



## **WELAB BANK LIMITED**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**For the six months ended 30 June 2021**

## **WELAB BANK LIMITED**

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**WELAB BANK LIMITED****CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
(unaudited)

|  |      | For the six months ended |                  |
|--|------|--------------------------|------------------|
|  | Note | 30 June 2021             | 30 June 2020     |
|  |      | HK\$'000                 | HK\$'000         |
|  |      |                          | (Restated)       |
| Interest income  | 5    | 1,032                    | 2,293            |
| Interest expense   | 5    | (5,428)                  | (164)            |
| <b>Net interest (expense)/income</b>   |      | <b>(4,396)</b>           | <b>2,129</b>     |
| Net fee and commission income  | 6    | 328                      | –                |
| Other income   |      | 460                      | –                |
| <b>Other operating income</b>  |      | <b>788</b>               | <b>–</b>         |
| <b>Total operating income</b>  |      | <b>(3,608)</b>           | <b>2,129</b>     |
| Operating expenses   | 7    | (220,375)                | (113,325)        |
| Finance costs  | 8    | (1,953)                  | (2,125)          |
| <b>Loss before allowances for expected credit losses</b>   |      | <b>(225,936)</b>         | <b>(113,321)</b> |
| Change in expected credit losses   | 9    | (792)                    | –                |
| <b>Loss before income tax</b>  |      | <b>(226,728)</b>         | <b>(113,321)</b> |
| Income tax expense   | 10   | –                        | –                |
| <b>Net loss for the period</b>   |      | <b>(226,728)</b>         | <b>(113,321)</b> |
| Items that may be reclassified subsequently to profit or loss:   |      |                          |                  |
| Net movement in fair value of debt instruments measured at fair value through other comprehensive income (“FVOCI”), net of tax |      | (16)                     | –                |
| <b>Total comprehensive loss for the period</b>   |      | <b>(226,744)</b>         | <b>(113,321)</b> |

*The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 6 to 17.*

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

|  | Note   | As at<br>30 June 2021<br>HK\$'000 | As at<br>31 December 2020<br>HK\$'000 |
|--|--------|-----------------------------------|---------------------------------------|
| <b>Assets</b>  |        |                                   |                                       |
| Balances with central bank and banks                                 | 12     | 1,716,715                         | 871,413                               |
| Placements with banks  | 13     | 399,972                           | 220,984                               |
| Financial assets at amortized cost                                   | 14     | 331,670                           | 299,981                               |
| Financial assets at fair value through other<br>comprehensive income | 15     | –                                 | 120,079                               |
| Loans and advances to customers                                      | 16     | 52,578                            | –                                     |
| Due from ultimate holding company                                    | 11, 26 | 17,990                            | –                                     |
| Property and equipment   | 18     | 18,897                            | 20,965                                |
| Right-of-use assets  | 19     | 43,449                            | 49,645                                |
| Intangible assets  | 20     | 68,427                            | 69,502                                |
| Other assets   | 21     | 73,605                            | 68,089                                |
| <b>Total assets</b>  |        | <b>2,723,303</b>                  | <b>1,720,658</b>                      |
| <b>Liabilities</b>   |        |                                   |                                       |
| Deposits from customers  | 22     | 2,070,674                         | 1,105,342                             |
| Lease liabilities  | 19     | 49,603                            | 52,654                                |
| Other liabilities  | 23     | 51,635                            | 55,645                                |
| Due to fellow subsidiaries   | 11, 26 | 16,579                            | 12,200                                |
| <b>Total liabilities</b>   |        | <b>2,188,491</b>                  | <b>1,225,841</b>                      |
| <b>Equity</b>  |        |                                   |                                       |
| Share capital  | 24     | 1,131,000                         | 870,000                               |
| Reserves   |        | (596,188)                         | (375,183)                             |
| <b>Total equity</b>  |        | <b>534,812</b>                    | <b>494,817</b>                        |
| <b>Total equity and liabilities</b>                                  |        | <b>2,723,303</b>                  | <b>1,720,658</b>                      |

*The above condensed statement of financial position should be read in conjunction with the accompanying notes on pages 6 to 17.*

