

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 2022



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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	For the six months ended 30 June 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000
Interest income		14,746	2,345
Interest expense		(15,456)	(10,400)
Net interest expense	3	(710)	(8,055)
Net fee and commission expenses	4	(3,101)	(1,621)
Other (expense)/income	5	(4,148)	659
Operating expenses	6	(240,023)	(175,059)
Operating losses before net charge of expected credit losses		(247,982)	(184,076)
Net charge of expected credit losses		(6,852)	(179)
Loss before income tax		(254,834)	(184,255)
Income tax credit	7	–	2,656
Total comprehensive expense for the period		(254,834)	(181,599)

The notes on pages 6 to 17 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 JUNE 2022

	<i>Note</i>	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
ASSETS			
Balances with central bank	9	499,699	453,237
Placements with and advances to banks	10	2,016,869	1,419,625
Investment assets at amortised cost	11	1,239,203	2,234,177
Loans and advances to customers	12	262,668	152,238
Right-of-use assets	14	28,172	7,741
Property and equipment	15	50,459	59,872
Intangible assets	16	41,139	49,692
Prepayment and other assets	17	36,017	28,117
Amount due from fellow subsidiaries	23	9,916	–
Deferred tax assets	8	1,814	1,898
TOTAL ASSETS		4,185,956	4,406,597
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	18	3,280,195	3,049,320
Deposits from related parties	19	15,741	218,313
Accruals and other liabilities	20	125,733	140,312
Lease liabilities	14	28,808	8,339
TOTAL LIABILITIES		3,450,477	3,416,284
EQUITY			
Share capital	21	1,850,001	1,850,001
Accumulated losses		(1,114,522)	(859,688)
TOTAL EQUITY		735,479	990,313
TOTAL LIABILITIES AND EQUITY		4,185,956	4,406,597

The notes on pages 6 to 17 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 2022

	<i>Note</i>	Share capital HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2021		1,000,001	(424,895)	575,106
Capital contribution by the member	21	850,000	–	850,000
Loss for the year		–	(434,793)	(434,793)
At 31 December 2021 and 1 January 2022		1,850,001	(859,688)	990,313
Capital contribution by the member	21	–	–	–
Loss for the period		–	(254,834)	(254,834)
At 30 June 2022		1,850,001	(1,114,522)	735,479

The notes on pages 6 to 17 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 2022

<i>Note</i>	For the six months ended 30 June 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000
Cash flows from operating activities		
	(254,834)	(184,255)
Loss before income tax		
Adjustments for:		
	(14,746)	(2,345)
	15,456	10,400
	22,437	17,462
6	6,478	5,680
	2,303	59
	225	–
	6,814	209
Changes in expected credit losses on non-cash items		
Change in operating assets and liabilities:		
	(7,875)	(3,228)
	(116,743)	(1,190)
23	(9,916)	–
	230,875	1,411,594
	(202,572)	372,765
	(14,595)	(9,342)
Decrease in accruals and other liabilities		
	13,050	2,164
	(15,396)	(8,795)
Interest received		
Interest paid		
Net cash flows (used in)/generated from operating activities		1,611,178
		(339,039)
Cash flows from investing activities		
	(6,767)	(2,664)
	(228)	(39)
	(5,709,010)	(11,020,633)
	6,705,000	10,310,000
	52,969	(30,000)
	393	41
Interest received		
Net cash flows generated from/(used in) investing activities		(743,295)
		1,042,357

	<i>Note</i>	For the six months ended 30 June 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000
Cash flows from financing activities			
Payments of principal of financial lease		(6,360)	(4,911)
Interest elements of lease liabilities		(44)	(22)
Capital contribution by the member		–	175,000
Net cash flows (used in)/generated from financing activities		(6,404)	170,067
Net change in cash and cash equivalents		696,914	1,037,950
Cash and cash equivalents at the beginning of the year		1,479,904	865,864
Cash and cash equivalents at the end of the period	22	2,176,818	1,903,814

The notes on pages 6 to 17 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 2021.

The condensed interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021, 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 standards issued by the HKICPA to this interim financial statements for the current accounting period:

- Amendment to HKFRS 3, Reference to the Conceptual Framework
- Amendments to HKAS 16, Amendments to HKAS 16 Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to HKFRSs, Annual Improvements to HKFRSs 2018-2020

None of the revised accounting standards, which became effective from 1 January 2022, have a material impact on the condensed consolidated interim financial statements.

