

LIVI BANK LIMITED
(Formerly known as LIVI VB LIMITED)

Condensed Interim Financial Statements (unaudited)
For the period ended 30 June 2020

LIVI BANK LIMITED
(Formerly known as LIVI VB LIMITED)

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INDEPENDENT REVIEW REPORT

To the board of directors of Livi Bank Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial statements set out on pages 2 to 11, which comprises the condensed statement of financial position of Livi Bank Limited (the “Bank”) as at 30 June 2020 and the related condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the six-month period then ended, and other explanatory notes. The directors of the Bank are responsible for the preparation and presentation of these interim financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibility is to express a conclusion on these interim financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

29 September 2020

LIVI BANK LIMITED

(Formerly known as LIVI VB LIMITED)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED 30 JUNE 2020

	Notes	6 months ended 30 Jun 2020 HK\$'000	Period from 18 Mar 2019 (date of incorporation) to 30 Jun 2019 HK\$'000
Operating income			
Interest income		12,445	2,380
Interest expense		(1,560)	(91)
Net interest income	3	10,885	2,289
Operating expenses			
Staff costs		(88,672)	(3,791)
Legal and professional fees		(13,634)	(24,698)
Depreciation of equipment, furniture and fixtures		(10,738)	–
Amortisation of intangible assets		(18,773)	–
Depreciation of right-of-use assets		(7,605)	(551)
Other operating expenses		(56,590)	(10,705)
TOTAL OPERATING EXPENSES		(196,012)	(39,745)
Net operating loss before net releases/(charges) of expected credit losses		(185,127)	(37,456)
Net releases/(charges) of expected credit losses		128	(345)
Loss for the Period		(184,999)	(37,801)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Financial assets at fair value through other comprehensive income (“FVOCI”):			
– Fair value loss		(133)	–
– Expected credit losses released		(33)	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(166)	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(185,165)	(37,801)

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CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AT 30 JUNE 2020

	Notes	At 30 Jun 2020 HK\$'000	At 31 Dec 2019 HK\$'000
Assets			
Cash and balances with banks	4	31,928	26,719
Placements with banks	5	1,173,087	867,478
Financial investments	6	856,538	1,299,886
Equipment, furniture and fixtures	7	77,564	76,375
Intangible assets		186,641	144,047
Right-of-use assets		77,392	84,997
Prepayments, accrued interest and other assets		18,483	16,912
TOTAL ASSETS		2,421,633	2,516,414
Liabilities			
Customer deposits		183	407
Lease liabilities		74,635	80,562
Other liabilities and provisions		233,313	136,778
TOTAL LIABILITIES		308,131	217,747
NET ASSETS		2,113,502	2,298,667
Equity			
Share capital		2,500,000	2,500,000
Reserves		(386,498)	(201,333)
TOTAL EQUITY		2,113,502	2,298,667

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CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2020

	Period from 18 Mar 2019 (date of incorporation) to 30 Jun 2019			
	Share capital HK\$'000	Accumulated losses HK\$'000	Financial assets at FVOCI reserve HK\$'000	Total HK\$'000
At 18 Mar 2019 (date of incorporation)	–	–	–	–
Issue of share capital	2,500,000	–	–	2,500,000
Total comprehensive loss for the period	–	(37,801)	–	(37,801)
At 30 Jun 2019	<u>2,500,000</u>	<u>(37,801)</u>	<u>–</u>	<u>2,462,199</u>
	6 months ended 31 Dec 2019			
Total comprehensive loss for the period	–	(163,612)	80	(163,532)
At 31 Dec 2019	<u>2,500,000</u>	<u>(201,413)</u>	<u>80</u>	<u>2,298,667</u>
	6 months ended 30 Jun 2020			
Total comprehensive loss for the period	–	(184,999)	(166)	(185,165)
At 30 Jun 2020	<u>2,500,000</u>	<u>(386,412)</u>	<u>(86)</u>	<u>2,113,502</u>