**WELAB BANK LIMITED**

**CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)**

|   | Share<br>Capital<br>HK\$'000 | Employee<br>share-based<br>payment<br>reserve<br>HK\$'000 | Financial<br>assets at<br>FVOCI<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|---|--|-----------------------------------|-------------------|
| <b>Balance as at 1 January 2020</b>   | 600,000                      | 2,816   | –  | (95,082)                          | 507,734           |
| Issuance of shares (Note 24)  | 120,000                      | –   | –  | –                                 | 120,000           |
| Loss for the period   | –                            | –   | –  | (113,321)                         | (113,321)         |
| Recognition of equity-settled<br>share-based payment  | –                            | 2,473   | –  | –                                 | 2,473             |
| <b>Balance as at 30 June 2020</b>   | 720,000                      | 5,289   | –  | (208,403)                         | 516,886           |
| Issuance of shares (Note 24)  | 150,000                      | –   | –  | –                                 | 150,000           |
| Loss for the period   | –                            | –   | –  | (174,559)                         | (174,559)         |
| Recognition of equity-settled<br>share-based payment  | –                            | 2,474   | –  | –                                 | 2,474             |
| Other comprehensive income<br>– Net movement in the fair value of<br>debt instruments at FVOCI, net<br>of tax | –                            | –   | 16   | –                                 | 16                |
| <b>Balance as at 31 December 2020</b>   | 870,000                      | 7,763   | 16   | (382,962)                         | 494,817           |
| <b>Balance as at 1 January 2021</b>   | 870,000                      | 7,763   | 16   | (382,962)                         | 494,817           |
| Issuance of shares (Note 24)  | 261,000                      | –   | –  | –                                 | 261,000           |
| Loss for the period   | –                            | –   | –  | (226,728)                         | (226,728)         |
| Recognition of equity-settled<br>share-based payment  | –                            | 5,739   | –  | –                                 | 5,739             |
| Other comprehensive income<br>– Net movement in the fair value of<br>debt instruments at FVOCI, net<br>of tax | –                            | –   | (16)   | –                                 | (16)              |
| <b>Balance as at 30 June 2021</b>   | 1,131,000                    | 13,502  | –  | (609,690)                         | 534,812           |

*The above condensed statement of changes in equity should be read in conjunction with the accompanying notes on pages 6 to 17.*

**WELAB BANK LIMITED**

**CONDENSED STATEMENT OF CASH FLOWS (unaudited)**

|  | <b>For the six months ended</b>             |   |
|--|---|---|
|  | <b>30 June 2021</b>                         | <b>30 June 2020</b>                         |
|  | <b>HK\$'000</b>                             | <b>HK\$'000</b>                             |
|  |   | (Restated)                                  |
| <b>Cash flows from operating activities</b>                  |   |   |
| Loss before income tax                                       | <b>(226,728)</b>                            | (113,321)                                   |
| <b>Adjustments:</b>  |   |   |
| Interest income  | <b>(1,032)</b>                              | (2,293)                                     |
| Interest expense   | <b>5,428</b>                                | 164   |
| Depreciation on property and equipment                       | <b>3,579</b>                                | 2,166                                       |
| Expected credit losses                                       | <b>792</b>                                  | –   |
| Depreciation of right-of-use assets                          | <b>6,544</b>                                | 5,768                                       |
| Amortization of intangible assets                            | <b>(717)</b>                                | 5,052                                       |
| Interest expense on lease liabilities                        | <b>1,953</b>                                | 2,125                                       |
| Non-cash share-based expenses                                | <b>5,739</b>                                | 2,473                                       |
|  | <hr/>                                       | <hr/>                                       |
| <b>Operating cash flow before changes in working capital</b> | <b>(204,442)</b>                            | (97,866)                                    |
| Interest paid  | <b>(5,041)</b>                              | –   |
| Increase in right-of-use assets                              | <b>(348)</b>                                | (3,574)                                     |
| Decrease in other assets                                     | <b>5,372</b>                                | 13,204                                      |
| Decrease in other liabilities                                | <b>(4,396)</b>                              | (2,604)                                     |
| Increase in loans and advances to customers                  | <b>(53,253)</b>                             | –   |
| Increase in deposits from customers                          | <b>965,332</b>                              | 187,289                                     |
| (Increase)/decrease in due from ultimate holding company     | <b>(18,000)</b>                             | 1,500                                       |
| Decrease in due from a fellow subsidiary                     | <b>–</b>                                    | 204   |
| Increase/(decrease) in due to fellow subsidiaries            | <b>4,379</b>                                | (177)                                       |
|  | <hr/>                                       | <hr/>                                       |
| <b>Net cash generated from operating activities</b>          | <b>689,603</b>                              | 97,976                                      |
|  | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| <b>Cash flows from investing activities</b>                  |   |   |
| Interest received  | <b>523</b>                                  | 2,052                                       |
| Purchase of property and equipment                           | <b>(1,511)</b>                              | (22,818)                                    |
| Purchase of intangible assets                                | <b>(7,394)</b>                              | (38,271)                                    |
| Purchase of financial assets at amortized cost               | <b>(154,706)</b>                            | (264,305)                                   |
| Proceeds from disposal of financial assets at FVOCI          | <b>69,805</b>                               | –   |
|  | <hr/>                                       | <hr/>                                       |
| <b>Net cash used in investing activities</b>                 | <b>(93,283)</b>                             | (323,342)                                   |
|  | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| <b>Cash flows from financing activities</b>                  |   |   |
| Principal element of lease payment                           | <b>(4,245)</b>                              | (2,358)                                     |
| Interest element of lease payment                            | <b>(1,953)</b>                              | (2,125)                                     |
| Proceeds from issuance of ordinary shares                    | <b>261,000</b>                              | 120,000                                     |
| Decrease in due to an immediate holding company              | <b>–</b>                                    | (2,499)                                     |
|  | <hr/>                                       | <hr/>                                       |
| <b>Net cash generated from financing activities</b>          | <b>254,802</b>                              | 113,018                                     |
|  | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |

**WELAB BANK LIMITED****CONDENSED STATEMENT OF CASH FLOWS (continued)** (unaudited)

|  | <b>For the six months ended</b> |                     |
|--|---------------------------------|---------------------|
|  | <b>30 June 2021</b>             | <b>30 June 2020</b> |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b>     |
|  |                                 | <b>(Restated)</b>   |
| <b>Net change in cash and cash equivalents</b>                   | <b>851,122</b>                  | <b>(112,348)</b>    |
| Cash and cash equivalent as at the beginning of period           | <b>1,442,553</b>                | 432,468             |
| <b>Cash and cash equivalent as at the end of period</b>          | <b>2,293,675</b>                | 320,120             |
| <b>Analysis of balances of cash and cash equivalents</b>         |                                 |                     |
| Balances with banks  | <b>1,716,715</b>                | 155,314             |
| Placements with banks  | <b>399,972</b>                  | 144,819             |
| Investment securities with original maturity within three months | <b>176,988</b>                  | 19,987              |
|  | <b>2,293,675</b>                | 320,120             |

*The above condensed statement of cash flows should be read in conjunction with the accompanying notes on pages 6 to 17.*

## **WELAB BANK LIMITED**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)**

#### **1 Review of activities**

Welab Bank Limited (the “Bank”) is a limited liability company incorporated in Hong Kong. The principal activities of the Bank are to provide banking and related financial services. The immediate and ultimate holding companies of the Bank are Welab Capital Limited (incorporated in Hong Kong) and Welab Holdings Limited (incorporated in British Virgin Islands) respectively.

As at 30 June 2021, the Bank’s total assets amounted to HK\$2.7 billion, which increased by HK\$1.0 billion as compared to 31 December 2020. The increase was mainly attributable to the balances and placements with banks. Loss for the six months ended 30 June 2021 amounted to a rise in HK\$0.2 billion, the increase in loss as compared to the corresponding period in 2020 was mainly due to greater operating expenses as the Bank’s business activities continue to expand.

#### **2 Basis of preparation**

The condensed interim financial statements for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Certain comparative figures have been restated to conform to current period presentation.

The condensed interim financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

The preparation of the condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing the condensed interim financial statements, the significant judgements made by management were the same as those that applied to the annual financial statements for the year ended 31 December 2020.

The financial information relating to the year ended 31 December 2020 that is included in the condensed interim financial statements for the six months ended 30 June 2021 as comparative information does not constitute the Bank’s statutory annual financial statements for that year ended 31 December 2020 but is derived from the audited financial statements for the year ended 31 December 2020. Further information relating to the audited financial statements for the year ended 31 December 2020 disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

As the Bank is a private company, the Bank is not required to deliver its financial statements to the Registrar of Companies and has not done so.



