

# 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 2023



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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	For the six months ended 30 June 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000
Interest income		56,179	14,746
Interest expense		(41,883)	(15,456)
Net interest income/(expense)	3	14,296	(710)
Net fee and commission expenses	4	(2,947)	(3,101)
Other income/(expense)	5	1,385	(4,148)
Operating expenses	6	(185,632)	(240,023)
Operating losses before net charge of expected credit losses		(172,898)	(247,982)
Net charge of expected credit losses		(12,663)	(6,852)
Loss before income tax		(185,561)	(254,834)
Income tax credit	7	8	–
Loss after income tax		(185,553)	(254,834)
Other comprehensive loss			
Item that maybe reclassified subsequently to profit or loss			
Movement in translation reserve			
Exchange differences on translation		(259)	-
Total comprehensive loss for the period		(185,812)	(254,834)

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 2023

		As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
Balances with central bank	9	63,650	120,203
Placements with and advances to banks	10	1,452,948	1,548,903
Investments in debt securities at amortised cost	11	894,999	1,579,214
Loans and advances	12	934,904	959,748
Right-of-use assets	14	18,140	24,052
Property, plant and equipment	15	34,206	44,955
Intangible assets	16	30,832	34,207
Other deposits and receivables	17	32,426	38,091
Prepaid expenses		27,797	20,005
Deferred tax assets	8	1,521	1,556
<b>TOTAL ASSETS</b>		<b>3,491,423</b>	<b>4,370,934</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposits from customers	18	2,729,078	3,437,291
Deposits from a related party	22	16,305	15,856
Accruals and other payables	19	104,256	284,317
Lease liabilities	14	20,865	26,739
<b>TOTAL LIABILITIES</b>		<b>2,870,504</b>	<b>3,764,203</b>
<b>EQUITY</b>			
Share capital	20	2,200,001	2,000,001
Accumulated losses		(1,578,114)	(1,392,561)
Exchange reserve		(968)	(709)
<b>TOTAL EQUITY</b>		<b>620,919</b>	<b>606,731</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,491,423</b>	<b>4,370,934</b>

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 2023

	Note	Share capital HK\$'000	Accumulated losses HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 1 January 2022		1,850,001	(859,688)	-	990,313
Capital contribution by the member	20	150,000	-	-	150,000
Currency translation differences		-	-	(709)	(709)
Loss for the year		-	(532,873)	-	(532,873)
At 31 December 2022 and 1 January 2023		2,000,001	(1,392,561)	(709)	606,731
Capital contribution by the member	20	200,000	-	-	200,000
Currency translation differences		-	-	(259)	(259)
Loss for the period		-	(185,553)	-	(185,553)
At 30 June 2023		2,200,001	(1,578,114)	(968)	620,919

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 2023

	Note	For the six months ended 30 June 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000
Cash flows from operating activities			
Loss before income tax		(185,561)	(254,834)
Adjustments for:			
Interest income	3	(56,179)	(14,746)
Interest expense	3	41,883	15,456
Depreciation of property and equipment	6	8,730	16,039
Depreciation of right-of-use assets	6	6,203	6,398
Amortization expense		7,703	6,478
Loss on disposal of intangible assets		-	2,303
Changes in expected credit losses		12,663	6,814
Loans and advances written off net of recoveries		(6,202)	-
Foreign exchange (gain)/loss		(71)	225
Operating cash flows before changes in operating assets and liabilities		(170,831)	(215,867)
Changes in operating assets:			
Decrease/(increase) in loans and advances		18,324	(116,743)
Increase in prepaid expenses		(7,792)	(1,716)
Decrease/(increase) in other deposits and receivables		10,262	(6,159)
(Increase)/decrease in placements with and advances to banks with original maturity beyond three months		(268,528)	52,969
Increase in amount due from fellow subsidiaries		-	(9,916)
Changes in operating liabilities:			
(Decrease)/increase in deposits from customers		(708,213)	230,875
Increase/(decrease) in deposits from a related party		449	(31,040)
Decrease in amounts due to a fellow subsidiary		-	(171,532)
Decrease in accruals and other payables		(177,927)	(14,595)
Interest received		32,080	13,050
Interest paid		(42,776)	(15,396)
Net cash flows used in operating activities		(1,314,952)	(286,070)
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,289)	(6,767)
Purchase of intangible assets		(881)	(228)
Purchase of investments in debt securities		(1,673,593)	(5,709,010)
Proceeds from maturity/sale of investments in debt securities		2,357,850	6,705,000
Interest received		19,244	393
Net cash flows generated from investing activities		700,331	989,388