3. NET INTEREST EXPENSE

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 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000
Interest income		
Placements with and advances to banks	9,282	2,258
Financial assets measured at amortised cost	1,700	49
Loans and advances to customers	3,764	38
	14,746	2,345
Interest expense		
Lease liabilities	(61)	(75)
Deposits from customers	(15,395)	(10,325)
	(15,456)	(10,400)
Net interest expense	(710)	(8,055)

4. NET FEE AND COMMISSION EXPENSES

	For the six months ended 30 June 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000
Bank charges	26	1,300
Other fees	3,075	321
	3,101	1,621

5. OTHER (EXPENSE)/INCOME

	For the six months ended 30 June 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000
Net foreign exchange (loss)/gain	(4,148)	659

6. OPERATING EXPENSE

	For the six months ended 30 June 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000
Staff costs	97,731	102,152
Directors' Fees	2,346	1,095
Depreciation of property and equipment (notes 14 and 15)	22,437	17,462
Amortisation of intangible assets (note 16)	6,478	5,680
Auditors' remuneration	882	400
Legal and professional fees	1,874	3,619
IT expenses	77,484	19,604
Premise expenses	4,218	3,176
Recruitment fee	4,833	2,268
Advertising and marketing expense	11,327	11,396
Other expenses	10,413	8,207
	240,023	175,059

7. INCOME TAX CREDIT

	For the six months ended 30 June 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000
Current tax		
Hong Kong	–	–
Other jurisdictions	–	–
Deferred tax		
Hong Kong	–	–
Other jurisdictions	–	2,656
Income tax credit	–	2,656

8. DEFERRED TAX ASSETS

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Beginning balance	1,898	–
Amount recognized in income statement	–	1,883
Foreign exchange effect	(84)	15
	<hr/>	<hr/>
Deferred tax assets	1,814	1,898

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

9. BALANCES WITH CENTRAL BANK

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Balances with central bank	499,699	453,237

10. PLACEMENTS WITH AND ADVANCES TO BANKS

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Balances with banks	141,365	79,195
Placements with and advances to banks maturing within one month	588,430	931,899
Placements with and advances to banks maturing after one month but less than one year	1,287,324	408,563
Less: Allowances for expected credit losses	(250)	(32)
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	2,016,869	1,419,625

11. INVESTMENT ASSETS AT AMORTISED COST

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Investment securities at amortised cost		
Government debt securities:		
Exchange Fund Bills	793,963	1,449,725
Certificate of deposits	191,547	664,602
Bonds	253,810	119,922
Less: Allowances for expected credit losses	(117)	(72)
	1,239,203	2,234,177
Analysed by type of issuer:		
Sovereign	793,963	1,449,703
Banks and other financial institutions	445,249	787,474
	1,239,203	2,234,177

12. LOANS AND ADVANCES TO CUSTOMERS

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Loans and advances to customers at amortised cost	270,828	154,085
Less: Allowances for expected credit losses		
Stage 1	(2,946)	(943)
Stage 2	(4,901)	(904)
Stage 3	(313)	–
	262,668	152,238

13. 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 2022 HK\$'000	As at 31 December 2021 HK\$'000
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Financial assets at amortised cost		
Investment assets at amortised cost	1,239,203	2,234,177
Balances with central bank	499,699	453,237
Placements with and advances to banks	2,016,869	1,419,625
Loans and advances to customers	262,668	152,238
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Financial liabilities at amortised cost		
Deposits from customers	3,280,195	3,049,320
Deposits from related parties	15,741	218,313
Lease liabilities	28,808	8,339
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14. LEASES

Amounts recognized 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 2022 HK\$'000	As at 31 December 2021 HK\$'000
Right-of-use assets		
Buildings	28,172	7,741
Lease liabilities		
Current	8,533	7,850
Non-current	20,275	489
	28,808	8,339

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 2022 HK\$'000	For the six months ended 30 June 2021 HK\$'000
Depreciation charge of right-of-use assets		
Buildings (note 6)	6,398	5,124
Interest expense (included in interest expense)	61	75
Expense related to short-term leases	–	145