## WELAB BANK LIMITED

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

#### 2 Basis of preparation (continued)

The Bank's auditor has reported on the audited financial statements for the year ended 31 December 2020. 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 2020.

During the six months ended 30 June 2021, 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 2021             | 30 June 2020           |
|                                      | HK\$'000                 | HK\$'000<br>(Restated) |
| <b>Interest income from:</b>         |                          |                        |
| Balances and placements with banks   | 130                      | 85                     |
| Financial assets at amortized cost   | 93                       | 2,172                  |
| Financial assets at FVOCI            | 225                      | –                      |
| Loans and advances to customers      | 68                       | –                      |
| Others                               | 516                      | 36                     |
|                                      | <u>1,032</u>             | <u>2,293</u>           |
|                                      | -----                    | -----                  |
| <b>Interest expense on:</b>          |                          |                        |
| Deposits from customers              | 5,428                    | 164                    |
|                                      | <u>5,428</u>             | <u>164</u>             |
|                                      | -----                    | -----                  |
| <b>Net interest (expense)/income</b> | <u>(4,396)</u>           | <u>2,129</u>           |

## WELAB BANK LIMITED

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

#### 5 Interest income and expense (continued)

Since the year ended 31 December 2020, the Bank has presented the interest expense relevant to lease liabilities in finance costs (Note 8) in light of the commencement of its banking business and the common market practice. The comparative figures in the financial statements have therefore been restated to conform with current period's presentation.

#### 6 Net fee and commission income

|                                  | For the six months ended |                          |
|----------------------------------|--------------------------|--------------------------|
|                                  | 30 June 2021<br>HK\$'000 | 30 June 2020<br>HK\$'000 |
| Fee and commission income        | 4,042                    | –                        |
| Less: Fee and commission expense | (3,714)                  | –                        |
| Net fee and commission income    | <u>328</u>               | <u>–</u>                 |
| <b>Comprising:</b>               |                          |                          |
| – Cards                          | <u>328</u>               | <u>–</u>                 |

#### 7 Operating expenses

|  | For the six months ended |                          |
|--|--------------------------|--------------------------|
|  | 30 June 2021<br>HK\$'000 | 30 June 2020<br>HK\$'000 |
| Employee benefits                                      |                          |                          |
| – Salaries and other short-term employee benefits      | 78,537                   | 46,522                   |
| – Pension  | 1,824                    | 969                      |
| – Share-based compensation                             | 5,738                    | 2,474                    |
| Premises and equipment expenses excluding depreciation |                          |                          |
| – Rental of other premises (Note 19)                   | 114                      | 1,456                    |
| – Others   | 1,161                    | 1,152                    |
| Depreciation of property and equipment (Note 18)       | 3,579                    | 2,166                    |
| Depreciation of right-of-use assets (Note 19)          | 6,544                    | 5,768                    |
| Amortization of intangible assets                      | (717)                    | 5,052                    |
| Auditor's remuneration                                 |                          |                          |
| – Statutory audit                                      | 1,020                    | 750                      |
| – Other services                                       | 270                      | 1,994                    |
| Software licensing and IT costs                        | 57,851                   | 32,951                   |
| Legal and professional fees                            | 1,863                    | 1,067                    |
| Other operating expenses                               | 62,591                   | 11,004                   |
|  | <u>220,375</u>           | <u>113,325</u>           |

## WELAB BANK LIMITED

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

#### 8 Finance costs

|   | For the six months ended |  |
|---|--------------------------|--|
|   | 30 June 2021<br>HK\$'000 | 30 June 2020<br>HK\$'000<br>(Restated) |
| Interest expense on lease liabilities (Notes 5, 19) | <u>1,953</u>             | <u>2,125</u>                           |

Since the year ended 31 December 2020, the Bank has presented the interest expense relevant to lease liabilities in finance costs (instead of "interest expense" in 2019) in light of the commencement of its banking business and the common market practice. The comparative figures in the financial statements have therefore been restated to conform with current year's presentation.

