



WELAB BANK LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2020

WELAB BANK LIMITED

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WELAB BANK LIMITED

REVIEW OF ACTIVITIES

The Board of Directors of Welab Bank Limited (“the Bank”, “WeLab Bank”) is pleased to announce the unaudited interim results of the Bank for the six months ended 30 June 2020.

BUSINESS REVIEW

WeLab Bank is a wholly owned subsidiary of WeLab Holdings Limited (“WeLab”), a leading fintech company in Asia. WeLab Bank is a licensed bank registered under the Hong Kong Banking Ordinance. The Bank’s principal activities are the provision of banking and related financial services in Hong Kong, currently focusing on providing individual retail customers with innovative banking services and products through digital channels.

WeLab Bank was granted a virtual banking license by the Hong Kong Monetary Authority (“HKMA”) in April 2019. The Bank has since built a capable team of financial and technology experts, who designed and established bank’s infrastructure including the technology stack, risk management mechanisms, and product capabilities, etc. On 28 April 2020, WeLab Bank commenced a pilot trial (“WeLab Bank Pilot”, “the Pilot”) under the HKMA Fintech Supervisory Sandbox.

During the WeLab Bank Pilot, customers were able to access a range of fully digital services including – remote account opening, time deposits and core accounts, virtual and physical debit cards, and payments with Faster Payment Services (FPS) enabled. As of 30 June 2020, WeLab Bank was still undergoing the Pilot and continued to welcome customers to experience WeLab Bank under a controlled environment, before being made publicly available. On 30 July 2020, WeLab Bank successfully launched banking services to the general public in Hong Kong.

WeLab Bank’s mission is to understand customers’ needs and design a personalized, full-service banking experience that helps them manage, save and grow their money. WeLab Bank’s products and services will be launched in various phases, starting with the following key products:

- **GoSave:** GoSave is Hong Kong’s first saving product that harnesses the power of the community. Customers can drive up the interest rate in a fun way with their family, friends, or the whole WeLab Bank community. As a demonstration of WeLab Bank’s commitment to promote financial inclusion, GoSave is differentiated from traditional time deposit products where higher interest rates are only reserved for large-amount deposits or select customers, whereas all GoSave users can start with as little as HKD10 – and have the flexibility to withdraw their funds at any time without additional fees (note: subject to a maximum withdrawal of 2 times during the tenor).
- **WeLab Debit Card:** In collaboration with Mastercard, WeLab Bank launched WeLab Debit Card, a numberless bank card that is designed for spending and cash needs of the customers. Functionally, the card can be used for making purchases in physical stores or online and to withdraw cash from any JETCO ATMs in Hong Kong. Cardholders’ account number and CVV code can only be accessed securely from the WeLab Bank app.

Principal risks and uncertainties facing the Bank include competition from existing traditional banks and other virtual banks, uncertainties in macro-economic environment and potential impact of the COVID-19 pandemic.

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BUSINESS REVIEW (continued)

The first six months of 2020 saw disruptions to businesses and economic activity both in Hong Kong and around the world due to the COVID-19 pandemic. The difficult environment has had an adverse impact on many individuals and businesses. This is the time that people need better financial inclusion, and access to digital banking services. WeLab Bank team considered it to be crucial to launch the Bank at this important time, providing customers with technology-driven banking services that they can enjoy amid social distancing and COVID-related health concerns.

FINANCIAL REVIEW

The Bank's loss attributable to shareholders for the six months ended 30 June 2020 was HK\$113 million (HK\$13 million loss for the first half of 2019). Operating Expenses for the period were HK\$113 million, increased from HK\$16 million a year ago.

WELAB BANK LIMITED**CONDENSED STATEMENT OF COMPREHENSIVE INCOME** (unaudited)

	Note	For the six months ended	
		30 June 2020 HK\$'000	30 June 2019 HK\$'000
Interest income	5	2,293	3,468
Interest expense	5	(2,289)	—
Total operating income		4	3,468
Operating expenses	6	(113,325)	(16,044)
Loss before allowances for expected credit losses		(113,321)	(12,576)
Expected credit losses	7	—	—
Loss before income tax		(113,321)	(12,576)
Income tax expense	8	—	—
Total loss and comprehensive loss		(113,321)	(12,576)

The notes on pages 8 to 14 form part of these condensed interim financial statements.

