ORIX Asia Limited

Interim Results
30 September 2018

CERTIFIED TRUE COPY:
FOR AND ON BEHALF OF
ORIX ASIA LIMITED

HIROYUKI SAKAI
MANAGING DIRECTOR

ORIX Asia Limited
Unaudited statement of profit or loss
For the six months ended 30 September 2018

	Note	*2018* US$	*2017* US$
Interest income	4(a)	15,131,249	16,664,722
Interest expense	4(b)	(5,490,771)	(5,117,418)
Net interest income		9,640,478	11,547,304
Fee and commission income	5(a)	1,617,655	1,387,227
Fee and commission expense	5(b)	(1,293,700)	(1,374,673)
Net fee and commission income		323,955	12,554
Net trading gain	6	194,890	2,258,979
Other operating income/(expense)	7	2,156,084	(149,441)
		2,350,974	2,109,538
Operating income		12,315,407	13,669,396
Operating expenses	8	(8,486,589)	(8,248,211)
		3,828,818	5,421,185
Net write back of impairment losses on loans and advances	9	370,552	263,162
Profit before taxation		4,199,370	5,684,347
Income tax	10	(599,868)	(462,169)
Profit for the period		3,599,502	5,222,178

ORIX Asia Limited
Unaudited statement of profit and loss and other comprehensive income
For the six months ended 30 September 2018

	Note	*2018*	*2017*
		US$	US$
Profit for the period		3,599,502	5,222,178
Other comprehensive income for the period (after tax and reclassification adjustments)	11		
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		(45,651)	(15,258)
Total comprehensive income for the period		3,553,851	5,206,920

ORIX Asia Limited
Unaudited statement of financial position as at 30 September 2018

	Note	*30-9-2018* US$	*31-3-2018* US$
Assets			
Cash and balances with banks and other financial institutions	12	24,000,350	31,007,670
Trading assets	13	-	764,888
Loans and advances to banks and other financial institutions	14(a)	-	-
Loans and advances to customers	14(b)	710,977,943	749,631,822
Available-for-sale financial assets	15	30,393,286	30,406,301
Property, plant and equipment	16	2,157,162	2,373,931
Deferred tax assets	17(b)	524,687	412,749
Other assets	18	9,979,236	15,832,979
Total assets		778,032,664	830,430,340
Equity and liabilities			
Deposits and balances from banks and other financial institutions		248,812,025	269,518,505
Deposits from customers	19	70,868,389	102,620,243
Deposits from fellow subsidiaries		115,213,096	121,877,128
Loans from ultimate holding company	20	49,828,507	38,234,095
Trading liabilities	21	649,562	-
Current taxation	17(a)	1,373,085	938,166
Deferred tax liabilities	17(b)	-	-
Other liabilities	22	14,211,956	23,221,357
Total liabilities		500,956,620	556,409,494
Equity			
Share capital	23	32,000,000	32,000,000
Reserves	24	245,076,044	242,020,846
Total equity		277,076,044	274,020,846
Total equity and liabilities		778,032,664	830,430,340

1 General information

The Directors of ORIX Asia Limited ("the Company") are pleased to present the unaudited interim results of the Company for the six months ended 30 September 2018.

The Company is a restricted licence bank incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 25th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

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 Basis of preparation and accounting policies

Except as described below, the accounting policies and methods of computation used in the preparation of the 2019 interim financial statements are consistent with those used and described in the Company's annual audited financial statements for the year ended 31 March 2018.

(a) New and amended standards adopted

A number of new standards and amendments to standards and interpretations became effective for the current reporting. None of these has a significant effect on the financial statements of the Company, except for HKFRS 9, "Financial instruments".

The Company has adopted HKFRS 9 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of HKFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to HKFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

2 Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

The adoption of HKFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments: Disclosures".

Set out below are disclosures relating to the impact of the adoption of HKFRS 9 on the Company.

The measurement category and the carrying amount of financial assets and liabilities in accordance with HKAS 39 on 31 March 2018 and HKFRS 9 at the opening of 1 April 2018 are compared as follows:

US$	**HKAS 39**		**HKFRS 9**	
	Measurement category	**Carrying amount**	**Measurement category**	**Carrying amount**
Financial assets				
Cash and balances with banks and other financial institutions	Amortised cost (Loans and receivables)	31,007,670	Amortised costs	31,007,670
Loans and advances to customers	Amortised cost (Loans and receivables)	749,631,822	Amortised costs	749,134,018
Available-for-sale financial assets	Fair value through other comprehensive income (Available-for-sale)	30,406,301	Fair value through other comprehensive income	30,406,301

There were no change to the classification and measurement of financial liabilities.