#### 9 Change in expected credit losses

|                                    | For the six months ended |                          |
|------------------------------------|--------------------------|--------------------------|
|                                    | 30 June 2021<br>HK\$'000 | 30 June 2020<br>HK\$'000 |
| Balances with banks                | 98                       | 52                       |
| Placements with banks              | 12                       | (55)                     |
| Advances to customers              | 675                      | –                        |
| Financial assets at FVOCI          | (22)                     | –                        |
| Financial assets at amortized cost | 19                       | 3                        |
| Loan to ultimate holding company   | 10                       | –                        |
|                                    | <u>792</u>               | <u>–</u>                 |

#### 10 Income tax

The applicable Hong Kong profits tax rate is 16.5% (2020: 16.5%). No provision for Hong Kong profits tax has been made in the financial statements for the six months ended 30 June 2021 (2020: Nil) as the Bank had no estimated assessable profit for the period.

#### 11 Amounts due from/(to) group companies

Except for the amount due from ultimate holding company, which is unsecured, interest-bearing and repayable on 7 January 2022, 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)

#### 12 Balances with central bank and banks

|                              | 30 June 2021<br>HK\$'000 | 31 December 2020<br>HK\$'000 |
|------------------------------|--------------------------|------------------------------|
| Balances with central bank   | 1,616,077                | 776,801                      |
| Balances with banks          | 100,894                  | 94,770                       |
| Less: Expected credit losses | (256)                    | (158)                        |
|                              | <u>1,716,715</u>         | <u>871,413</u>               |

There were no impaired, overdue or rescheduled balances with central bank and banks as at 30 June 2021 (31 December 2020: Nil).

#### 13 Placements with banks

|                                  | 30 June 2021<br>HK\$'000 | 31 December 2020<br>HK\$'000 |
|----------------------------------|--------------------------|------------------------------|
| Placements with banks            |                          |                              |
| – Maturing one month             | 50,000                   | 204,000                      |
| – Maturing one month to one year | 350,000                  | 17,000                       |
|                                  | <u>400,000</u>           | <u>221,000</u>               |
| Less: Expected credit losses     | (28)                     | (16)                         |
|                                  | <u>399,972</u>           | <u>220,984</u>               |

There were no impaired, overdue or rescheduled placements with banks as at 30 June 2021 (31 December 2020: Nil).

#### 14 Financial assets at amortized cost

|                              | 30 June 2021<br>HK\$'000 | 31 December 2020<br>HK\$'000 |
|------------------------------|--------------------------|------------------------------|
| Debt securities              |                          |                              |
| – Exchange fund bills        | 176,992                  | 299,990                      |
| – Hong Kong government bonds | 154,706                  | –                            |
| Less: Expected credit losses | (28)                     | (9)                          |
|                              | <u>331,670</u>           | <u>299,981</u>               |
| Types of issuers:            |                          |                              |
| – Central bank               | 176,988                  | 299,981                      |
| – Government                 | 154,682                  | –                            |
|                              | <u>331,670</u>           | <u>299,981</u>               |

There were no impaired, overdue or rescheduled balances of financial assets at amortized cost as at 30 June 2021 (31 December 2020: Nil).

**WELAB BANK LIMITED**

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

**15 Financial assets at fair value through other comprehensive income**

|  | <b>30 June 2021</b> | 31 December 2020 |
|--|---------------------|------------------|
|  | <b>HK\$'000</b>     | HK\$'000         |
| Debt securities  |                     |                  |
| – Listed certificate of deposits   | –                   | 120,101          |
| Less: Expected credit losses   | –                   | (22)             |
|  | <u>–</u>            | <u>120,079</u>   |
|  | <u>–</u>            | <u>120,079</u>   |
| Changes in the fair value of debt instruments at fair value through other comprehensive income | <u>(16)</u>         | <u>16</u>        |

There were no impaired, overdue or rescheduled balances of financial assets at fair value through other comprehensive income as at 30 June 2021 (31 December 2020: Nil).

**16 Loans and advances to customers**

|                                       | <b>30 June 2021</b> | 31 December 2020 |
|---------------------------------------|---------------------|------------------|
|                                       | <b>HK\$'000</b>     | HK\$'000         |
| Gross loans and advances to customers | <b>53,253</b>       | –                |
| Less: Expected credit losses          | <b>(675)</b>        | –                |
|                                       | <u>52,578</u>       | <u>–</u>         |
|                                       | <u>52,578</u>       | <u>–</u>         |

There were no impaired, overdue or rescheduled loans and advances to customers as at 30 June 2021 (31 December 2020: Nil).

