

ORIX Asia Limited

Interim Results
30 September 2016

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 2016

	<i>Note</i>	2016 US\$	2015 US\$
Interest income	4(a)	14,520,323	11,923,189
Interest expense	4(b)	<u>(3,366,997)</u>	<u>(1,782,902)</u>
Net interest income		<u>11,153,326</u>	<u>10,140,287</u>
Fee and commission income	5(a)	1,174,354	1,104,173
Fee and commission expense	5(b)	<u>(1,518,945)</u>	<u>(1,703,117)</u>
Net fee and commission expense		<u>(344,591)</u>	<u>(598,944)</u>
Net trading gain / (loss)	6	58,002	(211,524)
Other operating income	7	<u>1,008,105</u>	<u>948,146</u>
		<u>1,066,107</u>	<u>736,622</u>
Operating income		11,874,842	10,277,965
Operating expenses	8	<u>(6,898,222)</u>	<u>(6,281,954)</u>
		4,976,620	3,996,011
Net write back of impairment losses on loans and advances	9	60,340	100,414
Impairment losses on available-for-sale financial asset		-	(24,499)
Impairment of other assets		<u>-</u>	<u>(26,974)</u>
Profit before taxation		5,036,960	4,044,952
Income tax	10	<u>(830,230)</u>	<u>(675,635)</u>
Profit for the period		<u>4,206,730</u>	<u>3,369,317</u>

ORIX Asia Limited
Unaudited statement of profit and loss and other
comprehensive income
For the six months ended 30 September 2016

	<i>Note</i>	<i>2016</i> US\$	<i>2015</i> US\$
Profit for the period		4,206,730	3,369,317
Other comprehensive income for the period (after tax and reclassification adjustments)	11		
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Available-for-sale financial assets: Net movement in the revaluation reserve for available-for-sale financial assets		<u>383</u>	<u>(2,219)</u>
Total comprehensive income for the period		<u>4,207,113</u>	<u>3,367,098</u>

ORIX Asia Limited

Unaudited statement of financial position as at 30 September 2016

	<i>Note</i>	<i>30-9-2016</i> US\$	<i>31-3-2016</i> US\$
Assets			
Cash and balances with banks and other financial institutions	12	35,838,571	35,557,003
Trading assets	13	7,613	61,636
Loans and advances to banks and other financial institutions	14(a)	67,869	106,833
Loans and advances to customers	14(b)	696,407,281	648,590,603
Available-for-sale financial assets	15	10,316,457	10,315,925
Property, plant and equipment	16	872,546	475,652
Tax recoverable	17(a)	-	188,139
Deferred tax assets	17(b)	108,109	245,241
Other assets	18	7,784,034	6,932,410
Total assets		751,402,480	702,473,442
Equity and liabilities			
Deposits and balances from banks and other financial institutions		284,165,590	288,379,229
Deposits from customers	19	35,888,522	25,631,035
Deposits from fellow subsidiaries		126,066,927	85,356,687
Loans from ultimate holding company	20	38,686,715	38,684,720
Trading liabilities	21	106,879	464,817
Current taxation	17(a)	189,620	-
Other liabilities	22	3,967,850	5,833,690
Total liabilities		489,072,103	444,350,178
Equity			
Share capital	23	32,000,000	32,000,000
Reserves	24	230,330,377	226,123,264
Total equity		262,330,377	258,123,264
Total equity and liabilities		751,402,480	702,473,442

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 2016.

The Company is a restricted licence bank incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 30th Floor, United Centre, 95 Queensway, 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 applied in preparing this interim financial statement are the same as those applied in preparing the financial statements for the year ended 31 March 2016.

During the period, the Company has adopted the following amendments to standards which have insignificant or no effect on the financial statements:

- Amendments to HKAS 1, *Disclosure initiative*
- Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*

3 Financial review

For the six months ended 30 September 2016, the Company recorded a pre-tax profit of US\$5.0 million, representing an increase of US\$1.0 million or 25% relative to the same period of last year. It was mainly due to increase in net interest income from loans and advances.

