

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 2024



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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Note	For the six months ended 30 June 2024 HK\$'000	For the six months ended 30 June 2023 HK\$'000
Interest income		139,208	56,179
Interest expense		(106,660)	(41,883)
Net interest income	3	32,548	14,296
Net fee and commission expenses	4	(1,174)	(2,947)
Other income	5	1,330	1,385
Operating expenses	6	(156,882)	(185,632)
Operating losses before net charge of expected credit losses		(124,178)	(172,898)
Net charge of expected credit losses		(2,895)	(12,663)
Loss before income tax		(127,073)	(185,561)
Income tax credit	7	33	8
Loss after income tax		(127,040)	(185,553)
Other comprehensive loss			
Item that maybe reclassified subsequently to profit or loss			
Changes in the fair value of investments in debt securities at fair value through other comprehensive income ("FVOCI"), net of tax		(88)	-
Exchange differences on translation		(187)	(259)
Total comprehensive loss for the period		(127,315)	(185,812)

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 2024

		As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
	<i>Note</i>		
ASSETS			
Balances with central bank	9	73,475	99,520
Placements with and advances to banks	10	1,727,182	1,725,242
Investments in debt securities at amortised cost	11	4,025,837	3,104,353
Investments in debt securities at FVOCI	12	728,772	-
Loans and advances	13	455,553	660,074
Right-of-use assets	15	10,784	16,135
Property, plant and equipment	16	17,068	25,195
Intangible assets	17	15,218	22,796
Other deposits and receivables	18	27,376	12,097
Prepaid expenses		16,227	10,589
Deferred tax assets	8	1,477	1,504
TOTAL ASSETS		7,098,969	5,677,505
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	19	6,021,278	4,555,308
Deposits from a related party	24	17,128	16,698
Accruals and other payables	20	174,879	87,200
Lease liabilities	15	12,124	17,424
TOTAL LIABILITIES		6,225,409	4,676,630
EQUITY			
Share capital	21	2,800,001	2,800,001
Accumulated losses		(1,925,321)	(1,798,281)
Reserves		(1,120)	(845)
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK		873,560	1,000,875
TOTAL EQUITY		873,560	1,000,875
TOTAL LIABILITIES AND EQUITY		7,098,969	5,677,505

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 2024

	Note	Share capital HK\$'000	Accumulated losses HK\$'000	Financial assets at FVOCI reserve HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 1 January 2023		2,000,001	(1,392,561)	-	(709)	606,731
Capital contribution by the member	21	800,000	-	-	-	800,000
Other comprehensive income						
- Currency translation differences		-	-	-	(136)	(136)
Loss for the year		-	(405,720)	-	-	(405,720)
At 31 December 2023 and 1 January 2024		2,800,001	(1,798,281)	-	(845)	1,000,875
Other comprehensive income						
- Currency translation differences		-	-	-	(187)	(187)
- Changes in the fair value of investments in debt securities at FVOCI, net of tax		-	-	(88)	-	(88)
Loss for the period		-	(127,040)	-	-	(127,040)
At 30 June 2024		2,800,001	(1,925,321)	(88)	(1,032)	873,560

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 2024

	Note	For the six months ended 30 June 2024 HK\$'000	For the six months ended 30 June 2023 HK\$'000
Cash flows from operating activities			
Loss before income tax		(127,073)	(185,561)
Adjustments for:			
Interest income	3	(139,208)	(56,179)
Interest expense	3	106,660	41,883
Depreciation of property, plant and equipment	6	7,960	8,730
Depreciation of right-of-use assets	6	5,321	6,203
Amortisation expense	6	7,578	7,703
Changes in expected credit losses		2,895	12,663
Loans and advances written off net of recoveries		-	(6,202)
Effect of exchange rate changes		(1,245)	(71)
Operating cash flows before changes in operating assets and liabilities		(137,112)	(170,831)
Changes in operating assets:			
Decrease in loans and advances		208,539	18,324
Increase in prepaid expenses		(5,638)	(7,792)
(Increase)/decrease in other deposits and receivables		(15,279)	10,262
Decrease/(increase) in placements with and advances to banks with original maturity beyond three months		267,536	(268,528)
Changes in operating liabilities:			
Increase/(decrease) in deposits from customers		1,458,008	(708,213)
Increase in deposits from a related party		504	449
Increase/(decrease) in accruals and other payables		87,679	(177,927)
Interest received		53,065	32,080
Interest paid		(98,523)	(42,776)
Net cash flows generated from/(used in) operating activities		1,818,779	(1,314,952)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(2,289)
Purchase of intangible assets		-	(881)
Purchase of investments in debt securities		(10,644,299)	(1,673,593)
Proceeds from maturity/sale of investments in debt securities		9,012,343	2,357,850
Interest received		65,343	19,244
Net cash flows (used in)/generated from investing activities		(1,566,613)	700,331