On 1 January 2018 (the date of initial application of HKFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate HKFRS 9 categories. The adoption of expected credit loss approach resulted in an increase in impairment allowances required to be provided on the Company's financial assets.

2 Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

Set out below are disclosures relating to the impact of transition to HKFRS 9 on the statement of financial position of the Company.

	Closing balance under HKAS 39 at 31 March 2018	**Recognition of expected credit loss**	**Opening balance under HKFRS 9 at 1 April 2018**
Cash and balances with banks and other financial institutions	31,007,670	-	31,007,670
Loans and advances to customers	749,631,822	(497,804)	749,134,018
Available-for-sale financial assets	30,406,301	-	30,406,301
Other assets	15,832,979	(849)	15,832,130

The following table reconciles the prior period's closing impairment allowance measured in accordance with the HKAS 39 incurred loss model to the new impairment allowance measured in accordance with the HKFRS 9 expected loss model at 1 April 2018:

	Impairment allowance under HKAS 39	**Remeasurement**	**Impairment allowance under HKFRS 9**
Measurement category			
Cash and balances with banks and other financial institutions	-	-	-
Loans and advances to customers	4,350,987	497,804	4,848,791
Available-for-sale financial assets	-	-	-
Contingencies	-	849	849
	4,350,987	498,653	4,849,640

2 Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

(1) Financial assets

(i) Classification and subsequent measurement

From 1 April 2018, the Company has applied HKFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in section (ii) below. Interest income from these financial assets is calculated using the effective interest rate method.

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is calculated using the effective interest rate method.

2 Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

(1) Financial assets (Continued)

(i) Classification and subsequent measurement (Continued)

Debt instruments (Continued)

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented in the income statement in the period in which it arises. Interest income from these financial assets is calculated using the effective interest rate method.

Business model: the business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

2 Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

(1) Financial assets (Continued)

(i) Classification and subsequent measurement (Continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the income statement.

(ii) Impairment

HKFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Company.

- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired.

- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".

- Financial instruments in Stage 1 have their expected credit losses ("ECL") measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

2 Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

(1) Financial assets (Continued)

(ii) Impairment (Continued)

- A pervasive concept in measuring ECL in accordance with HKFRS 9 is that it should consider forward looking information.

- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The Company assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;

- Choosing appropriate models and assumptions for the measurement of ECL;

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and

- Establishing groups of similar financial assets for the purposes of measuring ECL.

The Company applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables has been grouped based on shared credit risk characteristics and the days past due.

2 Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

(1) Financial assets (Continued)

(iii) Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

2 Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

(1) Financial assets (Continued)

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Company:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;

- Is prohibited from selling or pledging the assets; and

- Has an obligation to remit any cash it collects from the assets without material delay.

(2) Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

2 Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Company recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(3) Derivatives

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

HKFRS 15, “Revenue from contracts with customers”

The HKICPA has issued HKFRS 15 as the new standard for the recognition of revenue, which has become effective for financial years commencing on or after 1 January 2018. This replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The adoption of HKFRS 15 does not have any material impact on the Company’s financial statements.

(b) New and amended standards and interpretations not yet adopted

HKFRS 16, “Leases”

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The accounting for lessors will not significantly change.

2 Basis of preparation and accounting policies (Continued)

(b) New and amended standards and interpretations not yet adopted (Continued)

HKFRS 16, “Leases” (Continued)

The standard will affect primarily the accounting for the Company’s operating leases. The Company has not yet determined to what extent non-cancellable operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company’s profit and classification of cash flows.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date.

There are no other HKFRSs or interpretations that are not yet effective that would be expected to have a material impact on the Company.

These interim financial statements have not been audited.

3 Financial review

For the six months ended 30 September 2018, the Company recorded a pre-tax profit of US$4.2 million, representing a decrease of US$1.5 million or 26% relative to the same period of last year. It was mainly due to decrease in net operating income by US$1.4 million and increase in operating expenses by US$0.2 million offset by an increase in net write back of impairment losses on loans and advances by US$0.1 million.