As at 30 September 2016, the Company’s total assets amounted to US\$751.4 million, representing an increase of US\$48.9 million or 7% over the last financial year as at 31 March 2016. Among this, loans and advances to customers increased by US\$47.8 million as compared with the last financial year.

4 Interest income and interest expense

For the six months ended 30 September

(a) *Interest income*

	2016 US\$	2015 US\$
Interest income on deposits to banks and financial institutions	68,747	54,137
Interest income on loans and advances	14,419,346	11,849,249
Interest income on unlisted debt securities	6,041	1,360
Amortisation of discounts on purchased lease and loan contracts	13,858	16,031
Interest income on loans and advances to fellow subsidiaries	11,313	2,269
Other interest income	1,018	143
Total interest income on all financial assets	14,520,323	11,923,189

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

Included in the above is interest income accrued on impaired financial assets of US\$92,641 (2015: US\$20,661) for the six months ended 30 September 2016.

(b) *Interest expense*

	2016 US\$	2015 US\$
Interest expense on borrowings and deposits from fellow subsidiaries and borrowings from ultimate holding company	1,031,102	790,626
Interest expense on deposits from customers, banks and other financial institutions	2,335,895	992,276
Total interest expense on all financial liabilities	3,366,997	1,782,902

The interest expense above represents interest expense on financial liabilities that are not 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

	2016 US\$	2015 US\$
Credit-related fees and commissions	294,996	224,128
Management fee	879,358	880,040
Others	-	5
	<u>1,174,354</u>	<u>1,104,173</u>

(b) Fee and commission expense

	2016 US\$	2015 US\$
Brokerage fee expenses	1,434,927	1,541,117
Management fee expenses	84,000	162,000
Others	18	-
	<u>1,518,945</u>	<u>1,703,117</u>

The credit-related fee and commission income and the brokerage fee expenses are related to financial assets and liabilities not at fair value through profit and loss for the six months ended 30 September 2016.

6 Net trading gain/ (loss)

For the six months ended 30 September

	2016 US\$	2015 US\$
Net gain/ (loss) from currency derivatives	<u>58,002</u>	<u>(211,524)</u>

7 Other operating income

For the six months ended 30 September

	2016 US\$	2015 US\$
Net exchange gain	119,522	161,579
Penalty income from early termination loans	709,149	673,435
Others	179,434	113,132
	<u>1,008,105</u>	<u>948,146</u>

8 Operating expenses

For the six months ended 30 September

	2016 US\$	2015 US\$
Staff costs		
– Salaries and other benefits	3,832,266	3,729,624
– Contributions to the Mandatory Provident Funds	156,263	192,328
Depreciation	206,783	171,923
Property rentals	828,039	786,480
Other premises and equipment expenses	128,363	145,877
Advertising expenses	3,078	16,716
Auditor's remuneration	122,340	113,924
General and administrative expenses	674,893	423,631
Debt collection expenses	78,154	22,277
Consultancy fee	194,585	209,938
Travelling and transportation	41,462	25,445
Others	631,996	443,791
	<u>6,898,222</u>	<u>6,281,954</u>

9 Impairment losses on loans and advances

For the six months ended 30 September

	2016 US\$	2015 US\$
Individually assessed		
– new provisions	1,235,225	241,277
– releases	(1,440,329)	(285,610)
	<u>(205,104)</u>	<u>(44,333)</u>
Collectively assessed		
– new provisions	144,764	-
– releases	-	(56,081)
	<u>144,764</u>	<u>(56,081)</u>
Net release to the statement of profit or loss	<u>(60,340)</u>	<u>(100,414)</u>

10 Income tax

For the six months ended 30 September

Taxation in the statement of profit or loss represents:

	2016 US\$	2015 US\$
Current tax - Hong Kong Profits Tax		
Provision for the period	693,098	647,359
Deferred tax		
Origination and reversal of temporary differences (note 17(b))	137,132	28,276
Income tax charge	830,230	675,635

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the six months period ended 30 September 2016.

