ORIX Asia Limited

Announcement of 2016/17
Final Results

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FOR AND ON BEHALF OF
ORIX ASIA LIMITED

HIROYUKI SAKAI
MANAGING DIRECTOR

Statement of profit or loss for the year ended 31 March 2017

(Expressed in United States dollars)

	Note	*2017* US$	*2016* US$
Interest income	4(a)	29,988,115	25,146,863
Interest expense	4(b)	(7,319,963)	(4,191,770)
Net interest income		22,668,152	20,955,093
Fee and commission income	5(a)	2,461,828	2,244,522
Fee and commission expense	5(b)	(2,877,156)	(3,182,706)
Net fee and commission expense		(415,328)	(938,184)
Net trading gain/(loss)	6	487,145	(226,236)
Other operating income	7	1,507,204	1,566,564
		1,994,349	1,340,328
Operating income		24,247,173	21,357,237
Operating expenses	8	(16,189,108)	(12,837,161)
		8,058,065	8,520,076
Net release/(charge) for impairment losses on loans and advances	9	37,630	(3,302,097)
Impairment losses on available-for-sale financial assets	17	-	(24,499)
Impairment of other assets		(10,177)	(26,974)
Profit before taxation		8,085,518	5,166,506
Income tax	11	(1,333,164)	(928,918)
Profit for the year		6,752,354	4,237,588

The notes on pages 7 to 62 form part of these financial statements.

Statement of profit or loss and other comprehensive income for the year ended 31 March 2017

(Expressed in United States dollars)

	Note	*2017* US$	*2016* US$
Profit for the year		6,752,354	4,237,588
Other comprehensive income for the year (after tax and reclassification adjustments)	12		
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets: Net movement in the revaluation reserve for available-for-sale financial assets		6,108	(2,018)
Total comprehensive income for the year		6,758,462	4,235,570

The notes on pages 7 to 62 form part of these financial statements.

Statement of financial position at 31 March 2017

(Expressed in United States dollars)

	Note	*2017* US$	*2016* US$
Assets			
Cash and balances with banks and other financial institutions	14	26,734,660	35,557,003
Trading assets	15	156,379	61,636
Loans and advances to banks and other financial institutions	16(a)	27,590	106,833
Loans and advances to customers	16(b)	840,647,392	648,590,603
Available-for-sale financial assets	17	20,591,037	10,315,925
Property, plant and equipment	18	2,909,804	475,652
Tax recoverable	19(a)	-	188,139
Deferred tax assets	19(b)	-	245,241
Other assets	20	13,927,090	6,932,410
Total assets		904,993,952	702,473,442
Equity and liabilities			
Deposits and balances from banks and other financial institutions		422,625,943	288,379,229
Deposits from customers	21	35,558,291	25,631,035
Deposits from fellow subsidiaries		133,620,615	85,356,687
Loans from ultimate holding company	22	38,613,020	38,684,720
Trading liabilities	23	131,279	464,817
Current taxation	19(a)	518,527	-
Deferred tax liabilities	19(b)	2,207	-
Other liabilities	24	9,042,344	5,833,690
Total liabilities		640,112,226	444,350,178
Equity			
Share capital	25	32,000,000	32,000,000
Reserves	26	232,881,726	226,123,264
Total equity		264,881,726	258,123,264
Total equity and liabilities		904,993,952	702,473,442

Approved and authorised for issue by the board of directors on 24 July 2017

Hiroyuki SAKAI	)
	) Directors
LIU Guoping	)

The notes on pages 7 to 62 form part of these financial statements.

Statement of changes in equity for the year ended 31 March 2017

(Expressed in United States dollars)

	Note	*Share capital* US$	*Revaluation reserve for available-for-sale financial assets* US$	*Retained profits* US$	*Total* US$
Balance at 1 April 2015		32,000,000	2,256	241,885,438	273,887,694
Change in equity for 2016					
Profit for the year		-	-	4,237,588	4,237,588
Other comprehensive income		-	(2,018)	-	(2,018)
Total comprehensive income for the year		-	(2,018)	4,237,588	4,235,570
Dividend approved in respect of prior year and paid during the year	13	-	-	(20,000,000)	(20,000,000)
Balance at 31 March 2016 and 1 April 2016		32,000,000	238	226,123,026	258,123,264
Change in equity for 2017					
Profit for the year		-	-	6,752,354	6,752,354
Other comprehensive income		-	6,108	-	6,108
Total comprehensive income for the year		-	6,108	6,752,354	6,758,462
Dividend approved in respect of prior year and paid during the year	13	-	-	-	-
Balance at 31 March 2017		32,000,000	6,346	232,875,380	264,881,726

The notes on pages 7 to 62 form part of these financial statements.

Cash flow statement for the year ended 31 March 2017

(Expressed in United States dollars)

	Note	*2017* US$	*2016* US$
Operating activities			
Operating profit		8,085,518	5,166,506
Adjustments for:			
Interest income on unlisted debt securities		(42,670)	(2,957)
Net (release)/charge for impairment losses on loans and advances		(37,630)	3,302,097
Depreciation		485,258	345,880
Amortisation of discounts on purchased lease and loan contracts		(24,581)	(31,602)
Impairment losses on available-for-sale financial assets		-	24,499
Impairment of other assets		10,177	26,974
Unrealised exchange loss/(gain)		556,913	(35,602)
Operating profit before changes in working capital		9,032,985	8,795,795
(Increase)/decrease in operating assets:			
Trading assets		(94,743)	29,362
Gross loans and advances to banks and other financial institutions		79,464	74,108
Gross loans and advances to customers		(193,341,068)	(184,482,601)
Other assets		(7,004,857)	(551,763)
(Decrease)/increase in operating liabilities:			
Trading liabilities		(333,538)	352,615
Deposits and balances from banks and other financial institutions		134,796,642	169,325,582
Deposits from customers		9,973,119	13,792,065
Amounts due to fellow subsidiaries		48,165,134	19,033,207
Other liabilities		3,208,654	(369,186)
Cash generated from operations		4,481,792	25,999,184
Hong Kong profits tax paid		(378,379)	(1,649,491)
Net cash flows generated from operating activities		4,103,413	24,349,693

Cash flow statement
for the year ended 31 March 2017 (continued)
(Expressed in United States dollars)

	Note	*2017* US$	*2016* US$
Investing activities			
Payment for purchase of property, plant and equipment		(2,919,410)	(371,632)
Payment for purchase of available-for-sale financial assets		(46,365,017)	(41,275,920)
Proceeds from disposal of available-for-sale financial assets		36,097,962	41,279,007
Net cash flows used in investing activities		(13,186,465)	(368,545)
Financing activity			
Dividend paid		-	(20,000,000)
Net cash flows used in financing activity		-	(20,000,000)
Net (decrease)/increase in cash and cash equivalents		(9,083,052)	3,981,148
Cash and cash equivalents at 1 April		35,557,003	31,545,796
Effect of foreign exchange rate changes		260,709	30,059
Cash and cash equivalents at 31 March	27	26,734,660	35,557,003
Cash flows from operating activities include:			
Interest received		29,720,020	25,055,440
Interest paid		(7,289,629)	(3,580,317)

The notes on pages 7 to 62 form part of these financial statements.

Notes to the financial statements

(Expressed in United States dollars unless otherwise stated)

1 Principal activities

The Company primarily provides lease financing and instalment loans to industrial, commercial and personal customers. It also engages in debt and equity investment activities.

The Company is registered as a restricted licence bank under the Hong Kong Banking Ordinance and is an approved seller/servicer of the Hong Kong Mortgage Corporation Limited.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company is set out below:

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost except for financial instruments classified as fair value through profit or loss and available-for-sale which are stated at their fair values (see note 2(c)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 Significant accounting policies (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 34.

(c) Financial instruments

(i) Initial recognition

The Company classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: fair value through profit or loss, loans and receivables, held-to-maturity securities, available-for-sale financial assets and other financial liabilities. The Company does not have assets held-to-maturity.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price, plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

(ii) Categorisation

Fair value through profit or loss

This category comprises financial assets and financial liabilities held for trading, and those designated at fair value through profit or loss upon initial recognition.

Trading financial instruments are financial assets or financial liabilities which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

2 Significant accounting policies (continued)

Financial instruments are designated at fair value through profit or loss upon initial recognition when:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivative(s) from the financial instrument is not prohibited.

Financial assets and liabilities under this category are carried at fair value. Changes in the fair value are included in the statement of profit or loss and other comprehensive income in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Company intends to sell immediately or in the near term, which will be classified as held for trading; (b) those that the Company, upon initial recognition, designates at fair value through profit or loss or as available-for-sale; or (c) those where the Company may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise loans and advances to customers and loans and advances to banks and other financial institutions.

Loans and receivables and securities classified as loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (see note 2(g)).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other two categories above. They include financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

2 Significant accounting policies (continued)

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income and accumulated separately in equity except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in the statement of profit or loss. Interest income from debt securities calculated using the effective interest method and dividend income from equity securities are recognised in statement of profit or loss in accordance with the policies set out in notes 2(l)(i) and 2(l)(v) respectively.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, and derivatives that are linked to and must be settled by delivery of such unquoted equity securities are carried at cost less impairment losses, if any (see note 2(g)).

When the available-for-sale financial assets are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from equity to the statement of profit or loss.

Other financial liabilities

Financial liabilities, other than trading liabilities and those designated at fair value through profit or loss, are measured at amortised cost using the effective interest method.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the end of reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management’s best estimates and the discount rate used is a market rate at the end of reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of reporting period.

2 Significant accounting policies (continued)

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(g)).

Gains or losses arising from the retirement or disposal of an item of property and plant are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the statement of profit or loss on the date of retirement or disposal.

Gains or losses on sale and leaseback transactions which resulted in operating leases are recognised as income immediately if the transaction is established at fair value. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

Depreciation is calculated to write off the cost using the straight line method over their estimated useful lives as follows:

– Leasehold improvements	10% to 20%
– Furniture and equipment	20% to $33^1/_3$%
– Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 Significant accounting policies (continued)

(e) Leases and hire purchase contracts

(i) Classification

Leases which transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the lessee are classified as operating leases.

(ii) Finance leases

Where the Company is a lessor under finance leases, an amount representing the net investment in the lease is included in the statement of financial position as loans and advances to customers. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(g).

