contributed by its non-trading portfolio.

The Group manages interest rate risks within the limits approved by the Board and Risk Committee and under the monitoring of ALCO. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly. For a prudent practice, additional limits on interest rate sensitivities (also known as PV01) are enforced on a daily basis.

The Group maintains structural interest rate positions on its non-trading portfolio. Interest rate risk arises primarily from the timing differences in the repricing of and the different bases of pricing interest-bearing assets, liabilities and off-balance-sheet positions. Interest rate risk is regularly monitored by regular sensitivity analysis of the net repricing gap and of different scenarios of pricing bases of assets and liabilities grouped with reference to their next contractual repricing date or maturity date.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Market risk (Continued)

Interest rate risk (Continued)

The Group measures interest rate risks on a regular basis according to corresponding policies. The key assumptions the Group uses in the measurements of the risk include:

- (i) for fixed rate items, the earliest interest repricing date is the maturity dates of the assets or liabilities concerned;
- (ii) for variable rate items, the earliest interest repricing date is the next repricing date of the assets or liabilities concerned;
- (iii) for managed rate items, the earliest interest repricing date is the next business day;
- (iv) a parallel shift in interest rate throughout the time spectrum; and
- (v) for deposits without a fixed maturity, the earliest interest repricing date is the next business day.

Sensitivity analysis

It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's net loss for the year ended 31 December 2024 by HK\$16,852,000 (2023: HK\$32,168,000).

Conversely, it is estimated that a general decrease of 100 basis points in interest rates, with all other variables held constant, would increase the Group's net loss for the year ended 31 December 2024 by HK\$14,055,000 (2023: HK\$32,168,000).

The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

Credit risk

(i) Credit risk management

The Group takes on exposure to credit risk, principally retail credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation, such as failing to repay a loan obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the reporting date.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to each counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved annually by the Board of Directors.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Credit risk (Continued)

(i) Credit risk management (Continued)

In respect of the loans and advances to customers, the Group assesses the creditworthiness of its borrowers requesting credit. These assessments focus on the borrower's repayment history and/or their ability to repay based on their individual credit reports obtained from third party. The Group writes off the relevant outstanding amount of loans when there is objective evidence, such as, prolonged period of delinquency, death or bankruptcy of the borrower, that the loans have become uncollectible.

The exposure to any one counterparty including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits. Actual exposures against limits are monitored regularly.

Exposure to credit risk is managed through regular analysis of the ability of counterparties to meet their obligations. The Group has in place effective monitoring and control systems to identify, monitor and address problem credits in an accurate and timely manner.

The Group's credit risk mainly arises from loans and advances to customers, cash and cash equivalents and other receivables.

(ii) Expected credit loss measurement

The Group adopts a "three-stage" model in accordance with HKFRS 9 for impairment based on changes in credit quality since initial recognition (see Note 2(j)). ECL of financial instruments are measured by taking into consideration forward-looking information. Purchased or originated credit impaired financial assets are those financial assets that are credit-impaired at initial recognition. Their ECL are always measured on a lifetime basis (Stage 3).

The Group adopts the approach that utilises the Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") to estimate ECL of financial instruments. Simplified alternatives are applied to portfolios that have difficulties in adopting this approach. Significant credit deterioration criteria have to be defined for assessing significant increases in credit risk, primarily based on the key requirements summarized below:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations.
- An actual or expected significant change in the operating results of the corporate obligor.
- Significant increases in credit risk on other financial instruments of the same borrower.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Credit risk (Continued)

(ii) *Expected credit loss measurement (Continued)*

- Significant changes, such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement, that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.
- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group.
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. A credit exposure is considered as experiencing significant increase in credit risk if there is significant downgrade in external credit rating or overdue of interest/principal payments. ECL is calculated as the discounted product of the PD, EAD and LGD, defined as follows:

- PD represents the likelihood of a counterparty defaulting on its financial obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

There have been no significant changes in estimation technique or significant assumptions made during the reporting period.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Credit risk (Continued)

(ii) *Expected credit loss measurement (Continued)*

Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information by considering key economic variables identified by the Group that have an impact on credit risk and ECL for the Group's portfolios.

These economic variables and their associated impact on the PD, EAD and LGD vary by the type of financial instruments. Expert judgement has also been applied in this process.

In addition to the base economic scenario, the Group considers two other plausible scenarios along with the assigned weightings as probability of occurrence under the current economic environment. The scenarios and their corresponding weightings are determined by a combination of model-based analysis and expert judgement, taking into account the range of possible outcomes each chosen scenario is representative of. The probability weighted ECL is determined by applying each scenario on the financial instruments through running the relevant ECL models and multiplying the resulted ECL by the appropriate scenario weighting.

Expected credit loss allowance

The ECL allowance was recognized in the period after considering a variety of factors, as described below:

- Transfers between Stage 1, Stage 2 and Stage 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in PD, EAD and LGD in the period, arising from regular refreshing of inputs to models;
- Impact on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Write-offs of allowances related to assets that were written off during the period.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Credit risk (Continued)

(ii) Expected credit loss measurement (Continued)

Write-offs policy

The Group assesses the creditworthiness of its borrowers requesting credit. These assessments focus on the borrower's repayment history and their ability to repay based on their individual credit reports obtained from third party. The Group writes off the relevant outstanding amount of loans when there is an objective evidence, such as, prolonged period of delinquency, death or bankruptcy of the borrower, that the loans have become uncollectible.

Analysis of expected credit loss allowance on financial instruments by stage:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
At 31 December 2024				
Balances with banks	95	—	—	95
Placements with banks	9	—	—	9
Financial investments	31	—	—	31
Loans and advances to customers	180,647	27,069	52,770	260,486
Other assets	2,992	1,617	10	4,619
Expected credit loss provision on loan commitments	530	—	—	530
	<u>184,304</u>	<u>28,686</u>	<u>52,780</u>	<u>265,770</u>
At 31 December 2023 (Restated)				
Balances with banks	53	—	—	53
Placements with banks	—	—	—	—
Financial investments	54	—	—	54
Loans and advances to customers	147,744	26,973	50,388	225,105
Other assets	2,426	382	35	2,843
Expected credit loss provision on loan commitments	167	—	—	167
	<u>150,444</u>	<u>27,355</u>	<u>50,423</u>	<u>228,222</u>

There were no collaterals and other credit enhancements for the above financial instruments at 31 December 2024 (2023: Nil).

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The Group's liquidity risk is monitored by different risk metrics, including liquidity maintenance ratio ("LMR") and maturity mismatch profile to ensure that both the funding liquidity and market liquidity are properly handled. An adequate stock of high quality liquid assets is maintained at all times, in order to enable the Group to meet deposit withdrawals, to repay interbank borrowings, and to make new loans and investments as and when required in a timely and cost effective manner under both normal business conditions and emergency situations.

The Group's risk appetite is the risk level that the Group is prepared to accept to achieve its strategic and business objectives. ALCO has been delegated by the Board to manage the Group's liquidity risk strategy, procedures and practices. ALCO membership consists of the Chief Executive, Alternate Chief Executives, Chief Risk Officer and senior management members. The risk appetite and related limits are reviewed and approved by the Board and Risk Committee at least annually in order to align with industry standards, market developments and business conditions of the Group.

An acceptable risk appetite is adopted in managing and controlling risks in a prudent manner to balance the risk and return that the Group is prepared to take. Various ratios and risk limits are set with reference to the legal and regulatory requirements to limit and control the risk exposure under an acceptable risk appetite level and commensurate with prudent liquidity risk management practices.