11 Other comprehensive income

For the six months ended 30 September

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

	2016			2015		
	<i>Before-tax amount</i>	<i>Tax benefit</i>	<i>Net-of-tax amount</i>	<i>Before-tax amount</i>	<i>Tax benefit</i>	<i>Net-of-tax amount</i>
	US\$	US\$	US\$	US\$	US\$	US\$
Available-for-sale financial assets: net movement in available-for-sale fair value reserve	383	-	383	(2,643)	424	(2,219)
Other comprehensive income	383	-	383	(2,643)	424	(2,219)

11 Other comprehensive income (continued)

For the six months ended 30 September

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

	2016 US\$	2015 US\$
Available-for-sale financial assets:		
Changes in fair value recognised during the period	383	(2,219)
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	383	(2,219)

12 Cash and balances with banks and other financial institutions

	30-9-2016 US\$	31-3-2016 US\$
Cash in hand	645	645
Balances with banks and authorised institutions with remaining maturity of		
- within one month	35,837,926	35,556,358
	35,838,571	35,557,003

13 Trading assets

	30-9-2016 US\$	31-3-2016 US\$
Positive fair values of derivatives (note 25(b))	7,613	61,636

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

	30-9-2016 US\$	31-3-2016 US\$
Gross loans and advances to banks and other financial institutions	68,116	107,139
Less: Collectively assessed impairment allowances (note 14(c))	(247)	(306)
	67,869	106,833

(b) Loans and advances to customers

	30-9-2016 US\$	31-3-2016 US\$
Gross loans and advances to customers	701,435,574	653,767,980
Less: Impairment allowances		
-individually assessed (note 14(c))	(3,941,732)	(4,222,425)
-collectively assessed (note 14(c))	(1,044,746)	(899,274)
Unearned discount on purchased lease and loan contracts	(41,815)	(55,678)
	696,407,281	648,590,603

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

	<u>30-9-2016</u>		
	<i>Collectively assessed</i>	<i>Individually assessed</i>	<i>Total</i>
	US\$	US\$	US\$
At 1 April 2016	899,580	4,222,425	5,122,005
New provisions	144,764	1,235,225	1,379,989
Releases	-	(1,440,329)	(1,440,329)
Recoveries	-	55,838	55,838
Amounts written off	-	(131,142)	(131,142)
Exchange adjustments	649	(285)	364
At 30 September 2016	<u>1,044,993</u>	<u>3,941,732</u>	<u>4,986,725</u>
Deducted from:			
- Advances to banks and other financial institutions (note 14(a))	247	-	247
- Advances to customers (note 14(b))	1,044,746	3,941,732	4,986,478
	<u>1,044,993</u>	<u>3,941,732</u>	<u>4,986,725</u>
	<u>31-3-2016</u>		
	<i>Collectively assessed</i>	<i>Individually assessed</i>	<i>Total</i>
	US\$	US\$	US\$
At 1 April 2015	849,260	999,198	1,848,458
New provisions	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	<u>899,580</u>	<u>4,222,425</u>	<u>5,122,005</u>
Deducted from:			
- Advances to banks and other financial institutions (note 14(a))	306	-	306
- Advances to customers (note 14(b))	899,274	4,222,425	5,121,699
	<u>899,580</u>	<u>4,222,425</u>	<u>5,122,005</u>

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”).

	<u>30-9-2016</u>		<u>31-3-2016</u>	
	<i>Gross loans and advances to customers</i>	<i>% of gross loans and advances covered by collateral</i>	<i>Gross loans and advances to customers</i>	<i>% of gross loans and advances covered by collateral</i>
	US\$		US\$	
Gross loans and advances for use in Hong Kong				
Industrial, commercial and financial				
– Property investment	818,353	100	888,039	100
– Wholesale and retail trade	12,475,566	53	17,866,269	63
– Manufacturing	31,515,778	54	35,794,129	49
– Transport and transport equipment	489,249,406	99	429,192,761	99
– Others	71,409,854	81	71,480,563	87
Individuals				
– Loans and advances for the purchase of other residential properties	415,969	100	448,765	100
– Others	26,638,860	54	25,236,619	59
	<u>632,523,786</u>	<u>92</u>	<u>580,907,145</u>	<u>92</u>
Gross loans and advances for use outside Hong Kong	<u>68,911,788</u>	<u>97</u>	<u>72,860,835</u>	<u>96</u>
Gross loans and advances to customers	<u><u>701,435,574</u></u>	<u><u>93</u></u>	<u><u>653,767,980</u></u>	<u><u>92</u></u>