(iii) Operating leases

Where the Company leases out assets under operating leases, the assets are included in the statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Company's depreciation policies, as set out in note 2(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(g). Revenue arising from operating leases is recognised in accordance with the Company's revenue recognition policies, as set out in note 2(l).

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to the statement of profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the statement of profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the statement of profit or loss in the accounting period in which they are incurred.

(f) Repossessed assets

In the recovery of impaired loans and advances, the Company may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets continue to be reported in "Loans and advances to customers". The Company does not hold the repossessed assets for its own use.

Repossessed assets are recorded at the lower of the amount of the related loans and advances and fair values less costs to sell at the date of exchange. They are not depreciated or amortised.

Impairment losses on initial classification and on subsequent remeasurement are recognised in the statement of profit or loss.

2 Significant accounting policies (continued)

(g) Impairment of assets

The carrying amount of the Company's assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to the statement of profit or loss.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Company about one or more of the following loss events which has an impact on the future cash flows on the assets that can be estimated reliably:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower;
- disappearance of an active market for financial assets because of financial difficulties; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to the statement of profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables, which are measured at amortised cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account relating to that borrower are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the statement of profit or loss.

2 Significant accounting policies (continued)

(i) Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for credit losses consists of two components: individual impairment allowances, and collective impairment allowances.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received, discounted at the original effective interest rate. In estimating these cash flows, management makes judgments about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Company. Each impaired asset is assessed on its merits.

In assessing the need for collective impairment allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, the Company makes assumptions both to define the way the Company models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the impairment allowances the Company makes depends on how well the Company can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgement, the Company believes that the impairment allowances on loans and advances to customers are reasonable and supportable.

Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and be charged or credited to the statement of profit or loss.

2 Significant accounting policies (continued)

Where there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Company has made concessions that it would not otherwise consider. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due.

(ii) Available-for-sale financial assets

Where there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in the revaluation reserve is reclassified to the statement of profit or loss. The amount of the cumulative loss that is recognised in the statement of profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in statement of profit or loss.

Impairment losses recognised in the statement of profit or loss in respect of available-for-sale equity securities are not reversed through the statement of profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the statement of profit or loss.

(iii) Non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the non-financial assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 Significant accounting policies (continued)

– Recognition of impairment losses

An impairment loss is recognised in the statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of profit or loss in the year in which the reversals are recognised.

(h) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(i) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the statement of profit or loss as incurred.

(j) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the statement of profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

2 Significant accounting policies (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

2 Significant accounting policies (continued)

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of profit or loss as follows:

(i) Interest income

Interest income for all interest-bearing financial instruments is recognised in the statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2 Significant accounting policies (continued)

For impaired loans, the accrual of interest income based on the original terms of the loan is discontinued, but any increase in the present value of impaired loans due to the passage of time is reported as interest income.

Interest income and expenses on all financial assets and liabilities that are classified as trading or designated at fair value through profit or loss are considered to be incidental and are therefore presented in net income from financial instruments designated at fair value through profit or loss together with all other changes in fair value arising from the portfolio. Net income from financial instruments designated at fair value through profit or loss and net trading income comprises all gains and losses from changes in fair value (net of accrued coupon) of such financial assets and financial liabilities, together with interest income and expense, foreign exchange differences and dividend income attributable to those financial instruments.

(ii) Fee and commission income

Fee and commission income arises on financial services provided by the Company. Fee and commission income is recognised when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

Origination or commitment fees received/paid by the Company which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

(iii) Finance income from finance lease and hire purchase contract

Finance income implicit in finance lease and hire purchase payments is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognised as income in the accounting period in which they are earned. Commission paid to dealers for acquisition of finance lease loans or hire purchase contracts is included in the carrying value of the assets and amortised to the statement of profit or loss over the expected life of the lease as an adjustment to interest income.

2 Significant accounting policies (continued)

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised as other operating income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the statement of profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals receivables are recognised as income in the accounting period in which they are earned.

(v) Dividend income

Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established unconditionally. Dividend income from listed investments is recognised when the share price of the investments is quoted ex-dividend.

(m) Translation of foreign currencies

Foreign currency transactions during the year are translated into United States dollars (“US dollars”) at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in the statement of profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Exchange difference relating to investments at fair value through profit or loss and derivative financial instruments are included in gains less losses from trading securities or financial instruments designated at fair value through profit or loss. All other exchange differences relating to monetary items are presented as gains less losses from dealing in foreign currencies in the statement of profit or loss. Differences arising on translation of available-for-sale equity instruments are recognised in other comprehensive income and accumulated separately in equity.

Hong Kong dollar denominated share capital is translated into US dollars at the historical rate of HK$5= US$1.

2 Significant accounting policies (continued)

(n) Related parties

(1) A person, or a close member of that person's family, is related to the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or the Company's parent.

(2) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the company. None of these developments have had a material effect on how the company's results and financial position for the current or prior periods have been prepared or presented.

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Interest income and interest expense

(a) Interest income

	2017 US$	*2016* US$
Interest income on deposits to banks and financial institutions	142,674	105,672
Interest income on loans and advances	29,732,806	24,995,423
Interest income on unlisted debt securities	42,670	2,957
Amortisation of discounts on purchased lease and loan contracts	24,581	31,602
Interest income on loans and advances to fellow subsidiaries (note 32(a))	43,321	4,921
Other interest income	2,063	6,288
Total interest income on all financial assets	29,988,115	25,146,863

The interest income above represents interest income on financial assets that are not measured at fair value through profit or loss.

Included in the above is interest income accrued on impaired financial assets of US$92,641 (2016: US$72,134) for the year ended 31 March 2017.

(b) Interest expense

	2017 US$	*2016* US$
Interest expense on borrowings and deposits from fellow subsidiaries (note 32(a)) and borrowings from ultimate holding company (note 32(a))	2,407,935	1,604,298
Interest expense on deposits from customers, banks and other financial institutions	4,912,028	2,587,472
Total interest expense on all financial liabilities	7,319,963	4,191,770

The interest expense above represents interest expense on financial liabilities that are not measured at fair value through profit or loss.

5 Fee and commission income and expenses

(a) Fee and commission income

	2017 US$	*2016* US$
Credit-related fees and commissions	541,965	517,474
Management fee (note 32(a))	1,919,882	1,727,043
Others	(19)	5
	2,461,828	2,244,522

(b) Fee and commission expense

	2017 US$	*2016* US$
Brokerage fee expenses	2,709,156	3,014,706
Management fee expenses (note 32(a))	168,000	168,000
	2,877,156	3,182,706

The credit-related fee and commission income and the brokerage fee expenses to vendors are related to financial assets and liabilities not measured at fair value through profit or loss.

6 Net trading gain/(loss)

	2017 US$	*2016* US$
Net gain/(loss) from currency derivatives	487,145	(226,236)

7 Other operating income

	2017	*2016*
	US$	US$
Net exchange (loss)/gain	(443,662)	24,042
Penalty income from early termination loans	1,276,800	1,284,255
Others	674,066	258,267
	1,507,204	1,566,564

8 Operating expenses

	2017	*2016*
	US$	US$
Staff costs		
– Salaries and other benefits	8,266,766	7,355,309
– Contributions to the Mandatory Provident Funds	331,462	394,508
Depreciation	485,258	345,880
Property rentals	2,822,003	1,583,732
Other premises and equipment expenses	359,583	279,066
Advertising expenses	142,895	86,731
Auditor’s remuneration	264,760	242,091
General and administrative expenses	1,740,413	1,063,317
Debt collection expenses	90,595	31,003
Consultancy fee	326,424	289,769
Travelling and transportation	91,355	65,018
Others	1,267,594	1,100,737
	16,189,108	12,837,161

9 Impairment losses on loans and advances

	2017	*2016*
	US$	US$
Individually assessed		
– new provisions	1,758,280	3,816,888
– releases	(1,970,487)	(564,980)
	(212,207)	3,251,908
Collectively assessed		
– new provisions	174,577	50,189
	174,577	50,189
Net (release)/charge to the statement of profit or loss	(37,630)	3,302,097

10 Directors’ remuneration

Directors’ remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2017	*2016*
	US$	US$
Directors’ Fees	38,663	5,802
Salaries, allowances and benefits in kind	104,139	169,954
Discretionary bonuses	126,596	79,416
	269,398	255,172

11 Income tax

(a) Taxation in the statement of profit or loss represents:

	2017 US$	*2016* US$
Current tax - Hong Kong Profits Tax		
Provision for the year	1,088,400	758,762
(Over)/Under-provision in respect of prior years	(2,684)	133,864
	1,085,716	892,626
Deferred tax		
Origination and reversal of temporary differences (note 19(b))	247,448	36,292
Income tax charge	1,333,164	928,918

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year.