15. PROPERTY AND EQUIPMENT

	Leasehold Improvements HK\$'000	Furniture and Fixtures HK\$'000	Computer Equipment HK\$'000	Office Equipment HK\$'000	Total HK\$'000
At 1 January 2021					
Cost	49,053	2,073	15,778	22,445	89,349
Accumulated depreciation	(4,814)	(374)	(3,235)	(7,908)	(16,331)
Net book value at 1 January 2021	44,239	1,699	12,543	14,537	73,018
At 31 December 2021					
Net book value at 1 January 2021	44,239	1,699	12,543	14,537	73,018
Additions	6,231	1,008	3,790	4,527	15,556
Disposals	(59)	–	(8)	–	(67)
Depreciation charges	(11,089)	(541)	(4,967)	(12,031)	(28,628)
Foreign exchange effects	(1)	–	–	(6)	(7)
Net book value at 31 December 2021	39,321	2,166	11,358	7,027	59,872
At 31 December 2021 and 1 January 2022					
Net book value at 31 December 2021 and 1 January 2022	39,321	2,166	11,358	7,027	59,872
At 30 June 2022					
Net book value at 1 January 2022	39,321	2,166	11,358	7,027	59,872
Additions	5,778	240	468	281	6,767
Depreciation charges (note 6)	(6,792)	(315)	(2,425)	(6,507)	(16,039)
Foreign exchange effects	(98)	(16)	1	(28)	(141)
Net book value at 30 June 2022	38,209	2,075	9,402	773	50,459
At 30 June 2022					
Cost	60,993	3,321	19,750	27,253	111,317
Accumulated depreciation	(22,784)	(1,246)	(10,348)	(26,480)	(60,858)
Net book value at 30 June 2022	38,209	2,075	9,402	773	50,459

16. INTANGIBLE ASSETS

	Software HK\$'000
<hr/>	
At 1 January 2021	
Cost	58,600
Accumulated amortisation	(9,220)
<hr/>	
Net book value at 1 January 2021	49,380
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Net book value at 1 January 2021	49,380
Additions	14,079
Amortisation charges	(13,767)
<hr/>	
Net book value at 31 December 2021	49,692
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At 31 December 2021	
Cost	72,679
Accumulated amortisation	(22,987)
<hr/>	
Net book value at 31 December 2021 and 1 January 2022	49,692
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Net book value at 1 January 2022	49,692
Additions	228
Disposal	(2,303)
Amortisation charges (note 6)	(6,478)
<hr/>	
Net book value at 30 June 2022	41,139
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At 30 June 2022	
Cost	70,858
Accumulated amortisation	(29,719)
<hr/>	
Net book value at 30 June 2022	41,139
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17. PREPAYMENT AND OTHER ASSETS

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Interest receivable	3,957	863
Prepayment	17,125	15,409
Rental, utilities and other deposits	8,910	7,490
Other amounts receivable	6,025	4,355
	36,017	28,117

18. DEPOSITS FROM CUSTOMERS

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Saving deposits	245,385	203,566
Term deposits	3,034,810	2,845,754
	3,280,195	3,049,320

19. DEPOSITS FROM RELATED PARTIES

The Group received funding from related parties in the form of term deposit.

	As at 30 June 2022		As at 31 December 2021	
	Interest HK\$'000	Balance HK\$'000	Interest HK\$'000	Balance HK\$'000
Deposits from fellow subsidiaries	–	–	773	155,938
Deposits from related parties (note 24)	175	15,741	54	62,375

20. ACCRUALS AND OTHER LIABILITIES

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Staff compensation and benefits accruals	24,922	40,118
IT costs and accruals	73,972	35,682
Accruals for fixed assets purchase	710	–
Accruals for intangible assets purchase	928	22,447
Interest payable	4,899	4,884
Other amounts payable	20,302	37,181
	125,733	140,312

21. SHARE CAPITAL

Ordinary share capital	Number of ordinary shares	Share capital HK\$'000
Issued and fully paid		
At 1 January 2021	1,000	1,000,001
Capital contribution by the member	–	850,000
At 31 December 2021 and 1 January 2022	1,000	1,850,001
Capital contribution by the member	–	–
At 30 June 2022	1,000	1,850,001

22. CASH AND CASH EQUIVALENTS

	As at 30 June 2022 HK\$'000	As at 31 June 2021 HK\$'000
Balances with central bank	499,699	1,154,295
Cash at banks	141,365	121,983
Placement with banks with original maturity less than three months	1,535,754	627,536
	2,176,818	1,903,814

23. AMOUNT DUE FROM FELLOW SUBSIDIARIES

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Amount due from fellow subsidiaries (note 24)	9,916	–

24. MATERIAL RELATED PARTY TRANSACTIONS

The Group paid on behalf of fellow subsidiaries for the cost of marketing campaign. As at 30 June 2022, the Group has outstanding marketing cost recharge due from the fellow subsidiaries amount to HK\$ 9,916,000, and received funding from related parties in the form of term deposit amount to HK\$ 15,741,000.

25. SUBSEQUENT EVENT

The Board of Directors of the Group approved funding in the form of capital injection amounting to HK\$150,000,000 on 30 September 2022. This funding is to support the expansion of the Group's banking business.