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	<i>Note</i>	For the six months ended 30 June 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000
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Cash flows from financing activities			
Payments of principal of financial lease		(6,341)	(6,404)
Capital contribution by the member		200,000	–
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Net cash flows generated from/(used in) financing activities		193,659	(6,404)
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Net change in cash and cash equivalents		(420,962)	696,914
Cash and cash equivalents at the beginning of the year		1,242,325	1,479,904
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Cash and cash equivalents at the end of the period	21	821,363	2,176,818
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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.

The financial statements are presented in Hong Kong Dollar (“HKD”), unless otherwise stated.

### 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 2022.

The condensed interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The condensed interim financial statements are unaudited.

#### Basis of Preparation

The accounting policies applied in preparing these condensed consolidated interim financial statements are consistent with those applied in preparing the financial statements for the year ended 31 December 2022. There was no revised accounting standards became effective since 1 January 2023.



### 3. NET INTEREST INCOME/(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 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000
Interest income		
Placements with and advances to banks	22,964	9,282
Investments in debt securities at amortised cost	18,744	1,700
Loans and advances	14,471	3,764
	<b>56,179</b>	<b>14,746</b>
Interest expense		
Deposits from customers	(41,375)	(15,220)
Lease liabilities (note 14)	(358)	(61)
Deposits from a fellow subsidiary	(143)	-
Deposits from a related party (note 22)	(7)	(175)
	<b>(41,883)</b>	<b>(15,456)</b>
Net interest income/(expense)	<b>14,296</b>	<b>(710)</b>

### 4. NET FEE AND COMMISSION EXPENSES

	For the six months ended 30 June 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000
Fee income	248	-
Bank charges	(98)	(26)
Other fees	(3,097)	(3,075)
Net fee and commission expenses	<b>(2,947)</b>	<b>(3,101)</b>

### 5. OTHER INCOME /(EXPENSE)

	For the six months ended 30 June 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000
Foreign exchange gain/(loss)	1,073	(4,148)
Others	312	-
Net foreign exchange gain/(loss)	<b>1,385</b>	<b>(4,148)</b>

## 6. OPERATING EXPENSES

	For the six months ended 30 June 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000
Staff costs	107,934	97,731
Directors' fees	2,295	2,346
Depreciation of property and equipment (note 15)	8,730	16,039
Depreciation of right-of-use assets (note 14)	6,203	6,398
Amortisation of intangible assets (note 16)	7,703	6,478
Auditors' remuneration	1,013	882
Legal and professional fees	8,695	1,874
IT expenses	20,514	77,484
Premise expenses	5,381	4,218
Recruitment fee	876	4,833
Advertising and marketing expense	5,497	11,327
Other expenses	10,791	10,413
<b>Total</b>	<b>185,632</b>	<b>240,023</b>

## 7. INCOME TAX CREDIT

	For the six months ended 30 June 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000
Current tax		
Hong Kong	–	–
Other jurisdictions	(24)	–
Deferred tax		
Hong Kong	–	–
Other jurisdictions	32	–
<b>Income tax credit</b>	<b>8</b>	<b>–</b>