(b) Reconciliation between tax charge and accounting profit at applicable tax rates:

	2017 US$	*2016* US$
Profit before tax	8,085,518	5,166,506
Notional tax on profit before tax, calculated at 16.5% (2016: 16.5%)	1,334,110	852,473
Tax effect of non-deductible expenses	6,842	69,356
Tax effect of non-taxable revenue	(7,041)	(126,391)
Tax effect of other adjustments	1,937	(384)
(Over)/Under-provision in respect of prior years	(2,684)	133,864
Actual tax charge	1,333,164	928,918

12 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	2017			*2016*		
	Before-tax amount US$	*Tax benefit* US$	*Net-of-tax amount* US$	*Before-tax amount* US$	*Tax expense* US$	*Net-of-tax amount* US$
Available-for-sale financial assets: net movement in available-for-sale fair value reserve	6,108	-	6,108	(2,442)	424	(2,018)
Other comprehensive income	6,108	-	6,108	(2,442)	424	(2,018)

(b) Reclassification adjustments relating to components of other comprehensive income

	2017 US$	*2016* US$
Available-for-sale financial assets:		
Changes in fair value recognised during the year	6,108	127
Reclassification adjustments for amounts transferred to the statement of profit or loss on impairment (note 17)	-	(2,569)
Net deferred tax (charged)/credited to other comprehensive income (note 19(b))	-	424
Net movement in the revaluation reserve for available-for-sale financial assets during the year recognised in other comprehensive income	6,108	(2,018)

13 Dividends

Dividends attributable to the previous financial year, approved and paid during the year

	2017 US$	*2016* US$
Final dividend of US$1.25 per share in respect of the year ended 31 March 2015, approved and paid during the year ended 31 March 2016	-	20,000,000

14 Cash and balances with banks and other financial institutions

	2017 US$	*2016* US$
Cash in hand	644	645
Balances with banks and authorised institutions with remaining maturity of		
– within one month	26,734,016	35,556,358
	26,734,660	35,557,003

15 Trading assets

	2017 US$	*2016* US$
Positive fair values of derivatives (note 28(b))	156,379	61,636

16 Loans and advances to banks and other financial institutions/loans and advances to customers

(a) Loans and advances to banks and other financial institutions

	2017 US$	*2016* US$
Gross loans and advances to banks and other financial institutions	27,675	107,139
Less: Collectively assessed impairment allowances (note 16(c))	(85)	(306)
	27,590	106,833

(b) Loans and advances to customers

	2017 US$	*2016* US$
Gross loans and advances to customers (note 16(d))	845,722,515	653,767,980
Less: Impairment allowances		
– individually assessed (note 16(c))	(3,968,884)	(4,222,425)
– collectively assessed (note 16(c))	(1,072,510)	(899,274)
Unearned discount on purchased lease and loan contracts	(33,729)	(55,678)
	840,647,392	648,590,603

16 Loans and advances to banks and other financial institutions/loans and advances to customers (continued)

(c) Movement in impairment allowances

	2017		
	Collectively assessed US$	*Individually assessed* US$	*Total* US$
At 1 April 2016	899,580	4,222,425	5,122,005
Charges	174,577	1,758,280	1,932,857
Releases	-	(1,970,487)	(1,970,487)
Recoveries	-	117,573	117,573
Amounts written off	-	(150,942)	(150,942)
Exchange adjustments	(1,562)	(7,965)	(9,527)
At 31 March 2017	1,072,595	3,968,884	5,041,479
Analysis by counterparties:			
– Loans and advances to banks and other financial institutions (note 16(a))	85	-	85
– Loans and advances to customers (note 16(b))	1,072,510	3,968,884	5,041,394
	1,072,595	3,968,884	5,041,479

	2016		
	Collectively assessed US$	*Individually assessed* US$	*Total* US$
At 1 April 2015	849,260	999,198	1,848,458
Charges	50,189	3,816,888	3,867,077
Releases	-	(564,980)	(564,980)
Recoveries	-	167,011	167,011
Amounts written off	-	(202,466)	(202,466)
Exchange adjustments	131	6,774	6,905
At 31 March 2016	899,580	4,222,425	5,122,005
Analysis by counterparties:			
– Loans and advances to banks and other financial institutions (note 16(a))	306	-	306
– Loans and advances to customers (note 16(b))	899,274	4,222,425	5,121,699
	899,580	4,222,425	5,122,005

16 Loans and advances to banks and other financial institutions/loans and advances to customers (continued)

(d) Loans and advances to customers analysed by industry sector

The analysis of gross loans and advances to customers by industry sector is based on the categories and definitions used by the Hong Kong Monetary Authority ("HKMA").

	2017		*2016*	
	Gross loans and advances to customers US$	*% of gross loans and advances covered by collaterals*	*Gross loans and advances to customers* US$	*% of gross loans and advances covered by collaterals*
Gross loans and advances for use in Hong Kong				
Industrial, commercial and financial				
– Property investment	745,421	100	888,039	100
– Wholesale and retail trade	6,272,183	20	17,866,269	63
– Manufacturing	27,640,392	53	35,794,129	49
– Transport and transport equipment	646,833,183	99	429,192,761	99
– Others	75,099,091	83	71,480,563	87
Individuals				
– Loans and advances for the purchase of other residential properties	382,314	62	448,765	100
– Others	24,521,765	46	25,236,619	59
	781,494,349	94	580,907,145	92
Gross loans and advances for use outside Hong Kong	64,228,166	95	72,860,835	96
Gross loans and advances to customers	845,722,515	94	653,767,980	92

16 Loans and advances to banks and other financial institutions/loans and advances to customers (continued)

(e) Impaired loans and advances to customers

	2017 US$	*2016* US$
Gross impaired loans and advances to customers	4,765,156	4,568,319
Impairment allowance - individually assessed	(3,968,884)	(4,222,425)
	796,272	345,894
As a percentage of total loans and advances to customers		
– Gross impaired loans and advances	0.56%	0.70%

Impaired loans and advances are individually assessed loans with objective evidence of impairment on an individual basis.

Individually assessed impairment allowance were made after taking into account the realisable value of collateral in respect of such loans and advances of US$762,336 (2016: US$219,338) for the Company. Collateral held by the Company mainly comprised of equipment, vehicles and cash on deposit with the Company.

There were no impaired loans and advances to banks and other financial institutions as at 31 March 2017 and 2016.

16 Loans and advances to banks and other financial institutions/loans and advances to customers (continued)

(f) Net investment in finance leases and hire purchase contracts

Loans and advances to customers include net investment in equipment and automobiles leased to customers under finance leases, including hire purchase contracts having the characteristics of finance leases. The contracts usually run for an initial period of three to five years, with or without an option for acquiring the leased asset at nominal value. The total minimum lease payments receivable under finance leases and hire purchase contracts and their present values at the year end are as follows:

	2017		
	Present value of the minimum lease payments US$	*Interest income relating to future periods* US$	*Total minimum lease payments* US$
Within one year	259,701,719	24,503,399	284,205,118
After one year but within five years	500,818,130	27,533,060	528,351,190
After five years	16,305,346	1,343,901	17,649,247
	776,825,195	53,380,360	830,205,555
Impairment allowances	(4,449,031)		
Net investment in finance leases and hire purchase contracts	772,376,164		

16 Loans and advances to banks and other financial institutions/loans and advances to customers (continued)

(f) Net investment in finance leases and hire purchase contracts (continued)

	2016		
	Present value of the minimum lease payments US$	*Interest income relating to future periods* US$	*Total minimum lease payments* US$
Within one year	202,623,415	20,326,778	222,950,193
After one year but within five years	363,949,316	22,028,411	385,977,727
After five years	15,748,241	1,226,991	16,975,232
	582,320,972	43,582,180	625,903,152
Impairment allowances	(4,769,492)		
Net investment in finance leases and hire purchase contracts	577,551,480		

17 Available-for-sale financial assets

	2017 US$	*2016* US$
At fair value:		
Unlisted debt securities	20,591,037	10,315,925
Issued by		
– Sovereigns	20,591,037	10,315,925

For the year ended 31 March 2016, impairment losses of USD24,499, out of which included a USD2,569 fair value gain previously recognised and transferred from other comprehensive income, were recognised in the statement of profit or loss for that year in accordance with the accounting policy set out in note 2(g)(ii).

18 Property, plant and equipment

	Leasehold improvements US$	*Furniture and equipment* US$	*Motor vehicles* US$	*Total* US$
Cost:				
At 1 April 2016	953,647	3,476,888	97,290	4,527,825
Additions	1,606,629	1,312,781	-	2,919,410
Disposals	(953,647)	(2,542,869)	-	(3,496,516)
At 31 March 2017	1,606,629	2,246,800	97,290	3,950,719
Accumulated depreciation:				
At 1 April 2016	917,087	3,062,119	72,967	4,052,173
Charge for the year	54,024	411,776	19,458	485,258
Disposals	(953,648)	(2,542,868)	-	(3,496,516)
At 31 March 2017	17,463	931,027	92,425	1,040,915
Net book value:				
At 31 March 2017	1,589,166	1,315,773	4,865	2,909,804
Cost:				
At 1 April 2015	937,579	3,121,324	97,290	4,156,193
Additions	16,068	355,564	-	371,632
Disposals	-	-	-	-
At 31 March 2016	953,647	3,476,888	97,290	4,527,825
Accumulated depreciation:				
At 1 April 2015	882,822	2,769,962	53,509	3,706,293
Charge for the year	34,265	292,157	19,458	345,880
Disposals	-	-	-	-
At 31 March 2016	917,087	3,062,119	72,967	4,052,173
Net book value:				
At 31 March 2016	36,560	414,769	24,323	475,652

19 Income tax in the statement of financial position

(a) Current taxation in the statement of financial position represents:

	2017 US$	*2016* US$
Provision for Hong Kong Profits Tax	1,088,400	758,762
Provisional Profits Tax paid	(569,873)	(946,901)
	518,527	(188,139)
Balance of Profit Tax provision relating to prior years	-	-
Tax payable/(recoverable)	518,527	(188,139)

(b) Deferred tax assets/ (liabilities) recognised:

The components of deferred tax assets/ (liabilities) recognised in the statement of financial position and the movements during the year are as follows:

	Depreciation in excess of related depreciation allowances US$	*Impairment Allowance and bonus provision* US$	*Revaluation of available-for-sale investment* US$	*Total* US$
Deferred tax arising from:				
At 1 April 2016	96,810	148,431	-	245,241
Charged to statement of profit or loss (note 11(a))	(204,569)	(42,879)	-	(247,448)
At 31 March 2017	(107,759)	105,552	-	(2,207)
At 1 April 2015	141,405	140,128	(424)	281,109
(Charged)/credited to statement of profit or loss (note 11(a))	(44,595)	8,303	-	(36,292)
Credited to revaluation reserve for available-for-sale financial assets (note 12(a))	-	-	424	424
At 31 March 2016	96,810	148,431	-	245,241

20 Other assets

	2017 US$	*2016* US$
Interest receivable	543,715	342,871
Amounts due from fellow subsidiaries	7,538,051	408,498
Deposits, prepayment and other receivables	5,845,324	6,181,041
	13,927,090	6,932,410

21 Deposits from customers

	2017 US$	*2016* US$
Time, call and notice deposits	35,558,291	25,631,035

22 Loans from ultimate holding company

The balance represents loans from the ultimate holding company amounting to US$38,613,020 (2016: US$38,684,720). The loans are unsecured, interest bearing and repayable within one year (2016: after one year).

