

# Fusion Bank

**富融銀行有限公司**

**Fusion Bank Limited**

(incorporated in Hong Kong with limited liability)

CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)

30 JUNE 2021



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## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<i>Note</i>	For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000
Interest income		2,345	1,799
Interest expense		(10,400)	(181)
<b>Net interest (expense)/income</b>	<i>3</i>	<b>(8,055)</b>	<b>1,618</b>
Net fee and commission expenses	<i>4</i>	(1,621)	(155)
Other income	<i>5</i>	659	1
Operating expenses	<i>6</i>	(175,059)	(128,784)
Operating losses before net charge of expected credit losses		(184,076)	(127,320)
Net charge of expected credit losses		(179)	(25)
<b>Loss before income tax</b>		<b>(184,255)</b>	<b>(127,345)</b>
Income tax credit	<i>7</i>	2,656	–
<b>Total comprehensive loss for the period</b>		<b>(181,599)</b>	<b>(127,345)</b>

The notes on pages 6 to 16 are an integral part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 JUNE 2021

	<i>Note</i>	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
<b>ASSETS</b>			
Balances with central bank	8	1,154,295	97,671
Placements with and advances to banks	9	809,479	798,118
Investment assets at amortised cost	10	720,501	9,999
Loans and advances to customers	11	1,190	–
Right-of-use assets	13	12,150	15,111
Property and equipment	14	63,285	73,018
Intangible assets	15	43,739	49,380
Prepayment and other assets	16	29,236	25,981
Deferred tax asset	7	2,656	–
<b>TOTAL ASSETS</b>		<b>2,836,531</b>	<b>1,069,278</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposits from customers	17	1,736,538	324,944
Deposits from a fellow subsidiary	18	388,270	15,505
Accruals and other liabilities	19	128,957	136,716
Lease liabilities	13	14,259	17,007
<b>TOTAL LIABILITIES</b>		<b>2,268,024</b>	<b>494,172</b>
<b>EQUITY</b>			
Share capital	20	1,175,001	1,000,001
Accumulated losses		(606,494)	(424,895)
<b>TOTAL EQUITY</b>		<b>568,507</b>	<b>575,106</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,836,531</b>	<b>1,069,278</b>

The notes on pages 6 to 16 are an integral part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<i>Note</i>	Share capital HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>At 1 January 2020</b>		500,001	(142,285)	357,716
Capital contribution by the member	20	500,000	–	500,000
Loss for the year		–	(282,610)	(282,610)
<b>At 31 December 2020 and 1 January 2021</b>		1,000,001	(424,895)	575,106
Capital contribution by the member	20	175,000	–	175,000
Loss for the period		–	(181,599)	(181,599)
<b>At 30 June 2021</b>		1,175,001	(606,494)	568,507

The notes on pages 6 to 16 are an integral part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<i>Note</i>	For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000
<b>Cash flows from operating activities</b>			
Loss before income tax		(184,255)	(127,345)
Adjustments for:			
Interest income		(2,345)	(1,799)
Interest expense		10,400	181
Depreciation expense	6	17,462	11,341
Amortization expense	6	5,680	–
Loss on disposal of fixed assets		59	–
Changes in expected credit losses on non-cash items		209	–
Change in operating assets and liabilities:			
(Increase)/decrease in prepayment and other assets		(3,228)	3,959
Increase in loans and advances to customers		(1,190)	–
Decrease in amount due from the immediate parent company		–	(1)
Increase in deposits from customers		1,411,594	54
Increase in amounts due to a fellow subsidiary		372,765	–
(Decrease)/increase in accruals and other liabilities		(9,342)	41,819
Interest received		2,164	1,618
Interest paid		(8,795)	–
<b>Net cash flows generated from/(used in) operating activities</b>		<b>1,611,178</b>	<b>(70,173)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(2,664)	(17,034)
Purchase of intangible assets		(39)	(12,857)
Purchase of investment securities		(11,020,633)	(99,823)
Proceeds from maturity/sale of investment securities		10,310,000	–
Placements with bank with original maturity beyond three months		(30,000)	–
Interest received		41	–
<b>Net cash flows used in investing activities</b>		<b>(743,295)</b>	<b>(129,714)</b>

