



INTERIM REPORT 2024

WELAB BANK LIMITED

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

WELAB BANK LIMITED**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (unaudited)
FOR THE 6 MONTHS ENDED 30 JUNE 2024**

	Note	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Interest income	5	173,408	55,632
Interest expense	5	(101,094)	(32,774)
Net interest income		72,314	22,858
Net fee and commission income	6	11,509	2,555
Other income		1,723	5,575
Other operating income		13,232	8,130
		85,546	30,988
Operating expenses	7	(181,188)	(168,071)
Finance costs on lease liabilities		(370)	(982)
Loss before allowances for expected credit losses		(96,012)	(138,065)
Change in allowances for expected credit losses	8	(28,370)	(23,479)
Loss before income tax		(124,382)	(161,544)
Income tax	9	(692)	–
Loss and total comprehensive loss for the period		(125,074)	(161,544)

The notes on pages 6 to 18 form part of these unaudited condensed consolidated interim financial statements.

WELAB BANK LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)
AT 30 JUNE 2024**

	Note	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Assets			
Balances with banks	10	914,027	244,373
Placements with banks	11	–	27,000
Financial investments	12	2,339,559	1,340,980
Loans and advances to customers	13	5,088,622	1,942,025
Amounts due from group companies	14	86	15,030
Property and equipment	15	5,510	4,614
Right-of-use assets	16	5,055	9,330
Intangible assets	17	59,628	67,078
Other assets	19	239,267	113,135
Deferred income tax assets		33,983	–
Tax recoverable		3,910	–
Total assets		8,689,647	3,763,565
Liabilities			
Deposits from customers	20	6,926,859	3,126,667
Repurchase agreement at amortized cost		350,000	–
Lease liabilities		8,099	12,999
Other liabilities	21	287,397	159,466
Amounts due to group companies	14	10,220	5,206
Total liabilities		7,582,575	3,304,338
Equity			
Share capital	22	2,839,000	2,070,000
Reserves		(1,731,928)	(1,610,773)
Total equity		1,107,072	459,227
Total equity and liabilities		8,689,647	3,763,565

The notes on pages 6 to 18 form part of these unaudited condensed consolidated interim financial statements.

WELAB BANK LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)
FOR THE 6 MONTHS ENDED 30 JUNE 2024**

	Share Capital HK\$'000	Employee share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2023	1,804,000	13,789	(1,315,656)	502,133
Issuance of shares	141,000	–	–	141,000
Loss for the period	–	–	(161,544)	(161,544)
Recognition of equity-settled share-based payment	–	8,024	–	8,024
At 30 June 2023 and 1 July 2023	1,945,000	21,813	(1,477,200)	489,613
Issuance of shares	125,000	–	–	125,000
Loss for the period	–	–	(154,088)	(154,088)
Recognition of equity-settled share- based payment	–	(1,298)	–	(1,298)
Forfeiture/lapse of share options	–	(7,086)	7,086	–
At 31 December 2023 and 1 January 2024	2,070,000	13,429	(1,624,202)	459,227
Issuance of shares (Note 22)	769,000	–	–	769,000
Loss for the period	–	–	(125,074)	(125,074)
Recognition of equity-settled share-based payment	–	3,919	–	3,919
Forfeiture/lapse of share options	–	(556)	556	–
At 30 June 2024	2,839,000	16,792	(1,748,720)	1,107,072

The notes on pages 6 to 18 form part of these unaudited condensed consolidated interim financial statements.

WELAB BANK LIMITED**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)
FOR THE 6 MONTHS ENDED 30 JUNE 2024**

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Cash flows from operating activities		
Loss for the period	(125,074)	(161,544)
Adjustments:		
Interest income	(173,408)	(55,632)
Interest expense	101,094	32,774
Change in allowances for expected credit losses	28,370	23,479
Depreciation on property and equipment	2,900	3,233
Depreciation on right-of-use assets	5,717	6,301
Amortization of intangible assets	16,155	14,410
Finance cost on lease liabilities	370	982
Income tax expenses	692	–
Non-cash share-based expenses	3,919	8,024
Changes in operating assets and liabilities		
Increase in balances with banks with original maturity beyond 3 months	(67,900)	–
Decrease/(increase) in loans and advances to customers	141,250	(256,439)
Decrease in due from a group company	14,944	3,000
Increase in other assets	(21,468)	(16,815)
Increase in deposits from customers	3,800,192	248,628
Increase in repurchase agreement at amortized cost	350,000	180,000
Decrease in other liabilities	(3,425,819)	(57,035)
Increase/(decrease) in due to group companies	5,014	(12,792)
Interest received	180,739	53,741
Interest paid	(49,405)	(4,776)
Net cash generated from operating activities	788,282	9,539
Cash flows from investing activities		
Net cash inflow from acquisition of subsidiaries	34,114	–
Purchase of property and equipment	(124)	(34)
Purchase of intangible assets	(8,705)	(863)
Proceeds from/(purchase of) financial investments at amortized cost	826,427	(75,485)
Net cash generated from/(used in) investing activities	851,712	(76,382)