As at 30 September 2018, the Company’s total assets amounted to US$778 million, representing a decrease of US$52.4 million or 6% over the last financial year as at 31 March 2018. Among this, loans and advances to customers decreased by US$38.7 million, cash and balances with banks and other financial institutions decreased by US$7.0 and other assets decreased by US$5.9 million as compared with the last financial year.

4 Interest income and interest expense

For the six months ended 30 September

(a) Interest income

	2018 US$	*2017* US$
Interest income on deposits to banks and financial institutions	83,888	68,205
Interest income on loans and advances	14,821,524	16,466,678
Interest income on unlisted debt securities	153,552	58,179
Amortisation of discounts on purchased lease and loan contracts	8,045	8,356
Interest income on loans and advances to fellow subsidiaries	64,062	63,239
Other interest income	178	65
Total interest income on all financial assets	15,131,249	16,664,722

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$29,959 (2017: US$44,893) for the six months ended 30 September 2018.

(b) Interest expense

	2018 US$	*2017* US$
Interest expense on borrowings and deposits from fellow subsidiaries and borrowings from ultimate holding company	2,023,449	1,502,149
Interest expense on deposits from customers, banks and other financial institutions	3,467,322	3,615,269
Total interest expense on all financial liabilities	5,490,771	5,117,418

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

For the six months ended 30 September

(a) Fee and commission income

	2018	*2017*
	US$	US$
Credit-related fees and commissions	627,739	416,496
Management fee	989,916	970,731
	1,617,655	1,387,227

(b) Fee and commission expense

	2018	*2017*
	US$	US$
Brokerage fee expenses	1,209,700	1,290,673
Management fee expenses	84,000	84,000
	1,293,700	1,374,673

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 and loss for the six months ended 30 September 2018.

6 Net trading gain

For the six months ended 30 September

	2018	*2017*
	US$	US$
Net gain from currency derivatives	194,890	2,258,979

7 Other operating income/ (expense)

For the six months ended 30 September

	2018	*2017*
	US$	US$
Net exchange gain/(loss)	769,662	(1,568,109)
Penalty income from early termination loans	728,870	827,007
Others	657,552	591,661
	2,156,084	(149,441)

8 Operating expenses

For the six months ended 30 September

	2018 US$	*2017* US$
Staff costs		
– Salaries and other benefits	4,206,347	3,818,579
– Contributions to the Mandatory Provident Funds	144,617	209,586
Depreciation	426,474	415,407
Property rentals	1,506,002	1,519,622
Other premises and equipment expenses	208,664	135,216
Advertising expenses	59,664	12,703
Auditor's remuneration	146,850	130,223
General and administrative expenses	919,177	896,185
Debt collection expenses	23,233	30,831
Consultancy fee	357,002	328,957
Travelling and transportation	29,305	56,883
Others	459,254	694,019
	8,486,589	8,248,211

9 Impairment losses on loans and advances

For the six months ended 30 September

2018

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Cash and balances with banks and other financial institutions	-	-	-	-
Loans and advances to customers	(405,063)	270,624	(235,708)	(370,147)
Available-for-sale financial assets	-	-	-	-
Contingencies	(405)	-	-	(405)
Net release of expected credit loss	(405,468)	270,624	(235,708)	(370,552)

9 Impairment losses on loans and advances (Continued)

2017

	US$
Individually assessed	
– new provisions	649,836
– releases	(790,485)
	(140,649)
Collectively assessed	
– new provisions	-
– releases	(122,513)
	(122,513)
Net release to the statement of profit or loss	(263,162)

10 Income tax

For the six months ended 30 September

Taxation in the statement of profit or loss represents:

	2018 US$	*2017* US$
Current tax - Hong Kong Profits Tax		
Provision for the period	711,806	835,910
Deferred tax		
Origination and reversal of temporary differences (note 17(b))	(111,938)	(373,741)
Income tax charge	599,868	462,169

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the six months period ended 30 September 2018.

