ORIX Asia Limited

Announcement of 2014/15 Final Results

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FOR AND ON BEHALF OF
ORIX ASIA LIMITED

K. Matsumoto

KATSUMI MATSUMOTO
MANAGING DIRECTOR

Statement of profit or loss for the year ended 31 March 2015

	Note	*2015* US$	*2014* US$
Interest income	3(a)	22,155,397	19,816,013
Interest expense	3(b)	(2,793,831)	(1,818,505)
Net interest income		19,361,566	17,997,508
Fee and commission income	4(a)	2,142,715	1,917,227
Fee and commission expense	4(b)	(3,467,447)	(3,210,899)
Net fee and commission expense		(1,324,732)	(1,293,672)
Net trading gain	5	33,287	79,422
Other operating income	6	1,344,527	1,245,425
		1,377,814	1,324,847
Operating income		19,414,648	18,028,683
Operating expenses	7	(12,274,620)	(11,660,450)
		7,140,028	6,368,233
Net (charge for)/write back of impairment losses on loans and advances	8	(213,661)	380,551
Impairment losses on available-for-sale financial assets	16	-	(2,867)
Impairment of other assets		(27,000)	(8,000)
Operating profit		6,899,367	6,737,917
Net profit/(loss) on sale of property, plant and equipment		1,032	(2,922)
Profit before taxation		6,900,399	6,734,995
Income tax	10	(1,366,234)	(1,138,220)
Profit for the year		5,534,165	5,596,775

The notes on pages 7 to 65 form part of these financial statements.

Statement of profit or loss and other comprehensive income for the year ended 31 March 2015

	Note	*2015* US$	*2014* US$
Profit for the year		5,534,165	5,596,775
Other comprehensive income for the year (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		1,790	330
Total comprehensive income for the year		5,535,955	5,597,105

The notes on pages 7 to 65 form part of these financial statements.

Statement of financial position at 31 March 2015

	Note	*2015* US$	*2014* US$
Assets			
Cash and balances with banks and other financial institutions	13	31,545,796	44,386,993
Trading assets	14	90,998	105,817
Loans and advances to banks and other financial institutions	15(a)	180,697	275,485
Loans and advances to customers	15(b)	467,385,646	384,393,295
Available-for-sale financial assets	16	10,345,788	10,339,360
Property, plant and equipment	17	449,900	592,225
Tax recoverable	18(a)	-	81,079
Deferred tax assets	18(b)	281,109	298,088
Other assets	19	6,407,621	5,621,705
Total assets		516,687,555	446,094,047
Equity and liabilities			
Deposits and balances from banks and other financial institutions		119,053,647	101,205,209
Deposits from customers	20	11,838,970	11,151,782
Deposits from fellow subsidiaries		66,323,480	40,311,020
Loans from ultimate holding company	21	38,695,198	-
Trading liabilities	22	112,202	30,580
Current taxation	18(a)	573,488	-
Other liabilities	23	6,202,876	5,043,717
Total liabilities		242,799,861	157,742,308
Equity			
Share capital	24	32,000,000	32,000,000
Reserves	25	241,887,694	256,351,739
Total equity		273,887,694	288,351,739
Total equity and liabilities		516,687,555	446,094,047

Approved and authorised for issue by the board of directors on 27 July 2015

Katsumi MATSUMOTO)
) Directors
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The notes on pages 7 to 65 form part of these financial statements.

Statement of changes in equity for the year ended 31 March 2015

	Note	*Share capital* US$	*Revaluation reserve for available-for-sale financial assets* US$	*Retained profits* US$	*Total* US$
Balance at 1 April 2013		32,000,000	136	254,785,498	286,785,634
Change in equity for 2014					
Profit for the year		-	-	5,596,775	5,596,775
Other comprehensive income		-	330	-	330
Total comprehensive income for the year		-	330	5,596,775	5,597,105
Dividend approved in respect of prior year and paid during the year	12	-	-	(4,031,000)	(4,031,000)
Balance at 31 March 2014 and 1 April 2014		32,000,000	466	256,351,273	288,351,739
Change in equity for 2015					
Profit for the year		-	-	5,534,165	5,534,165
Other comprehensive income		-	1,790	-	1,790
Total comprehensive income for the year		-	1,790	5,534,165	5,535,955
Dividend approved in respect of prior year and paid during the year	12	-	-	(20,000,000)	(20,000,000)
Balance at 31 March 2015		32,000,000	2,256	241,885,438	273,887,694

The notes on pages 7 to 65 form part of these financial statements.