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:

	30-9-2016				
	<i>Gross loans and advances</i> US\$	<i>Impaired loans and advances</i> US\$	<i>Overdue loans and advances</i> US\$	<i>Individually assessed impairment allowance</i> US\$	<i>Collectively assessed impairment allowance</i> US\$
Loans and advances for use in Hong Kong					
Industrial, commercial and financial					
– Transport and transport equipment	489,249,406	702,125	576,143	686,463	357,124
– Others	71,409,854	63,427	63,427	63,392	241,464
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	31-3-2016				
	<i>Gross loans and advances</i> US\$	<i>Impaired loans and advances</i> US\$	<i>Overdue loans and advances</i> US\$	<i>Individually assessed impairment allowance</i> US\$	<i>Collectively assessed impairment allowance</i> 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
– Others	71,480,563	62,953	62,953	62,806	185,483
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

	30-9-2016		<i>Total</i> US\$
	<i>On-balance</i> <i>sheet</i> <i>exposure</i> US\$	<i>Off-balance</i> <i>sheet</i> <i>exposure</i> US\$	
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,527,725	-	1,527,725
Other entities of local governments	917,121	-	917,121
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	64,972,788	5,729,607	70,702,395
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	2,587,334	1,289,557	3,876,891
	70,004,968	7,019,164	77,024,132
Total assets after provision	751,402,480		
On-balance sheet exposures as percentage of total assets	9.32%		

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

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

	31-3-2016		<i>Total</i> US\$
	<i>On-balance sheet exposure</i> US\$	<i>Off-balance sheet exposure</i> US\$	
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%		

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

	<u>30-9-2016</u>				
	<i>Gross loans and advances US\$</i>	<i>Loans and advances overdue for more than 3 months US\$</i>	<i>Impaired loans (individually determined) US\$</i>	<i>Individually assessed impairment allowances US\$</i>	<i>Collectively assessed impairment allowances US\$</i>
Hong Kong	677,648,671	2,434,351	3,164,499	2,817,886	958,159
Others	23,786,903	1,079,215	1,079,215	1,123,846	86,834
	<u>701,435,574</u>	<u>3,513,566</u>	<u>4,243,714</u>	<u>3,941,732</u>	<u>1,044,993</u>
	<u>31-3-2016</u>				
	<i>Gross loans and advances US\$</i>	<i>Loans and advances overdue for more than 3 months US\$</i>	<i>Impaired loans (individually determined) US\$</i>	<i>Individually assessed impairment allowances US\$</i>	<i>Collectively assessed impairment allowances US\$</i>
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
	<u>653,767,980</u>	<u>1,103,155</u>	<u>4,568,319</u>	<u>4,222,425</u>	<u>899,580</u>

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

	30-9-2016 US\$	31-3-2016 US\$
Gross impaired loans and advances to customers	4,243,714	4,568,319
Impairment allowance - individually assessed	<u>(3,941,732)</u>	<u>(4,222,425)</u>
	<u>301,982</u>	<u>345,894</u>
As a percentage of total loans and advances to customers		
- Gross impaired loans and advances	<u>0.61%</u>	<u>0.70%</u>

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\$251,735 (31 March 2016: US\$219,338) for the Company. These collaterals mainly comprised residential properties and cash on deposit with the Company.

There were no impaired loans and advances to banks and other financial institutions as at 30 September 2016 and 31 March 2016.