## 8. DEFERRED TAX ASSETS

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Beginning balance	1,556	1,898
Amount recognized in income statement	32	(184)
Foreign exchange effect	(67)	(158)
Deferred tax assets	1,521	1,556

In the year 2022, 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 2023 HK\$'000	As at 31 December 2022 HK\$'000
Balances with central bank (note 21)	63,650	120,203

## 10. PLACEMENTS WITH AND ADVANCES TO BANKS

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Balances with banks (note 21)	64,044	172,114
Placements with and advances to banks maturing within one month	433,769	757,883
Placements with and advances to banks maturing after one month but less than one year	955,209	618,997
Less: Allowances for expected credit losses	(74)	(91)
Total	1,452,948	1,548,903

## 11. INVESTMENTS IN DEBT SECURITIES AT AMORTISED COST

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Investments in debt securities at amortised cost		
Government debt securities:		
Exchange Fund Bills	261,952	734,999
Certificate of deposits	408,928	465,786
Bonds	224,145	378,497
Less: Allowances for expected credit losses	(26)	(68)
<b>Total</b>	<b>894,999</b>	<b>1,579,214</b>
Analysed by type of issuer:		
Sovereign	348,104	925,843
Public Sector	86,333	108,863
Banks and other financial institutions	460,562	544,508
<b>Total</b>	<b>894,999</b>	<b>1,579,214</b>

## 12. LOANS AND ADVANCES

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Gross loans and advances to customers	948,303	966,627
Less: Allowances for expected credit losses		
Stage 1	(3,056)	(2,173)
Stage 2	(6,417)	(3,819)
Stage 3	(3,926)	(887)
<b>Total</b>	<b>934,904</b>	<b>959,748</b>

### 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 2023 HK\$'000	As at 31 December 2022 HK\$'000
<hr/>		
Financial assets at amortised cost		
Investments in debt securities	894,999	1,579,214
Balances with central bank	63,650	120,203
Placements with and advances to banks	1,452,948	1,548,903
Loans and advances to customers	934,904	959,748
Other deposits and receivables	32,426	38,091
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Financial liabilities at amortised cost		
Deposits from customers	2,729,078	3,437,291
Deposits from a related party	16,305	15,856
Accruals and other payables	87,913	253,607
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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 2023 HK\$'000	As at 31 December 2022 HK\$'000
Right-of-use assets:		
Buildings	18,140	24,052
Lease liabilities:		
Current	10,905	12,506
Non-current	9,960	14,233
Total	20,865	26,739

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 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000
Depreciation charge of right-of-use assets		
Buildings (note 6)	6,203	6,398
Interest expense (note 3)	358	61
Expense related to short-term leases	–	–

## 15. PROPERTY, PLANT 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 2022					
Cost	26,972	3,081	19,282	55,214	104,549
Accumulated depreciation	(19,945)	(915)	(7,924)	(15,893)	(44,677)
Net book value at 1 January 2022	7,027	2,166	11,358	39,321	59,872
Net book value at 1 January 2022	7,027	2,166	11,358	39,321	59,872
Additions	284	230	4,212	6,389	11,115
Disposals	-	-	-	-	-
Depreciation charges	(7,075)	(640)	(4,716)	(13,279)	(25,710)
Foreign exchange effects	(53)	(40)	(41)	(188)	(322)
Net book value at 31 December 2022	183	1,716	10,813	32,243	44,955
At 31 December 2022					
Cost	27,102	3,263	23,668	61,381	115,414
Accumulated depreciation	(26,919)	(1,547)	(12,855)	(29,138)	(70,459)
Net book value at 31 December 2022 and 1 January 2023	183	1,716	10,813	32,243	44,955
Net book value at 1 January 2023	183	1,716	10,813	32,243	44,955
Additions	-	-	247	242	489
Disposals	-	-	-	-	-
Adjustments	-	-	(2,418)	-	(2,418)
Depreciation charges (note 6)	(122)	(326)	(2,072)	(6,210)	(8,730)
Foreign exchange effects	-	(17)	(10)	(63)	(90)
Net book value at 30 June 2023	61	1,373	6,560	26,212	34,206
At 30 June 2023					
Cost	27,029	3,238	21,257	61,521	113,045
Accumulated depreciation	(26,968)	(1,865)	(14,697)	(35,309)	(78,839)
Net book value at 30 June 2023	61	1,373	6,560	26,212	34,206