WELAB BANK LIMITED**CONDENSED STATEMENT OF FINANCIAL POSITION** (unaudited)

	Note	30 June 2020 HK\$'000	31 December 2019 HK\$'000 <i>(Re-presented)</i>
Assets			
Held-to-collect debt securities at amortized cost	10	284,281	338,275
Due from banks	11	300,075	94,124
Other assets	12	70,025	82,988
Due from ultimate holding company	9	–	1,500
Due from a fellow subsidiary	9	–	204
Property and equipment	13	22,859	2,207
Right-of-use assets		52,639	54,833
Intangible assets	14	46,199	12,980
Total assets		776,078	587,111
Liabilities			
Deposits from customers	15	187,289	–
Lease liabilities		53,763	56,121
Other liabilities		17,513	19,953
Due to an immediate holding company	9	–	2,499
Due to fellow subsidiaries	9	627	804
Total liabilities		259,192	79,377
Equity			
Share capital	16	720,000	600,000
Reserves		(203,114)	(92,266)
Total equity		516,886	507,734
Total equity and liabilities		776,078	587,111

The notes on pages 8 to 14 form part of these condensed interim financial statements.

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CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)

	Share Capital HK\$'000	Employee share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance as at 1 Jan 2019	–	–	(493)	(493)
Issuance of shares (Note 16)	500,000	–	–	500,000
Loss and total comprehensive loss	–	–	(12,576)	(12,576)
Recognition of equity-settled share-based payment	–	408	–	408
Balance as at 30 June 2019	500,000	408	(13,069)	487,339
Issuance of shares (Note 16)	100,000	–	–	100,000
Loss and total comprehensive loss	–	–	(82,013)	(82,013)
Recognition of equity-settled share-based payment	–	2,408	–	2,408
Balance as at 31 December 2019	600,000	2,816	(95,082)	507,734
Balance as at 1 January 2020	600,000	2,816	(95,082)	507,734
Issuance of shares (Note 16)	120,000	–	–	120,000
Loss and total comprehensive loss	–	–	(113,321)	(113,321)
Recognition of equity-settled share-based payment	–	2,473	–	2,473
Balance as at 30 June 2020	720,000	5,289	(208,403)	516,886

The notes on pages 8 to 14 form part of these condensed interim financial statements.

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CONDENSED STATEMENT OF CASH FLOWS (unaudited)

	For the six months ended	
	30 June 2020	30 June 2019
	HK\$'000	HK\$'000
Cash flows from operating activities		
Loss before income tax	(113,321)	(12,576)
Adjustments:		
Interest income	(2,293)	(3,468)
Depreciation on property and equipment	2,166	26
Amortization of intangible assets	5,052	–
Increase in expected credit losses for held-to-collect debt securities at amortized cost and balances with banks	–	–
Depreciation of right-of-use assets	5,768	–
Interest expense on lease liability	(2,125)	–
Non-cash share-based expenses	2,473	408
Operating cash flow before changes in working capital	(102,280)	(15,610)
Decrease/(increase) in other assets	13,204	(8,551)
Increase in right-of-use assets	(3,574)	–
(Decrease)/increase in other liabilities	(2,440)	1,466
Decrease in lease liabilities	(233)	–
Increase in customer deposits	187,289	–
Decrease in due from ultimate holding company	1,500	–
Decrease in due from a fellow subsidiary	204	8,892
(Decrease)/increase in due to fellow subsidiaries	(177)	4,088
Net cash generated from/(used in) operating activities	93,493	(9,715)
Cash flows from investing activities		
Interest received	2,052	3,033
Purchase of property and equipment	(22,818)	(285)
Purchase of intangible assets	(38,271)	–
Increase in held-to-collect debt securities at amortized cost	(264,305)	–
Net cash (used in)/generated from investing activities	(323,342)	2,748
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	120,000	500,000
(Decrease)/increase in due to an immediate holding company	(2,499)	2,500
Net cash generated from financing activities	117,501	502,500
Net change in cash and cash equivalents	(112,348)	495,533
Cash and cash equivalents as at 1 January	432,468	–
Cash and cash equivalents as at 30 June	320,120	495,533