The Group's liquidity risk is monitored by the Risk Department, management and ALCO in accordance with the guidelines and procedures laid down in the liquidity risk management policy that has been reviewed and approved by the Board and ALCO periodically.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Liquidity risk (Continued)

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Repayable on demand HK\$'000	Up to 1 month HK\$'000	1 month to 3 months HK\$'000	3 months to 12 months HK\$'000	1 year to 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31 December 2024							
Deposits from customers	568,297	1,640,512	3,913,548	744,691	–	–	6,867,048
Loan payables	–	–	–	–	–	–	–
Borrowings	–	–	–	–	–	–	–
Lease liabilities	–	1,013	3,257	11,400	31,612	–	47,282
Other liabilities	49,142	119,604	58,028	26,166	–	530	253,470
Due to group companies	4,862	1,498	–	–	–	–	6,360
Total financial liabilities	622,301	1,762,627	3,974,833	782,257	31,612	530	7,174,160
At 31 December 2023 (Restated)							
Deposits from customers	315,958	450,760	656,933	1,528,298	174,718	–	3,126,667
Loan payables	–	–	3,300	1,339,224	1,839,700	–	3,182,224
Borrowings	–	–	–	210,000	–	–	210,000
Lease liabilities	–	2,210	4,421	14,868	–	–	21,499
Other liabilities	177,138	65,339	85,531	244,829	158,014	167	731,018
Due to group companies	4,634	2,992	–	–	–	198,584	206,210
Total financial liabilities	497,730	521,301	750,185	3,337,219	2,172,432	198,751	7,477,618

(b) Operational risk

Operational risk is inherent in all business activities, arising from inadequate or failed internal processes or systems, human errors or misconduct, or adverse external events. The management oversight of this risk is important to achieve the Group's objectives. The Group's operational risk management is embedded in our culture and decision-making processes through a systematic approach, where risk exposures are managed through a standard approach:

- (i) Identification and assessment
- (ii) Root cause analysis, mitigation tracking and on-going monitoring
- (iii) Monitoring against risk limits set in risk appetite
- (iv) Escalation to appropriate governance forums such as management level RMC and board level Risk Committee

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(b) Operational risk (Continued)

Concurrently, operational risk is managed through formal policies and procedures, business practices, and compliance monitoring. An operational risk management function is responsible for maintaining these policies, procedures, practices and monitoring the Group's compliance with them.

Business resilience and disaster recovery planning are also critical to effective management of operational risks. Each business unit is required to develop, maintain and test these plans at least annually to ensure that recovery activities can support mission critical functions, including technology, networks and datacenters while supporting customer applications and business operations.

(c) Fair value estimation

(i) *Valuation process*

Valuation of financial assets and liabilities held at fair value are subject to a review independent of the business. For those financial assets and liabilities whose fair value is determined by reference to externally quoted prices, an assessment is made against external market data. Financial instruments held at fair value in the statement of financial position have been classified into a valuation hierarchy that reflects the significance of the inputs used in the fair value measurements.

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The fair values of other financial assets and liabilities are determined in accordance with generally accepted pricing models such as discounted cash flow analysis using observable and/or unobservable inputs.

In addition, for financial reporting purposes, fair value measurements are categorized into levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models such as discounted cash flow analysis using the observable and/or unobservable inputs.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(ii) Valuation of financial instruments carried at fair value

The following table provides an analysis of financial instruments carried at fair value:

	As at 31 December 2024			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets measured at FVOCI				
– Financial investments	2,205,177	–	–	2,205,177

There were no financial instruments held at fair value at 31 December 2023.

(d) Capital management

The Group's capital management policies are to diversify its sources of capital, to allocate capital efficiently, guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses and to meet the expectations of key constituencies, including investors and regulators.

The Banking Ordinance and the Banking (Capital) Rules set out the current requirements relating to the minimum capital adequacy ratios and leverage ratio for an authorized institution incorporated in Hong Kong and the methodology for calculating these ratios.

The Group complied with the capital requirements imposed by the Hong Kong Monetary Authority throughout 2024 and 2023.

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 Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. The resulting accounting estimates will, by definition, seldom be equal to the related actual results.

(a) ECL allowances

The ECL allowances for financial instruments are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the existing market condition as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3(a).

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Critical accounting estimates and judgements (Continued)

(b) Share-based payment

Welab Holdings Limited, the ultimate holding company of the Group, granted share options and restricted share units to the employees of the Group as a common feature of employee remuneration. HKFRS 2 “Shared-based Payment” requires recognition of an expense for those share options and restricted share units at the fair value on the grant date (equity-settled plans). For share options and restricted share units granted to employees, in many cases market prices are not available because the share options and restricted share units granted are subject to terms and conditions that do not apply to traded equity instruments. If this is the case, the Group estimates the fair value of the equity instruments granted using a valuation technique, which is consistent with generally accepted valuation methodologies.

(c) Current and deferred income tax

The Group is subject to income tax in Hong Kong. Significant judgement is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the estimated amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

As at 31 December 2024, deferred income tax assets have been recognized for unused tax losses to the extent that the realization of the related tax benefits through future taxable profits is probable (Note 11). Details of the deferred income tax are disclosed in Note 22.

5 Interest income and expense

	2024 HK\$'000	2023 HK\$'000 (Restated)
Interest income from:		
Loans and advances to customers	931,047	828,520
Balances and placements with banks	5,010	5,153
Financial investments	106,743	20,990
Others	1,203	1,856
Interest income from financial assets not measured at FVPL	1,044,003	856,519
Interest expense on:		
Deposits from customers	(236,374)	(80,560)
Borrowings	(152,209)	(221,383)
Loan payables	(2,572)	(17,554)
Interest expense from financial liabilities not measured at FVPL	(391,155)	(319,497)
Net interest income	652,848	537,022

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 Net fee and commission income

	2024 HK\$'000	2023 HK\$'000 (Restated)
Fee and commission income	42,893	34,580
Less: Fee and commission expense	(8,108)	(7,328)
Net fee and commission income	<u>34,785</u>	<u>27,252</u>

7 Other income

	2024 HK\$'000	2023 HK\$'000 (Restated)
Service fee income	7,252	—
Government grant	—	363
Others	4,066	5,699
	<u>11,318</u>	<u>6,062</u>

8 Operating expenses

	Note	2024 HK\$'000	2023 HK\$'000 (Restated)
Employee benefits			
– Salaries and other short-term employee benefits		216,909	210,971
– Pension		5,091	5,595
– Share-based compensation		8,701	40,414
Premises and equipment expenses excluding depreciation			
– Rental of other premises		186	78
– Others		4,948	5,889
Depreciation on property and equipment	18	7,954	9,990
Depreciation on right-of-use assets	19	14,065	18,755
Amortization of intangible assets	20	31,457	27,276
Write-off of property and equipment	18	—	27
Auditor's remuneration			
– Statutory audit		2,768	2,384
– Other services		500	525
Software licensing and IT costs		126,375	113,045
Legal and professional fees		5,074	4,939
Other operating expenses		175,636	173,606
		<u>599,664</u>	<u>613,494</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Change in allowances for expected credit losses

	2024 HK\$'000	2023 HK\$'000 (Restated)
Loans and advances to customers	345,058	304,789
Balances with banks	42	(31)
Placements with banks	9	(2)
Financial investments	(23)	12
Other assets	1,775	570
Expected credit loss provision on loan commitments	363	(7)
	<u>347,224</u>	<u>305,331</u>

10 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2024 HK\$'000	2023 HK\$'000 (Restated)
Directors' fees	2,625	3,000
Salaries, bonus, allowances and benefits in kind	3,530	3,083
Pension	18	18
Share-based compensation	2,292	5,892
Total directors' emoluments	<u>8,465</u>	<u>11,993</u>

During the year, no termination benefits were paid by the Group to any of the directors of the Bank and the Group did not incur any payment to third parties for making available directors' services.

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 year.