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

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	<i>Note</i>	For the six months ended 30 June 2024 HK\$'000	For the six months ended 30 June 2023 HK\$'000
Cash flows from financing activities			
Payments of principal of financial lease		(5,286)	(5,983)
Interest elements of lease payments		(250)	(358)
Capital contribution by the member		-	200,000
Net cash flows generated (used in)/from financing activities		(5,536)	193,659
Net change in cash and cash equivalents		246,630	(420,962)
Cash and cash equivalents at the beginning of the year		732,527	1,242,325
Effect of exchange rate changes on cash and cash equivalents		(170)	-
Cash and cash equivalents at the end of the period	22	978,987	821,363

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 2023.

The condensed interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, 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 2023. There was no revised accounting standards became effective since 1 January 2024.

3. NET INTEREST 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 and FVOCI.

	For the six months ended 30 June 2024 HK\$'000	For the six months ended 30 June 2023 HK\$'000
Interest income		
Placements with and advances to banks	37,433	22,964
Investments in debt securities at amortised cost	85,300	18,744
Investments in debt securities at FVOCI	4,149	-
Loans and advances	12,326	14,471
	139,208	56,179
Interest expense		
Deposits from customers	(105,976)	(41,375)
Lease liabilities (note 15)	(250)	(358)
Deposits from a related party (note 24)	(434)	(150)
	(106,660)	(41,883)
Net interest income	32,548	14,296

4. NET FEE AND COMMISSION EXPENSES

	For the six months ended 30 June 2024 HK\$'000	For the six months ended 30 June 2023 HK\$'000
Fee income	245	248
Bank charges	(109)	(98)
Other fees	(1,310)	(3,097)
Net fee and commission expenses	(1,174)	(2,947)

5. OTHER INCOME

	For the six months ended 30 June 2024 HK\$'000	For the six months ended 30 June 2023 HK\$'000
Net foreign exchange gain	1,245	1,073
Others	85	312
Total	1,330	1,385

6. OPERATING EXPENSES

	For the six months ended 30 June 2024 HK\$'000	For the six months ended 30 June 2023 HK\$'000
Staff costs	87,088	107,934
Directors' fees	1,095	2,295
Depreciation of property, plant and equipment (note 16)	7,960	8,730
Depreciation of right-of-use assets (note 15)	5,321	6,203
Amortisation of intangible assets (note 17)	7,578	7,703
Auditors' remuneration	1,141	1,013
Legal and professional fees	3,316	8,695
IT expenses	30,039	20,514
Premise expenses	4,067	5,381
Recruitment fee	248	876
Advertising and marketing expense	267	5,497
Others	8,762	10,791
Total	156,882	185,632

7. INCOME TAX CREDIT

	For the six months ended 30 June 2024 HK\$'000	For the six months ended 30 June 2023 HK\$'000
Current tax		
Hong Kong	–	–
Other jurisdictions	23	(24)
Deferred tax		
Hong Kong	–	–
Other jurisdictions	10	32
Income tax credit	33	8

8. DEFERRED TAX ASSETS

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Beginning balance	1,504	1,556
Amount recognized in income statement	10	(38)
Foreign exchange effect	(37)	(14)
Deferred tax assets	1,477	1,504