## 16. INTANGIBLE ASSETS

	Software HK\$'000
<hr/>	
At 1 January 2022	
Cost	72,679
Accumulated amortisation	(22,987)
<hr/>	
Net book value at 1 January 2022	49,692
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Net book value at 1 January 2022	49,692
Additions	470
Adjustments	(2,085)
Amortisation charges	(13,870)
<hr/>	
Net book value at 31 December 2022	34,207
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At 31 December 2022	
Cost	71,101
Accumulated amortisation	(36,894)
<hr/>	
Net book value at 31 December 2022 and 1 January 2023	34,207
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Net book value at 1 January 2023	34,207
Additions	1,909
Adjustments	2,419
Amortisation charges (note 6)	(7,703)
<hr/>	
Net book value at 30 June 2023	30,832
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At 30 June 2023	
Cost	75,647
Accumulated amortisation	(44,815)
<hr/>	
Net book value at 30 June 2023	30,832
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## 17. OTHER DEPOSITS AND RECEIVABLES

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Interest receivable	16,183	11,330
Rental, utilities and other deposits	10,620	7,716
Other amounts receivable	5,623	19,045
<b>Total</b>	<b>32,426</b>	<b>38,091</b>

## 18. DEPOSITS FROM CUSTOMERS

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Saving deposits	242,694	241,674
Term deposits	2,486,384	3,195,617
<b>Total</b>	<b>2,729,078</b>	<b>3,437,291</b>

## 19. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Staff compensation and benefits accruals	16,197	33,663
IT costs accruals	17,044	159,246
Accruals for fixed assets purchase	1,235	3,035
Accruals for intangible assets purchase	1,774	746
Interest payable	17,943	19,305
Other amounts payable	50,063	68,322
<b>Total</b>	<b>104,256</b>	<b>284,317</b>

## 20. SHARE CAPITAL

### Ordinary share capital

	Number of ordinary shares	Share capital HK\$'000
<hr/>		
Issued and fully paid		
At 1 January 2022	1,000	1,850,001
Capital contribution by the member	–	150,000
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At 31 December 2022 and 1 January 2023	1,000	2,000,001
Capital contribution by the member	–	200,000
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At 30 June 2023	1,000	2,200,001
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## 21. CASH AND CASH EQUIVALENTS

	As at 30 June 2023 HK\$'000	As at 30 June 2022 HK\$'000
<hr/>		
Balances with central bank (note 9)	63,650	499,699
Balances with banks (note 10)	64,044	141,365
Placements with and advances to banks with original maturity less than three months	693,669	1,535,754
<hr/>		
Total	821,363	2,176,818
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## 22. MATERIAL RELATED PARTY TRANSACTIONS

### (i) Transactions with related parties

Fellow subsidiaries	For the six months ended 30 June 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000
Operating expenses	11,596	58,277
Other related party	For the six months ended 30 June 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000
Interest expenses (note 3)	7	175

### (ii) Balances with related parties

As at 30 June 2023 and 31 December 2022, the Bank has the following balances with related parties.

Fellow subsidiaries	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Other receivables	4,803	5,307
Accruals and other payables	(19,024)	(148,347)
Other related party	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Deposits from customers	16,305	15,856

## 23. SUBSEQUENT EVENT

Share Capital increased HK\$600,000,000 after the reporting period. This funding is to support the business growth of the Group. As at the disclosure date, there were HK\$800,000,000 capital injection during the first nine months of 2023.