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

Note: Certain share options and restricted share units were granted to the relevant directors in their capacity of providing services to the Group with details disclosed in Note 28 to the consolidated financial statements.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 Income tax

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

	2024 HK\$'000	2023 HK\$'000 (Restated)
Current income tax	8,501	8,054
Deferred income tax (Note 22)	(10,166)	(4,644)
Income tax (credit)/expense	<u>(1,665)</u>	<u>3,410</u>

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

	2024 HK\$'000	2023 HK\$'000 (Restated)
Loss before income tax	<u>(249,064)</u>	<u>(351,074)</u>
Tax calculated at tax rate of 16.5%	(41,096)	(57,927)
Tax effect of income not subject to tax	(17,871)	(3,193)
Tax effect of non-deductible expenses	19,015	12,851
Temporary difference not recognized	3,164	4,648
Tax effect of tax losses not recognized	<u>35,123</u>	<u>47,031</u>
Income tax (credit)/expense	<u>(1,665)</u>	<u>3,410</u>

12 Balances with banks

	2024 HK\$'000	2023 HK\$'000 (Restated)
Balances with central bank	367,513	182,440
Balances with banks	77,129	224,718
Less: ECL allowances	<u>(95)</u>	<u>(53)</u>
	<u>444,547</u>	<u>407,105</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 Placements with banks

	2024 HK\$'000	2023 HK\$'000 (Restated)
Placements with banks with original maturity of three months or less when acquired	32,000	27,000
Placements with banks with an original maturity beyond three months but less than one year	36,000	—
Less: ECL allowances	(9)	—
	<u>67,991</u>	<u>27,000</u>

14 Financial investments

	2024 HK\$'000	2023 HK\$'000 (Restated)
At amortized cost		
Government bonds	—	66,735
Exchange fund bills	—	1,267,248
Bank and corporate debt securities	6,019	7,051
Less: ECL allowances	(31)	(54)
	<u>5,988</u>	<u>1,340,980</u>
At FVOCI		
Exchange fund bills	2,143,116	—
Treasury bills	62,061	—
	<u>2,205,177</u>	<u>—</u>
At 31 December	<u>2,211,165</u>	<u>1,340,980</u>

Note: The financial investments with original maturity within three months amounting to HK\$2,205,177,000 (2023: HK\$344,000,000) as at 31 December 2024.

15 Loans and advances to customers

	2024 HK\$'000	2023 HK\$'000 (Restated)
Gross loans and advances to customers	5,462,770	5,468,551
Less: ECL allowances	(260,486)	(225,105)
	<u>5,202,284</u>	<u>5,243,446</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Loans and advances to customers (Continued)

Gross loans and advances to customers before ECL allowances are analysed by internal credit grade and stage classification as follows:

	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances to customers				
Pass	5,306,530	14,093	—	5,320,623
Special mention	—	34,978	—	34,978
Substandard or below	—	—	107,169	107,169
	<u>5,306,530</u>	<u>49,071</u>	<u>107,169</u>	<u>5,462,770</u>
	2023 (Restated)			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances to customers				
Pass	5,355,323	33,931	—	5,389,254
Special mention	—	56,402	—	56,402
Substandard or below	—	—	22,895	22,895
	<u>5,355,323</u>	<u>90,333</u>	<u>22,895</u>	<u>5,468,551</u>

Reconciliation of ECL allowances and gross loans and advances to customers are as follows:

	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
ECL allowances				
At 1 January 2024	147,744	26,973	50,388	225,105
Transfer to Stage 1	1,361	(1,361)	—	—
Transfer to Stage 2	(19,520)	21,322	(1,802)	—
Transfer to Stage 3	(3,792)	(56,554)	60,346	—
New loans originated/ derecognised and net remeasurement during the year	54,854	36,689	253,515	345,058
Write-offs	—	—	(338,759)	(338,759)
Recovery	—	—	29,082	29,082
	<u>180,647</u>	<u>27,069</u>	<u>52,770</u>	<u>260,486</u>
At 31 December 2024				

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Loans and advances to customers (Continued)

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances to customers				
At 1 January 2024	5,355,323	90,333	22,895	5,468,551
Net change in exposures	(48,793)	(41,262)	423,033	332,978
Write-offs	—	—	(338,759)	(338,759)
At 31 December 2024	<u>5,306,530</u>	<u>49,071</u>	<u>107,169</u>	<u>5,462,770</u>
		2023 (Restated)		
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
ECL allowances				
At 1 January 2023	139,815	31,079	10,664	181,558
Transfer to Stage 1	780	(780)	—	—
Transfer to Stage 2	(7,466)	7,511	(45)	—
Transfer to Stage 3	(354)	(27,228)	27,582	—
New loans originated/ derecognised and net remeasurement during the year	14,969	16,391	273,429	304,789
Write-offs	—	—	(284,830)	(284,830)
Recovery	—	—	23,588	23,588
At 31 December 2023	<u>147,744</u>	<u>26,973</u>	<u>50,388</u>	<u>225,105</u>
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances to customers				
At 1 January 2023	4,332,027	114,792	11,126	4,457,945
Net change in exposures	1,023,296	(24,459)	24,640	1,023,477
Write-offs	—	—	(12,871)	(12,871)
At 31 December 2023	<u>5,355,323</u>	<u>90,333</u>	<u>22,895</u>	<u>5,468,551</u>

As at 31 December 2023, certain loans and advances to customers originated from Welend of HK\$3,317,695,000 were securitized to banks for the payment under asset backed securitization financing transactions. In connection with the HK Segment Restructuring, the asset backed securitization financing facilities from financiers were simultaneously terminated. No loans and advances to customers were securitized for the payment under asset backed securitization financing transactions after the HK Segment Restructuring and as at 31 December 2024. (Note 24 (b) and (c)).

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Amounts due from/to group companies

	2024 HK\$'000	2023 HK\$'000 (Restated)
Amounts due from group companies		
Due from the ultimate holding company ¹	427	15,000
Due from the intermediate holding company ²	58	30
Due from the immediate holding company ³	36	—
Due from the fellow subsidiaries ⁴	—	93,912
	<u>521</u>	<u>108,942</u>
Amounts due to group companies		
Due to the ultimate holding company ⁵	925	146,091
Due to the fellow subsidiaries ⁶	5,435	60,119
	<u>6,360</u>	<u>206,210</u>

Notes:

1. The amounts due from the ultimate holding company at 2023 year-end represent interest-bearing unsecured facility with contractual maturities of one year. The amounts due from the ultimate holding company at 2024 year-end are unsecured, interest free, denominated or settled in HK\$ with no fixed repayment terms.
2. The amounts due from intermediate holding company are unsecured, interest free, denominated or settled in HK\$ with no fixed repayment terms.
3. The amounts due from immediate holding company are unsecured, interest free, denominated or settled in HK\$ with no fixed repayment terms.
4. The amounts due from fellow subsidiaries are unsecured, interest free, denominated or settled in HK\$ with no fixed repayment terms.
5. The amounts due to ultimate holding company are unsecured, interest free, denominated or settled in HK\$ with no fixed repayment terms.
6. The amounts due to fellow subsidiaries are unsecured, interest free, denominated or settled in HK\$ with no fixed repayment terms.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 Particulars of subsidiaries

Particulars of the Group's subsidiaries as at 31 December 2024 are set out below:

Company Name	Place of incorporation	Issued capital	Interest held	Principal activities
<i>Directly owned:</i>				
Welab Crest Limited	British Virgin Islands	US\$13,648,670	100%	Investment holding
<i>Indirectly owned:</i>				
Welend Limited	Hong Kong	HK\$410,000,000	100%	Money lending

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Property and equipment

	2024			
	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At 1 January 2024	21,897	28,991	1,653	52,541
Additions	—	542	—	542
Write-off	—	(7)	—	(7)
At 31 December 2024	21,897	29,526	1,653	53,076
Accumulated depreciation				
At 1 January 2024	(17,588)	(24,673)	(524)	(42,785)
Charge for the year	(4,309)	(3,314)	(331)	(7,954)
Write-off	—	7	—	7
At 31 December 2024	(21,897)	(27,980)	(855)	(50,732)
Net book value				
At 31 December 2024	—	1,546	798	2,344
	2023 (Restated)			
	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At 1 January 2023	22,311	28,327	1,653	52,291
Additions	—	739	—	739
Write-off	(414)	(75)	—	(489)
At 31 December 2023	21,897	28,991	1,653	52,541
Accumulated depreciation				
At 1 January 2023	(12,983)	(20,081)	(193)	(33,257)
Charge for the year	(5,019)	(4,640)	(331)	(9,990)
Write-off	414	48	—	462
At 31 December 2023	(17,588)	(24,673)	(524)	(42,785)
Net book value				
At 31 December 2023	4,309	4,318	1,129	9,756

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 Right-of-use assets

The Group has lease contracts for office premises with lease terms generally up to 4 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 year.