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 2024 HK\$'000	As at 31 December 2023 HK\$'000
Balances with central bank (note 22)	73,475	99,520

10. PLACEMENTS WITH AND ADVANCES TO BANKS

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Balances with banks (note 22)	196,177	121,022
Placements with and advances to banks maturing within one month	375,654	689,277
Placements with and advances to banks maturing after one month but less than one year	1,155,556	915,216
Less: Allowances for expected credit losses	(205)	(273)
Total	1,727,182	1,725,242

11. INVESTMENTS IN DEBT SECURITIES AT AMORTISED COST

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Investments in debt securities at amortised cost		
Debt securities:		
Exchange Fund Bills	1,315,610	825,605
Certificate of deposits	1,242,284	1,174,890
Bonds	1,468,217	1,104,526
Less: Allowances for expected credit losses	(274)	(668)
Total	4,025,837	3,104,353
Analysed by type of issuer:		
Sovereign	1,721,118	1,012,706
Public Sector	257,456	228,165
Banks and other financial institutions	2,047,263	1,863,482
Total	4,025,837	3,104,353

12. INVESTMENTS IN DEBT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Investments in debt securities at fair value through other comprehensive income		
Debt securities:		
Exchange Fund Bills	98,176	-
Certificate of deposits	405,038	-
Bonds	225,558	-
Total	728,772	-
Analysed by type of issuer:		
Sovereign	136,998	-
Public Sector	86,972	-
Banks and other financial institutions	504,802	-
Total	728,772	-

13. LOANS AND ADVANCES

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Gross loans and advances	467,186	675,935
Less: Allowances for expected credit losses		
Stage 1	(2,238)	(3,043)
Stage 2	(7,696)	(9,554)
Stage 3	(1,699)	(3,264)
Total	455,553	660,074

14. 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 2024 HK\$'000	As at 31 December 2023 HK\$'000
Financial assets at amortised cost		
Investments in debt securities	4,025,837	3,104,353
Balances with central bank	73,475	99,520
Placements with and advances to banks	1,727,182	1,725,242
Loans and advances	455,553	660,074
Other deposits and receivables	27,376	12,097
Financial assets at fair value through other comprehensive income		
Investments in debt securities	728,772	-
Financial liabilities at amortised cost		
Deposits from customers	6,021,278	4,555,308
Deposits from a related party	17,128	16,698
Accruals and other payables	157,638	53,802
Lease liabilities	12,124	17,424

15. 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 2024 HK\$'000	As at 31 December 2023 HK\$'000
Right-of-use assets:		
Buildings	10,784	16,135
Lease liabilities:		
Current	11,305	12,001
Non-current	819	5,423
Total	12,124	17,424

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 2024 HK\$'000	For the six months ended 30 June 2023 HK\$'000
Depreciation charge of right-of-use assets		
Buildings (note 6)	5,321	6,203
Interest expense (note 3)	250	358

16. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment HK\$'000	Furniture and Fixtures HK\$'000	Computer Equipment HK\$'000	Leasehold Improvements HK\$'000	Total HK\$'000
At 1 January 2023					
Cost	61,381	3,263	23,668	27,102	115,414
Accumulated depreciation	(29,138)	(1,547)	(12,855)	(26,919)	(70,459)
Net book value at 1 January 2023	32,243	1,716	10,813	183	44,955
Net book value at 1 January 2023	32,243	1,716	10,813	183	44,955
Additions	1,279	-	398	-	1,677
Disposals	(3)	(159)	-	-	(162)
Write-off	-	-	(3,653)	-	(3,653)
Depreciation charges	(12,662)	(636)	(4,083)	(183)	(17,564)
Foreign exchange effects	(38)	(14)	(6)	-	(58)
Net book value at 31 December 2023	20,819	907	3,469	-	25,195
At 31 December 2023					
Cost	62,602	3,027	20,182	27,102	112,913
Accumulated depreciation	(41,783)	(2,120)	(16,713)	(27,102)	(87,718)
Net book value at 31 December 2023 and 1 January 2024	20,819	907	3,469	-	25,195
Net book value at 1 January 2024	20,819	907	3,469	-	25,195
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Write-off	-	-	-	-	-
Adjustments	-	-	-	-	-
Depreciation charges (note 6)	(6,192)	(302)	(1,466)	-	(7,960)
Foreign exchange effects	(159)	(4)	(4)	-	(167)
Net book value at 30 June 2024	14,468	601	1,999	-	17,068
At 30 June 2024					
Cost	62,413	3,019	20,170	27,102	112,704
Accumulated depreciation	(47,945)	(2,418)	(18,171)	(27,102)	(95,636)
Net book value at 30 June 2024	14,468	601	1,999	-	17,068