WELAB BANK LIMITED**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited) (continued)
FOR THE 6 MONTHS ENDED 30 JUNE 2024**

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Cash flows from financing activities		
Principal element of lease payment	(8,825)	(8,337)
Interest element of lease payment	(370)	(982)
Proceeds from issuance of ordinary shares	769,000	141,000
Net cash generated from financing activities	759,805	131,681
Net change in cash and cash equivalents	2,399,799	64,838
Cash and cash equivalent at the beginning of the period	615,426	832,255
Cash and cash equivalent at the end of the period	3,015,225	897,093
Analysis of balances of cash and cash equivalents		
Balances with banks	846,225	558,093
Placements with banks with original maturity within 3 months	–	92,000
Financial investments with original maturity within 3 months	2,169,000	247,000
	3,015,225	897,093

The notes on pages 6 to 18 form part of these unaudited condensed consolidated interim financial statements.

WELAB BANK LIMITED

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

1 General information

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

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

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

2 Basis of preparation

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

The information set out in this Interim Report does not constitute statutory financial statements.

The preparation of the condensed consolidated interim financial statements in conformity with HKAS34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Annual Report 2023.

These condensed consolidated interim financial statements should be read in conjunction with the Annual Report 2023, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They do not include all of the information required for a complete set of financial statements prepared in accordance with HKAS. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The condensed consolidated interim financial statements are unaudited.

3 Accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those described in the Bank’s Annual Report 2023 except for the principles of consolidation.

For the 6 months ended 30 June 2024, there were no new standards or amendments to standards that had a material effect on these condensed consolidated interim financial statements.

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

3 Accounting policies (continued)

Principles of consolidation

The consolidated financial statements for the period ended 30 June 2024 comprise the Bank and its subsidiaries. The financial information for the periods prior to June 2024 were prepared on an unconsolidated basis and may not be directly comparable.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group's subsidiaries are disclosed in Note 18 to the consolidated financial statements.

4 Compliance with the Banking (Disclosure) Rules

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

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

5 Interest income and expense

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Interest income from:		
Loans and advances to customers	112,419	48,298
Balances and placements with banks	1,144	1,749
Financial investments at amortized cost	59,102	4,690
Others	743	895
	<hr/>	<hr/>
Interest income from financial assets not measured at FVPL	173,408	55,632
Interest expense on:		
Deposit from customers	(101,094)	(32,774)
	<hr/>	<hr/>
Net interest income	72,314	22,858
	<hr/> <hr/>	<hr/> <hr/>

6 Net fee and commission income

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Fee and commission income	15,063	6,514
Less: Fee and commission expense	(3,554)	(3,959)
	<hr/>	<hr/>
Net fee and commission income	11,509	2,555
	<hr/> <hr/>	<hr/> <hr/>

WELAB BANK LIMITED

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

7 Operating expenses

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Employee benefits		
– Salaries and other short-term employee benefits	72,827	67,452
– Pension	1,843	1,972
– Share-based compensation	3,919	8,024
Premises and equipment expenses excluding depreciation		
– Rental of other premises	98	146
– Others	1,894	2,143
Depreciation on property and equipment	2,900	3,233
Depreciation on right-of-use assets	5,717	6,301
Amortization of intangible assets	16,155	14,410
Auditor's remuneration		
– Statutory audit	925	853
– Other services	–	525
Software licensing and IT costs	52,832	47,667
Legal and professional fees	356	518
Other operating expenses	21,722	14,827
	<u>181,188</u>	<u>168,071</u>

8 Change in allowances for expected credit losses

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Loans and advances to customers	29,454	23,467
Balances with banks	45	15
Placements with banks	–	–
Financial investments at amortized cost	(6)	25
Other assets	(1,246)	72
Expected credit loss provision on loan commitments	123	(100)
	<u>28,370</u>	<u>23,479</u>

WELAB BANK LIMITED

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

9 Income tax

The applicable Hong Kong profits tax rate for the first HK\$2,000,000 of assessable profit is 8.25% and the remaining assessable profits are taxed at 16.5%.