Cash flow statement
for the year ended 31 March 2015

	Note	*2015* US$	*2014* US$
Operating activities			
Operating profit		6,899,367	6,737,917
Adjustments for:			
Interest income from available-for-sale financial assets		(6,990)	(12,523)
Charge for/(write back of) impairment losses on loans and advances		213,661	(380,551)
Depreciation		279,191	340,734
Amortisation of discounts on purchased lease and loan contracts		(25,268)	(33,702)
Impairment losses on available-for-sale financial assets		-	2,867
Impairment of other assets		27,000	8,000
Unrealised exchange loss		376,788	143,496
Operating profit before changes in working capital		7,763,749	6,806,238
(Increase)/decrease in operating assets:			
Trading assets		14,819	216,229
Gross loans and advances to banks and other financial institutions		95,177	97,055
Gross loans and advances to customers		(83,180,869)	(28,583,720)
Other assets		(812,916)	(307,720)
Increase/(decrease) in operating liabilities:			
Trading liabilities		81,622	30,463
Deposits and balances from banks and other financial institutions		17,848,438	39,994,214
Deposits from customers		687,188	(1,925,621)
Amounts due to fellow subsidiaries		26,012,460	(441,484)
Other liabilities		1,159,159	(5,671,960)
Cash (used in)/generated from operations		(30,331,173)	10,213,694
Hong Kong profits tax paid		(695,039)	(1,621,145)
Net cash flows (used in)/generated from operating activities		(31,026,212)	8,592,549

Cash flow statement
for the year ended 31 March 2015 (continued)

	Note	*2015* US$	*2014* US$
Investing activities			
Payment for purchase of property, plant and equipment		(136,866)	(422,365)
Proceeds from disposal of property, plant and equipment		1,032	-
Payment for purchase of available-for-sale financial assets		(41,250,698)	(41,246,065)
Proceeds from disposal of available-for-sale financial assets		41,257,332	41,258,919
Net cash flows used in investing activities		(129,200)	(409,511)
Financing activity			
Dividend paid		(20,000,000)	(4,031,000)
Proceeds from loans from ultimate holding company		38,695,198	-
Net cash flows generated from/(used in) financing activity		18,695,198	(4,031,000)
Net (decrease)/increase in cash and cash equivalents		(12,460,214)	4,152,038
Cash and cash equivalents at 1 April		44,386,993	40,383,331
Effect of foreign exchange rate changes		(380,983)	(148,376)
Cash and cash equivalents at 31 March	26	31,545,796	44,386,993
Cash flows from operating activities include:			
Interest received		22,090,152	19,866,944
Interest paid		(2,672,142)	(1,785,652)

The notes on pages 7 to 65 form part of these financial statements.

Notes to the financial statements
(Amounts expressed in United States dollars unless otherwise stated)

1 Significant accounting policies

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.

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost except for financial instruments classified as fair value through profit or loss and available-for-sale which are stated at their fair values (see note 1(c)).

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

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 33.

(c) Financial instruments

(i) Initial recognition

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

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

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

(ii) Categorisation

Fair value through profit or loss

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

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

1 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Categorisation (continued)

Fair value through profit or loss (continued)

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

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

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

Loans and receivables

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

Loans and receivables and securities classified as loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (see note 1(g)).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated

1 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Categorisation (continued)

Available-for-sale financial assets (continued)

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

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income and accumulated separately in equity except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in the statement of profit or loss. Interest income from debt securities calculated using the effective interest method and dividend income from equity securities are recognised in statement of profit or loss in accordance with the policies set out in notes 1(l)(i) and 1(l)(v) respectively.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, and derivatives that are linked to and must be settled by delivery of such unquoted equity securities are carried at cost less impairment losses, if any (see note 1(g)).

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

Other financial liabilities

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

(iii) Fair value measurement principles

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

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

1 Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Fair value measurement principles (continued)

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

(iv) Derecognition

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

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

(v) Offsetting

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

(d) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(g)).

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

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

1 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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

– Leasehold improvements	10% to 20%
– Furniture and equipment	20% to $33^{1}/_{3}$%
– Motor vehicles	20%

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

(e) Leases and hire purchase contracts

(i) Classification

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

(ii) Finance leases

Where the Company is a lessor under finance leases, an amount representing the net investment in the lease is included in the statement of financial position as loans and advances to customers. Hire purchase contracts having the characteristics of finance leases are accounted for in the same manner as finance leases. Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(g).

(iii) Operating leases

Where the Company leases out assets under operating leases, the assets are included in the statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Company's depreciation policies, as set out in note 1(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(g). Revenue arising from operating leases is recognised in accordance with the Company's revenue recognition policies, as set out in note 1(l).

1 Significant accounting policies (continued)

(e) Leases and hire purchase contracts (continued)

(iii) Operating leases (continued)

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

(f) Repossessed assets

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

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

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

(g) Impairment of assets

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

1 Significant accounting policies (continued)

(g) Impairment of assets (continued)

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

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

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

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

1 Significant accounting policies (continued)

(g) Impairment of assets (continued)

(i) Loans and receivables

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

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

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

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

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

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

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

1 Significant accounting policies (continued)

(g) Impairment of assets (continued)

(i) Loans and receivables (continued)

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

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

(ii) Available-for-sale financial assets

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

For unquoted available-for-sale equity securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Such impairment losses are not reversed.