11 Other comprehensive income

For the six months ended 30 September

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

	2018			*2017*		
	Before-tax amount US$	*Tax benefit* US$	*Net-of-tax amount* US$	*Before-tax amount* US$	*Tax benefit* US$	*Net-of-tax amount* US$
Available-for-sale financial assets: net movement in available-for-sale fair value reserve	(45,651)	-	(45,651)	(15,258)	-	(15,258)
Other comprehensive income	(45,651)	-	(45,651)	(15,258)	-	(15,258)

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

	2018 US$	*2017* US$
Available-for-sale financial assets:		
Changes in fair value recognised during the period	(45,651)	(15,258)
Reclassification adjustments for amounts transferred to the statement of profit or loss	-	-
Net movement in the revaluation reserve for available-for-sale financial assets during the period recognised in other comprehensive income	(45,651)	(15,258)

12 Cash and balances with banks and other financial institutions

	30-9-2018 US$	*31-3-2018* US$
Cash in hand	640	637
Balances with banks and authorised institutions with remaining maturity of		
– within one month	23,999,710	31,007,033
	24,000,350	31,007,670

13 Trading assets

	30-9-2018 US$	*31-3-2018* US$
Positive fair values of derivatives (note 25(b))	-	764,888

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

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

	30-9-2018 US$	*31-3-2018* US$
Gross loans and advances to banks and other financial institutions	-	-
Less: Collectively assessed impairment allowances (note 14(c))	-	-
	-	-

(b) Loans and advances to customers

	30-9-2018 US$	*31-3-2018* US$
Gross loans and advances to customers (note 14(d))	715,772,076	754,004,802
Less: Impairment allowances		
–Stage 3 (note 14(c))	(3,584,857)	-
–individually assessed (note 14(c))	-	(3,525,267)
–Stage 1 and 2 (note 14(c))	(1,195,275)	-
–collectively assessed (note 14(c))	-	(825,720)
Unearned discount on purchased lease and loan contracts	(14,001)	(21,993)
	710,977,943	749,631,822

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

(c) Movement in impairment allowances on loans and advances

2018

	Stage 1 12-month ECL US$	Stage 2 Lifetime ECL US$	Stage 3 Lifetime ECL US$	Total US$
Closing balance under HKAS 39 at 31 March 2018				4,350,987
Changes on initial application of HKFRS 9				497,803
Impairment allowance as at 1 April 2018	1,027,689	297,943	3,523,158	4,848,790
Transfers:				
Transfer from Stage 1 to Stage 2	(5,924)	569,837	-	563,913
Transfer from Stage 1 to Stage 3	(662)	-	40,518	39,856
Transfer from Stage 2 to Stage 1	24	(1,930)	-	(1,906)
Transfer from Stage 2 to Stage 3	-	(124,747)	118,303	(6,444)
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
New financial assets originated or purchased	148,239	-	-	148,239
Changes in PDs/LGDs/EADs	(499,164)	(98,507)	(19,389)	(617,060)
Financial assets derecognised during the period	(48,345)	(73,850)	(9,345)	(131,540)
Write-offs	-	-	(82,163)	(82,163)
Foreign exchange and other movements	2,616	2,056	13,775	18,447
Impairment allowance as at 30 September 2018	624,473	570,802	3,584,857	4,780,132

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

(c) Movement in impairment allowances on loans and advances (Continued)

	31-3-2018		
	Collectively assessed US$	*Individually assessed* US$	*Total* US$
At 1 April 2017	1,072,595	3,968,884	5,041,479
Charges	-	905,134	905,134
Releases	(238,385)	(1,327,680)	(1,566,065)
Recoveries	-	174,144	174,144
Amounts written off	-	(158,294)	(158,294)
Exchange adjustments	(8,490)	(36,921)	(45,411)
At 31 March 2018	825,720	3,525,267	4,350,987
Analysis by counterparties:			
−Loans and advances to banks and other financial institutions (note 14(a))	-	-	-
−Loans and advances to customers (note 14(b))	825,720	3,525,267	4,350,987
	825,720	3,525,267	4,350,987

14 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").