LIVI BANK LIMITED

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CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE PERIOD ENDED 30 JUNE 2020

	6 months ended 30 Jun 2020 HK\$'000	Period from 18 Mar 2019 (date of incorporation) to 30 Jun 2019 HK\$'000
Cash flows from operating activities		
Loss for the period	(184,999)	(37,801)
Adjustments for non-cash items:		
Depreciation of right-of-use assets and equipment, furniture and fixtures	18,343	551
Amortisation of intangible assets	18,773	–
Net charges/(releases) of expected credit losses	(128)	345
Interest expenses on lease liabilities	1,559	91
	<u>(146,452)</u>	<u>(36,814)</u>
Changes in operating assets and liabilities		
Increase in certificate of deposit	(99,683)	–
Increase in prepayments, accrued interest and other assets	(1,571)	(4,381)
Decrease in customer deposits	(224)	–
Increase in other liabilities and provisions	96,535	36,223
	<u>(151,395)</u>	<u>(4,972)</u>
Cash flows from investing activities		
Purchase of equipment, furniture and fixtures	(11,927)	–
Purchase of intangible assets	(61,367)	(9,273)
Acquisition costs of right-of-use assets	–	(398)
	<u>(73,294)</u>	<u>(9,671)</u>
Cash flows from financing activities		
Proceeds from issue of shares	–	2,500,000
Payment of lease liabilities	(7,486)	–
	<u>(7,486)</u>	<u>2,500,000</u>
Net cash flows from/(used in) financing activities	(7,486)	2,500,000

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CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2020

	6 months ended 30 Jun 2020 HK\$'000	Period from 18 Mar 2019 (date of incorporation) to 30 Jun 2019 HK\$'000
Net increase/(decrease) in cash and cash equivalents	(232,175)	2,485,357
Cash and cash equivalents at beginning of period	<u>2,194,601</u>	<u>—</u>
Cash and cash equivalents at end of period	<u>1,962,426</u>	<u>2,485,357</u>

LIVI BANK LIMITED

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2020

1. GENERAL INFORMATION

Livi Bank Limited (the “Bank”, formerly known as Livi VB Limited) is incorporated and operates a virtual banking business in Hong Kong after being granted the license by the HKMA on 27 March 2019. The address of the Bank’s registered office is 28th floor, Oxford House, 979 King’s Road, Quarry Bay, Hong Kong.

2.1 STATEMENT OF COMPLIANCE

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

The preparation of the condensed interim financial statements in conformity with HKAS 34 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 in applying the Bank’s accounting policies and the key sources of estimation uncertainty were consistent with those that were applied to the financial statements for the period ended 31 December 2019.

The condensed interim financial statements should be read in conjunction with the financial statements for the period ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The condensed interim financial statements are unaudited.

2.2 BASIS OF PREPARATION

The accounting policies applied in preparing these condensed interim financial statements are materially consistent with those applied in preparing the financial statements for the period ended 31 December 2019. The following revised accounting standards became effective from 1 January 2020. None of the revised accounting standards have a material impact on the condensed interim financial statements.

- Amendments to HKFRS 3 *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8 *Definition of Material*
- Amendment to HKFRS 16 *COVID-19 Related Rent Concessions*

3. NET INTEREST INCOME

	6 months ended 30 Jun 2020 HK\$'000	Period from 18 Mar 2019 (date of incorporation) to 30 Jun 2019 HK\$'000
Interest income from placements with banks	8,117	2,380
Interest income from Exchange Fund Bills	4,328	–
Interest expense on customer deposits	(1)	–
Interest expense on lease liabilities	(1,559)	(91)
Net interest income	10,885	2,289

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 JUNE 2020

4. CASH AND BALANCES WITH BANKS

	At 30 Jun 2020 HK\$'000	At 31 Dec 2019 HK\$'000
Cash and balances with banks – Stage 1	31,932	26,722
Less: Allowances for expected credit losses – Stage 1	(4)	(3)
	<u>31,928</u>	<u>26,719</u>