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

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

(iii) Non-financial assets

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

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

1 Significant accounting policies (continued)

(g) Impairment of assets (continued)

(iii) Non-financial assets (continued)

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(h) Cash equivalents

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

1 Significant accounting policies (continued)

(i) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

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

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

(j) Income tax

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

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

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

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

1 Significant accounting policies (continued)

(j) Income tax (continued)

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

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

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

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

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

  - the same taxable entity; or

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

(k) Provisions and contingent liabilities

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

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

1 Significant accounting policies (continued)

(l) Revenue recognition

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

(i) Interest income

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

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

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

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

(ii) Fee and commission income

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

1 Significant accounting policies (continued)

(l) Revenue recognition (continued)

(ii) Fee and commission income (continued)

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

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

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

(iv) Rental income from operating leases

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

(v) Dividend income

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

(m) Translation of foreign currencies

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

1 Significant accounting policies (continued)

(m) Translation of foreign currencies (continued)

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

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

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

(n) Related parties

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

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or the Company's parent.

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

1 Significant accounting policies (continued)

(n) Related parties (continued)

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

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

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

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

2 Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Company. Of these, the following development is relevant to the Company's financial statements:

– Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 34).

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Company.

In addition, the requirements of Part 9, "Accounts and Audit", of the Hong Kong Companies Ordinance (Cap. 622) came into operation at the start of the company's current financial year. The adoption of the requirements has primarily impacted the presentation and disclosure of information in the consolidated financial statements. These changes mainly include the presentation of the company's statement of financial position as a note disclosure instead of a primary statement, updating any references to the Hong Kong Companies Ordinance (Cap. 622) to refer to the current Hong Kong Companies Ordinance (Cap. 622) and replacing certain terminology no longer used in the Hong Kong Companies Ordinance (Cap. 622) with terminology used in HKFRS.

3 Interest income and interest expense

(a) Interest income

	2015 US$	*2014* US$
Interest income on deposits to banks and financial institutions	112,021	137,762
Interest income on loans and advances	22,004,493	19,622,611
Interest income on unlisted debt securities	6,990	12,523
Amortisation of discounts on purchased lease and loan contracts	25,268	33,702
Interest income on loans and advances to fellow subsidiaries (note 31(a))	6,068	9,012
Other interest income	557	403
Total interest income on all financial assets	22,155,397	19,816,013

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$34,687 (2014: US$38,924) for the year ended 31 March 2015.

(b) Interest expense

	2015 US$	*2014* US$
Interest expense on borrowings from fellow subsidiaries (note 31(a)) and ultimate holding company (note 31(a))	853,850	541,690
Interest expense on deposits from customers, banks and other financial institutions	1,939,981	1,276,815
Total interest expense on all financial liabilities	2,793,831	1,818,505

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

4 Fee and commission income and expenses

(a) Fee and commission income

	2015 US$	*2014* US$
Credit-related fees and commissions	475,071	393,971
Management fee (note 31(a))	1,667,600	1,523,200
Others	44	56
	2,142,715	1,917,227

(b) Fee and commission expense

	2015 US$	*2014* US$
Brokerage fee expenses	3,143,447	2,934,899
Management fee expenses (note 31(a))	324,000	276,000
	3,467,447	3,210,899

The credit-related fee and commission income and the brokerage fee expenses to vendors are related to financial assets and liabilities not at fair value through profit or loss for the year ended 31 March 2015 and 2014.

5 Net trading gain

	2015 US$	*2014* US$
Net gain from currency derivatives	33,287	79,422

6 Other operating income

	2015 US$	*2014* US$
Net exchange gain	34,415	139,998
Penalty income from early termination loans	1,200,793	1,060,482
Others	109,319	44,945
	1,344,527	1,245,425

7 Operating expenses

	2015	*2014*
	US$	US$
Staff costs		
– Salaries and other benefits	7,171,906	7,229,273
– Contributions to the Mandatory Provident Funds	325,209	276,883
Depreciation	279,191	340,734
Property rentals	1,594,351	1,227,758
Other premises and equipment expenses	256,613	302,489
Advertising expenses	28,240	41,806
Auditor's remuneration	232,926	221,724
General and administrative expenses	798,369	789,679
Debt collection expenses	40,916	93,813
Consultancy fee	380,228	291,594
Travelling and transportation	100,866	74,490
Others	1,065,805	770,207
	12,274,620	11,660,450

8 Impairment losses on loans and advances

	2015	*2014*
	US$	US$
Individually assessed		
– new provisions	830,564	439,290
– releases	(688,165)	(733,262)
	142,399	(293,972)
Collectively assessed		
– new provisions	71,262	-
– releases	-	(86,579)
	71,262	(86,579)
Net charge for/(write back) to the statement of profit or loss	213,661	(380,551)

9 Directors' remuneration

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

	2015	*2014*
	US$	US$
Fees	5,159	5,156
Other emoluments	317,299	464,336
	322,458	469,492

10 Income tax

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

	2015	*2014*
	US$	US$
Current tax - Hong Kong Profits Tax		
Provision for the year	1,125,875	1,033,138
Under-provision in respect of prior years	223,804	33,370
	1,349,679	1,066,508
Deferred tax		
Origination and reversal of temporary differences (note 18(b))	16,555	71,712
Income tax charge	1,366,234	1,138,220

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year.