	30-9-2018		*31-3-2018*	
	Gross loans and advances to customers US$	*% of gross loans and advances covered by collateral*	*Gross loans and advances to customers* US$	*% of gross loans and advances covered by collateral*
Gross loans and advances for use in Hong Kong				
Industrial, commercial and financial				
– Property investment	229,188	77	564,280	100
– Wholesale and retail trade	3,102,078	49	2,917,054	26
– Manufacturing	18,497,987	58	21,927,342	55
– Transport and transport equipment	509,781,662	97	553,155,189	98
– Others	73,318,228	79	73,841,571	82
Individuals				
– Loans and advances for the purchase of other residential properties	154,622	100	312,933	100
– Others	35,954,418	63	37,838,948	62
	641,038,183	92	690,557,317	93
Gross loans and advances for use outside Hong Kong	74,733,893	91	63,447,485	89
Gross loans and advances to customers	715,772,076	91	754,004,802	92

14 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 (continued)

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, and individually and collectively assessed loan impairment allowances are as follows:

	30-9-2018				
	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$
Loans and advances for use in Hong Kong					
Industrial, commercial and financial					
– Transport and transport equipment	509,781,662	2,188,037	1,371,699	921,969	836,214
– Others	73,318,228	147,908	117,616	82,411	36,155

	31-3-2018				
	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$
Loans and advances for use in Hong Kong					
Industrial, commercial and financial					
– Transport and transport equipment	553,155,189	1,637,777	1,635,844	994,595	346,886

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

(e) 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.

	30-9-2018		
	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	210,284	-	210,284
Other entities of local governments	744,902	-	744,902
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	46,556,303	2,226,146	48,782,449
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	561,231	144,000	705,231
	48,072,720	2,370,146	50,442,866
Total assets after provision	778,078,313		
On-balance sheet exposures as percentage of total assets	6.18%		

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

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

	31-3-2018		
	On-balance sheet exposure US$	*Off-balance sheet exposure* US$	*Total* US$
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	283,113	-	283,113
Other entities of local governments	835,257	-	835,257
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	44,913,919	2,276,383	47,190,302
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	527,852	1,126,994	1,654,846
	46,560,141	3,403,377	49,963,518
Total assets after provision	830,430,340		
On-balance sheet exposures as percentage of total assets	5.61%		

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

(f) Geographical analysis of loans and advances to customers

	30-9-2018				
	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	699,458,121	5,368,265	5,529,835	3,584,857	1,193,904
Others	16,313,955	-	-	-	1,371
	715,772,076	5,368,265	5,529,835	3,584,857	1,195,275

	31-3-2018				
	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	739,553,326	4,961,114	4,872,391	3,525,267	773,373
Others	14,451,476	-	-	-	52,347
	754,004,802	4,961,114	4,872,391	3,525,267	825,720

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.

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

(g) Impaired, overdue and rescheduled assets

(i) Impaired loans

	30-9-2018 US$	*31-3-2018* US$
Gross impaired loans and advances to customers	5,529,835	4,872,391
Impairment allowance - individually assessed	(3,584,857)	(3,525,267)
	1,944,978	1,347,124
As a percentage of total loans and advances to customers		
– Gross impaired loans and advances	0.77%	0.65%

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 collaterals in respect of such loans and advances of US$2,110,653 (31 March 2018: US$1,668,255) for the Company. These collaterals mainly comprised equipment, vehicles and cash on deposit with the Company.

There were no impaired loans and advances to banks and other financial institutions as at 30 September 2018 and 31 March 2018.

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

(g) Impaired, overdue and rescheduled assets (continued)

(ii) Overdue loans and advances to customers

	30-9-2018		*31-3-2018*	
	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	846,354	0.12%	354,505	0.05%
– one year or less but over six months	174,661	0.02%	766,344	0.10%
– Over one year	4,347,250	0.61%	3,840,265	0.51%
	5,368,265	0.75%	4,961,114	0.66%
Current market value of collateral held against the covered portion of overdue loans and advances	2,232,674		1,755,002	
Covered portion of overdue loans and advances	1,798,950		1,755,002	
Uncovered portion of overdue loans and advances	3,569,316		3,206,112	
Individual impairment allowances made on loans and advances overdue for more than three months	3,402,323		3,499,364	

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

(g) Impaired, overdue and rescheduled assets (continued)

(iii) 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 14(g)(ii). The amount of rescheduled loans and advances to customers is not material as at 30 September 2018 and 31 March 2018.

(iv) 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 30 September 2018 and 31 March 2018.

(v) 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 30 September 2018 and 31 March 2018.

(vi) Other overdue assets

There are no other assets which are overdue for more than three months as at 30 September 2018 and 31 March 2018.