	<i>Note</i>	For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000
<b>Cash flows from financing activities</b>			
Payments of principal of financial lease		(4,911)	(3,041)
Interest elements of lease liabilities		(22)	(157)
Capital contribution by the member		175,000	500,000
<b>Net cash flows generated from financing activities</b>		<b>170,067</b>	<b>496,802</b>
<b>Net change in cash and cash equivalents</b>		<b>1,037,950</b>	<b>296,915</b>
Cash and cash equivalents at the beginning of the year		865,864	325,400
<b>Cash and cash equivalents at the end of the period</b>	21	<b>1,903,814</b>	<b>622,315</b>

The notes on pages 6 to 16 are an integral part of these condensed consolidated interim financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

## 1. PRINCIPAL ACTIVITIES

Fusion Bank Limited (the "Bank") is a limited liability company incorporated in Hong Kong. The address of its registered office is 2/F InnoCentre, 72 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong. The principal activity of the Bank is the operation of virtual bank. On 9 May 2019, Hong Kong Monetary Authority granted a banking license under the Banking Ordinance to the Bank to operate in form of a virtual bank. The Bank had commenced its commercial operation on 21 December 2020.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

Fusion Bank Limited and its subsidiary (together the "Group") has prepared its condensed interim financial statements 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 year ended 31 December 2020.

The condensed interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The condensed interim financial statements are unaudited.

### Basis of Preparation

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial statements for the current accounting period:

- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — phase 2

None of the revised accounting standards, which became effective from 1 January 2021, have a material impact on the condensed consolidated interim financial statements.



### 3. NET INTEREST (EXPENSE)/INCOME

The table below presents interest income and expense by accounting classification. Interest income and expense are calculated using the effective interest method for financial assets and financial liabilities measured at amortised cost.

	For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000
<b>Interest income</b>		
Placements with and advances to banks	2,258	1,621
Financial assets measured at amortised cost	49	178
Loans and advances to customers	38	–
	2,345	1,799
<b>Interest expense</b>		
Lease liabilities	(75)	(181)
Deposits from customers	(10,325)	–
	(10,400)	(181)
<b>Net interest (expense)/income</b>	<b>(8,055)</b>	<b>1,618</b>

### 4. NET FEE AND COMMISSION EXPENSES

	For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000
Bank charges	1,300	154
Other fees	321	1
	1,621	155

### 5. OTHER INCOME

	For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000
Net foreign exchange gains	659	1

## 6. OPERATING EXPENSES

	For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000
Staff costs	102,152	71,810
Directors' Fees	1,095	1,163
Depreciation of property and equipment (notes 13 and 14)	17,462	11,341
Amortisation of intangible assets (note 15)	5,680	–
Auditors' remuneration	400	15
Legal and professional fees	3,619	4,702
IT expenses	19,604	29,032
Premise expenses	3,176	2,953
Recruitment fee	2,268	872
Advertising and marketing expense	11,396	712
Other expenses	8,207	6,184
	<b>175,059</b>	<b>128,784</b>

## 7. INCOME TAX CREDIT

	For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000
<b>Current tax</b>		
Hong Kong	–	–
Other jurisdictions	–	–
<b>Deferred tax</b>		
Hong Kong	–	–
Other jurisdictions	2,656	–
<b>Income tax credit</b>	<b>2,656</b>	<b>–</b>

In 2021, the Group recognized deferred tax assets in respect of unused tax losses arising from the operations of its subsidiary in Shenzhen.