10 Income tax (continued)

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

	2015 US$	*2014* US$
Profit before tax	6,900,399	6,734,995
Notional tax on profit before tax, calculated at 16.5% (2014: 16.5%)	1,138,566	1,111,274
Tax effect of non-deductible expenses	5,231	1,434
Tax effect of non-taxable revenue	(1,153)	(2,066)
Tax effect of other adjustments	(214)	(5,792)
Under-provision in respect of prior years	223,804	33,370
Actual tax charge	1,366,234	1,138,220

11 Other comprehensive income

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

	2015			*2014*		
	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	2,214	(424)	1,790	330	-	330
Other comprehensive income	2,214	(424)	1,790	330	-	330

11 Other comprehensive income (continued)

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

	2015 US$	*2014* US$
Available-for-sale financial assets:		
Changes in fair value recognised during the year	1,790	330
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 year recognised in other comprehensive income	1,790	330

12 Dividends

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

	2015 US$	*2014* US$
Dividend in respect of the previous financial year, approved and paid during the year of approximately US$1.25 (2014: $0.25) per ordinary share	20,000,000	4,031,000

13 Cash and balances with banks and other financial institutions

	2015 US$	*2014* US$
Cash in hand	645	645
Balances with banks and authorised institutions with remaining maturity of		
– within one month	31,545,151	44,386,348
	31,545,796	44,386,993

14 Trading assets

	2015 US$	*2014* US$
Positive fair values of derivatives (note 27(b))	90,998	105,817

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

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

	2015 US$	*2014* US$
Gross loans and advances to banks and other financial institutions	181,247	276,424
Less: Collectively assessed impairment allowances (note 15(c))	(550)	(939)
	180,697	275,485

(b) Loans and advances to customers

	2015 US$	*2014* US$
Gross loans and advances to customers	469,318,014	386,119,503
Less: Impairment allowances		
– individually assessed (note 15(c))	(999,198)	(915,500)
– collectively assessed (note 15(c))	(848,710)	(777,574)
Unearned discount on purchased lease and loan contracts	(84,460)	(33,134)
	467,385,646	384,393,295

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

(c) Movement in impairment allowances on loans and advances

	2015		
	Collectively assessed US$	*Individually assessed* US$	*Total* US$
At 1 April 2014	778,513	915,500	1,694,013
New provisions	71,262	830,564	901,826
Releases	-	(688,165)	(688,165)
Recoveries	-	128,474	128,474
Amounts written off	-	(187,426)	(187,426)
Exchange adjustments	(515)	251	(264)
At 31 March 2015	849,260	999,198	1,848,458
Deducted from:			
– Advances to banks and other financial institutions (note 15(a))	550	-	550
– Advances to customers (note 15(b))	848,710	999,198	1,847,908
	849,260	999,198	1,848,458

	2014		
	Collectively assessed US$	*Individually assessed* US$	*Total* US$
At 1 April 2013	865,785	4,198,858	5,064,643
New provisions	-	439,290	439,290
Releases	(86,579)	(733,262)	(819,841)
Recoveries	-	52,971	52,971
Amounts written off	-	(3,043,259)	(3,043,259)
Exchange adjustments	(693)	902	209
At 31 March 2014	778,513	915,500	1,694,013
Deducted from:			
– Advances to banks and other financial institutions (note 15(a))	939	-	939
– Advances to customers (note 15(b))	777,574	915,500	1,693,074
	778,513	915,500	1,694,013

15 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").

	2015		*2014*	
	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 development	-	-	17,335	100
– Property investment	1,023,583	100	1,560,900	100
– Wholesale and retail trade	16,538,464	79	14,151,521	82
– Manufacturing	23,666,979	54	26,024,619	52
– Transport and transport equipment	252,392,493	99	188,436,668	99
– Others	65,766,821	83	56,416,192	81
Individuals				
– Loans and advances for the purchase of other residential properties	707,357	100	996,088	100
– Others	30,697,274	71	28,769,517	85
	390,792,971	91	316,372,840	90
Gross loans and advances for use outside Hong Kong	78,525,043	96	69,746,663	94
Gross loans and advances to customers	469,318,014	92	386,119,503	91

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

(e) Impaired loans and advances to customers

	2015	*2014*
	US$	US$
Gross impaired loans and advances to customers	1,552,428	1,591,906
Impairment allowance - individually assessed	(999,198)	(915,500)
	553,230	676,406
As a percentage of total loans and advances to customers		
– Gross impaired loans and advances	0.33%	0.41%

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

Individually assessed impairment allowance were made after taking into account the realisable value of collateral in respect of such loans and advances of US$550,546 (2014: US$624,188) for the Company. This collateral mainly comprised mortgages over residential properties and cash on deposit with the Company.

There were no impaired loans and advances to banks and other financial institutions as at 31 March 2015 and 2014.