	2024 HK\$'000	2023 HK\$'000 (Restated)
At 1 January	13,820	32,322
Additions	43,894	—
Depreciation	(14,065)	(18,755)
Reassessment	(752)	253
	<u>42,897</u>	<u>13,820</u>
At 31 December	<u>42,897</u>	<u>13,820</u>

20 Intangible assets

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

	2024 HK\$'000	2023 HK\$'000 (Restated)
Cost		
At 1 January	136,882	123,288
Additions	27,972	13,594
Disposal	(1,773)	—
	<u>163,081</u>	<u>136,882</u>
At 31 December	<u>163,081</u>	<u>136,882</u>
Accumulated amortization		
At 1 January	69,804	42,528
Charge for the year		
– Amortization	31,457	27,276
Disposal	(1,773)	—
	<u>99,488</u>	<u>69,804</u>
At 31 December	<u>99,488</u>	<u>69,804</u>
Net book value		
At 31 December	<u>63,593</u>	<u>67,078</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 Other assets

	2024 HK\$'000	2023 HK\$'000 (Restated)
Prepayments	105,210	139,791
Rental and other deposits	26,791	29,125
Other receivables	80,945	78,931
	<u>212,946</u>	<u>247,847</u>

22 Deferred income tax

The movement of deferred income tax assets and liabilities, prior to offsetting of balances within the same tax jurisdiction during the year is as follows:

	Tax losses HK\$'000	Provision on loans and advances to customer HK\$'000	Decelerated tax depreciation HK\$'000	Total HK\$'000
At 31 December 2022 (Restated)	–	24,225	120	24,345
Credited to consolidated statement of comprehensive income	<u>–</u>	<u>4,198</u>	<u>446</u>	<u>4,644</u>
At 31 December 2023 (Restated)	–	28,423	566	28,989
Credited/(charged) to consolidated statement of comprehensive income	<u>10,770</u>	<u>(1,025)</u>	<u>421</u>	<u>10,166</u>
At 31 December 2024	<u>10,770</u>	<u>27,398</u>	<u>987</u>	<u>39,155</u>

Deferred income tax assets are recognized for tax losses carried forwards and deductible temporary differences to the extent that the realization of the related tax benefit through the future taxable profit is probable. The Group has not recognized deferred income tax assets in respect of cumulative tax losses and other temporary differences of HK\$1,883,504,000 (2023: HK\$1,651,463,000) as it is not probable that future taxable profits against which the tax losses and other temporary differences can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

23 Deposits from customers

	2024 HK\$'000	2023 HK\$'000
Savings accounts	536,404	314,723
Time deposits	<u>6,330,644</u>	<u>2,811,944</u>
	<u>6,867,048</u>	<u>3,126,667</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 Loan payables

Loan payables mainly represented the followings:

- (a) Loan payable to an institutional investor of HK\$92,892,000 as at 31 December 2023

As at 31 December 2023, the loan payable to the institutional investor amounted to HK\$92,892,000 were interest bearing and the repayment obligation under the loan agreements was guaranteed by the ultimate holding company. This loan payable was fully repaid in 2024.

- (b) In October 2022, the Group entered into an asset backed securitization financing transaction with a bank through a special purpose bankruptcy remote entity which established to fund the acquisition of receivables arising from loans originated by Welend, a subsidiary of the Bank, and was provided senior ranking funding in the form of subscription of senior notes by the bank. The senior ranking funding facility was available for drawdown until April 2024. As at 31 December 2023, the outstanding balance of senior loan notes issued amounted to HK\$1,271,100,000 and the outstanding principal balance of Welend's loans and advances to customers of HK\$1,444,006,000 was securitized to the bank for the payment (Note 15).

In connection with the HK Segment Restructuring, the funding facility from this bank was simultaneously terminated, and the outstanding balance of the funding facility was fully repaid during the year ended 31 December 2024.

- (c) In September 2023, the Group entered into another asset backed securitization financing transaction with other financiers through a special purpose bankruptcy remote entity which established to fund the acquisition of receivables arising from loans originated by Welend, and received a commitment from the financiers who provided senior and mezzanine ranking funding in the form of subscription of senior and mezzanine notes, respectively. The senior and mezzanine ranking funding facility is available for drawdown until September 2025. As at 31 December 2023, the outstanding balance of senior loan notes amounted to HK\$1,529,100,000. While the outstanding balance of mezzanine loan notes issued amounted to HK\$217,000,000 and the outstanding principal balance of Welend's loans and advances to customers of HK\$1,873,689,000 was securitized to these financiers for the payment (Note 15).

In connection with the HK Segment Restructuring, the funding facility from the financiers was simultaneously terminated, and the outstanding balance of the funding facility was fully repaid during the year ended 31 December 2024.

- (d) As at 31 December 2023, loan payables to other investors amounted to HK\$75,800,000 were carried at amortized cost, unsecured, interest-bearing at 6.5% – 7.5% per annum and repayable within one year. The repayment obligation was guaranteed by Welab Holdings Limited, the ultimate holding company. The loan payables were fully repaid in 2024.

25 Borrowings

	2024 HK\$'000	2023 HK\$'000 (Restated)
Bank borrowing ¹	—	173,508
Other borrowing ²	—	35,000
	<u>—</u>	<u>208,508</u>

The carrying amount of borrowings were denominated in HK\$ at amortized cost.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 Borrowings (Continued)

Notes:

1. As at 31 December 2023, a banking facility granted to the Group had HK\$175,000,000 utilised. The amount is interest bearing at prevailing market rate, guaranteed by Welab Holdings Limited, the ultimate holding company. The banking facility is revolving in nature and is available for drawdown until December 2024. The banking facility was terminated upon the bank borrowing was fully repaid in 2024.
2. As at 31 December 2023, other borrowing of HK\$35,000,000 was unsecured, interest-bearing at 8.875% per annum and repayable within one year. The repayment obligation was guaranteed by Welab Holdings Limited, the ultimate holding company. The other borrowing was fully repaid in 2024.

As at 31 December 2023, the facilities available to the Group amounted to HK\$3,918,100,000, of which HK\$3,192,200,000 was utilized. The facilities were subject to the fulfillment of covenants. There is no facility available to the Group as at 31 December 2024.

26 Other liabilities

	2024 HK\$'000	2023 HK\$'000 (Restated)
Accruals	106,538	89,748
Interest payables	71,013	50,409
Advance receipts from customers	41,503	41,477
Others	128,851	84,029
Expected credit loss provision on loan commitments	530	167
	<u>348,435</u>	<u>265,830</u>

27 Share capital

	2024 Number of shares	Share capital HK\$'000	2023 Number of shares	Share capital HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January	2,070,000,001	2,070,000	1,804,000,001	1,804,000
Issuance of shares (Note)	<u>775,000,000</u>	<u>775,000</u>	<u>266,000,000</u>	<u>266,000</u>
At 31 December	<u>2,845,000,001</u>	<u>2,845,000</u>	<u>2,070,000,001</u>	<u>2,070,000</u>

Note: During the year, a total of 775,000,000 (2023: 266,000,000) ordinary shares have been issued for a total consideration of HK\$775,000,000 (2023: HK\$266,000,000).

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

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28 Share-based payments

Welab Holdings Limited, the ultimate holding company of the Bank, adopted the 2013 Welab Holdings Limited Equity Incentive Plan (the “2013 Plan”) on 29 May 2014. The 2013 Plan expired on 28 May 2024. Upon expiry of the 2013 Plan, no further share awards would be granted under the 2013 Plan, but the share awards granted prior to such expiry continued to be valid and exercisable in accordance with the provisions of the 2013 Plan and the grant agreements.

Welab Holdings Limited adopted the 2024 Welab Holdings Limited Equity Incentive Plan (the “2024 Plan”) on 4 January 2025. In respect of the 2024 Plan whereby the directors of Welab Holdings Limited were authorized, at their discretion, grant share awards to qualifying participants to subscribe for ordinary shares of Welab Holdings Limited, subject to the terms and conditions stipulated therein and in the grant agreements.