(h) Repossessed assets

	30-9-2018 US$	*31-3-2018* US$
Repossessed assets	37,599	230,767

15 Available-for-sale financial assets

	30-9-2018 US$	*31-3-2018* US$
At fair value:		
Unlisted debt securities		
– Issued by Sovereigns	30,393,286	30,406,301

16 Property, plant and equipment

	Leasehold improvements US$	*Furniture and equipment* US$	*Motor vehicles* US$	*Total* US$
Cost:				
At 1 April 2018	1,629,153	2,513,544	97,290	4,239,987
Additions	-	209,705	-	209,705
At 30 September 2018	1,629,153	2,723,249	97,290	4,449,692
Accumulated depreciation:				
At 1 April 2018	229,327	1,539,439	97,290	1,866,056
Charge for the period	106,316	320,158	-	426,474
At 30 September 2018	335,643	1,859,597	97,290	2,292,530
Net book value:				
At 30 September 2018	1,293,510	863,652	-	2,157,162

	Leasehold improvements US$	*Furniture and equipment* US$	*Motor vehicles* US$	*Total* US$
Cost:				
At 1 April 2017	1,606,629	2,246,800	97,290	3,950,719
Additions	22,524	278,333	-	300,857
Disposals	-	(11,589)	-	(11,589)
At 31 March 2018	1,629,153	2,513,544	97,290	4,239,987
Accumulated depreciation:				
At 1 April 2017	17,463	931,027	92,425	1,040,915
Charge for the year	211,864	620,001	4,865	836,730
Disposals	-	(11,589)	-	(11,589)
At 31 March 2018	229,327	1,539,439	97,290	1,866,056
Net book value:				
At 31 March 2018	1,399,826	974,105	-	2,373,931

17 Income tax in the statement of financial position

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

	30-9-2018 US$	*31-3-2018* *US$*
Provision for Hong Kong Profits Tax	711,806	1,791,456
Provisional Profits Tax paid	-	(853,290)
	711,806	938,166
Balance of Profit Tax provision relating to prior years	661,279	-
Tax payable	1,373,085	938,166

(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 period/year are as follows:

Deferred tax arising from:	*Depreciation in excess of related depreciation allowances* US$	*Impairment allowance and bonus provision* US$	*Revaluation of available-for-sale investment* US$	*Total* US$
At 1 April 2018	6,563	(419,312)	-	(412,749)
Credited to statement of profit or loss (note 10)	(18,036)	(93,902)		(111,938)
At 30 September 2018	(11,473)	(513,214)	-	(524,687)
At 1 April 2017	107,759	(105,552)	-	2,207
Charged to statement of profit or loss	(101,196)	(313,760)	-	(414,956)
At 31 March 2018	6,563	(419,312)	-	(412,749)

18 Other assets

	30-9-2018	*31-3-2018*
	US$	US$
Interest receivable	608,389	541,297
Amounts due from fellow subsidiaries	3,307,082	9,563,990
Deposits, prepayment and other receivables	6,063,765	5,727,692
	9,979,236	15,832,979

19 Deposits from customers

	30-9-2018	*31-3-2018*
	US$	US$
Time, call and notice deposits	70,868,389	102,620,243

20 Loans from ultimate holding company

The balance represents loans from the ultimate holding company amounting to US$49,828,507 (31 March 2018: US$38,234,095). The loans are unsecured, interest bearing and repayable after one year.

21 Trading liabilities

	30-9-2018	*31-3-2018*
	US$	US$
Negative fair value of derivatives (note 25(b))	649,562	-

22 Other liabilities

	30-9-2018	*31-3-2018*
	US$	US$
Interest payable	1,335,384	1,460,795
Amounts due to fellow subsidiaries	4,285,963	13,606,397
Other liabilities and accrued charges	8,590,609	8,154,165
	14,211,956	23,221,357

23 Share capital

	30-9-2018		*31-3-2018*	
	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 2018 and for the period ended 30 September 2018, ordinary shares of HK$10 and of US$2 rank pari passu in all respects.

24 Reserves

(a)

	Revaluation reserve for available-for-sale financial assets US$	*Retained profits* US$	*Total* US$
Balance at 1 April 2018	(44,575)	242,065,421	242,020,846
Changes on initial application of HKFRS 9	-	(498,653)	(498,653)
Restated balance at 1 April 2018	(44,575)	241,566,768	241,522,193
Total comprehensive income for the period	(45,651)	3,599,502	3,553,851
Balance at 30 September 2018	(90,226)	245,166,270	245,076,044
Balance at 1 April 2017	6,346	232,875,380	232,881,726
Total comprehensive income for the year	(50,921)	9,190,041	9,139,120
Balance at 31 March 2018	(44,575)	242,065,421	242,020,846

24 Reserves (continued)

(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.