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

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

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

	2015		
	Present value of the minimum lease payments US$	*Interest income relating to future periods* US$	*Total minimum lease payments* US$
Within one year	148,211,818	14,432,988	162,644,806
After one year but within five years	247,543,769	16,436,343	263,980,112
After five years	18,333,772	1,578,021	19,911,793
	414,089,359	32,447,352	446,536,711
Impairment allowances	(1,700,807)		
Net investment in finance leases and hire purchase contracts	412,388,552		

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

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

	2014 Present value of the minimum lease payments US$	*2014* Interest income relating to future periods US$	*2014* Total minimum lease payments US$
Within one year	124,297,722	11,786,137	136,083,859
After one year but within five years	192,250,392	13,499,332	205,749,724
After five years	17,132,506	1,666,196	18,798,702
	333,680,620	26,951,665	360,632,285
Impairment allowances	(1,427,758)		
Net investment in finance leases and hire purchase contracts	332,252,862		

16 Available-for-sale financial assets

	2015 US$	*2014* US$
At fair value:		
Unlisted debt securities	10,318,719	10,314,861
Unlisted equity securities	27,069	24,499
	10,345,788	10,339,360
Issued by		
– Corporate entities	27,069	24,499
– Sovereigns	10,318,719	10,314,861
	10,345,788	10,339,360
Individually impaired equity securities	27,069	24,499

As at the end of reporting period, the Company's available-for-sale equity securities were individually determined to be impaired. Impairment losses on these investments were recognised in the statement of profit or loss in accordance with the accounting policy set out in note 1(g)(ii).

17 Property, plant and equipment

	Leasehold improvements US$	*Furniture and equipment* US$	*Motor vehicles* US$	*Total* US$
Cost:				
At 1 April 2014	937,579	3,048,179	97,290	4,083,048
Additions	-	136,866	-	136,866
Disposals	-	(63,721)	-	(63,721)
At 31 March 2015	937,579	3,121,324	97,290	4,156,193
Accumulated depreciation:				
At 1 April 2014	855,443	2,601,329	34,051	3,490,823
Charge for the year	27,379	232,354	19,458	279,191
Disposals	-	(63,721)	-	(63,721)
At 31 March 2015	882,822	2,769,962	53,509	3,706,293
Net book value:				
At 31 March 2015	54,757	351,362	43,781	449,900
Cost:				
At 1 April 2013	882,985	2,737,086	97,290	3,717,361
Additions	95,825	326,540	-	422,365
Disposals	(41,231)	(15,447)	-	(56,678)
At 31 March 2014	937,579	3,048,179	97,290	4,083,048
Accumulated depreciation:				
At 1 April 2013	753,576	2,435,676	14,593	3,203,845
Charge for the year	140,176	181,100	19,458	340,734
Disposals	(38,309)	(15,447)	-	(53,756)
At 31 March 2014	855,443	2,601,329	34,051	3,490,823
Net book value:				
At 31 March 2014	82,136	446,850	63,239	592,225

18 Income tax in the statement of financial position

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

	2015 US$	*2014* US$
Provision for Hong Kong Profits Tax	1,125,875	1,033,138
Provisional Profits Tax paid	(776,191)	(1,114,217)
	349,684	(81,079)
Balance of Profit Tax provision relating to prior years	223,804	-
Tax payable/(recoverable)	573,488	(81,079)

(b) Deferred tax assets recognised:

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

Deferred tax arising from:	*Depreciation in excess of related depreciation allowances* US$	*Impairment allowance* US$	*Revaluation of available-for-sale investment* US$	*Total* US$
At 1 April 2014	(169,633)	(128,455)	-	(298,088)
Charged /(credited) to statement of profit or loss (note 10(a))	28,228	(11,673)	-	16,555
Charged to revaluation reserve for available-for-sale financial assets (note11(a))	-	-	424	424
At 31 March 2015	(141,405)	(140,128)	424	(281,109)
At 1 April 2013	(226,945)	(142,855)	-	(369,800)
Charged to statement of profit or loss (note 10(a))	57,312	14,400	-	71,712
At 31 March 2014	(169,633)	(128,455)	-	(298,088)

19 Other assets

	2015	*2014*
	US$	US$
Interest receivable	286,007	253,020
Amounts due from fellow subsidiaries	403,807	405,942
Others	5,717,807	4,962,743
	6,407,621	5,621,705

20 Deposits from customers

	2015	*2014*
	US$	US$
Time, call and notice deposits	11,838,970	11,151,782

21 Loans from ultimate holding company

The balance represents loans from the ultimate holding company amounting to US$38,695,198 (2014: US$Nil). The loans are unsecured, interest bearing and repayable after one year.

22 Trading liabilities

	2015	*2014*
	US$	US$
Negative fair value of derivatives (note 27(b))	112,202	30,580

23 Other liabilities

	2015	*2014*
	US$	US$
Interest payable	203,318	81,629
Amounts due to fellow subsidiaries	925,284	545,424
Other liabilities and accrued charges	5,074,274	4,416,664
	6,202,876	5,043,717

24 Share capital

	2015		*2014*	
	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 2014 and 2015, ordinary shares of HK$10 and of US$2 rank pari passu in all respects.

Capital management

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

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

The Company has complied with all externally imposed capital requirements throughout the year ended 31 March 2015 and 2014 and is well above the minimum required ratio set by the HKMA.

25 Reserves

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

(b) Nature and purpose of reserves

(i) Revaluation reserve

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised and is dealt with in accordance with the accounting policies in note 1(c).

(ii) Regulatory reserve

The regulatory reserve is maintained to satisfy the provision of the Hong Kong Banking Ordinance for prudential supervision purpose to set aside amounts in respect of losses which the Company may incur on the loans and advances in addition to the impairment allowances made under HKFRS. As at 31 March 2015, a regulatory reserve of US$5.37 million (2014: US$4.41 million) was earmarked in the retained profits and in consultation with the HKMA.