**17 Analysis of expected credit loss provisions on financial instruments by stage**

|  | <b>As at 30 June 2021</b> |                 |                 |                 |
|--|---------------------------|-----------------|-----------------|-----------------|
|  | <b>Stage 1</b>            | <b>Stage 2</b>  | <b>Stage 3</b>  | <b>Total</b>    |
|  | <b>HK\$'000</b>           | <b>HK\$'000</b> | <b>HK\$'000</b> | <b>HK\$'000</b> |
| Expected credit loss provision on:             |                           |                 |                 |                 |
| – Balances with banks (Note 12)                | <b>256</b>                | –               | –               | <b>256</b>      |
| – Placements with banks (Note 13)              | <b>28</b>                 | –               | –               | <b>28</b>       |
| – Financial assets at amortized cost (Note 14) | <b>28</b>                 | –               | –               | <b>28</b>       |
| – Advances to customers (Note 16)              | <b>675</b>                | –               | –               | <b>675</b>      |
| – Due from ultimate holding company            | <b>10</b>                 | –               | –               | <b>10</b>       |
|  | <u>997</u>                | <u>–</u>        | <u>–</u>        | <u>997</u>      |
|  | <u>997</u>                | <u>–</u>        | <u>–</u>        | <u>997</u>      |

**WELAB BANK LIMITED**

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

**17 Analysis of expected credit loss provisions on financial instruments by stage (continued)**

|  | As at 31 December 2020 |                     |                     | Total<br>HK\$'000 |
|--|------------------------|---------------------|---------------------|-------------------|
|  | Stage 1<br>HK\$'000    | Stage 2<br>HK\$'000 | Stage 3<br>HK\$'000 |                   |
| Expected credit loss provision on:             |                        |                     |                     |                   |
| – Balances with banks (Note 12)                | 158                    | –                   | –                   | 158               |
| – Placements with banks (Note 13)              | 16                     | –                   | –                   | 16                |
| – Financial assets at amortized cost (Note 14) | 9                      | –                   | –                   | 9                 |
| – Financial assets at FVOCI (Note 15)          | 22                     | –                   | –                   | 22                |
|  | <u>205</u>             | <u>–</u>            | <u>–</u>            | <u>205</u>        |

**18 Property and equipment**

|                                 | Leasehold<br>improvement<br>HK\$'000 | Furniture, fixtures<br>and equipment<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------|--------------------------------------|--|-------------------|
| <b>Cost</b>                     |                                      |  |                   |
| As at 1 January 2021            | 11,153                               | 15,515   | 26,668            |
| Additions                       | 555                                  | 956  | 1,511             |
| As at 30 June 2021              | <u>11,708</u>                        | <u>16,471</u>                                    | <u>28,179</u>     |
| <b>Accumulated depreciation</b> |                                      |  |                   |
| As at 1 January 2021            | 1,789                                | 3,914  | 5,703             |
| Charge for the period           | 1,286                                | 2,293  | 3,579             |
| As at 30 June 2021              | <u>3,075</u>                         | <u>6,207</u>                                     | <u>9,282</u>      |
| <b>Net book value</b>           |                                      |  |                   |
| As at 30 June 2021              | <u>8,633</u>                         | <u>10,264</u>                                    | <u>18,897</u>     |
| <b>Cost</b>                     |                                      |  |                   |
| As at 1 January 2020            | –                                    | 2,452  | 2,452             |
| Additions                       | 11,153                               | 13,063   | 24,216            |
| As at 31 December 2020          | <u>11,153</u>                        | <u>15,515</u>                                    | <u>26,668</u>     |
| <b>Accumulated depreciation</b> |                                      |  |                   |
| As at 1 January 2020            | –                                    | 245  | 245               |
| Charge for the year             | 1,789                                | 3,669  | 5,458             |
| As at 31 December 2020          | <u>1,789</u>                         | <u>3,914</u>                                     | <u>5,703</u>      |
| <b>Net book value</b>           |                                      |  |                   |
| As at 31 December 2020          | <u>9,364</u>                         | <u>11,601</u>                                    | <u>20,965</u>     |

## WELAB BANK LIMITED

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

#### 18 Property and equipment (continued)

There were no impairment allowances made against the above items of leasehold improvement, furniture, fixtures and equipment as at 30 June 2021 and 31 December 2020.