## 8. BALANCES WITH CENTRAL BANK

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Balances with central bank	1,154,299	97,674
Less: Allowances for expected credit losses	(4)	(3)
	<b>1,154,295</b>	<b>97,671</b>

## 9. PLACEMENTS WITH AND ADVANCES TO BANKS

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Balances with banks	121,984	55,447
Placements with and advances to banks maturing within one month	518,260	589,041
Placements with and advances to banks maturing after one month but less than one year	169,531	154,000
Less: Allowances for expected credit losses	(296)	(370)
	<b>809,479</b>	<b>798,118</b>

## 10. INVESTMENT ASSETS AT AMORTISED COST

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
<b>Investment securities at amortised cost</b>		
Government debt securities:		
Exchange Fund Bills	550,000	10,000
Certificate of deposits	170,746	–
Less: Allowances for expected credit losses	(245)	(1)
	<b>720,501</b>	<b>9,999</b>

## 11. LOANS AND ADVANCES TO CUSTOMERS

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Loans and advances to customers at amortised cost	1,198	–
Less: Allowances for expected credit losses	(8)	–
	<b>1,190</b>	<b>–</b>

## 12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY

The following table analyses financial assets and financial liabilities as presented in the condensed consolidated statement of financial position by HKFRS 9 classifications.

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
<b>Financial assets at amortised cost</b>		
Investment assets at amortised cost	720,501	9,999
Balances with central bank	1,154,295	97,671
Placements with and advances to banks	809,479	798,118
Loans and advances to customers	1,190	–
<b>Financial liabilities at amortised cost</b>		
Deposits from customers	1,736,538	324,944
Deposits from a fellow subsidiary	388,270	15,505
Lease liabilities	14,259	17,007

### 13. LEASES

#### Amounts recognised in the condensed consolidated statement of financial position

The condensed consolidated statement of financial position shows the following amounts relating to leases:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
<b>Right-of-use assets</b>		
Buildings	12,150	15,111
<b>Lease liabilities</b>		
Current	12,804	10,586
Non-current	1,455	6,421
	14,259	17,007

#### Amounts recognised in the condensed consolidated statement of profit or loss and comprehensive income

The condensed consolidated statement of profit or loss and comprehensive income shows the following amounts relating to leases:

	For the six months ended 30 June 2021 HK\$'000	For the six months ended 30 June 2020 HK\$'000
<b>Depreciation charge of right-of-use assets</b>		
Buildings (note 6)	5,124	3,433
Interest expense (included in interest expense)	75	181
Expense related to short-term leases	145	1,615

## 14. PROPERTY AND EQUIPMENT

	Leasehold Improvements HK\$'000	Furniture and Fixtures HK\$'000	Computer Equipment HK\$'000	Office Equipment HK\$'000	Total HK\$'000
<b>At 1 January 2020</b>					
Cost	17,779	114	1,822	1,051	20,766
Accumulated depreciation	–	(4)	(193)	(66)	(263)
<b>Net book value at 1 January 2020</b>	<b>17,779</b>	<b>110</b>	<b>1,629</b>	<b>985</b>	<b>20,503</b>
<b>At 31 December 2020</b>					
Net book value at 1 January 2020	17,779	110	1,629	985	20,503
Additions	4,666	2,109	13,956	48,503	69,234
Disposals	–	(124)	–	(409)	(533)
Depreciation charges	(7,908)	(396)	(3,042)	(4,840)	(16,186)
<b>Net book value at 31 December 2020</b>	<b>14,537</b>	<b>1,699</b>	<b>12,543</b>	<b>44,239</b>	<b>73,018</b>
<b>At 31 December 2020 and 1 January 2021</b>					
Net book value at 31 December 2020 and 1 January 2021	14,537	1,699	12,543	44,239	73,018
<b>At 30 June 2021</b>					
Net book value at 1 January 2021	14,537	1,699	12,543	44,239	73,018
Additions	875	194	771	824	2,664
Disposals	–	–	–	(59)	(59)
Depreciation charges (note 6)	(5,099)	(227)	(1,948)	(5,064)	(12,338)
<b>Net book value at 30 June 2021</b>	<b>10,313</b>	<b>1,666</b>	<b>11,366</b>	<b>39,940</b>	<b>63,285</b>
<b>At 30 June 2021</b>					
Cost	23,320	2,267	16,549	49,808	91,944
Accumulated depreciation	(13,007)	(601)	(5,183)	(9,868)	(28,659)
<b>Net book value at 30 June 2021</b>	<b>10,313</b>	<b>1,666</b>	<b>11,366</b>	<b>39,940</b>	<b>63,285</b>