26 Cash and cash equivalents

Cash and cash equivalents in the cash flow statement

	2015	*2014*
	US$	US$
Cash and balances with banks and other financial institutions	10,231,594	23,739,387
Placements with banks with original maturity less than three months	21,314,202	20,647,606
	31,545,796	44,386,993

27 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.

	2015	*2014*
	US$	US$
Currency derivatives		
– Forwards and futures	261,747,795	257,500,000

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

	2015			*2014*		
	Fair value		*Credit risk weighted amount*	*Fair value*		*Credit risk weighted amount*
	Assets	*Liabilities*		*Assets*	*Liabilities*	
	US$	US$	US$	US$	US$	US$
Currency derivatives	90,998	(112,202)	590,009	105,817	(30,580)	536,163

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

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

(c) Remaining life of derivatives

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

	2015	*2014*
	US$	US$
Currency derivatives		
– Notional amounts with remaining life of one year or less	261,747,795	257,500,000

28 Contingent liabilities and commitments

(a) Contingent liabilities and commitments to extend credit

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

	2015 US$	*2014* US$
Trade-related contingencies	4,100,362	4,850,776
Other commitments		
– with an original maturity of under one year or which are unconditionally cancellable	36,945,696	41,574,636
	41,046,058	46,425,412

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

(b) Lease commitments

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

	2015 US$	*2014* US$
Leases expiring:		
– within one year	1,491,442	1,441,244
– after one year but within five years	1,405,672	2,785,008
	2,897,114	4,226,252

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

29 Financial risk management

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

- credit risk: loss resulting from customer or counterparty default and arises on credit exposure in all forms, including settlement risk.

- market risk: exposure to market variables such as interest rates, exchange rates and equity markets.

- liquidity risk: risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.

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

The Company undertakes certain derivative transactions, primarily foreign currency forward contracts, to manage foreign currency risk. For accounting purposes, these derivatives do not qualify for hedge accounting and are treated as trading instruments. All derivatives as at 31 March 2015 and 2014 are over-the-counter derivatives.

(a) Credit risk management

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

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

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

29 Financial risk management (continued)

(a) Credit risk management (continued)

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

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

Corporate credit risk

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

Credit risk for treasury transactions

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

Credit-related commitments

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

29 Financial risk management (continued)

(a) Credit risk management (continued)

Concentration of credit risk

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

(i) Maximum exposure

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

	2015	*2014*
	US$	US$
Cash and balances with banks and other financial institutions	31,545,796	44,386,993
Trading assets	90,998	105,817
Loans and advances to banks and other financial institutions	180,697	275,485
Loans and advances to customers	467,385,646	384,393,295
Available-for-sale financial assets	10,318,719	10,314,861
Other assets	6,407,621	5,621,705
Credit-related contingent liabilities	4,100,362	4,850,776
	520,029,839	449,948,932

29 Financial risk management (continued)

(a) Credit risk management (continued)

(ii) Credit quality of loans and advances

Loans and advances to banks are only made to banks with good credit standing. At 31 March 2015 and 2014, no loans and advances to banks are impaired. The credit quality of loans and advances to customers can be analysed as follows:

	2015 US$	*2014* US$
Gross loans and advances to customers		
– neither past due nor impaired	465,602,981	381,447,439
– past due but not impaired	2,162,605	3,080,158
– impaired	1,552,428	1,591,906
	469,318,014	386,119,503

Of which:

	2015 US$	*2014* US$
Gross loans and advances to customers that are neither past due nor impaired		
– Grade 1: Pass	464,978,924	380,935,509
– Grade 2: Special mention	623,970	511,843
– Grade 3: Substandard	87	87
	465,602,981	381,447,439

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

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

	2015 US$	*2014* US$
Gross loans and advances to customers that are past due but not impaired		
– Overdue three months or less	2,162,605	3,078,924
– Six months or less but over three months	-	-
– One year or less but over six months	-	-
– Over one year	-	1,234
	2,162,605	3,080,158

29 Financial risk management (continued)

(a) Credit risk management (continued)

(iii) Collateral and other credit enhancements

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

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

	2015	*2014*
	US$	US$
Fair value of collateral and other credit enhancements held against financial assets that are:		
– neither past due nor impaired	647,731,307	563,931,502
– past due but not impaired	3,076,602	4,113,702
	650,807,909	568,045,204

Collateral

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

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

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

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

Collateral is generally not sought for these assets.

29 Financial risk management (continued)

(a) Credit risk management (continued)

(iii) Collateral and other credit enhancements (continued)

Collateral (continued)

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

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

(b) Market risk management

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

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

No quantitative disclosure has been made as the Company has not engaged in any material trading activities during the year. The Company is exposed to equity risk on its available-for-sale equity investments as disclosed in note 16.