23 Trading liabilities

	2017 US$	*2016* US$
Negative fair value of derivatives (note 28(b))	131,279	464,817

24 Other liabilities

	2017 US$	*2016* US$
Interest payable	845,105	814,771
Amounts due to fellow subsidiaries	-	1,247,523
Other liabilities and accrued charges	8,197,239	3,771,396
	9,042,344	5,833,690

25 Share capital

	2017		*2016*	
	No. of shares	*US$*	*No. of shares*	*US$*
Ordinary shares, issued and fully paid:				
Ordinary shares	16,000,000	32,000,000	16,000,000	32,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets. For the year ended 31 March 2016 and 2017, ordinary shares of HK$10 and of US$2 rank pari passu in all respects.

Capital management

Capital of the Company for regulatory and risk management purposes includes share capital, reserves and retained profits. The finance and accounting department is responsible for monitoring the amount of capital base and capital adequacy ratio against trigger limits and for risk exposures, ensuring compliance with relevant statutory limits taking into account business growth, and other relevant factors.

The Company's policy is to maintain a strong capital base to support the development of the Company's businesses and to meet the statutory capital adequacy ratio and other regulatory capital requirements. Capital is allocated to the various business activities of the Company depending on the risk taken by each business division and in accordance with the requirements of relevant regulatory bodies, taking into account current and future activities.

The Company has complied with all externally imposed capital requirements throughout the year ended 31 March 2016 and 2017 and is well above the minimum required ratio set by the HKMA.

26 Reserves

(a) The reconciliation between the opening and closing balances of each component of the Company's equity is set out in the statement of changes in equity.

(b) Nature and purpose of reserves

(i) Revaluation reserve

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised and is dealt with in accordance with the accounting policies in note 2(c).

(ii) Regulatory reserve

The regulatory reserve is maintained to satisfy the provision of the Hong Kong Banking Ordinance for prudential supervision purpose to set aside amounts in respect of losses which the Company may incur on the loans and advances in addition to the impairment allowances made under HKFRS. As at 31 March 2017, a regulatory reserve of US$10.00 million (2016: US$7.69 million) was earmarked in the retained profits and in consultation with the HKMA.

27 Cash and cash equivalents

Cash and cash equivalents in the cash flow statement

	2017 US$	*2016* US$
Cash and balances with banks and other financial institutions	14,712,376	17,139,358
Placements with banks with original maturity less than three months	12,022,284	18,417,645
	26,734,660	35,557,003

28 Derivatives

(a) Notional amount of derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices. The notional amounts of these instruments indicate the volume of outstanding transactions and do not represent amounts at risk. All derivatives are trading.

	2017	*2016*
	US$	US$
Currency derivatives		
– Forwards and futures	257,500,000	260,801,212

(b) Fair values and credit risk weighted amounts of derivatives

	2017			*2016*		
	Fair value			*Fair value*		
	Assets US$	*Liabilities* US$	*Credit risk weighted* amount US$	*Assets* US$	*Liabilities* US$	*Credit risk weighted* amount US$
Currency derivatives	156,379	(131,279)	546,275	61,636	(464,817)	557,841

The tables above give the notional amounts, fair value and credit risk weighted amounts of derivative transactions. The fair value is calculated for the purposes of deriving the credit risk weighted amounts. These are assessed in accordance with the Banking (Capital) Rules.

The Company did not enter into any bilateral netting arrangements during the year and accordingly these amounts are shown on a gross basis.

(c) Remaining life of derivatives

The following table provides an analysis of the notional amount of derivatives of the Company by relevant maturity grouping based on the remaining periods to settlement at the end of reporting period.

	2017	*2016*
	US$	US$
Currency derivatives		
– Notional amounts with remaining life of one year or less	257,500,000	260,801,212

29 Contingent liabilities and commitments

(a) Contingent liabilities and commitments to extend credit

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	2017 US$	*2016* US$
Trade-related contingencies	954,485	2,924,415
Other commitments		
– with an original maturity of under one year or which are unconditionally cancellable	26,313,360	44,728,724
	27,267,845	47,653,139

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the clients default. As the facilities may expire without being drawn upon, the contractual amounts do not represent expected future cash flows.

(b) Lease commitments

At 31 March, the total future minimum lease payments payable under non-cancellable operating leases of properties are as follows:

	2017 US$	*2016* US$
Leases expiring:		
– within one year	2,977,286	1,474,146
– after one year but within five years	11,600,688	-
– over five years	7,492,111	-
	22,070,085	1,474,146

The Company leases a number of properties under operating leases. The leases typically run for an initial period of one to eight years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

30 Financial risk management

This section presents information about the Company's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

- credit risk: loss resulting from customer or counterparty default and arises on credit exposure in all forms, including settlement risk.
- market risk: exposure to market variables such as interest rates, exchange rates and equity markets.
- liquidity risk: risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.

The Company has established policies, procedures and controls for measuring, monitoring and controlling credit, liquidity, capital, interest rate, foreign exchange and other market risks which are reviewed regularly by management. The internal auditors also perform regular audits to ensure compliance with the policies and procedures.

The Company undertakes certain derivative transactions, primarily foreign currency forward contracts, to manage foreign currency risk. For accounting purposes, these derivatives do not qualify for hedge accounting and are treated as trading instruments. All derivatives as at 31 March 2017 and 2016 are over-the-counter derivatives.

(a) Credit risk management

Credit risk arises from the possibility that a customer or counterparty in a transaction may default. Such risk may arise from the lending, investment, treasury, derivatives and other activities undertaken by the Company.

The Board of Directors ("the Board") has delegated authority to the Credit Committee to oversee management of the Company's credit risk. Credit risk control limits are set at different levels and dimensions. The Board approves the core control limits and delegates the Credit Committee to approve the detailed control limits. Risks, return and market situations are considered in the limits setting. Active limit monitoring processes is undertaken.

The Credit Committee is responsible for all credit risk related issues of the Company. The Company identifies and manages credit risk through target market definitions, formulation of credit policies, credit approval process and monitoring of asset quality.

30 Financial risk management (continued)

The Company has established credit policy to define the credit extension criteria, the credit approval and monitoring model, the loan classification system and provisioning process. It also takes into account the requirements of the Hong Kong Banking Ordinance and the guidelines issued by the HKMA with respect to large exposures and provisioning requirements.

The Company manages its credit risk within its approved framework by evaluating the creditworthiness of counterparties, setting credit limits for counterparties, countries and industry sectors, and obtaining collaterals where appropriate. In evaluating the credit risk associated with an individual customer or counterparty, financial strength and repayment ability are always the primary considerations. Credit risk may be mitigated by obtaining collaterals from the customer or counterparty. Actual credit exposures and limits and asset quality are regularly monitored and controlled by management.

Corporate credit risk

In addition to underwriting standards, the principal means of managing credit risk is the credit approval process. The Company has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction. For corporate customers, the Company has a detailed risk grading system that is applied to each counterparty on a regular basis. The Company also has limits for exposures to borrowers and groups of borrowers, regardless of whether the exposure is in the form of loans or non-funded exposures. The Company also has a review process that ensures the proper level of review and approval depending on the size of the facility and risk grading of the credit.

Credit risk for treasury transactions

The credit risk of the Company's treasury transactions is managed in the same way as the Company manages its corporate lending risk. The Company applies a risk grading to its counterparties and sets individual counterparty limits.

Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collaterals requirements as for customers applying for loans. The Company does not provide any other guarantees which would expose the Company to credit risk.

Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Company's total exposures. The Company is vigilant about credit risk concentration and has been setting credit limit for counterparties, countries and industry sectors.

30 Financial risk management (continued)

(i) Maximum exposure

The maximum exposure to credit risk at the end of reporting period without taking into consideration of any collaterals held or other credit enhancements is represented by the carrying amount of each financial assets in the statement of financial position after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	2017 US$	*2016* US$
Cash and balances with banks and other financial institutions	26,734,660	35,557,003
Trading assets	156,379	61,636
Loans and advances to banks and other financial institutions	27,590	106,833
Loans and advances to customers	840,647,392	648,590,603
Available-for-sale financial assets	20,591,037	10,315,925
Other assets	13,927,090	6,932,410
Credit-related contingent liabilities	954,485	2,924,415
	903,038,633	704,488,825

(ii) Credit quality of loans and advances

Loans and advances to banks are only made to banks with good credit standing. At 31 March 2017 and 2016, no loans and advances to banks are impaired. The credit quality of loans and advances to customers can be analysed as follows:

	2017 US$	*2016* US$
Gross loans and advances to customers		
– neither past due nor impaired	823,475,550	641,196,186
– past due but not impaired	17,481,809	8,003,475
– impaired	4,765,156	4,568,319
	845,722,515	653,767,980

Of which:

Gross loans and advances to customers that are neither past due nor impaired		
– Grade A: Pass	820,328,160	639,261,851
– Grade B: Special mention	3,147,303	1,934,248
– Grade C: Substandard	87	87
	823,475,550	641,196,186

30 Financial risk management (continued)

(ii) Credit quality of loans and advances (continued)

The Company classifies the loans and advances in accordance with the loan classification system required to be adopted for reporting to the HKMA.

The ageing analysis of loans and advances to customers that are past due but not impaired is as follows:

	2017 US$	*2016* US$
Gross loans and advances to customers that are past due but not impaired		
– Overdue three months or less	17,481,809	8,003,475
– Six months or less but over three months	-	-
– One year or less but over six months	-	-
– Over one year	-	-
	17,481,809	8,003,475

(iii) Collaterals and other credit enhancements

The Company holds collaterals against loans and advances to customers in the form of mortgages over property, other registered securities over assets, cash deposits and guarantees. Collaterals generally are not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collaterals held as security for financial assets other than loans and advances is determined by the nature of the instrument.

An estimate of the fair value of collaterals and other credit enhancements held against financial assets is as follows:

	2017 US$	*2016* US$
Fair value of collaterals and other credit enhancements held against financial assets that are:		
– neither past due nor impaired	1,103,909,382	869,858,322
– past due but not impaired	22,752,670	11,021,907
	1,126,662,052	880,880,229

30 Financial risk management (continued)

(iii) Collaterals and other credit enhancements (continued)

Collaterals

Where possible, the Company takes collaterals as a secondary recourse to the borrower. The collaterals mainly includes properties, equipment and pledged deposits. The Company has put in place policies which determine the types of collaterals for credit risk mitigation.