Welab Holdings Limited granted its share options and restricted share units (“RSUs”) to the employees and non-employees of Welab Holdings Limited and other group companies.

(a) Share options

Options are generally vested to over a four years’ service period (the vesting period). The share options are exercisable starting from 23 April 2024.

For the year ended 31 December 2024, the Group recorded and recognized share-based compensation expenses of HK\$7,231,000 during the year (2023: HK\$39,573,000).

Movements in the number of share options granted to the directors and employees of the Group in respect of the services provided to the Group and their related weighted average exercise prices are as follows:

	2024		2023 (Restated)	
	Weighted average exercise price US\$	Number of options	Weighted average exercise price US\$	Number of options
Outstanding at 1 January	8.7	3,546,020	8.7	3,719,378
Granted during the year	12.0	4,000	—	—
Exercised during the year	4.1	(23,642)	8.0	(8,161)
Forfeited/lapsed during the year	5.8	(116,863)	8.8	(165,197)
Outstanding at 31 December	8.8	<u>3,409,515</u>	8.7	<u>3,546,020</u>
Exercisable at 31 December	8.8	<u>3,308,541</u>	8.4	<u>3,250,024</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28 Share-based payments (Continued)

(a) Share options (Continued)

During the year ended 31 December 2024, 116,863 (2023: 165,197) share options were forfeited/lapsed as certain employees and non-employees ceased to render services to the Group.

The above options outstanding at 31 December 2024 had a weighted average exercise price of US\$8.8 (2023: US\$8.7), and a weighted average remaining contractual life of 4.1 years (2023: 5.0 years).

The above share options outstanding at 31 December 2024 and 2023 have the following expiry dates and exercise prices:

<i>Expiry date</i>	2024		2023 (Restated)	
	Weighted average exercise price US\$	Number of options	Weighted average exercise price US\$	Number of options
3rd quarter 2024	—	—	1.25	111,544
4th quarter 2024	—	—	1.25	35,611
1st quarter 2025	1.25	202,700	1.25	205,600
2nd quarter 2025	1.25	3,000	1.25	3,000
3rd quarter 2025	1.25	101,168	1.25	107,180
4th quarter 2025	1.25	55,000	1.25	55,000
2nd quarter 2026	7.00	58,433	7.00	58,433
3rd quarter 2026	7.00	11,000	7.00	11,500
4th quarter 2026	7.00	1,500	7.00	2,000
2nd quarter 2027	7.00	173,125	7.00	174,125
4th quarter 2027	7.00	63,625	7.00	63,625
1st quarter 2028	11.31	126,349	11.31	126,349
2nd quarter 2028	8.55	443,754	8.44	449,766
3rd quarter 2028	4.59	10,896	4.59	10,896
4th quarter 2028	9.00	5,000	9.00	5,000
1st quarter 2029	10.39	430,808	10.39	430,808
2nd quarter 2029	10.74	131,021	10.67	136,021
3rd quarter 2029	8.08	625,429	8.66	591,000
4th quarter 2029	7.37	82,611	12.00	47,000
1st quarter 2030	12.00	55,875	12.00	55,875
2nd quarter 2030	12.89	95,806	12.84	102,378
3rd quarter 2030	12.00	1,800	12.00	1,800
4th quarter 2030	12.52	29,250	12.52	29,250
1st quarter 2031	12.00	10,000	12.00	11,000
2nd quarter 2031	12.09	543,721	12.08	565,440
3rd quarter 2031	9.42	24,588	9.42	24,588
4th quarter 2031	12.00	2,917	12.00	2,917
1st quarter 2032	12.00	120,139	12.00	128,314
		<u>3,409,515</u>		<u>3,546,020</u>

The above options and related details do not include those options granted to the directors and employees of the Group in their capacity of rendering services to the ultimate holding company and its subsidiaries.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28 Share-based payments (Continued)

(a) Share options (Continued)

Fair value of options and assumptions

4,000 share options were granted in 2024 (2023: Nil). The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was US\$20.84 (2023: Nil) per option.

The significant inputs into the model for the year ended 31 December 2024 and 2023 were as follows:

	2024	2023 (Restated)
Weighted average share price at grant dates	US\$29.94	—
Expected volatility	50%	—
Expected dividend yield	0%	—
Risk-free interest rate	4.51%	—

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of monthly share prices of the comparable companies over the expected option life. Expense recognized in the consolidated statement of profit or loss and other comprehensive income is disclosed in Note 8.

(b) RSUs

RSUs are rights to receive ordinary shares of the ultimate holding company and vested upon (i) the completion of specific service periods of generally one to four years and (ii) occurrence of an initial public offering or the public trading of the shares of the ultimate holding company on a recognized stock exchange or a change in the ownership of the ultimate holding company or a substantial portion of the assets of the ultimate holding company.

For the year ended 31 December 2024, the Group recorded share-based compensation expenses of HK\$1,470,000 (2023: HK\$841,000) relating to RSUs.

Movements in the number of RSUs granted to the directors and employees of the Group are as follows:

	2024 Number of RSUs	2023 Number of RSUs (Restated)
Outstanding at the beginning of the year	152,150	10,500
Granted during the year	119,100	180,100
Forfeited/lapsed during the year	(14,737)	(38,450)
Outstanding at the end of the year	256,513	152,150

During the year ended 31 December 2024, 14,737 RSUs (2023: 38,450 RSUs) were forfeited/lapsed as certain RSU holders ceased to render services to the Group for reasons other than death, ill-health or retirement.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28 Share-based payments (Continued)

(b) RSUs (Continued)

The RSUs outstanding as at 31 December 2024 have the following expiry date:

Expiry date	2024 Number of RSUs	2023 Number of RSUs (Restated)
3rd quarter 2029	7,500	7,500
1st quarter 2030	132,813	144,650
1st quarter 2031	116,200	—
	<u>256,513</u>	<u>152,150</u>

As at 31 December 2024, the weighted average fair value of RSUs granted during the year was US\$2.84 (2023: US\$2.84) per unit. The fair value of RSUs at grant date was determined by adjusting the share price, taking into the discount factor due to the lack of voting right and the probability of the liquidity events. The significant inputs into the model were as follows:

	2024	2023 (Restated)
Weighted average share price at grant dates	US\$29.94	US\$29.94
Discount factor	90.5%	90.5%

Expense recognized in the consolidated statement of profit or loss and other comprehensive income is disclosed in Note 8.

29 Capital commitments

Significant capital commitments, except lease liabilities as separately disclosed, contracted for at the end of the reporting period but not yet incurred are as follows:

	2024 HK\$'000	2023 HK\$'000
Capital commitments contracted for, but not provided in the consolidated statement of financial position	<u>—</u>	<u>—</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Business combination under common control

The Group adopts merger accounting for common control combination in respect of the acquisition of subsidiaries as mentioned in Note 2(a). The statements of adjustments for business combinations under common control, along with the effects of applying merger accounting on the Group's consolidated statement of financial position as of 31 December 2024 and 31 December 2023, and the results for the year ended 31 December 2024 and 31 December 2023, are summarized as follows:

	Welab Bank Limited HK\$'000	Welab Crest Group HK\$'000	Adjustments HK\$'000	Total HK\$'000
Year ended				
31 December 2024				
Net interest income	193,674	459,174	—	652,848
Loss before income tax	(370,282)	(61,838)	183,056	(249,064)
Income tax	—	1,665	—	1,665
Loss for the year	<u>(370,282)</u>	<u>(60,173)</u>	<u>183,056</u>	<u>(247,399)</u>
As at 31 December 2024				
Total assets	<u>8,018,673</u>	<u>3,829,608</u>	<u>(3,556,928)</u>	<u>8,291,353</u>
Total liabilities	<u>7,151,492</u>	<u>3,738,795</u>	<u>(3,627,265)</u>	<u>7,263,022</u>
Equity				
Share capital	2,845,000	106,460	(106,460)	2,845,000
Reserves	<u>(1,977,819)</u>	<u>(15,647)</u>	<u>176,797</u>	<u>(1,816,669)</u>
Total equity	<u>867,181</u>	<u>90,813</u>	<u>70,337</u>	<u>1,028,331</u>
Total equity and liabilities	<u>8,018,673</u>	<u>3,829,608</u>	<u>(3,556,928)</u>	<u>8,291,353</u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 Business combination under common control (Continued)