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

	30-9-2016		31-3-2016	
	Amount	% of total	Amount	% of total
	US\$	advances to	US\$	advances to
		customers		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	259,509	0.04%	84,971	0.01%
– one year or less but over six months	2,340,471	0.33%	204,312	0.03%
– Over one year	913,586	0.13%	813,872	0.12%
	<u>3,513,566</u>	0.50%	<u>1,103,155</u>	0.16%
Current market value of collateral held against the covered portion of overdue loans and advances	<u>4,864,323</u>		<u>2,031,501</u>	
Covered portion of overdue loans and advances	<u>2,793,354</u>		<u>929,131</u>	
Uncovered portion of overdue loans and advances	<u>720,212</u>		<u>174,024</u>	
Individual impairment allowances made on loans and advances overdue for more than three months	<u>3,210,629</u>		<u>881,634</u>	

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 2016 and 31 March 2016.

(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 2016 and 31 March 2016.

(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 2016 and 31 March 2016.

(vi) Other overdue assets

There are no other assets which are overdue for more than three months as at 30 September 2016 and 31 March 2016.

(h) Repossessed assets

	30-9-2016	31-3-2016
	US\$	US\$
Repossessed assets	-	182

15 Available-for-sale financial assets

	30-9-2016	31-3-2016
	US\$	US\$
At fair value:		
Unlisted debt securities		
– Issued by Sovereigns	10,316,457	10,315,925

16 Property, plant and equipment

	<i>Leasehold improvements</i> US\$	<i>Furniture and equipment</i> US\$	<i>Motor vehicles</i> US\$	<i>Total</i> US\$
Cost:				
At 1 April 2016	953,647	3,476,888	97,290	4,527,825
Additions	-	603,677	-	603,677
At 30 September 2016	953,647	4,080,565	97,290	5,131,502
Accumulated depreciation:				
At 1 April 2016	917,087	3,062,119	72,967	4,052,173
Charge for the period	18,280	178,774	9,729	206,783
At 30 September 2016	935,367	3,240,893	82,696	4,258,956
Net book value:				
At 30 September 2016	18,280	839,672	14,594	872,546

	<i>Leasehold improvements</i> US\$	<i>Furniture and equipment</i> US\$	<i>Motor vehicles</i> US\$	<i>Total</i> US\$
Cost:				
At 1 April 2015	937,579	3,121,324	97,290	4,156,193
Additions	16,068	355,564	-	371,632
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
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

17 Income tax in the statement of financial position

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

	30-9-2016 US\$	31-3-2016 US\$
Provision for Hong Kong Profits Tax	693,098	758,762
Provisional Profits Tax paid	-	(946,901)
	<u>693,098</u>	<u>(188,139)</u>
Balance of Profit Tax provision relating to prior years	(503,478)	-
	<u>(503,478)</u>	<u>-</u>
Tax payable/(Tax recoverable)	<u>189,620</u>	<u>(188,139)</u>

(b) Deferred tax assets recognised:

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

	<i>Depreciation in excess of related depreciation allowances</i> US\$	<i>Impairment allowance</i> US\$	<i>Revaluation of available- for-sale investment</i> US\$	<i>Total</i> US\$
Deferred tax arising from:				
At 1 April 2016	(96,810)	(148,431)	-	(245,241)
Charged to statement of profit or loss (note 10)	161,125	(23,993)	-	137,132
Credited to revaluation reserve for available-for-sale financial assets	-	-	-	-
	<u>64,315</u>	<u>(172,424)</u>	<u>-</u>	<u>(108,109)</u>
At 30 September 2016				
At 1 April 2015	(141,405)	(140,128)	424	(281,109)
Charged/(credited) to statement of profit or loss	44,595	(8,303)	-	36,292
Credited to revaluation reserve for available-for-sale financial assets	-	-	(424)	(424)
	<u>(96,810)</u>	<u>(148,431)</u>	<u>-</u>	<u>(245,241)</u>
At 31 March 2016				

18 Other assets

	30-9-2016	31-3-2016
	US\$	US\$
Interest receivable	397,036	342,871
Amounts due from fellow subsidiaries	1,103,307	408,498
Deposits, prepayment and other receivables	6,283,691	6,181,041
	7,784,034	6,932,410

19 Deposits from customers

	30-9-2016	31-3-2016
	US\$	US\$
Time, call and notice deposits	35,888,522	25,631,035

20 Loans from ultimate holding company

The balance represents loans from the ultimate holding company amounting to US\$38,686,715 (31 March 2016: US\$38,684,720). The loans are unsecured, interest bearing and repayable after one year.