29 Financial risk management (continued)

(b) Market risk management (continued)

(i) Currency risk

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

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

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

	2015		
	USD equivalents		
	HK dollars	*Japanese Yen*	*Total*
Spot assets	486,437,757	2,742,407	489,180,164
Spot liabilities	(208,757,705)	(2,228,070)	(210,985,775)
Forward purchases	2,133,116	201,797	2,334,913
Forward sales	(259,739,726)	(201,797)	(259,941,523)
Net long non-structural position	20,073,442	514,337	20,587,779

	2014		
	USD equivalents		
	HK dollars	*Japanese Yen*	*Total*
Spot assets	409,253,771	7,285,662	416,539,433
Spot liabilities	(137,351,457)	(6,592,165)	(143,943,622)
Forward purchases	-	-	-
Forward sales	(257,403,308)	-	(257,403,308)
Net long non-structural position	14,499,006	693,497	15,192,503

The Company does not have any structural position as at 31 March 2015 (2014: Nil).

29 Financial risk management (continued)

(b) Market risk management (continued)

(i) Currency risk (continued)

Sensitivity analysis

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

	2015		*2014*	
	Appreciation/ (depreciation) in currency against USD	*Effect on profit after tax and retained profits* US$	*Appreciation/ (depreciation) in currency against USD*	*Effect on profit after tax and retained profits* US$
Hong Kong Dollars	1%	167,613	1%	121,067
	(1%)	(167,613)	(1%)	(121,067)
Japanese Yen	3%	12,884	3%	17,372
	(3%)	(12,884)	(3%)	(17,372)

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next fiscal end of reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in the value of the United States dollar against other currencies. The analysis is performed on the same basis for 2014.

29 Financial risk management (continued)

(b) Market risk management (continued)

(ii) Interest rate risk

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

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

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

	2015						
	Effective interest rate	*Total* US$	*3 months or less (include overdue)* US$	*Over 3 months to 1 year* US$	*Over 1 year to 5 years* US$	*Over 5 years* US$	*Non-interest bearing* US$
Assets							
Cash and balances with banks and other financial institutions	0.46%	31,545,796	23,129,485	-	-	-	8,416,311
Loans and advances to banks and other financial institutions	7.00%	180,697	17,741	56,046	106,910	-	-
Loans and advances to customers	4.96%	467,385,646	182,283,614	91,840,273	193,157,499	104,183	77
Available-for-sale financial assets	0.03%	10,345,788	10,318,719	-	-	-	27,069
Other assets	1.33%	7,229,628	309,527	-	-	-	6,920,101
Total assets		516,687,555	216,059,086	91,896,319	193,264,409	104,183	15,363,558
Liabilities							
Deposits and balances of banks and other financial institutions	1.45%	119,053,647	99,323,257	19,730,390	-	-	-
Deposits from customers	0.47%	11,838,970	2,552,429	128,984	-	-	9,157,557
Deposits from fellow subsidiaries	1.34%	66,323,480	66,323,480	-	-	-	-
Loans from ultimate holding company	1.83%	38,695,198	38,695,198	-	-	-	-
Other liabilities	1.37%	6,888,566	917,285	-	-	-	5,971,281
Total liabilities		242,799,861	207,811,649	19,859,374	-	-	15,128,838
Interest rate sensitivity gap			8,247,437	72,036,945	193,264,409	104,183	234,720

29 Financial risk management (continued)

(b) Market risk management (continued)

(ii) Interest rate risk (continued)

	2014						
	Effective interest rate	*Total* US$	*3 months or less (include overdue)* US$	*Over 3 months to 1 year* US$	*Over 1 year to 5 years* US$	*Over 5 years* US$	*Non-interest bearing* US$
Assets							
Cash and balances with banks and other financial institutions	0.43%	44,386,993	24,387,503	-	-	-	19,999,490
Loans and advances to banks and other financial institutions	7.00%	275,485	24,997	69,638	180,850	-	-
Loans and advances to customers	5.16%	384,393,295	160,879,421	73,468,482	149,898,215	146,659	518
Available-for-sale financial assets	0.11%	10,339,360	10,314,861	-	-	-	24,499
Other assets	1.24%	6,698,914	322,325	-	-	-	6,376,589
Total assets		446,094,047	195,929,107	73,538,120	150,079,065	146,659	26,401,096
Liabilities							
Deposits and balances of banks and other financial institutions	1.66%	101,205,209	101,205,209	-	-	-	-
Deposits from customers	0.47%	11,151,782	2,229,599	-	-	-	8,922,183
Deposits from fellow subsidiaries	1.28%	40,311,020	40,311,020	-	-	-	-
Other liabilities	1.27%	5,074,297	536,530	-	-	-	4,537,767
Total liabilities		157,742,308	144,282,358	-	-	-	13,459,950
Interest rate sensitivity gap			51,646,749	73,538,120	150,079,065	146,659	12,941,146

29 Financial risk management (continued)

(b) Market risk management (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

At 31 March 2015, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Company's profit after tax and retained profits by approximately US$241,000 (2014: US$657,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 (2014: 100) basis points increase or minimal decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next fiscal end of reporting period. The analysis is performed on the same basis for 2014.

(iii) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Company is exposed to equity price changes arising from unlisted equity securities classified as available-for-sale financial assets (note 16) as at 31 March 2015 and 2014.