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CONDENSED STATEMENT OF CASH FLOWS (continued) (unaudited)

	For the six months ended	
	30 June 2020	30 June 2019
	HK\$'000	HK\$'000
Analysis of balances of cash and cash equivalents		
Balances with central bank	155,314	–
Balances with banks	144,819	495,533
Held-to-collect debt securities at amortized cost with original maturity within three months	19,987	–
	320,120	495,533

The notes on pages 8 to 14 form part of these condensed interim financial statements.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

1 General information

Welab Bank Limited (the “Bank”) is a licensed bank registered under the Hong Kong Banking Ordinance. The principal activities of the Bank is the provision of banking and related financial services.

The Bank has its registered office at 23/F, K11 Atelier King’s Road, 728 King’s Road, Quarry Bay, Hong Kong.

The condensed interim financial statements is presented in thousands of units of Hong Kong dollars, which is the same as the functional currency of the Bank.

The condensed interim financial statements are unaudited.

2 Basis of preparation

The condensed interim financial statement for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed interim financial statement should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the year ended 31 December 2019 that is included in the condensed interim financial statements for the six months ended 30 June 2020 as comparative information does not constitute the Bank’s statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622).

The Bank’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies ordinance (Cap.622).

3 Accounting policies

The accounting policies applied in the preparation of the condensed interim financial statements are consistent with those used and described in the Bank’s audited annual financial statements for the year ended 31 December 2019, except as described below.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued) (unaudited)

3 Accounting policies (continued)

Certain comparative figures have been re-presented to conform to current period presentation.

Standards applied during the half-year ended 30 June 2020

There were no new standards or amendments to standards that had a material effect on the condensed interim financial statements.

4 Compliance with the Banking (Disclosure) Rules

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

5 Interest income and expense

	For the six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Interest income from:		
Due from banks	85	3,468
Held-to-collect debt securities at amortized cost	2,172	–
Others	36	–
	<u>2,293</u>	<u>3,468</u>
	-----	-----
Interest expense on:		
Deposits from customers	164	–
Lease liabilities	2,125	–
	<u>2,289</u>	<u>–</u>
	-----	-----
Net interest income	<u>4</u>	<u>3,468</u>

Interest income and interest expense for the six months ended 30 June 2020, calculated using the effective interest method for financial assets and financial liabilities which are not designated at fair value through profit or loss, amounting to HK\$2,293,000 and HK\$2,289,000 (2019: HK\$3,468,000 and Nil) respectively.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued) (unaudited)

6 Operating expenses

	For the six months ended	
	30 June 2020	30 June 2019
	HK\$'000	HK\$'000
Salaries and other staff costs	49,964	12,081
Premises and equipment expenses excluding depreciation	2,704	334
Depreciation of property and equipment (Note 13)	2,166	26
Depreciation of right-of-use assets	5,768	–
Amortization of intangible assets	5,052	–
Software licensing and IT costs	32,951	377
Other operating expenses	14,720	3,226
	<u>113,325</u>	<u>16,044</u>

7 Expected credit losses

	For the six months ended	
	30 June 2020	30 June 2019
	HK\$'000	HK\$'000
Held-to-collect debt securities at amortized cost	(3)	–
Due from banks	3	–
	<u>–</u>	<u>–</u>

8 Income tax

The applicable Hong Kong profits tax rate is 16.5% (2019: 16.5%). No provision for Hong Kong profits tax has been made in the financial statements for the six months ended 30 June 2020 (2019: Nil) as the Bank had no estimated assessable profit for the period.