(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 30 September 2018, a regulatory reserve of US$ 7.75 million (31 March 2018: US$9.30 million) was earmarked in the retained profits and in consultation with the HKMA.

25 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.

	30-9-2018	*31-3-2018*
	US$	US$
Currency derivatives		
– Forwards and futures	257,500,000	257,500,000

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

	30-9-2018			*31-3-2018*		
	Fair value		*Credit risk weighted amount*	*Fair value*		*Credit risk weighted amount*
	Assets	*Liabilities*		*Assets*	*Liabilities*	
	US$	US$	US$	US$	US$	US$
Currency derivatives	-	(694,562)	515,000	764,888	-	667,978

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 period and accordingly these amounts are shown on a gross basis.

25 Derivatives (continued)

(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.

	30-9-2018 US$	*31-3-2018* US$
Currency derivatives		
– Notional amounts with remaining life of one year or less	257,500,000	257,500,000

26 Contingent liabilities and commitments

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:

	30-9-2018 US$	*31-3-2018* US$
Trade-related contingencies	2,174,307	4,143,123
Other commitments		
– with an original maturity of under one year or which are unconditionally cancellable	36,465,990	34,459,903
	38,640,297	38,603,026

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.

The credit risk weighted amount arising from trade-related contingencies as at 30 September 2018 is US$434,861 (31 March 2018: US$828,625).

27 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:

	30-9-2018				
		Non-bank private sector			
	Banks	*Official sector*	*Non-bank financial institutions*	*Non-financial private sector*	*Total*
	US$	US$	US$	US$	US$
Developed countries	10,442,290	-	-	46,565	10,488,855
Offshore centres	765,185	-	684,509	31,944,954	33,394,648
– of which: Hong Kong	765,085	-	684,509	31,328,191	32,777,785
Developing Asia Pacific	2,534,836	-	-	15,976,814	18,511,650
– of which: China	-	-	-	15,976,814	15,976,814
	13,742,311	-	684,509	47,968,333	62,395,153

	31-3-2018				
		Non-bank private sector			
	Banks	*Official sector*	*Non-bank financial institutions*	*Non-financial private sector*	*Total*
	US$	US$	US$	US$	US$
Developed countries	18,970,158	-	-	177,876	19,148,034
Offshore centres	117,417	-	7,042,819	22,911,232	30,071,468
– of which: Hong Kong	117,317	-	7,042,819	21,728,978	28,889,114
Developing Asia Pacific	31,263	-	-	13,617,230	13,648,493
– of which: China	-	-	-	13,617,230	13,617,230
	19,118,838	-	7,042,819	36,706,338	62,867,995

28 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.

	30-9-2018		
	USD equivalents		
	HK dollars	*Japanese Yen*	*Total*
Spot assets	735,085,591	32,280,941	767,366,532
Spot liabilities	(436,718,706)	(27,307,612)	(464,026,318)
Forward purchases	-	-	-
Forward sales	(258,193,476)	-	(258,193,476)
Net long non-structural position	40,173,409	4,973,329	45,146,738

	31-3-2018		
	USD equivalents		
	HK dollars	*Japanese Yen*	*Total*
Spot assets	797,206,913	21,846,333	819,053,246
Spot liabilities	(503,604,446)	(16,541,912)	(520,146,358)
Forward purchases	-	-	-
Forward sales	(256,351,320)	-	(256,351,320)
Net long non-structural position	37,251,147	5,304,421	42,555,568

The Company does not have any structural position as at 30 September 2018 (31 March 2018: nil).

29 Liquidity maintenance ratio

	Six months ended 30-9-2018	*Six months ended 30-9-2017*	*Year ended 31-3-2018*
Liquidity maintenance ratio	53.57%	49.33%	53.19%

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalize on opportunities for business expansion. To manage liquidity risk, the Company has established a liquidity risk management policy ("the policy") which is reviewed by management and approved by the Directors. The policy is reviewed at least annually.

The Company measures liquidity through the statutory Liquidity Maintenance Ratios ("LMR"), unsecured connected lending exposures and maturity mismatch ratio against internal and/or regulatory requirements.

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%.

The average LMR is the simple average of each calendar month's average LMR, 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) Rules.