Whilst the Company's maximum exposure to credit risk is the carrying value of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collaterals, credit guarantees and other actions taken to mitigate the Company's exposure.

The description of collaterals for each class of financial asset is set out below:

(i) Cash and balances with banks and other financial institutions, trading assets, loans and advances to banks and other financial institutions and available-for-sale financial assets

Collateral is generally not sought for these assets.

(ii) Loans and advances to customers, contingent liabilities and commitments

Certain advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. The Company considers the collaterals it has taken as sufficient against its exposures.

(b) Market risk management

Market risk arises on financial instruments which are valued at current market prices ("marked to market basis") and those valued at cost plus any accrued interest ("accrual basis").

Financial instruments traded include certain derivative financial instruments. Derivative instruments are contracts whose value is derived from one or more of the underlying financial instruments or indices as defined in the contracts. They include swaps, forward rate agreements, options and combinations of these instruments.

No quantitative disclosure has been made as the Company has not engaged in any material trading activities during the year.

30 Financial risk management (continued)

(b) Market risk management (continued)

(i) Currency risk

The Company's foreign currency positions arise from foreign exchange transactions. All foreign currency positions are managed by the treasury department within limits approved by the Board.

The Company seeks to match closely its foreign currency denominated assets with corresponding liabilities in the same currencies. The Company also uses foreign currency forward contracts to manage foreign currency risk.

The net positions in foreign currencies are disclosed when each currency constitutes 10% or more of the respective total net position in all foreign currencies.

	2017		
	USD equivalents		
	HK dollars	*Japanese Yen*	*Total*
Spot assets	885,437,331	9,915,380	895,352,711
Spot liabilities	(595,008,224)	(9,762,414)	(604,770,638)
Forward purchases	-	-	-
Forward sales	(256,933,933)	-	(256,933,933)
Net long non-structural position	33,495,174	152,966	33,648,140

	2016		
	USD equivalents		
	HK dollars	*Japanese Yen*	*Total*
Spot assets	680,367,928	5,230,875	685,598,803
Spot liabilities	(398,004,558)	(4,732,214)	(402,736,772)
Forward purchases	1,659,394	1,641,818	3,301,212
Forward sales	(259,435,803)	(1,641,818)	(261,077,621)
Net long non-structural position	24,586,961	498,661	25,085,622

The Company does not have any structural position as at 31 March 2017 (2016: Nil).

30 Financial risk management (continued)

Sensitivity analysis

The following table indicates the approximate change in the Company's profit after tax (and retained profits) and other components of equity in response to reasonably possible changes in the foreign exchange rates to which the Company has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	2017		*2016*	
	Appreciation/ (depreciation) in currency against USD	*Effect on profit after tax and retained profits* US$	*Appreciation/ (depreciation) in currency against USD*	*Effect on profit after tax and retained profits* US$
Hong Kong Dollars	1%	279,685	1%	205,301
	(1%)	(279,685)	(1%)	(205,301)
Japanese Yen	3%	3,832	3%	12,491
	(3%)	(3,832)	(3%)	(12,491)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Company's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next fiscal end of reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in the value of the United States dollar against other currencies. The analysis is performed on the same basis for 2016.

30 Financial risk management (continued)

(ii) Interest rate risk

The Company's interest rate positions arise from treasury and commercial banking activities. Interest rate risk principally arises in non-trading portfolios. Interest rate risk primarily results from the timing differences is the repricing of interest-bearing assets, liabilities and commitments, including non-interest bearing liabilities such as shareholders' funds. Interest rate risk is managed by the treasury department within limits approved by the Board, including interest rate gap limits.

Structural interest rate risk arises primarily from the deployment of non-interest bearing liabilities, including shareholders' funds. Structural interest rate risk is monitored by the Asset and Liability Management Committee.

The following tables indicate the effective interest rates for the relevant periods and the expected next repricing dates (or maturity dates whichever the earlier) for interest bearing assets and liabilities at the end of reporting period:

	2017						
	Effective interest rate	*Total* US$	*3 months or less (include overdue)* US$	*Over 3 months to 1 year* US$	*Over 1 year to 5 years* US$	*Over 5 years* US$	*Non-interest bearing* US$
Assets							
Cash and balances with banks and other financial institutions	0.65%	26,734,660	19,551,897	-	-	-	7,182,763
Loans and advances to banks and other financial institutions	7.00%	27,590	20,651	6,939	-	-	-
Loans and advances to customers	4.05%	840,647,392	216,673,208	178,207,766	444,378,269	1,388,072	77
Available-for-sale financial assets	0.50%	20,591,037	20,591,037	-	-	-	-
Other assets	1.39%	16,993,273	7,400,252	-	-	-	9,593,021
Total assets		904,993,952	264,237,045	178,214,705	444,378,269	1,388,072	16,775,861
Liabilities							
Deposits and balances of banks and other financial institutions	1.77%	422,625,943	316,761,912	105,864,031	-	-	-
Deposits from customers	1.27%	35,558,291	16,289,144	9,103,457	-	-	10,165,690
Deposits from fellow subsidiaries	1.45%	133,620,615	133,620,615	-	-	-	-
Loans from ultimate holding company	2.39%	38,613,020	38,613,020	-	-	-	-
Other liabilities	0.00%	9,694,357	-	-	-	-	9,694,357
Total liabilities		640,112,226	505,284,691	114,967,488	-	-	19,860,047
Interest rate sensitivity gap			(241,047,646)	63,247,217	444,378,269	1,388,072	(3,084,186)

30 Financial risk management (continued)

	2016						
	Effective interest rate	*Total* US$	*3 months or less (include overdue)* US$	*Over 3 months to 1 year* US$	*Over 1 year to 5 years* US$	*Over 5 years* US$	*Non-interest bearing* US$
Assets							
Cash and balances with banks and other financial institutions	0.54%	35,557,003	21,813,629	-	-	-	13,743,374
Loans and advances to banks and other financial institutions	7.00%	106,833	19,268	59,968	27,597	-	-
Loans and advances to customers	4.39%	648,590,603	195,986,658	136,742,596	314,675,319	1,185,953	77
Available-for-sale financial assets	0.07%	10,315,925	10,315,925	-	-	-	-
Other assets	1.39%	7,903,078	314,225	-	-	-	7,588,853
Total assets		702,473,442	228,449,705	136,802,564	314,702,916	1,185,953	21,332,304
Liabilities							
Deposits and balances of banks and other financial institutions	1.45%	288,379,229	180,835,709	107,543,520	-	-	-
Deposits from customers	0.93%	25,631,035	16,857,734	225,833	-	-	8,547,468
Deposits from fellow subsidiaries	1.36%	85,356,687	85,356,687	-	-	-	-
Loans from ultimate holding company	2.05%	38,684,720	38,684,720	-	-	-	-
Other liabilities	1.35%	6,298,507	1,243,814	-	-	-	5,054,693
Total liabilities		444,350,178	322,978,664	107,769,353	-	-	13,602,161
Interest rate sensitivity gap			(94,528,959)	29,033,211	314,702,916	1,185,953	7,730,143

30 Financial risk management (continued)

Sensitivity analysis

At 31 March 2017, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Company's profit after tax and retained profits by approximately US$272,000 (2016: decrease of US$19,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 (2016: 100) basis points increase or minimal decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next fiscal end of reporting period. The analysis is performed on the same basis for the year ended 31 March 2016.

(c) Liquidity risk management

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. To manage liquidity risk, the Company has established a liquidity risk management policy which is reviewed by management and approved by the Directors. The Company measures liquidity through the statutory Liquidity Maintenance Ratios ("LMR"), loan to deposit ratio and maturity mismatch within its portfolio.

Management closely monitors the liquidity of the Company on a daily basis to ensure that the liquidity structure of Company's assets, liabilities and commitments can meet its funding needs and that the statutory liquidity ratio is always complied with. The Company's average LMR for the year was well above the statutory minimum requirement of 25%.

30 Financial risk management (continued)

(i) Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period at the end of reporting period to the contractual maturity date.

	2017							
	Total US$	Repayable on demand US$	Within 1 month US$	Over 1 month but within 3 months US$	Over 3 months to 1 year US$	Over 1 year to 5 years US$	Over 5 years US$	Undated or overdue US$
Assets								
Cash and balances with banks and other financial institutions	26,734,660	14,712,376	12,022,284	-	-	-	-	-
Loans and advances to banks and other financial institutions	27,590	-	6,881	13,769	6,940	-	-	-
Loans and advances to customers	840,647,392	-	29,495,396	59,140,034	213,401,347	518,378,418	16,738,323	3,493,874
Available-for-sale financial assets	20,591,037	-	15,445,208	5,145,829	-	-	-	-
Other assets	16,993,273	-	7,929,136	31,858	3,046	-	-	9,029,233
Total assets	904,993,952	14,712,376	64,898,905	64,331,490	213,411,333	518,378,418	16,738,323	12,523,107
Liabilities								
Deposits and balances of banks and other financial institutions	422,625,943	-	96,436,018	210,286,509	90,418,823	25,484,593	-	-
Deposits from customers	35,558,291	-	9,585,937	7,704,423	11,407,131	6,575,660	285,140	-
Deposits from fellow subsidiaries	133,620,615	-	-	133,620,615	-	-	-	-
Loans from ultimate holding company	38,613,020	-	-	-	38,613,020	-	-	-
Other liabilities	9,694,357	-	8,923,254	352,809	416,087	-	-	2,207
Total liabilities	640,112,226	-	114,945,209	351,964,356	140,855,061	32,060,253	285,140	2,207
Asset-liability gap		14,712,376	(50,046,304)	(287,632,866)	72,556,272	486,318,165	16,453,183	12,520,900