17. INTANGIBLE ASSETS

	Software HK\$'000
<hr/>	
At 1 January 2023	
Cost	71,101
Accumulated amortisation	(36,894)
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Net book value at 1 January 2023	34,207
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Net book value at 1 January 2023	34,207
Additions	3,699
Write-off	(113)
Amortisation charges	(14,997)
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Net book value at 31 December 2023	22,796
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At 31 December 2023	
Cost	74,687
Accumulated amortisation	(51,891)
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Net book value at 31 December 2023 and 1 January 2024	22,796
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Net book value at 1 January 2024	22,796
Additions	-
Amortisation charges (note 6)	(7,578)
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Net book value at 30 June 2024	15,218
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At 30 June 2024	
Cost	74,687
Accumulated amortisation	(59,469)
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Net book value at 30 June 2024	15,218
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18. OTHER DEPOSITS AND RECEIVABLES

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Rental and other deposits	10,401	10,409
Other amounts receivable	16,975	1,688
Total	27,376	12,097

19. DEPOSITS FROM CUSTOMERS

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Saving deposits	318,967	291,966
Term deposits	5,702,311	4,263,342
Total	6,021,278	4,555,308

20. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Staff compensation and benefits accruals	17,241	33,398
IT costs accruals	25,775	17,359
Other amounts payable	131,863	36,443
Total	174,879	87,200

21. SHARE CAPITAL

Ordinary share capital

	Number of ordinary shares	Share capital HK\$'000
Issued and fully paid		
At 1 January 2023	1,000	2,000,001
Capital contribution by the member	–	800,000
At 31 December 2023 and 1 January 2024	1,000	2,800,001
Capital contribution by the member	–	-
At 30 June 2024	1,000	2,800,001

22. CASH AND CASH EQUIVALENTS

	As at 30 June 2024 HK\$'000	As at 30 June 2023 HK\$'000
Balances with central bank (note 9)	73,475	63,650
Balances with banks (note 10)	196,177	64,044
Placements with and advances to banks with original maturity less than three months	709,335	693,669
Total	978,987	821,363

23. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table present the carrying value of the Bank's financial assets recognised at fair value on a recurring basis, classified according to the fair value hierarchy.

At 30 June 2024	Level 2 HK\$'000	Total HK\$'000
Investments securities measured at FVOCI		
Debt securities	728,772	728,772
Total	728,772	728,772

Level 1: The fair value of financial instruments traded in active markets (e.g. publicly traded equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

For financial assets and financial liabilities not carried at fair value on the financial statements, the Bank has ascertained that their fair values were the reasonable approximation of the carrying amounts at year end due to short-term nature.

24. MATERIAL RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

Fellow subsidiaries	For the six months ended 30 June 2024 HK\$'000	For the six months ended 30 June 2023 HK\$'000
Operating expenses	14,431	11,596
Other related party	For the six months ended 30 June 2024 HK\$'000	For the six months ended 30 June 2023 HK\$'000
Interest expenses (note 3)	434	150

(ii) Balances with related parties

As at 30 June 2024 and 31 December 2023, the Bank has the following balances with related parties.

Fellow subsidiaries	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Other receivables	-	573
Accruals and other payables	(16,426)	(2,503)
Other related party	As at 30 June 2024 HK\$'000	As at 31 December 2023 HK\$'000
Deposits from customers	17,128	16,698