The Board of Directors empowered the Asset and Liability Management Committee ("ALCO") to formulate, review, and update the policy from time to time in order to oversee the Company in managing its liquidity.

ALCO 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. Monthly meeting will be conducted.

Liquidity stress testing is a risk management tool for estimating risk exposure under stressed conditions arising from extreme but plausible market or macroeconomic movements. The Company conducts stress testing through scenario analysis for (i) Liquidity Ratio and (ii) Maturity Mismatch Ratio.

Other monitoring measures:

(i) Treasury Department prepares Daily Liquidity Ratio Projection Report to forecast up to 7 days liquidity ratio on daily basis, which reflects a more realistic liquidity position for monitoring and considering the necessity of funding arrangement promptly.

(ii) Regarding unsecured lending to connected companies, Treasury Department daily projects the ratio against capital base and Accounting Department monitors the ratio on daily basis.

29 Liquidity maintenance ratio (continued)

(iii) Regarding cash flow projections, Projection of Cash Flow Report for coming four months is prepared by Treasury Department, for establishing financial plans and recognizing the timing and amount of fund raising that aligns strategic objectives.

(iv) Liquidity related issues, strategies, internal risk limits and stress testing results are reported in monthly ALCO meetings and documented in meeting minutes.

30 Capital and capital adequacy

	30-9-2018	*31-3-2018*
Capital ratio:		
Common Equity Tier 1 ("CET1") Capital Ratio	35.10%	32.57%
Tier 1 Capital Ratio	35.10%	32.57%
Total Capital Ratio	36.27%	33.75%

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 2018 and for the six month ended 30 September 2018, 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.

30 Capital and capital adequacy (continued)

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

	30-9-2018 US$	*31-3-2018* US$
CET1 Capital:		
CET1 Capital instruments	32,000,000	32,000,000
Retained earnings	245,166,270	242,065,421
Disclosed reserves	(90,226)	(44,575)
CET1 Capital before deductions	277,076,044	274,020,846
Regulatory deductions to CET1 capital:		
Regulatory reserve for general banking risks	7,751,876	9,323,051
Net deferred tax assets	524,687	412,749
Insignificant capital investments in financial sector entities that are not subject to consolidation	-	-
Total CET1 Capital	268,799,481	264,285,046
Additional Tier 1 ("AT1") Capital	-	-
Total Tier 1 ("T1") Capital	268,799,481	264,285,046
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	8,947,597	9,577,323
Total T2 Capital	8,947,597	9,577,323
Total Capital	277,747,078	273,862,369

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).

31 Leverage ratio

The leverage ratio was compiled in accordance with the Leverage Ratio Framework issued by the HKMA.

	30-9-2018	*31-3-2018*
Leverage ratio	34.62%	31.94%

For the purposes of compliance with the 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).

32 Countercyclical capital buffer ratio

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

	30-9-2018	*31-3-2018*
CCyB ratio	1.8306%	1.8379%

For the purposes of compliance with the 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:

	30-9-2018		*31-3-2018*	
Jurisdiction	*Total risk-weighted amount* US$	*JCCyB ratio*	*Total risk-weighted amount* US$	*JCCyB ratio*
Hong Kong SAR	693,555,629	1.875%	741,297,891	1.875%
China	15,976,814	0%	13,617,230	0%
Curacao	19,594	0%	19,594	0%
Japan	37,693	0%	155,937	0%
Macau SAR	46,680	0%	51,639	0%
New Zealand	8,872	0%	21,939	0%
Samoa	239,059	0%	348,763	0%
Singapore	69,664	0%	69,577	0%
West Indies UK	440,398	0%	692,681	0%
Total across countries	710,394,403		756,275,251	

32 Countercyclical Capital Buffer Ratio (continued)

To comply with the BDR, information in relation to the Company's regulatory CCyB 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).

33 Capital conservation buffer ratio

Under Section 3M of the Capital Rules, the capital conservation buffer ratios for calculating the Company's buffer level is 1.875% for 2018 and 1.25% for 2017.

34 Interim disclosure statement and statement of compliance

This interim financial disclosure statement for the six months ended 30 September 2018 is the Interim Disclosure Statement of the Company prepared in accordance with the requirements set out in the Banking (Disclosure) Rules issued by the HKMA. The Company has fully complied with such disclosure requirements.