#### 19 Leases

##### (a) Amount recognized in the statement of financial position

|                     | <b>30 June 2021</b> | 31 December 2020 |
|---------------------|---------------------|------------------|
|                     | <b>HK\$'000</b>     | HK\$'000         |
| Right-of-use assets |                     |                  |
| – Offices           | <u>43,449</u>       | <u>49,645</u>    |
| Lease liabilities   |                     |                  |
| – Current           | <u>9,780</u>        | 8,137            |
| – Non-current       | <u>39,823</u>       | <u>44,517</u>    |
|                     | <u>49,603</u>       | <u>52,654</u>    |

##### (b) Amount recognized in the statement of profit or loss

|   | <b>For the six months ended</b> |              |
|---|---------------------------------|--------------|
|   | <b>30 June 2021</b>             | 30 June 2020 |
|   | <b>HK\$'000</b>                 | HK\$'000     |
| Depreciation charge of right-of-use assets (Note 7) | <u>6,544</u>                    | <u>5,768</u> |
| Interest expense (Note 8)                           | <u>1,953</u>                    | <u>2,125</u> |
| Expense relating to short-term leases (Note 7)      | <u>114</u>                      | <u>1,456</u> |

The total cash outflow for leases for the period was HK\$6,198,000 (six months ended 30 June 2020: HK\$4,483,000).

## WELAB BANK LIMITED

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

#### 20 Intangible assets

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

|                                     | 2021<br>HK\$'000     | 2020<br>HK\$'000     |
|-------------------------------------|----------------------|----------------------|
| <b>Cost</b>                         |                      |                      |
| As at 1 January                     | 81,259               | 12,980               |
| Additions                           | 7,394                | 68,279               |
| Reclassifications                   | (9,186)              | –                    |
| As at 30 June 2021/31 December 2020 | <u>79,467</u>        | <u>81,259</u>        |
| <b>Accumulated amortization</b>     |                      |                      |
| As at 1 January                     | 11,757               | –                    |
| Charge for the period/year          | 5,854                | 11,757               |
| Reclassifications                   | (6,571)              | –                    |
| As at 30 June 2021/31 December 2020 | <u>11,040</u>        | <u>11,757</u>        |
| <b>Net book value</b>               |                      |                      |
| As at 30 June 2021/31 December 2020 | <u><u>68,427</u></u> | <u><u>69,502</u></u> |

#### 21 Other assets

|                                | 30 June 2021<br>HK\$'000 | 31 December 2020<br>HK\$'000 |
|--------------------------------|--------------------------|------------------------------|
| Prepayments                    | 42,921                   | 42,238                       |
| Rental and other deposits      | 26,421                   | 25,417                       |
| Interest and other receivables | 4,263                    | 434                          |
|                                | <u>73,605</u>            | <u>68,089</u>                |



**WELAB BANK LIMITED**

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

**22 Deposits from customers**

|                                      | <b>30 June 2021</b> | 31 December 2020 |
|--------------------------------------|---------------------|------------------|
|                                      | <b>HK\$'000</b>     | HK\$'000         |
| Demand deposits and current accounts | <b>200,834</b>      | 106,300          |
| Time deposits                        | <b>1,869,840</b>    | 999,042          |
|                                      | <b>2,070,674</b>    | 1,105,342        |

**23 Other liabilities**

|                   | <b>30 June 2021</b> | 31 December 2020 |
|-------------------|---------------------|------------------|
|                   | <b>HK\$'000</b>     | HK\$'000         |
| Accruals          | <b>47,891</b>       | 52,660           |
| Interest payables | <b>1,625</b>        | 1,238            |
| Other payables    | <b>2,119</b>        | 1,747            |
|                   | <b>51,635</b>       | 55,645           |