	6 months ended 30 June 2024 HK\$'000	6 months ended 30 June 2023 HK\$'000
Income tax expenses	<u>692</u>	<u>–</u>

10 Balances with banks

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Balances with central bank	777,637	182,440
Balances with banks	136,488	61,986
Less: Expected credit losses allowances	<u>(98)</u>	<u>(53)</u>
	<u>914,027</u>	<u>244,373</u>

11 Placements with banks

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Placements with banks	–	27,000
Less: Expected credit losses allowances	<u>–</u>	<u>–</u>
	<u>–</u>	<u>27,000</u>

WELAB BANK LIMITED**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited) (continued)****12 Financial investments**

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
At amortized cost		
Government bonds	–	66,735
Exchange fund bills	2,333,570	1,267,248
Bank and corporate debt securities	6,037	7,051
Less: Expected credit losses allowances	(48)	(54)
	2,339,559	1,340,980

13 Loans and advances to customers

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Gross loans and advances to customers	5,304,988	1,987,437
Less: Expected credit losses allowances		
– Stage1	(145,077)	(31,318)
– Stage2	(27,908)	(5,211)
– Stage3	(43,381)	(8,883)
	5,088,622	1,942,025

WELAB BANK LIMITED

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

14. Amounts due from/to group companies

	2024 HK\$'000	2023 HK\$'000
Amounts due from group companies		
Due from the ultimate holding company ¹	–	15,000
Due from intermediate holding companies ²	<u>86</u>	<u>30</u>
	<u>86</u>	<u>15,030</u>
Amounts due to group companies		
Due to the ultimate holding company ³	4,270	493
Due to fellow subsidiaries ⁴	<u>5,950</u>	<u>4,713</u>
	<u>10,220</u>	<u>5,206</u>

Notes:

1. The amount due from the ultimate holding company represent interest-bearing unsecured facility repaid in March 2024.
2. The amounts due from intermediate holding companies are unsecured, interest free, denominated or settled in HK\$ with no fixed repayment terms.
3. The amounts due to ultimate holding company are unsecured, interest free, denominated or settled in HK\$ with and no fixed repayment terms but are expected to be repaid within the next 12 months.
4. The amounts due to fellow subsidiaries are unsecured, interest free, denominated or settled in HK\$ with no fixed repayment terms but are expected to be repaid within the next 12 months.

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

15 Property and equipment

	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor Vehicles HK\$'000	Total HK\$'000
Cost				
At 1 January 2024	12,502	18,730	–	31,232
Additions	–	124	–	124
Acquisition of subsidiaries	9,394	10,363	1,653	21,410
At 30 June 2024	<u>21,896</u>	<u>29,217</u>	<u>1,653</u>	<u>52,766</u>
Accumulated depreciation				
At 1 January 2024	10,063	16,555	–	26,618
Acquisition of subsidiaries	8,374	8,703	661	17,738
Charge for the period	1,598	1,274	28	2,900
At 30 June 2024	<u>20,035</u>	<u>26,532</u>	<u>689</u>	<u>47,256</u>
Net book value				
At 30 June 2024	<u><u>1,861</u></u>	<u><u>2,685</u></u>	<u><u>964</u></u>	<u><u>5,510</u></u>
Cost				
At 1 January 2023	12,916	18,744	–	31,660
Additions	–	75	–	75
Write-off	(414)	(89)	–	(503)
At 31 December 2023	<u>12,502</u>	<u>18,730</u>	<u>–</u>	<u>31,232</u>
Accumulated depreciation				
At 1 January 2023	7,498	13,599	–	21,097
Charge for the year	2,979	3,018	–	5,997
Write-off	(414)	(62)	–	(476)
At 31 December 2023	<u>10,063</u>	<u>16,555</u>	<u>–</u>	<u>26,618</u>
Net book value				
At 31 December 2023	<u><u>2,439</u></u>	<u><u>2,175</u></u>	<u><u>–</u></u>	<u><u>4,614</u></u>

WELAB BANK LIMITED

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

16 Right-of-use assets

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

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

	HK\$'000
At 1 January 2023	21,737
Depreciation	(12,407)
Reassessment	—
	<hr/>
At 31 December 2023 and 1 January 2024	9,330
Acquisition of subsidiaries	1,442
Depreciation	(5,717)
	<hr/>
At 30 June 2024	5,055
	<hr/> <hr/>