21 Trading liabilities

	30-9-2016	31-3-2016
	US\$	US\$
Negative fair value of derivatives (note 25(b))	106,879	464,817

22 Other liabilities

	30-9-2016	31-3-2016
	US\$	US\$
Interest payable	913,132	814,771
Amounts due to fellow subsidiaries	7,615	1,247,523
Other liabilities and accrued charges	3,047,103	3,771,396
	3,967,850	5,833,690

23 Share capital

	<i>30-9-2016</i>		<i>31-3-2016</i>	
	<i>No. of shares</i>	US\$	<i>No. of shares</i>	US\$
Ordinary shares, issued and fully paid:				
Ordinary shares	<u>16,000,000</u>	<u>32,000,000</u>	<u>16,000,000</u>	<u>32,000,000</u>

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 for the period ended 30 September 2016, ordinary shares of HK\$10 and of US\$2 rank pari passu in all respects.

24 Reserves

(a)

	<i>Revaluation reserve for available- for-sale financial assets US\$</i>	<i>Retained profits US\$</i>	<i>Total US\$</i>
Balance at 1 April 2016	238	226,123,026	226,123,264
Total comprehensive income for the period	<u>383</u>	<u>4,206,730</u>	<u>4,207,113</u>
Balance at 30 September 2016	<u>621</u>	<u>230,329,756</u>	<u>230,330,377</u>
Balance at 1 April 2015	2,256	241,885,438	241,887,694
Dividend approved in respect of prior year and paid during the year	-	(20,000,000)	(20,000,000)
Total comprehensive income for the year	<u>(2,018)</u>	<u>4,237,588</u>	<u>4,235,570</u>
Balance at 31 March 2016	<u>238</u>	<u>226,123,026</u>	<u>226,123,264</u>

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 2016, a regulatory reserve of US\$ 8.18 million (31 March 2016: US\$7.69 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.

	30-9-2016	31-3-2016
	US\$	US\$
Currency derivatives		
– Forwards and futures	257,500,000	260,801,212

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

	30-9-2016			31-3-2016		
	Fair value		Credit risk weighted amount	Fair value		Credit risk weighted amount
	Assets	Liabilities		Assets	Liabilities	
	US\$	US\$	US\$	US\$	US\$	US\$
Currency derivatives	7,613	(106,879)	516,523	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 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.

	30-9-2016	31-3-2016
	US\$	US\$
Currency derivatives		
- Notional amounts with remaining life of one year or less	<u>257,500,000</u>	<u>260,801,212</u>

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:

	30-9-2016	31-3-2016
	US\$	US\$
Trade-related contingencies	3,508,672	2,924,414
Other commitments		
- with an original maturity of under one year or which are unconditionally cancellable	<u>39,445,677</u>	<u>44,728,724</u>
	<u>42,954,349</u>	<u>47,653,138</u>

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 2016 is US\$701,734 (31 March 2016: US\$584,883).

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:

	30-9-2016				
	<i>Banks</i>	<i>Official sector</i>	<i>Non-bank private sector</i>		<i>Total</i>
			<i>financial institutions</i>	<i>Non-financial private sector</i>	
	US\$	US\$	US\$	US\$	US\$
Developed countries	23,033,537	-	-	590,612	23,624,149
Offshore centres	252,803	-	-	6,691,119	6,943,922
– of which: Hong Kong	252,703	-	-	4,993,718	5,246,421
Developing Asia Pacific	528	-	-	21,971,084	21,971,612
– of which: China	-	-	-	21,971,084	21,971,084
	23,286,868	-	-	29,252,815	52,539,683
	23,286,868	-	-	29,252,815	52,539,683

	31-3-2016				
	<i>Banks</i>	<i>Official sector</i>	<i>Non-bank private sector</i>		<i>Total</i>
			<i>financial institutions</i>	<i>Non-financial private sector</i>	
	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
	23,348,696	-	-	29,493,033	52,841,729

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.