	Welab Bank Limited HK\$'000	Welab Crest Group HK\$'000	Adjustments HK\$'000	Total HK\$'000
Year ended				
31 December 2023				
Net interest income	48,475	488,547	—	537,022
Loss before income tax	(315,632)	(35,442)	—	(351,074)
Income tax	—	(3,410)	—	(3,410)
Loss for the year	<u>(315,632)</u>	<u>(38,852)</u>	<u>—</u>	<u>(354,484)</u>
As at 31 December 2023				
Total assets	<u>3,763,565</u>	<u>3,733,164</u>	<u>(572)</u>	<u>7,496,157</u>
Total liabilities	<u>3,304,338</u>	<u>3,694,427</u>	<u>(572)</u>	<u>6,998,193</u>
Equity				
Share capital	2,070,000	—	—	2,070,000
Reserves	(1,610,773)	38,737	—	(1,572,036)
Total equity	<u>459,227</u>	<u>38,737</u>	<u>—</u>	<u>497,964</u>
Total equity and liabilities	<u>3,763,565</u>	<u>3,733,164</u>	<u>(572)</u>	<u>7,496,157</u>

31 Off-balance sheet exposures

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

	2024 HK\$'000	2023 HK\$'000
Loan commitments which are unconditionally cancellable	<u>457,855</u>	<u>299,517</u>

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

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 Note to statement of cash flows

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financial activities, including both cash and non-cash changes. Liabilities arising from financial activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's statements of cash flows as cash flows from financial activities.

	Lease liabilities HK\$'000
At 1 January 2023 (Restated)	45,388
Changes from financing cash flows:	
Principal portion of lease payment	(24,878)
Interest portion of lease payment	(2,585)
	<hr/>
Total changes from lease payment	17,925
Other changes:	
Interest expense of lease payment	2,585
	<hr/>
As at 31 December 2023 (Restated)	20,510
Changes from financing cash flows:	
Principal portion of lease payment	(23,225)
Interest portion of lease payment	(1,127)
	<hr/>
Total changes from lease payment	(3,842)
Other changes:	
Addition of the new lease contract	43,894
Interest expense of lease payment	1,127
	<hr/>
As at 31 December 2024	<u><u>41,179</u></u>

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Related party transactions

Other than already disclosed in Note 10, the following material transactions were carried out between the Group and its related parties during the year. These related party transactions were carried out in the ordinary course of business and on commercial terms.

(a) Transactions with group companies

	2024 HK\$'000	2023 HK\$'000 (Restated)
For the year ended 31 December		
Interest income ¹	267	975
Staff costs recharge ²	391	1,443
Purchase of intangible assets ³	10,360	6,523
Prepayment of IT expenses ³	6,827	6,264
IT costs ³	16,651	14,142
Outsource fee ⁴	13,526	12,242
Service fee income ⁵	7,252	—
License fee ⁶	6,824	—

Notes:

1. The interest income and terms in relation to the amounts due from/to group companies are set out in Note 16.
2. The Group received HK\$391,000 (2023: HK\$1,443,000) for staff costs recharge from the group companies.
3. During the year, the Group's fellow subsidiaries have provided services for the Group regarding the Group's system developments. The total amounts incurred were HK\$33,838,000 (2023: HK\$26,929,000), which have been accounted for by the Group in its consolidated financial statements as described above.
4. The outsource fees paid to fellow subsidiaries were charged at cost plus a margin.
5. During the year ended 31 December 2024, the Group provided service to the ultimate holding company, which was charged at a predetermined agreed fee.
6. During the year ended 31 December 2024, the ultimate holding company licensed intellectual property to the Group for operation, which was charged at a predetermined agreed fee.

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Related party transactions (Continued)

(b) Directors and key management personnel emoluments

Emoluments for directors and key management personnel, including amounts paid to the Group's directors as disclosed in Note 10 as follows:

	2024 HK\$'000	2023 HK\$'000 (Restated)
Salaries, other short-term employee benefits and directors' fee	32,205	31,054
Pension	230	242
Share-based compensation	7,310	15,741
	<u>39,745</u>	<u>47,037</u>

(c) Transactions and balances with directors and key management personnel

For the year ended 31 December 2024 and 2023, the Group has banking transactions with directors and key management personnel of the Group and their close family members. These transactions mainly include taking of deposits, which are made in the ordinary course of business and on commercial terms, and are not material.

WELAB BANK LIMITED

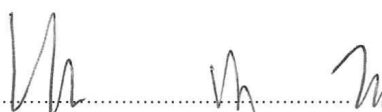
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 Company-level statement of financial position and reserve movement

	2024 HK\$'000	2023 HK\$'000
Assets		
Balances with banks	421,857	244,373
Placements with banks	67,991	27,000
Financial investments	2,211,165	1,340,980
Loans and advances to customers	1,572,247	1,942,025
Amounts due from group companies	3,442,147	15,030
Property and equipment	336	4,614
Right-of-use assets	26,743	9,330
Intangible assets	63,593	67,078
Other assets	212,594	113,135
Total assets	8,018,673	3,763,565
Liabilities		
Deposits from customers	6,867,048	3,126,667
Lease liabilities	25,634	12,999
Other liabilities	252,784	159,466
Amounts due to group companies	6,026	5,206
Total liabilities	7,151,492	3,304,338
Equity		
Share capital	2,845,000	2,070,000
Reserves	(1,977,819)	(1,610,773)
Total equity	867,181	459,227
Total equity and liabilities	8,018,673	3,763,565

The statement of financial position of the Bank was approved by the Board of Directors on and were signed on its behalf:


 Chan Ka Keung Ceajer
 Chairman


 Lee Ka Tat
 Director

WELAB BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 Company-level statement of financial position and reserve movement (Continued)

	Employee share-based payment reserve HK\$'000	FVOCI reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2024	13,429	–	(1,624,202)	(1,610,773)
Loss for the year	–	–	(370,282)	(370,282)
Recognition of equity-settled share-based options	2,912	–	–	2,912
Forfeiture/lapse of share options	(2,581)	–	2,581	–
Other comprehensive income	–	324	–	324
At 31 December 2024	<u>13,760</u>	<u>324</u>	<u>(1,991,903)</u>	<u>(1,977,819)</u>
At 1 January 2023	13,789	–	(1,315,656)	(1,301,867)
Loss for the year	–	–	(315,632)	(315,632)
Recognition of equity-settled share-based options	6,726	–	–	6,726
Forfeiture/lapse of share options	(7,086)	–	7,086	–
At 31 December 2023	<u>13,429</u>	<u>–</u>	<u>(1,624,202)</u>	<u>(1,610,773)</u>

35 Comparative figures

As a result of the application of the Hong Kong Accounting Guideline 5 (Revised) “Merger Accounting for Common Control Combinations”, certain comparative figures have been adjusted to conform to current year’s presentation and to provide comparative amounts in respect of items disclosed for the first time in 2024.

36 Approval of consolidated financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 28 April 2025.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

CORPORATE GOVERNANCE REPORT

Welab Bank Limited (the “Bank”) and its subsidiaries (together, the “Group”) is committed to high standards of corporate governance and complies with the guidelines issued by the HKMA in the SPM Module CG-1 on “Corporate Governance of Locally Incorporated Authorized Institutions”. To accomplish this, the Bank exercises corporate governance through the following Committees.

1. Board of Directors

The Board of Directors of the Bank (the “Board”) is responsible for the overall management and affairs of the Bank and its wholly-owned subsidiaries and is primarily accountable to the shareholder(s) for the proper conduct of the business of the Group.