9 Amounts due from/(to) group companies

The amounts due from/(to) group companies are unsecured, interest free, have no fixed repayment terms and are denominated or settled in HK\$. In the opinion of the directors, the amounts due from/(to) group companies are expected to be repayable or repaid within the next 12 months.

WELAB BANK LIMITED**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued) (unaudited)****10 Held-to-collect debt securities at amortized cost**

	30 June 2020	31 December 2019
	HK\$'000	HK\$'000
Exchange fund bills	284,292	338,283
Less: Expected credit losses	(11)	(8)
	<u>284,281</u>	<u>338,275</u>
Unlisted	<u>284,292</u>	<u>338,283</u>
Types of issuers: central bank	<u>284,292</u>	<u>338,283</u>

As at 30 June 2020, there were no overdue held-to-collect debt securities at amortized cost (31 December 2019: Nil).

11 Due from banks

	30 June 2020	31 December 2019
	HK\$'000	HK\$'000
Balances with central bank	155,314	1,716
Balances with banks	144,819	92,469
Less: Expected credit losses	(58)	(61)
	<u>300,075</u>	<u>94,124</u>

There were no overdue placements with banks as at 30 June 2020 (31 December 2019: Nil).

12 Other assets

	30 June 2020	31 December 2019
	HK\$'000	HK\$'000
Prepayments	44,518	53,969
Rental and other deposits	25,156	28,909
Other receivables	351	110
	<u>70,025</u>	<u>82,988</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued) (unaudited)

13 Property and equipment

	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost			
As at 1 January 2020	–	2,452	2,452
Additions	11,114	11,704	22,818
As at 30 June 2020	11,114	14,156	25,270
Depreciation			
As at 1 January 2020	–	245	245
Charge for the period	596	1,570	2,166
As at 30 June 2020	596	1,815	2,411
Net book value			
As at 30 June 2020	10,518	12,341	22,859
Cost			
As at 1 January 2019	–	–	–
Additions	–	2,452	2,452
As at 31 December 2019	–	2,452	2,452
Depreciation			
As at 1 January 2019	–	–	–
Charge for the period	–	245	245
As at 31 December 2019	–	245	245
Net book value			
As at 31 December 2019	–	2,207	2,207

There were no impairment allowances made against the above items of leasehold improvement, furniture, fixtures and equipment as at 30 June 2020 and 31 December 2019. There were no movements in impairment allowances for the period ended 30 June 2020 and for the year ended 31 December 2019.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued) (unaudited)

14 Intangible assets

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Software and systems	<u>46,199</u>	<u>12,980</u>

15 Deposits from customers

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Demand deposits and current accounts	7,926	–
Time, call and notice deposits	<u>179,363</u>	<u>–</u>
	<u>187,289</u>	<u>–</u>

16 Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares, issued and fully paid:		
As at 1 January 2019	1	–
Issuance of shares	<u>500,000,000</u>	<u>500,000</u>
As at 30 June 2019	500,000,001	500,000
Issuance of shares	<u>100,000,000</u>	<u>100,000</u>
As at 31 December 2019 and 1 January 2020	600,000,001	600,000
Issuance of shares (Note)	<u>120,000,000</u>	<u>120,000</u>
As at 30 June 2020	<u>720,000,001</u>	<u>720,000</u>

Note: During the period, a total of 120,000,000 ordinary shares have been issued for a total consideration of HK\$120,000,000.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued) (unaudited)

17 Material related party transactions

There were no changes in the related party transactions described in 2019 Financial Statements that have had a material impact on the financial position or performance of the Bank in the six months ended 30 June 2020.

18 Subsequent event

In July 2020, the Bank issued 50,000,000 ordinary shares to Welab Capital Limited for a consideration of HK\$50,000,000.

On 30 July 2020, the Bank has launched banking services to the general public in Hong Kong, which resulted in a large increase in customer deposits by more than one fold.

19 Regulatory disclosures

The regulatory disclosures which are prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the HKMA can be found in our website www.welab.bank.