30 Financial risk management (continued)

	2016							
	Total	*Repayable on demand*	*Within 1 month*	*Over 1 month but within 3 months*	*Over 3 months to 1 year*	*Over 1 year to 5 years*	*Over 5 years*	*Undated or overdue*
	US$	US$	US$	US$	US$	US$	US$	US$
Assets								
Cash and balances with banks and other financial institutions	35,557,003	17,139,358	18,417,645	-	-	-	-	-
Loans and advances to banks and other financial institutions	106,833	-	6,342	12,926	59,967	27,598	-	-
Loans and advances to customers	648,590,603	-	24,615,881	45,423,806	172,206,492	389,155,976	16,500,849	687,599
Available-for-sale financial assets	10,315,925	-	10,315,925	-	-	-	-	-
Other assets	7,903,078	-	724,753	23,640	1,604	-	-	7,153,081
Total assets	702,473,442	17,139,358	54,080,546	45,460,372	172,268,063	389,183,574	16,500,849	7,840,680
Liabilities								
Deposits and balances of banks and other financial institutions	288,379,229	-	53,886,461	116,891,221	92,069,632	25,531,915	-	-
Deposits from customers	25,631,035	-	8,707,167	8,963,518	1,897,925	5,831,916	230,509	-
Deposits from fellow subsidiaries	85,356,687	-	-	85,356,687	-	-	-	-
Loans from ultimate holding company	38,684,720	-	-	-	-	38,684,720	-	-
Other liabilities	6,298,507	-	5,767,386	411,314	119,807	-	-	-
Total liabilities	444,350,178	-	68,361,014	211,622,740	94,087,364	70,048,551	230,509	-
Asset-liability gap		17,139,358	(14,280,468)	(166,162,368)	78,180,699	319,135,023	16,270,340	7,840,680

30 Financial risk management (continued)

(ii) Analysis of liabilities by remaining maturity

The following table provides an analysis of the residual contractual maturities of non-derivative financial liabilities of the Company, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of reporting period) and the earliest date the Company can be required to pay:

	2017							
	Gross nominal outflow US$	*Repayable on demand* US$	*Within 1 month* US$	*Over 1 month but within 3 months* US$	*Over 3 months but within 1 year* US$	*Over 1 year but within 5 years* US$	*Over 5 years* US$	*Indefinite* US$
Liabilities								
Deposits and balances of banks and other financial institutions	426,065,914	-	96,905,814	211,215,966	91,263,058	26,681,076	-	-
Deposits from customers	25,522,836	-	8,925,612	7,409,727	9,187,497	-	-	-
Deposits from fellow subsidiaries	133,785,928	-	165,313	133,620,615	-	-	-	-
Loans from ultimate holding company	39,304,333	-	-	230,824	39,073,509	-	-	-
Other liabilities	6,511,781	-	6,511,781	-	-	-	-	-
Total liabilities	631,190,792	-	112,508,520	352,477,132	139,524,064	26,681,076	-	-
Commitments								
Guarantees, acceptances and other financial facilities	954,485	-	954,485	-	-	-	-	-

	2016							
	Gross nominal outflow US$	*Repayable on demand* US$	*Within 1 month* US$	*Over 1 month but within 3 months* US$	*Over 3 months but within 1 year* US$	*Over 1 year but within 5 years* US$	*Over 5 years* US$	*Indefinite* US$
Liabilities								
Deposits and balances of banks and other financial institutions	291,565,768	-	54,199,875	117,482,410	92,806,452	27,077,031	-	-
Deposits from customers	17,323,015	-	8,172,400	8,923,494	227,121	-	-	-
Deposits from fellow subsidiaries	85,444,690	-	88,003	85,356,687	-	-	-	-
Loans from ultimate holding company	39,871,458	-	-	-	-	39,871,458	-	-
Other liabilities	2,873,675	-	2,873,675	-	-	-	-	-
Total liabilities	437,078,606	-	65,333,953	211,762,591	93,033,573	66,948,489	-	-
Commitments								
Guarantees, acceptances and other financial facilities	2,924,415	-	1,282,597	1,641,818	-	-	-	-

30 Financial risk management (continued)

(d) Operational risk management

Operational risks arise from the Company's daily operation and fiduciary activities. The Company's internal audit department and compliance department play essential roles in monitoring and limiting the Company's operational risk. The primary focus of these functions is:

– to independently evaluate the adequacy of all internal controls;

– to ensure adherence to the operating guidelines, including regulatory and legal requirements; and

– to pro-actively recommend improvements.

To ensure the total independence of the internal audit functions, the internal audit department and compliance department are separate departments. The internal audit department reports directly to the Board through the Audit Committee, whereas the compliance department reports directly to the Director of Compliance.

31 Fair values of financial instruments

(a) Financial instruments carried at fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

31 Fair values of financial instruments (continued)

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity price and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities and simple over-the-counter (OTC) derivatives like forward exchange contracts. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Company uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

– Derivatives

  The fair value of forward exchange contracts is estimated either using broker quotes or by discounting future cash flows. Future cash flows are estimated based on management's best estimates of the amount it would receive or pay to terminate the contract at the end of reporting period taking into account current market conditions and the current credit worthiness of the counterparties. The discount rate used is a market rate for a similar instrument at the end of reporting period.

31 Fair values of financial instruments (continued)

– Debt and equity securities

These instruments are valued based on quoted market prices from an exchange or dealer price quotation, where available. For unlisted investment funds, the fair value is estimated based on the fund's financial position and results, risk profile, prospects and other factors. The exercise of judgement is required and because of uncertainties inherent in estimating fair value for the unlisted investment funds, it is not until realisation of the investment that subjective valuation factors are removed.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised:

	2017			
	Level 1	*Level 2*	*Level 3*	*Total*
	US$	US$	US$	US$
Assets				
Trading assets	-	156,379	-	156,379
Available-for-sale financial assets				
– Debt securities	20,591,037	-	-	20,591,037
	20,591,037	156,379	-	20,747,416
Liabilities				
Trading liabilities	-	131,279	-	131,279

31 Fair values of financial instruments (continued)

	2016			
	Level 1 US$	*Level 2* US$	*Level 3* US$	*Total* US$
Assets				
Trading assets	-	61,636	-	61,636
Available-for-sale financial assets				
– Debt securities	10,315,925	-	-	10,315,925
	10,315,925	61,636	-	10,377,561
Liabilities				
Trading liabilities	-	464,817	-	464,817

During the year ended 31 Mar 2017 and 2016, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

(i) Valuation of financial instruments with significant unobservable inputs

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Available-for-sale financial assets - Equity securities US$
Assets	
At 1 April 2015	27,069
Impairment	(27,069)
At 31 March 2016, 1 April 2016 and 31 March 2017	-
Total gains for the year included in revaluation reserve for available-for-sale of the other comprehensive income for assets held at the end of reporting period	-

31 Fair values of financial instruments (continued)

(b) Fair values of financial instruments carried at other than fair value

The following methods and significant assumptions have been applied in determining the fair values of financial instruments presented below:

(i) The fair value of variable rate financial instruments is assumed to be approximated by their carrying amounts and, in the case of loans and unquoted debt securities, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognised separately by deducting the amount of the impairment allowances from both the carrying amount and fair value. The total fair value is not materially different from total carrying value.

(ii) The fair value of fixed rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the impairment loss and allowances from both the carrying amount and fair value

32 Material related party transactions

During the year, the Company entered into a number of transactions with its related parties, including fellow subsidiaries, the ultimate holding company, and entities, directly or indirectly controlled or significantly influenced by the ultimate holding company, in the ordinary course of its banking business including lending, the acceptance and placement of inter-bank deposits and off-balance sheet transactions.

(a) Transactions with group companies

In addition to the related party transactions and balances detailed elsewhere in these financial statements, the Company had the following material transactions and balances with its related parties during the year.

Income/(expenses) from transactions with fellow subsidiaries and the ultimate holding company during the year are set out below:

	2017	*2016*
	US$	US$
Fellow subsidiaries		
Interest income	43,321	4,921
Interest expense	(1,605,944)	(885,981)
Fee and commission income	1,919,882	1,727,043
Fee and commission expense	(168,000)	(168,000)
Other operating expense	(82,108)	(25,409)
Other operating income	409,863	-

32 Material related party transactions (continued)

(a) Transactions with group companies (continued)

	2017 US$	*2016* US$
Ultimate holding company		
Interest expense	(801,991)	(718,317)
Other operating expense	(302,393)	(178,314)

Average balances of assets/(liabilities) with fellow subsidiaries and the ultimate holding company for the year are set out below:

	2017 US$	*2016* US$
Fellow subsidiaries		
Loans and advances to customers	13,797	-
Other assets	1,855,924	424,743
Deposits from fellow subsidiaries	(114,041,672)	(68,536,904)
Other liabilities	(144,039)	(1,247,058)
Ultimate holding company		
Other assets	38,609	37,897
Loans from ultimate holding company	(38,663,464)	(38,676,714)
Other liabilities	(197,104)	(147,855)

Loans and advances to customers included a loan to a fellow subsidiary, which was secured, interest bearing at commercial rates and repayable within three years.

Other balances with fellow subsidiaries were unsecured, interest bearing at commercial rates and had no fixed terms of repayment.

Deposits from fellow subsidiaries were unsecured, interest bearing at commercial rates and either had no fixed terms of repayment or repayable within one year.

Included in deposits and balances of banks and other financial institutions were short-term and long-term debts of approximately US$422.63 million (2016: US$288.38 million) guaranteed by the ultimate holding company.

32 Material related party transactions (continued)

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 10.

(c) Loans to directors

Loans to directors of the Company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2017	*2016*
	US$	US$
Aggregate amount of relevant loans by the Company outstanding at 31 March	69,216	104,944
Maximum aggregate amount of relevant loans by the Company outstanding during the year	105,024	139,458

There were no interest due but unpaid nor any provision made against these loans at 31 March 2017 and 2016.

33 Immediate parent and the ultimate controlling party

The directors consider the immediate parent and ultimate controlling party of the Company to be ORIX Corporation, which is incorporated in Japan.

34 Key sources of estimation uncertainty

Impairment losses

Loans and advances

Loan portfolios are reviewed periodically to assess whether impairment losses exist. The Company makes judgements as to whether there is any objective evidence that a loan portfolio is impaired, i.e. whether there is a decrease in estimated future cash flows. Objective evidence for impairment includes observable data that the payment status of borrowers in a company has adversely changed. It may also include observable data that local or economic conditions that correlate with defaults on the assets in the Company. If management has determined, based on their judgement, that objective evidence for impairment exists, expected future cash flows are estimated based on historical loss experience for assets with credit risk characteristics similar to those of the Company. Historical loss experience is adjusted on the basis of the current observable data.

Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experienced.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the company.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Company is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Company has identified some aspects of the new standards which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below. As the Company has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2017 (continued)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Company expects to adopt the standard from 1 January 2018. The Company is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification, measurement and calculation of impairment of the Company's financial assets.

HKFRS 16, Leases

As disclosed in note 2(e), currently the Company classifies leases into operating leases for the lease arrangement, depending on the classification of the lease. The Company enters into the lease as the lessee.

Once HKFRS 16 is adopted, the Company will no longer distinguish between finance leases and operating leases when it is the lessee under the lease. Instead, subject to practical expedients, the company will be required to account for all leases of more than 12 months in a similar way to current finance lease accounting.

The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 29(b), at 31 March 2017 the Company's future minimum lease payments under non-cancellable operating leases amount to US$22,070,085 for properties, the majority of which is payable either between 1 and 8 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Company will need to perform a more detailed analysis to determine the amounts of new liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Company is currently assessing the impact of the standard upon adoption and expects HKFRS 16 would not impact significantly on the way that the Company accounts for its rights and obligations under a lease when it is under lessor under the lease.

Unaudited supplementary financial information

(a) Capital and capital adequacy

The Banking (Capital) (Amendment) Rules 2012, effective from 1 January 2013, stipulates the first phase of Basel III requirements to be applied in Hong Kong.

	2017	*2016*
Capital ratio:		
Common Equity Tier 1 ("CET1") Capital Ratio	28.00%	36.43%
Tier 1 Capital Ratio	28.00%	36.43%
Total Capital Ratio	29.19%	37.62%

The capital adequacy ratios were calculated in accordance with the Banking (Capital) Rules. The Company has adopted the "basic approach" for the calculation of the risk-weighted assets for credit risk and "basic indicator approach" for the calculation of operational risk.

During the year ended 31 March 2017, market risk arising from the Company's trading book is minimal. The Company has been granted exemption by the HKMA as it can fulfil the exemption criteria set out in sections 22(l)(a) and (b) of the Banking (Capital) Rules. Hence, the Company was exempted from the calculation of market risk.

The components of total capital before and after deductions are shown below:

	2017 US$	*2016* US$
CET1 Capital:		
CET1 Capital instruments	32,000,000	32,000,000
Retained earnings	232,875,380	226,123,026
Disclosed reserves	6,346	238
CET1 Capital before deductions	264,881,726	258,123,264
Regulatory deductions to CET1 capital:		
Regulatory reserve for general banking risks	9,999,366	7,690,317
Net deferred tax assets	-	245,241
Insignificant capital investments in financial sector Entities that are not subject to consolidation	7,040,802	-
Total CET1 Capital	247,841,558	250,187,706
Additional Tier 1 ("AT1") Capital	-	-
Total Tier 1 ("T1") Capital	247,841,558	250,187,706

Unaudited supplementary financial information (continued)

(a) Capital and capital adequacy (continued)

	2017 US$	*2016* US$
Tier 2 ("T2") Capital		
Qualifying Tier 2 capital instruments plus any related share premium	-	-
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	10,559,394	8,125,436
Total T2 Capital	10,559,394	8,125,436
Total Capital	258,400,952	258,313,142

To comply with the Banking (Disclosure) Rules ("BDR"), all additional information in relation to the Company's regulatory capital disclosures will be published by using the standard disclosure templates as specified by the HKMA under "Regulatory Disclosures" section on the Company's website (http://www.orix.com.hk).

(b) Liquidity ratio

	2017 *(Under LMR)*	*2016* *(Under LMR)*	*2015* *(Jan-Mar 2016 under LMR)*
Average liquidity ratio	51.96%	216.95%	80.94%

The average liquidity ratio is the simple average of each calendar month's average liquidity ratio, computed on the solo basis, which is the basis of computation agreed with the HKMA and has been computed in accordance with the Banking (Liquidity) Rule.

Unaudited supplementary financial information (continued)

(c) Further analysis on loans and advances to customers analysed by industry sector

For each industry sector reported above with loan balance constituting 10% or more of the total balance of advances to customers, the attributable amount of impaired loans, overdue loans, individually and collectively assessed loan impairment allowances, the amount of new provisions charged to income statement, and the amount of impaired loans and advances written off during the year are as follows:

	2017						
	Gross loans and advances US$	*Impaired loans and advances* US$	*Overdue loans and advances* US$	*Individually assessed impairment allowance* US$	*Collectively assessed impairment allowance* US$	*Impairment charged to income statement during the year* US$	*Impairment allowance written off during the year* US$
Loans and advances for use in Hong Kong							
Industrial, commercial and financial							
– Transport and transport equipment	646,833,183	866,558	797,496	941,928	481,674	730,157	97,832

	2016						
	Gross loans and advances US$	*Impaired loans and advances* US$	*Overdue loans and advances* US$	*Individually assessed impairment allowance* US$	*Collectively assessed impairment allowance* US$	*Impairment charged to income statement during the year* US$	*Impairment allowance written off during the year* US$
Loans and advances for use in Hong Kong							
Industrial, commercial and financial							
– Transport and transport equipment	429,192,761	1,025,635	680,174	967,709	324,550	743,351	82,073
– Others	71,480,563	62,953	62,953	62,806	185,483	2,916	-
Loans and advances for use outside Hong Kong							
Industrial, commercial and financial							
– Manufacturing	71,889,092	2,317,301	360,028	2,192,565	191,945	2,090,817	99,749

Unaudited supplementary financial information (continued)

(d) Overdue and rescheduled assets

(i) Overdue loans and advances to customers

	2017		*2016*	
	Amount US$	*% of total advances to customers*	*Amount* US$	*% of total advances to customers*
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:				
– six months or less but over three months	390,301	0.05%	84,971	0.01%
– one year or less but over six months	288,702	0.03%	204,312	0.03%
– Over one year	3,289,582	0.39%	813,872	0.12%
	3,968,585	0.47%	1,103,155	0.16%
Current market value of collateral held against the covered portion of overdue loans and advances	2,375,988		2,031,501	
Covered portion of overdue loans and advances	1,171,969		929,131	

Unaudited supplementary financial information (continued)

(d) Overdue and rescheduled assets (continued)

	2017		*2016*	
	Amount US$	*% of total advances to customers*	*Amount* US$	*% of total advances to customers*
Uncovered portion of overdue loans and advances	2,796,616		174,024	
Individual impairment allowances made on loans and advances overdue for more than three months	3,268,825		881,634	

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid as at the end of the reporting period. Loans repayable by regular instalments are treated as overdue when an instalment payment is overdue and remains unpaid as at the end of the reporting period. Loans repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, and/or when the loans have remained continuously outside the approved limit notice, and advised to the borrower for more than the overdue period in question.

Unaudited supplementary financial information (continued)

(d) Overdue and rescheduled assets (continued)

(ii) Rescheduled loans and advances to customers

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Company. Rescheduled loans and advances to customers are stated net of any loans and advances to customers that have subsequently become overdue for over three months and reported as overdue loans and advances in note (d)(i) above. The amount of rescheduled loans and advances to customers is not material as at 31 March 2017 and 2016.

(iii) Overdue loans and advances to banks and other financial institutions

There are no loans and advances to banks and other financial institutions which are overdue for more than three months as at 31 March 2017 and 2016.

(iv) Rescheduled loans and advances to banks and other financial institutions

There are no rescheduled loans and advances to banks and other financial institutions as at 31 March 2017 and 2016.

(v) Other overdue assets

There are no other assets which are overdue for more than three months as at 31 March 2017 and 2016.

Unaudited supplementary financial information (continued)

(d) Overdue and rescheduled assets (continued)

(vi) Geographical analysis of loans and advances to customers

	2017				
	Gross loans and advances US$	*Loans and advances overdue for more than 3 months* US$	*Impaired loans (individually determined)* US$	*Individually assessed impairment allowances* US$	*Collectively assessed impairment allowances* US$
Hong Kong	823,199,768	3,182,374	3,978,946	3,187,044	1,008,817
Others	22,522,747	786,211	786,210	781,840	63,693
	845,722,515	3,968,585	4,765,156	3,968,884	1,072,510

	2016				
	Gross loans and advances US$	*Loans and advances overdue for more than 3 months* US$	*Impaired loans (individually determined)* US$	*Individually assessed impairment allowances* US$	*Collectively assessed impairment allowances* US$
Hong Kong	629,922,153	1,103,155	3,475,106	3,101,533	828,368
Others	23,845,827	-	1,093,213	1,120,892	71,212
	653,767,980	1,103,155	4,568,319	4,222,425	899,580

The above geographical analysis is classified by the location of the borrowers after taking into account the transfer of risk. In general, risk transfer applies when a loan is guaranteed by a party situated in an area different from the counterparty.

Unaudited supplementary financial information (continued)

(e) International claims

The Company analyses international claims by exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. The transfer of risk from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country. Those areas which contribute 10% or more of the aggregate international claims are as follows:

	31 March 2017				
		Non-bank private sector			
	Banks	*Official sector*	*Non-bank financial institutions*	*Non-financial private sector*	*Total*
	US$	US$	US$	US$	US$
Developed countries	19,156,108	-	-	451,639	19,607,747
Offshore centres	699,890	-	1,346,110	4,761,430	6,807,430
– of which: Hong Kong	699,790	-	1,346,110	2,586,796	4,632,696
Developing Asia Pacific	27,685	-	-	21,109,905	21,137,590
– of which: China	-	-	-	21,109,905	21,109,905
	19,883,683	-	1,346,110	26,322,974	47,552,767

	31 March 2016				
		Non-bank private sector			
	Banks	*Official sector*	*Non-bank financial institutions*	*Non-financial private sector*	*Total*
	US$	US$	US$	US$	US$
Developed countries	3,359,540	-	-	808,279	4,167,819
Offshore centres	19,837,268	-	-	6,978,074	26,815,342
– of which: Hong Kong	19,827,310	-	-	5,170,164	24,997,474
Developing Asia Pacific	151,888	-	-	21,706,680	21,858,568
– of which: China	-	-	-	21,706,680	21,706,680
	23,348,696	-	-	29,493,033	52,841,729

Unaudited supplementary financial information (continued)

(f) Non-bank Mainland China exposures

The analysis of non-bank Mainland China exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA return of Mainland Activities. This analysis includes the exposures extended by the Company only.