5. PLACEMENTS WITH BANKS

	At 30 Jun 2020 HK\$'000	At 31 Dec 2019 HK\$'000
Placements with banks – Stage 1	1,173,500	868,000
Less: Allowances for expected credit losses – Stage 1	(413)	(522)
	<u>1,173,087</u>	<u>867,478</u>

6. FINANCIAL INVESTMENTS

	At 30 Jun 2020 HK\$'000	At 31 Dec 2019 HK\$'000
At FVOCI:		
Exchange Fund Bills – Stage 1	756,994	1,299,879
Add: Fair value gains/(losses)	(126)	7
	<u>756,868</u>	<u>1,299,886</u>
At amortized cost:		
Certificate of deposit – Stage 1	99,683	–
Less: Allowances for expected credit losses – Stage 1	(13)	–
	<u>99,670</u>	<u>–</u>
	<u>856,538</u>	<u>1,299,886</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 JUNE 2020

7. EQUIPMENT, FURNITURE AND FIXTURES

	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Equipment, furniture and fixtures HK\$'000	Total HK\$'000
Cost				
At 1 Jan 2020	12,907	67,970	320	81,197
Additions	8,640	2,671	616	11,927
At 30 Jun 2020	<u>21,547</u>	<u>70,641</u>	<u>936</u>	<u>93,124</u>
Accumulated depreciation				
At 1 Jan 2020	820	3,943	59	4,822
Charge for the period	1,688	8,921	129	10,738
At 30 Jun 2020	<u>2,508</u>	<u>12,864</u>	<u>188</u>	<u>15,560</u>
Net book value				
At 30 Jun 2020	<u>19,039</u>	<u>57,777</u>	<u>748</u>	<u>77,564</u>
	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Equipment, furniture and fixtures HK\$'000	Total HK\$'000
Cost				
At 18 Mar 2019 (date of incorporation)	—	—	—	—
Additions	12,907	67,970	320	81,197
At 31 Dec 2019	<u>12,907</u>	<u>67,970</u>	<u>320</u>	<u>81,197</u>
Accumulated depreciation				
At 18 Mar 2019 (date of incorporation)	—	—	—	—
Charge for the period	820	3,943	59	4,822
At 31 Dec 2019	<u>820</u>	<u>3,943</u>	<u>59</u>	<u>4,822</u>
Net book value				
At 31 Dec 2019	<u>12,087</u>	<u>64,027</u>	<u>261</u>	<u>76,375</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 JUNE 2020

8. FAIR VALUE OF ASSETS AND LIABILITIES

Financial instruments measured at fair value – fair value hierarchy

	At 30 Jun 2020			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Exchange Fund Bills at FVOCI	<u>756,868</u>	<u>–</u>	<u>–</u>	<u>756,868</u>

	At 31 Dec 2019			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Exchange Fund Bills at FVOCI	<u>1,299,886</u>	<u>–</u>	<u>–</u>	<u>1,299,886</u>

At 30 June 2020 and 31 December 2019, the Bank's financial assets and financial liabilities at amortised cost were primarily repayable within 12 months. The carrying amounts of these financial assets and financial liabilities approximated their fair values.

9. MATERIAL RELATED PARTY TRANSACTIONS

There were no significant changes to the nature of the related party transactions described in the 2019 financial statements that have a material effect on the financial position or performance of the Bank during the 6 months ended 30 June 2020. All related party transactions that took place in the 6 months ended 30 June 2020 were similar in nature to those disclosed in the 2019 financial statements.

10. CAPITAL COMMITMENTS

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

	At 30 Jun 2020 HK\$'000	At 31 Dec 2019 HK\$'000
Authorised and contracted for but not provided for	<u>1,767</u>	<u>20,725</u>

The above capital commitments mainly relate to commitments to purchase computer equipment and software, and to renovate the right-of-use asset.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED) 30 JUNE 2020

11. EVENTS AFTER THE REPORTING PERIOD

There have been no events after the reporting date that would require disclosure in these financial statements.

Approved by the Board
29 September 2020