## 15. INTANGIBLE ASSETS

	Software HK\$'000
<hr/>	
<b>At 1 January 2020</b>	
Cost	13,268
Accumulated amortisation	–
<hr/>	
<b>Net book value at 1 January 2020</b>	13,268
<hr/>	
<b>Net book value at 1 January 2020</b>	13,268
Additions	45,332
Amortisation charges	(9,220)
<hr/>	
<b>Net book value at 31 December 2020</b>	49,380
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<b>At 31 December 2020</b>	
Cost	58,600
Accumulated amortisation	(9,220)
<hr/>	
<b>Net book value at 31 December 2020 and 1 January 2021</b>	49,380
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<b>Net book value at 1 January 2021</b>	49,380
Additions	39
Amortisation charges (note 6)	(5,680)
<hr/>	
<b>Net book value at 30 June 2021</b>	43,739
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<b>At 30 June 2021</b>	
Cost	58,639
Accumulated amortisation	(14,900)
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<b>Net book value at 30 June 2021</b>	43,739
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## 16. PREPAYMENT AND OTHER ASSETS

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Interest receivable	260	166
Prepayment	18,614	14,748
Rental, utilities and other deposits	7,139	6,578
Other amounts receivable	3,223	4,489
	<b>29,236</b>	<b>25,981</b>

## 17. DEPOSITS FROM CUSTOMERS

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Saving deposits	152,794	22,834
Term deposits	1,583,744	302,110
	<b>1,736,538</b>	<b>324,944</b>

## 18. DEPOSITS FROM A FELLOW SUBSIDIARY

The Group received funding from a fellow subsidiary of Tencent Group in the form of term deposit.

	As at 30 June 2021		As at 31 December 2020	
	Interest HK\$'000	Balance HK\$'000	Interest HK\$'000	Balance HK\$'000
Deposits from a fellow subsidiary	14	388,270	–	15,505



## 19. ACCRUALS AND OTHER LIABILITIES

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Interest payable	2,024	441
Accrued expenses	51,342	41,870
Fixed asset payable	39,621	39,621
Intangible asset payable	18,171	22,980
Other amounts payable	17,799	31,804
	<b>128,957</b>	<b>136,716</b>

## 20. SHARE CAPITAL

### Ordinary share capital

	Number of ordinary shares	Share capital HK\$'000
Issued and fully paid		
At 1 January 2020	1,000	500,001
Capital contribution by the member	–	500,000
At 31 December 2020 and 1 January 2021	1,000	1,000,001
Capital contribution by the member	–	175,000
At 30 June 2021	1,000	1,175,001

## 21. CASH AND CASH EQUIVALENTS

	As at 30 June 2021 HK\$'000	As at 30 June 2020 HK\$'000
Balances with central bank	1,154,295	120,550
Cash at banks	121,983	11,783
Placement with banks with original maturity less than three months	627,536	489,982
	<b>1,903,814</b>	<b>622,315</b>

## 22. MATERIAL RELATED PARTY TRANSACTIONS

All related party transactions that took place in the half-year to 30 June 2021 were similar in nature to those disclosed in the 2020 Annual Report. There were no changes in transactions described in the 2020 Annual Report that have had a material effect on the financial position or performance of the Group in the half-year to 30 June 2021.

## 23. SUBSEQUENT EVENT

The Group received funding in the form of capital injection amounting to HK\$575,100,000 on 22 July 2021. This funding is to support the expansion of the Group's banking business.