	2017		
	On-balance sheet exposure US$	*Off-balance sheet exposure* US$	*Total* US$
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,000,591	-	1,000,591
Other entities of local governments	215,979	-	215,979
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	62,304,580	834,459	63,139,039
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,164,565	1,930,651	3,095,216
	64,685,715	2,765,110	67,450,825
Total assets after provision	904,993,952		
On-balance sheet exposures as percentage of total assets	7.15%		

Unaudited supplementary financial information (continued)

(f) Non-bank Mainland China exposures (continued)

	2016		
	On-balance sheet exposure US$	*Off-balance sheet exposure* US$	*Total* US$
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,755,888	1,990,008	5,745,896
Other entities of local governments	1,536,822	-	1,536,822
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	66,121,315	3,032,897	69,154,212
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,316,635	-	3,316,635
	74,730,660	5,022,905	79,753,565
Total assets after provision	702,475,460		
On-balance sheet exposures as percentage of total assets	10.64%		

(g) Repossessed assets

	2017 US$	*2016* US$
Repossessed assets	110,359	182

Unaudited supplementary financial information (continued)

(h) Segmental analysis

(i) By geographical area

The Company's operations are entirely located in Hong Kong.

(ii) By class of business

	2017		2016	
	Profit before taxation US$	*Total assets* US$	*Profit before taxation* US$	*Total assets* US$
Commercial financing business	11,678,997	844,458,494	7,864,122	652,770,472
Investment	(1,318,490)	20,591,037	(920,997)	10,315,925
Others	6,015	143,575	6,666	156,463
	10,366,522	865,193,106	6,949,791	663,242,860
Unallocated income/assets	(2,281,004)	39,800,846	(1,783,285)	39,230,582
	8,085,518	904,993,952	5,166,506	702,473,442

Commercial financing activities included the acceptance of deposits, provision of advances and other international banking services.

Investment activities included investing in equity and debt securities which generate dividend and interest income.

Other business activities included ship finance and staff loan scheme.

Unaudited supplementary financial information (continued)

(i) Additional disclosures on credit risk management

(i) Capital requirement

The capital requirements on each class of exposures calculated under the basic (credit risk) approach at the end of reporting period can be analysed as follows:

	2017 US$	*2016* US$
Total capital requirements for on-balance sheet exposures	844,014,335	648,892,174
Total capital requirements for off-balance sheet exposures	737,172	1,142,724
	844,751,507	650,034,898

(ii) Capital charge

The capital charge for operational risk calculated in accordance with the basic indicator approach at the end of reporting period is:

	2017 US$	*2016* US$
Capital charge for operational risk	3,246,840	2,939,781

(iii) Market risk

The Company has been exempted by the HKMA under section 22(1) of the Banking (Capital) Rules from the calculation of market risk under section 17 of the Banking (Capital) Rules.

Unaudited supplementary financial information (continued)

(j) Corporate governance

The Company is committed to high standards of corporate governance, and has complied throughout the year with the guideline on "Corporate governance of locally incorporated authorised institutions" under the Supervisory Policy Manual issued by the HKMA.

Board committees

In addition to the Board of Directors ("the Board") which meet on a quarterly basis, the Company has established a number of committees including Credit Committee, Asset and Liability Management Committee, Operational Risk Management Team and Audit Committee.

(i) Quarterly Board of Directors Meeting

The Board including all executive and non-executive directors, meet at least once a quarter to review and discuss the management and financial performance of the Company.

(ii) Credit Committee

The Credit Committee is responsible for assisting the Board to formulate the Company's risk appetite and strategies for managing credit risk. It is also responsible for the implementation and maintenance of the Company's credit risk management framework. It also participates in evaluating large credit applications and making credit decisions. The Committee comprises the chief executive officer/managing director, head of credit department and heads of marketing departments.

(iii) Asset and Liability Management Committee

The Asset and Liability Management Committee is responsible for the implementation and maintenance of the overall risk management framework relating to balance sheet structure, market risks and funding and liquidity management across the Company's banking business. It recommends policy and guidelines to the Board. The Committee comprises a director, head of treasury department and chief accountant.

Unaudited supplementary financial information (continued)

(j) Corporate governance (continued)

(iv) Operational Risk Management Team

Operational risk is the risk of unexpected loss resulting from inadequate or failed internal processes, people and systems or from external events. In the beginning of the year 2010, the Company enhanced its operational risk management framework to ensure that its operational risks are consistently and comprehensively identified, controlled, and reported for prevention and avoidance of operational losses.

An Operational Risk Management Team is formed to assist the Board on a regular basis ensuring that such initiatives are addressed by utilising various risk management tools including compliance control self-assessment exercises, updating of workflows and risk matrix, key risk event register and indicators, internal audits, keeping current of business continuity plan and relevant insurance policies. The operational risk assessment is regularly submitted to the Board for review.

(v) Audit Committee

The Audit Committee meets regularly with the senior management, head of internal audit department and compliance department to consider the nature and scope of audit reviews, and the effectiveness of the systems of internal control and compliance. The Audit Committee also discusses matters raised by the external auditors and ensures that all audit recommendations are implemented. The Audit Committee comprises non-executive directors, head of internal audit department, head of compliance department and all resident executive directors who attend as observers.

(k) Remuneration of directors and senior management

The Company's policy on remuneration is to maintain fair and competitive packages based on business needs and industry practice. It also promotes effective risk management, and is designed to encourage employee behaviour that supports the Company's business objectives, long-term financial soundness, risk tolerance, and risk management framework.

In accordance with the Supervisory Policy manual CG-5 "Guideline on a Sound Remuneration Systems" issued by the HKMA in March 2015, the Company has reviewed and revised its remuneration policy for all employees of the Company which includes a reassessment of the principles applied in determining remuneration packages, as well as the structure and amount of compensation ultimately awarded.

The level of fees paid to non-executive directors is determined by reference to factors including fees paid by comparable institutions, directors' workload and commitments.

Unaudited supplementary financial information (continued)

(k) Remuneration of directors and senior management (continued)

The remuneration packages of directors who are expatriates seconded from the parent company, ORIX Corporation, Japan ("ORIX"), are determined and reviewed by ORIX. The following factors are considered when determining the remuneration packages of directors:

- business needs and economic environment
- remuneration packages in the labour markets
- directors' workload and commitments
- directors' individual and collective contributions to the Company which are assessed in the performance appraisal process; and
- retention consideration and individual potential.

No individual director will be involved in decisions relating to his/her own remuneration.

The Board reviews the remuneration packages of all local employees on an annual basis. The remuneration packages of local employees are composed of a combination of fixed and variable remuneration. The appropriate proportion of fixed and variable remuneration varies according to the employee's seniority, role, responsibilities, and activities within the Company, among other things.

Fixed remuneration refers to the employee's annual salary (including year-end pay), while variable remuneration is awarded based on the employee's performance in order to better align incentives with risk and longer-term value creation. Variable remuneration is in the form of cash bonus payment only and is directly related to performance. Poor performance (either financial or non-financial) will result in a reduction or elimination of variable remuneration.

In determining the remuneration packages of the local senior management, the Company takes into account individual performance, the performance of respective divisions and departments, and the Company's overall business goals and objectives.

Unaudited supplementary financial information (continued)

(k) Remuneration of directors and senior management (continued)

Aggregate quantitative information on the remuneration for the Company's directors and local senior management is set out below.

(i) Amount of remuneration for the financial year, split into fixed and variable remuneration in the form of cash bonus, and number of beneficiaries;

Fixed remuneration	*Variable remuneration*	*Number of beneficiaries*
US$	US$	
1,512,598	786,564	18

(ii) There was no amounts of deferred remuneration during the financial year; and

(iii) No senior management was awarded with new sign-on or severance payment during the financial year.

The Company will keep abreast of the latest developments in the labour market, especially in the financial services sector, and will review and refine its compensation and remuneration policies whenever necessary to enable the provision of competitive remuneration packages to ensure to retention of talent.

(l) Leverage ratio

The leverage ratio as at 31 March 2017 was compiled in accordance with the Leverage Ratio Framework issued by the HKMA

	2017	*2016*
Leverage ratio	27.49%	35.58%

As required by section 45A of BDR, information in relation to the Company's regulatory leverage ratio disclosures will be published by using the standard disclosure templates as specified by the HKMA under "Regulatory Disclosures" section on the Company's website (**http://www.orix.com.hk**).

Unaudited supplementary financial information (continued)

(m) Countercyclical capital buffer ratio

The countercyclical capital buffer ("CCyB") ratio as at 31 March 2017 was compiled in accordance with the CCyB ratio framework issued by the HKMA.

	2017	*2016*
CCyB ratio	1.2170%	0.6025%

As required by section 45B of BDR, the Company's risk-weighted amounts in relation to each jurisdiction in which the Company has private sector credit exposures and the applicable JCCyB ratio for each jurisdiction that is relevant to the calculation of the Company's CCyB ratio are as follows:

Jurisdiction	*2017 Total risk-weighted amount* US$	*JCCyB ratio*	*2016 Total risk-weighted amount* US$	*JCCyB ratio*
Hong Kong SAR	814,482,260	1.25%	620,479,292	0.625%
China	20,328,068	0%	20,585,789	0%
Curacao	19,594	0%	19,594	0%
Japan	403,582	0%	734,916	0%
Macau SAR	-	0%	6,574	0%
New Zealand	48,057	0%	73,363	0%
Samoa	507,895	0%	491,829	0%
Singapore	69,800	0%	71,859	0%
West Indies UK	933,833	0%	1,218,054	0%
Total across countries	836,793,089		643,681,270	

Compliance with the Banking (Disclosure) Rules

The Company is required to comply with the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority which set out the minimum standards for public disclosure which authorised institutions must make in respect of the statement of profit or loss, state of affairs and capital adequacy. The financial statements for the financial year ended 31 March 2017 comply fully with the applicable disclosure provisions of the Banking (Disclosure) Rules.

Independent auditor's report to the members of ORIX Asia Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of ORIX Asia Limited ("the Company") set out on pages 1 to 62, which comprise the statement of financial position as at 31 March 2017, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the members of ORIX Asia Limited

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report to the members of ORIX Asia Limited

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 July 2017

Should there be any inconsistencies between the English and Chinese versions, the English version shall prevail.