17 Intangible assets

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

	HK\$'000
Cost	
At 1 January 2023	120,293
Additions	13,594
	<hr/>
At 31 December 2023 and 1 January 2024	133,887
Acquisition of subsidiaries	2,995
Additions	8,705
	<hr/>
At 30 June 2024	145,587
	<hr/> <hr/>
Accumulated amortization	
At 1 January 2023	39,533
Charge for the year	27,276
	<hr/>
At 31 December 2023 and 1 January 2024	66,809
Acquisition of subsidiaries	2,995
Charge for the period	16,155
	<hr/>
At 30 June 2024	85,959
	<hr/> <hr/>
Net book value	
At 30 June 2024	59,628
	<hr/> <hr/>
At 31 December 2023	67,078
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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited) (continued)

18 Investment in subsidiaries

Particulars of the Bank's subsidiaries as at 30 June 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%	Online consumer technology lending business by extending credit directly to borrowers through its direct-to-consumer lending services in Hong Kong

Please refer to Note 23 for the acquisition of subsidiaries during the period.

19 Other assets

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Prepayments	128,356	57,764
Rental and other deposits	28,757	26,445
Other receivables	82,154	28,926
	<u>239,267</u>	<u>113,135</u>

20 Deposits from customers

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Savings accounts	432,815	314,723
Time deposits	6,494,044	2,811,944
	<u>6,926,859</u>	<u>3,126,667</u>

WELAB BANK LIMITED

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

21 Other liabilities

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Accruals	72,176	37,660
Interest payables	97,671	45,982
Advance receipts from customers	47,149	–
Others	70,111	75,657
Expected credit loss provision on loan commitments	290	167
	<u>287,397</u>	<u>159,466</u>

22 Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares, issued and fully paid:		
At 31 December 2022 and 1 January 2023	1,804,000,001	1,804,000
Issuance of shares	266,000,000	266,000
	<u>2,070,000,001</u>	<u>2,070,000</u>
At 31 December 2023 and 1 January 2024	2,070,000,001	2,070,000
Issuance of shares (Note)	769,000,000	769,000
	<u>2,839,000,001</u>	<u>2,839,000</u>
At 30 June 2024	2,839,000,001	2,839,000

Note: During the period, a total of 769,000,000 ordinary shares have been issued for a total consideration of HK\$769,000,000.

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

23 Acquisition of subsidiaries

On 6 June 2024, the Bank acquired 100% equity interests in Welab Crest Limited from Welab Holdings Limited at a cash consideration of HK\$6,259,000. Through this acquisition, the Bank indirectly gained full ownership of Welend Limited, which is entirely owned by Welab Crest Limited.

Provisional amount of assets acquired and liabilities recognised at the date of acquisition:

	Fair value and acquiree's carrying amount HK\$'000
Balances with bank	40,373
Loans and advances to customers	3,317,301
Property and equipment	3,672
Right-of-use assets	1,442
Other assets	149,334
Lease liabilities	(3,925)
Other liabilities	(3,501,938)
	<hr/>
Net assets attributable to the Group and cash consideration paid	6,259
	<hr/> <hr/>

An analysis of cash flows in respect of the acquisition as follows:

	HK\$'000
Cash consideration paid	(6,259)
Balances with bank	40,373
	<hr/>
Net cash inflow	34,114
	<hr/> <hr/>

24 Off-balance sheet exposures

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

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Loan commitments which are unconditionally cancellable	379,074	299,517
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The loan commitments which are unconditionally cancellable represent the undrawn portion of the revolving credit facilities granted to customers.

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

25 Material related party transactions

There were no significant changes to the nature of the related party transactions described in 2023 Annual Report that have a material impact on the financial position or performance of the Group for the 6 months ended 30 June 2024. All related party transactions that took place in the 6 months ended 30 June 2024 were similar in nature to those disclosed in the 2023 Annual Report, except for the acquisition of subsidiaries from Welab Holdings Limited stated in Note 23. Transactions between the Bank and its subsidiaries have been eliminated on consolidation.

26 Subsequent events

A total of 6,000,000 ordinary shares were issued by the Bank to Welab Capital Limited after the period end for a total consideration of HK\$6,000,000.

27 Interim Report 2024 and statutory accounts

The information in this Interim Report 2024 is unaudited and does not constitute statutory accounts. The Interim Report 2024 was approved by the Board of Directors on 20 September 2024.