	<u>30-9-2016</u>		
	<u>USD equivalents</u>		
	<i>HK dollars</i>	<i>Japanese Yen</i>	<i>Total</i>
Spot assets	731,489,698	4,017,515	735,507,213
Spot liabilities	(444,390,934)	(3,464,399)	(447,855,333)
Forward purchases	-	-	-
Forward sales	(257,337,980)	-	(257,337,980)
Net long non-structural position	<u>29,760,784</u>	<u>553,116</u>	<u>30,313,900</u>
	<u>31-3-2016</u>		
	<u>USD equivalents</u>		
	<i>HK dollars</i>	<i>Japanese Yen</i>	<i>Total</i>
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	<u>24,586,961</u>	<u>498,661</u>	<u>25,085,622</u>

The Company does not have any structural position as at 30 September 2016 (31 March 2016: nil).

29 Liquidity maintenance ratio

	<i>Six months ended 30-9-2016</i>	<i>Six months ended 30-9-2015</i>	<i>Year ended 31-3-2016</i>
Liquidity maintenance ratio	<u>57.70%</u>	<u>249.43%</u>	<u>216.95%</u>

Liquidity risk is the 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 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 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 LMR is always complied with. The Company’s average LMR for the six/twelve months of the financial 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.

30 Capital and capital adequacy

	30-9-2016	31-3-2016
Capital ratio:		
Common Equity Tier 1 (“CET1”) Capital Ratio	34.35%	36.43%
Tier 1 Capital Ratio	34.35%	36.43%
Total Capital Ratio	35.53%	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 2016 and for the six month ended 30 September 2016, 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(1)(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:

	30-9-2016	31-3-2016
	US\$	US\$
CET1 Capital:		
CET1 Capital instruments	32,000,000	32,000,000
Retained earnings	230,329,756	226,123,026
Disclosed reserves	621	237
CET1 Capital before deductions	262,330,377	258,123,263
 Regulatory deductions to CET1 capital:		
Regulatory reserve for general banking risks	8,181,471	7,690,317
Net deferred tax assets	108,109	245,241
Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are not subject to consolidation under a section 3C requirement	692,484	-
Total CET1 Capital	253,348,313	250,187,705
Additional Tier 1 (“AT1”) Capital	-	-
Total Tier 1 (“T1”) Capital	253,348,313	250,187,705

30 Capital and capital adequacy (continued)

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

	30-9-2016	31-3-2016
	US\$	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	8,740,285	8,125,436
	<u>8,740,285</u>	<u>8,125,436</u>
Total T2 Capital	<u>8,740,285</u>	<u>8,125,436</u>
Total Capital	<u>262,088,598</u>	<u>258,313,141</u>

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.

	30-9-2016	31-3-2016
Leverage ratio	<u>33.72%</u>	<u>35.58%</u>

As required by section 24A 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>).

32 Countercyclical Capital Buffer Ratio

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

	30-9-2016	31-3-2016
CCyB ratio	<u>0.6041%</u>	<u>0.6025%</u>

As required by section 24B 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:

<i>Jurisdiction</i>	<i>30-9-2016</i>		<i>31-3-2016</i>	
	<i>Total risk-weighted amount US\$</i>	<i>JCCyB ratio</i>	<i>Total risk-weighted amount US\$</i>	<i>JCCyB ratio</i>
Hong Kong SAR	667,356,798	0.625%	620,479,292	0.625%
China	20,847,239	0.000%	20,585,789	0.000%
Curacao	19,594	0.000%	19,594	0.000%
Japan	529,769	0.000%	734,916	0.000%
Macau SAR	-	0.000%	6,574	0.000%
New Zealand	60,843	0.000%	73,363	0.000%
Samoa	550,663	0.000%	491,829	0.000%
Singapore	69,844	0.000%	71,859	0.000%
West Indies UK	1,057,300	0.000%	1,218,054	0.000%
Total across countries	<u>690,492,050</u>		<u>643,681,270</u>	

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 0.625% for 2016 and 0% for 2015.

34 Interim disclosure statement and statement of compliance

This interim financial disclosure statement for the six months ended 30 September 2016 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.