Prof. CHAN Ka Keung Ceajer

Chairman and Non-Executive Director

Prof. Chan was appointed as Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region from July 2007 to June 2017. Prior to that, he was Dean of Business and Management in the Hong Kong University of Science and Technology (“HKUST”). He is currently Adjunct Professor at HKUST Business School.

Prof. Chan received his bachelor’s degree in economics from Wesleyan University and his M.B.A. and Ph.D. in finance from the University of Chicago. He specialised in assets pricing, evaluation of trading strategies and market efficiency and has published numerous articles on these topics.

Prof. Chan is a director of One Country Two Systems Research Institute. In the past, he held a number of public service positions including Chairman of the Consumer Council, Director of the Hong Kong Futures Exchange, and Member of the Competition Committee, Commission on Strategic Development, Commission on Poverty, the Exchange Fund Advisory Committee, the Hang Seng Index Advisory Committee, and the Hong Kong Council for Academic Accreditation.

Mr. LOONG Pui Chi Simon

Non-Executive Director

Mr. Loong is the Founder and Group CEO of WeLab Group. Mr. Loong has over 25 years of fintech and banking experience. Prior to founding WeLab Group, Mr. Loong spent 15 years in the retail banking divisions of Citibank and Standard Chartered Bank. Mr. Loong has a master’s degree from Stanford Graduate School of Business and is a Fellow of Certified Public Accountant (Australia).

Mr. Loong is a pioneer in driving fintech development and financial inclusion in Asia. He is a strong believer and passionate about innovating the financial services industry with technology. He serves on key committees in both public and private sectors to drive the proliferation of the fintech ecosystem in Asia.

Mr. Loong has received multiple awards in recognition of his achievements including “CEO of the Year” by Capital CEO, “Innovation Leadership Achievement in Hong Kong” by The Asian Banker, “Asia’s Most Influential” by Tatler Asia, and “Vice-Chancellor’s Achievement Award” by University of Sydney. Mr. Loong has also been named as “one of the 20 people shaping Hong Kong’s future” in the next 20 years by leading Chinese media outlet, YiCai.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

1. Board of Directors (Continued)

Mr. LEUNG Chun Man Ernest

Non-Executive Director

Mr. Leung is the President and Group Chief Operating Officer of WeLab Group. Mr. Leung has over 25 years of experience in the banking and finance industry. Prior to joining WeLab, Mr. Leung was the Singapore CEO and APAC COO at BNP Paribas Wealth Management. Mr. Leung previously held a number of leadership roles across key Asia markets with extensive experience ranging from corporate strategy, business creation and transformation, to chief executive and board responsibilities across consumer & private banking.

Mr. Leung is a director of Make-A-Wish Foundation of Hong Kong Limited and a member of New Business Committee of Financial Services Development Council. Mr. Leung holds a Bachelor of Commerce from the University of British Columbia, Canada.

Mr. LEE Ka Tat

Executive Director

Mr. Lee is the Chief Executive of the Bank. Guided by his vision of empowering customers to handle their financial needs with fintech, Mr. Lee was engaged in the formation of the Bank in 2018. Ever since, he has led the team to mark several important milestones, such as attaining the virtual bank license, establishing the mission and the positioning of the Bank, leading the overall business development and so forth, making the Bank a well-received digital bank in Hong Kong.

Mr. Lee has two decades of retail banking and fintech experience. Mr. Lee joined WeLab Group, the parent company of the Bank, back in 2013. He has assumed a number of roles in WeLab Group including General Manager and Head of Product and Risk Management of Welend Limited ("WeLend"), a direct online lending business under WeLab Group. Under his leadership, WeLend grew from a start-up to Hong Kong's largest technology and AI powered pure online lending platform. Prior to joining WeLab Group, he held senior roles in leading international financial institutions, including HSBC and Standard Chartered Bank's former consumer finance subsidiary, PrimeCredit.

Mr. Lee holds a Bachelor of Engineering (Computer Science) from Hong Kong University of Science and Technology.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

1. Board of Directors (Continued)

Mr. Donald Jeffrey ROBERTS

Independent Non-Executive Director

Mr. Roberts is a veteran CFO with over 40 years' experience in a leading conglomerate, Hutchison Whampoa Limited, where he was Group Deputy CFO for 11 years. Mr. Roberts is currently an Independent Non- Executive Director of CK Asset Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc., HK Electric Investments Limited, NexGen Energy Ltd. and Queen's Road Capital Investment. He was previously a member of the Executive Committee of The Canadian Chamber of Commerce in Hong Kong and is currently Governor of the Chamber.

Mr. Roberts holds a Bachelor of Commerce degree. He is a Chartered Accountant with the Chartered Professional Accountants of Canada, Alberta and British Columbia, and also a Fellow of the HKICPA.

Ms. CHANG Suk Ling Irene

Independent Non-Executive Director

Ms. Chang (Mrs. Irene Chiu) has over 30 years of experience across different groups at Citibank until her retirement in 2019. Her last role was the Retail Credit Head for Citibank, a role she held from 2005 to 2019, covering Australia, Japan and Asia Pacific, with Europe added in the later years. She is a veteran in retail credit risk management and was responsible for independent risk oversight for Citi's retail credit portfolios across 20 countries. Ms. Chang has extensive "through-the-cycle" experience in managing retail credit portfolios, building de novo businesses and through "boom and bust, and to recovery".

Ms. Chang holds a Bachelor of Social Sciences degree from the University of Hong Kong.

Changes in Directors and Information of Directors

Changes in Director of the Bank during the year are as follows:

(1) Dr. Lam Lee G resigned as an independent non-executive Director with effect from 23 April 2024 due to other business activities.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

1. Board of Directors (Continued)

Board Committees

The Board delegates the management and day-to-day running of the Group to the Chief Executive and the Alternate Chief Executives in accordance to the direction determined by the Board. Other matters which the Board considers suitable for delegation are contained in the terms of reference of its committees as follows:

a. Executive Committee

The Executive Committee provides leadership and ensures strong governance across all matters related to the Group. The committee is responsible for the day-to-day operations and administration of the Group within the framework of the Group's policies and act in accordance to the direction determined by the Board of Directors of the Bank to maximize and protect the value of the Group. The committee is chaired by the Chief Executive and its members include Chief Compliance Officer, Chief Risk Officer, Chief Technology Officer, Head of Operations, Chief Financial Officer, Head of Regulatory Compliance, Head of Financial Crime Compliance, and Head of Human Resources, while Head of Internal Audit and Head of Growth are the standing invitees.

b. Remuneration Committee

The Remuneration Committee is responsible to the Board for formulating remuneration policy and remuneration proposals of all staff, in particular, Directors, the Chief Executive, Alternate Chief Executives and senior management of the Bank and its wholly-owned subsidiaries and overseeing its implementation. The committee in determining the remuneration proposals shall ensure consistency with the Group's culture, long-term business and risk appetite, performance and control environment and relevant legal requirements and rules and guidance published by regulatory authorities. It consists of:

Ms. CHANG Suk Ling Irene (Chairman)	Independent Non-Executive Director
Mr. Donald Jeffrey ROBERTS	Independent Non-Executive Director
Dr. LAM Lee G (Resigned on 23 April 2024)	Independent Non-Executive Director
Mr. LEUNG Chun Man Ernest	Non-Executive Director

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

1. Board of Directors (Continued)

Board Committees (Continued)

c. Nomination Committee

The Nomination Committee is responsible to the Board for leading the process for Board appointments and for identifying and nominating for the approval of the Board, candidates for the appointment to the Board. It also has responsibility of identifying individuals suitably qualified to become members of senior management and selecting, or making recommendations to the Board on the selection of, individuals nominated for senior management positions. It consists of:

Ms. CHANG Suk Ling Irene (Chairman)	Independent Non-Executive Director
Mr. Donald Jeffrey ROBERTS	Independent Non-Executive Director
Dr. LAM Lee G (Resigned on 23 April 2024)	Independent Non-Executive Director
Prof. CHAN Ka Keung Ceajer	Non-Executive Director
Mr. LOONG Pui Chi Simon	Non-Executive Director

d. Risk Committee

The Risk Committee is responsible for ensuring an appropriate risk management framework, overseeing and monitoring the various risks affecting the Bank and its wholly-owned subsidiaries including technology risk. The committee reviews and supports the implementation of the risk management strategies, risk appetites and key risk management policies based on the guidelines and directives of the HKMA. The committee interacts regularly with and provides oversight of the Chief Risk Officer and also receives regular risk reports from the Chief Risk Officer and the risk management function of the Group. It consists of:

Ms. CHANG Suk Ling Irene (Chairman)	Independent Non-Executive Director
Mr. Donald Jeffrey ROBERTS	Independent Non-Executive Director
Dr. LAM Lee G (Resigned on 23 April 2024)	Independent Non-Executive Director
Prof. CHAN Ka Keung Ceajer	Non-Executive Director
Mr. LEUNG Chun Man Ernest	Non-Executive Director

e. Audit Committee

The Audit Committee is established to assist the Board of the Bank in ensuring the adequacy of the internal control systems and reinforcing the work of internal audit function and external auditors and in fulfilling its duties through a review and supervision of financial reporting of the Bank and its wholly-owned subsidiaries. It oversees the establishment of the Group's accounting policies and procedures, approves the internal and external audit plans, reviews reports and recommendations provided by the internal and external audit functions, and reports significant findings, if any to the Board in relation to any deficiencies in the Group's internal control system. It consists of:

Mr. Donald Jeffrey ROBERTS (Chairman)	Independent Non-Executive Director
Ms. CHANG Suk Ling Irene	Independent Non-Executive Director
Mr. LEUNG Chun Man Ernest	Non-Executive Director

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

1. Board of Directors (Continued)

Sub-committees of Risk Committee

a. Asset and Liability Committee

The Asset and Liability Committee is responsible for the effective management of the assets and liabilities of the Group, which includes overseeing the Group's operations relating to interest rate risk, liquidity risk, market risk and capital management. The members are appointed by the Chief Executive, and standing members comprise the Chief Executive, Chief Financial Officer, Chief Risk Officer, Head of Loans, Head of Deposit, Payment & Card, Head of ALCO Risk & Risk Analytics and Corporate Controller. Meetings are chaired by the Chief Financial Officer, or in his/her absence, the Chief Executive or his/her delegate.

b. Risk Management Committee

The Risk Management Committee is responsible for overseeing the effective management of operational risk, technology risk, reputational risk, regulatory risk, legal risk, climate risk and strategic risk arising from the Group's activities. This committee also covers risks associated with non-compliance with external rules and regulations relating to Financial Crime (i.e. money laundering, terrorist financing, sanctions, fraud and bribery corruption). The members are appointed by the Chief Executive, including Alternate Chief Executives, Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer, Chief Technology Officer, Chief Lending Officer, Head of Operations, Head of Loans, Head of Deposit, Payment & Card, Lead of Business Proposition, Head of Operational Risk, Head of Technology Risk, Head of Financial Crime Compliance, Head of Regulatory Compliance, Head of Wealth Management, Head of People & Culture and Corporate Controller. Meetings are chaired by the Chief Risk Officer, or in his/her absence, the Chief Executive or his/her delegate.

c. Credit Risk Management Committee

The Credit Risk Management Committee is responsible for overseeing the effective management of credit risk arising from the Group's activities. The members are appointed by the Chief Executive, including Alternate Chief Executives, Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer, Head of Operations, Head of Credit Risk, Head of Loans, Head of Regulatory Compliance and Corporate Controller. Meetings are chaired by the Chief Risk Officer, or in his/her absence, the Chief Executive or his/her delegate.

d. Information Security Committee

The Information Security Committee is a senior management level committee responsible for ensuring an appropriate information security, cybersecurity risk management framework, overseeing and monitoring the information security risks affecting the Group. This committee reviews and oversees the implementation of the information security, cybersecurity risk management strategies and program, and key risk policies based on the guidelines and directives of the Hong Kong Monetary Authority and Securities and Futures Commission of Hong Kong. This committee interacts regularly with and also receives regular information security and cybersecurity risk reports from the Cybersecurity team and Technology Risk team of the Group. The members are appointed by the Risk Committee, including Chief Risk Officer, Chief Technology Officer, Head of Technology Risk and Senior Manager, Cyber Security. Meetings are co-chaired by the Chief Technology Officer and Head of Technology Risk/Senior Manager, Technology Risk or designated alternate.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

2. Disclosure on Remuneration System

The Remuneration Committee is delegated by the Board of the Bank and is independent of management. The Remuneration Committee is responsible to review remuneration policies and practices on an annual basis or when necessary to ensure the remuneration policy is consistent with the principles set out under the HKMA Supervisory Policy Manual CG-1, CG-5 and other legal requirements. Two thirds of the Remuneration Committee are Independent Non-executive Director (“INED”).

Key Principles of Remuneration Policy

The remuneration policy and its implementation are subject to regular (at least annual) review by the Board of the Bank or the Remuneration Committee to ensure that the policy remains adequate and market competitive and that the operation of the remuneration system is consistent with the prevailing regulatory requirements and long-term interests of the Group. The policy applies to all staff members who are employed by the Group. The principles of the Policy are as follows:

- a. Reinforce a business culture based on the highest ethical standards;
- b. Manage risks to the Group by encouraging prudent decision-making and in line with the objectives, business strategies and long-term goals of the Group;
- c. Reflect regulatory guidance in compensation program;
- d. Attract and retain the best talent to lead the Group to success;
- e. Remunerate all staff members fairly and reasonably according to the individual level of competence and performance;
- f. Performance evaluation is based on the balance of financial and non-financial factors including effective risk and people management;
- g. Remuneration practices are set against comparable industry norms and to promote a “pay for performance” culture.

Structure of Remuneration

The Group's remuneration structure shall promote behaviour amongst staff members that supports the Group's risk management framework and long-term financial soundness. The Group's remuneration package consists of both fixed and variable (discretionary) compensation. Fixed remuneration refers to base salary (guaranteed) and allowance. Variable remuneration refers to variable bonus and shares or share-linked instruments such as share options or awards. An appropriate balance between fixed and variable remuneration will reflect the seniority, role and responsibilities of each staff member. The proportion of variable remuneration to total remuneration will increase in line with the seniority and job responsibilities of each staff member.

WELAB BANK LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (Continued)

CORPORATE GOVERNANCE REPORT (Continued)

2. Disclosure on Remuneration System (Continued)

Senior Management & Key Personnel

Senior Management (including Chief Executive and Alternate Chief Executives) are responsible for oversight of the Group's strategy or activities or material business lines. Key Personnel are those reported under the HKMA as "Managers" whose action may have a material impact on the risk exposure of the Group.

Performance Measurement for Variable Remuneration

The award of variable remuneration shall depend on the fulfilment of budget income, peer group performance comparison and risk control factors. These criteria should include both financial, non-financial and risk factors. In allocating variable remuneration, the following factors should be taken into consideration:

- a. Overall performance of the Group;
- b. Performance of the relevant business units;
- c. Contribution of individual staff members to such performance; and
- d. Risk control functions' input on the performance of relevant business unit and its staff members

The total amount of variable remuneration may be reduced in the event of an actual or expected deterioration in the financial performance of the Group or staff misconduct (e.g. internal fraud, data leakage or damage to property etc.). The Chief Executive of the Bank has the authority to exercise discretion and flexibility to withhold all or part of the variable remuneration.

The remuneration of staff members in risk control functions should be determined in accordance with their performance objectives and should be independent of the performance of business units which they oversee.

Deferral Arrangement

A portion of variable remuneration may subject to deferral which will allow staff members' performance, including the associated risks, to be observed and validated over a period of time before payment is actually made and the adjustment of the amount to be paid will enable the remuneration ultimately received by staff members to more accurately reflect risk and risk outcomes.

3. Internal Audit

The Internal Audit function as the third line of defence is to provide independent and objective assurance to the Board and the Audit Committee on the quality and effectiveness of the Group's risk management, internal controls, governance framework and processes. Internal Audit function adopts a risk-based approach in its auditing activities. The internal auditors are responsible to and report to the Audit Committee.