**24 Share capital**

|  | <b>Number of shares</b> | <b>Share capital</b> |
|--|-------------------------|----------------------|
|  |                         | <b>HK\$'000</b>      |
| <b>Ordinary shares, issued and fully paid:</b>   |                         |                      |
| As at 1 January 2020                             | 600,000,001             | 600,000              |
| Issuance of shares                               | 120,000,000             | 120,000              |
| As at 30 June 2020                               | 720,000,001             | 720,000              |
| Issuance of shares                               | 150,000,000             | 150,000              |
| <b>As at 31 December 2020 and 1 January 2021</b> | <b>870,000,001</b>      | <b>870,000</b>       |
| Issuance of shares (Note)                        | <b>261,000,000</b>      | <b>261,000</b>       |
| <b>As at 30 June 2021</b>                        | <b>1,131,000,001</b>    | <b>1,131,000</b>     |

Note: During the period, a total of 261,000,000 ordinary shares have been issued for a total consideration of HK\$261,000,000.

**WELAB BANK LIMITED**

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

**25 Fair Value of financial instrument**

The tables below show the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 30 June 2021 and 31 December 2020:

|   | As at 30 June 2021  |                     |                     | Total<br>HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
|   | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 |                   |
| <b>Financial assets at fair value through other comprehensive income:</b> |                     |                     |                     |                   |
| Debt securities   |                     |                     |                     |                   |
| – Certificate of deposits issued by banks                                 | –                   | –                   | –                   | –                 |
|   | –                   | –                   | –                   | –                 |
|   | <u>–</u>            | <u>–</u>            | <u>–</u>            | <u>–</u>          |

|   | As at 31 December 2020 |                     |                     | Total<br>HK\$'000 |
|---|------------------------|---------------------|---------------------|-------------------|
|   | Level 1<br>HK\$'000    | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 |                   |
| <b>Financial assets at fair value through other comprehensive income:</b> |                        |                     |                     |                   |
| Debt securities   |                        |                     |                     |                   |
| – Certificate of deposits issued by banks                                 | 120,101                | –                   | –                   | 120,101           |
|   | 120,101                | –                   | –                   | 120,101           |
|   | <u>120,101</u>         | <u>–</u>            | <u>–</u>            | <u>120,101</u>    |

There were no transfers among level 1, level 2 and level 3 instruments for the period.

Based on the estimation of the management, the carrying value of the financial assets and liabilities measured at amortized cost are approximate to their fair values as at 30 June 2021 and 31 December 2020.

The movement in financial asset at fair value through comprehensive income is summarized as follows:

|                             | 30 June 2021<br>HK\$'000 | 31 December 2020<br>HK\$'000 |
|-----------------------------|--------------------------|------------------------------|
| At beginning of the period  | 120,101                  | –                            |
| Acquisitions                | –                        | 120,085                      |
| Disposals                   | (120,085)                | –                            |
| Changes in fair value       | (16)                     | 16                           |
| <b>At end of the period</b> | <u>–</u>                 | <u>120,101</u>               |

## WELAB BANK LIMITED

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

#### 25 Fair Value of financial instrument (continued)

The fair value is determined by reference to the market price of the certificate of deposits held. An increase in the market price would result in an increase in the fair value measurement of the investments, and vice versa.

#### 26 Related party transactions

During the period, the Bank entered into transaction with its fellow subsidiary and ultimate holding company in the ordinary course of its banking business and on substantially the same terms as for comparable transactions with third-party counterparties. The amounts of material transactions during the period are set out below:

|   | 30 June 2021<br>HK\$'000 | 30 June 2020<br>HK\$'000 |
|---|--------------------------|--------------------------|
| <u>Fellow subsidiary</u>                            |                          |                          |
| Procurement of IT research and development services | <u>7,347</u>             | <u>–</u>                 |
| <u>Ultimate holding company</u>                     |                          |                          |
| Unsecured loans                                     | <u>18,000</u>            | <u>–</u>                 |

Amount due from ultimate holding company and amounts due to fellow subsidiaries are set out in the statement of financial position. The terms are set out in Note 11.

#### 27 Subsequent event

In July 2021, the Bank issued 50,000,000 ordinary shares to Welab Capital Limited for a consideration of HK\$50,000,000.

In August 2021, the Bank issued 50,000,000 ordinary shares to Welab Capital Limited for a consideration of HK\$50,000,000.

#### 28 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](http://www.welab.bank).