All of the Company's unlisted securities are held for long term strategic purposes. Their performance is reviewed regularly based on information available to the Company. These unlisted securities do not have a quoted market price in an active market and are stated at cost. Any increase or decrease in impairment losses in respect of these investments would affect the Company's net profit.

(c) Liquidity risk management

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

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

29 Financial risk management (continued)

(c) Liquidity risk management (continued)

(i) Analysis of assets and liabilities by remaining maturity

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

	2015							
	Total US$	*Repayable on demand* US$	*Within 1 month* US$	*Over 1 month but within 3 months* US$	*Over 3 months to 1 year* US$	*Over 1 year to 5 years* US$	*Over 5 years* US$	*Undated or overdue* US$
Assets								
Cash and balances with banks and other financial institutions	31,545,796	10,231,594	21,314,202	-	-	-	-	-
Loans and advances to banks and other financial institutions	180,697	-	5,686	12,055	56,046	106,910	-	-
Loans and advances to customers	467,385,646	-	17,514,564	38,302,108	125,285,669	265,793,716	19,606,793	882,796
Available-for-sale financial assets	10,345,788	-	10,318,719	-	-	-	-	27,069
Other assets	7,229,628	-	651,809	37,091	889	-	-	6,539,839
Total assets	516,687,555	10,231,594	49,804,980	38,351,254	125,342,604	265,900,626	19,606,793	7,449,704
Liabilities								
Deposits and balances of banks and other financial institutions	119,053,647	-	23,579,410	75,743,847	4,252,311	15,478,079	-	-
Deposits from customers	11,838,970	-	2,595,831	475,139	3,205,694	5,302,041	260,265	-
Deposits from fellow subsidiaries	66,323,480	-	-	66,323,480	-	-	-	-
Loans from ultimate holding company	38,695,198	-	-	-	-	38,695,198	-	-
Other liabilities	6,888,566	-	6,404,511	167,726	316,329	-	-	-
Total liabilities	242,799,861	-	32,579,752	142,710,192	7,774,334	59,475,318	260,265	-
Asset-liability gap		10,231,594	17,225,228	(104,358,938)	117,568,270	206,425,308	19,346,528	7,449,704

29 Financial risk management (continued)

(c) Liquidity risk management (continued)

(i) Analysis of assets and liabilities by remaining maturity (continued)

	2014							
	Total US$	*Repayable on demand* US$	*Within 1 month* US$	*Over 1 month but within 3 months* US$	*Over 3 months to 1 year* US$	*Over 1 year to 5 years* US$	*Over 5 years* US$	*Undated or overdue* US$
Assets								
Cash and balances with banks and other financial institutions	44,386,993	23,739,387	20,647,606	-	-	-	-	-
Loans and advances to banks and other financial institutions	275,485	-	8,096	16,900	69,638	180,851	-	-
Loans and advances to customers	384,393,295	-	15,987,640	31,973,347	102,166,108	213,827,307	19,358,937	1,079,956
Available-for-sale financial assets	10,339,360	-	10,314,861	-	-	-	-	24,499
Other assets	6,698,914	-	619,836	16,751	20,783	-	-	6,041,544
Total assets	446,094,047	23,739,387	47,578,039	32,006,998	102,256,529	214,008,158	19,358,937	7,145,999
Liabilities								
Deposits and balances of banks and other financial institutions	101,205,209	-	47,745,096	37,987,821	15,472,292	-	-	-
Deposits from customers	11,151,782	-	3,279,225	650,503	1,588,252	5,461,644	172,158	-
Deposits from fellow subsidiaries	40,311,020	-	-	40,311,020	-	-	-	-
Other liabilities	5,074,297	-	5,045,546	28,751	-	-	-	-
Total liabilities	157,742,308	-	56,069,867	78,978,095	17,060,544	5,461,644	172,158	-
Asset-liability gap		23,739,387	(8,491,828)	(46,971,097)	85,195,985	208,546,514	19,186,779	7,145,999

29 Financial risk management (continued)

(c) Liquidity risk management (continued)

(ii) Analysis of liabilities by remaining maturity

The following table provides an analysis of the residual contractual maturities of non-derivative financial liabilities of the Company at the end of reporting period.

	2015							
	Gross nominal outflow US$	*Repayable on demand* US$	*Within 1 month* US$	*Over 1 month but within 3 months* US$	*Over 3 months but within 1 year* US$	*Over 1 year but within 5 years* US$	*Over 5 years* US$	*Indefinite* US$
Liabilities								
Deposits and balances of banks and other financial institutions	120,725,491	-	23,630,380	76,010,919	4,400,044	16,684,148	-	-
Deposits from customers	2,857,522	-	2,166,071	561,551	129,900	-	-	-
Deposits from fellow subsidiaries	66,399,692	-	76,212	66,323,480	-	-	-	-
Loans from ultimate holding company	40,466,885	-	-	-	-	40,466,885	-	-
Other liabilities	4,047,839	-	3,733,129	-	314,710	-	-	-
Total liabilities	234,497,429	-	29,605,792	142,895,950	4,844,654	57,151,033	-	-
Commitments								
Guarantees, acceptances and other financial facilities	4,100,362	-	4,100,362	-	-	-	-	-

	2014							
	Gross nominal outflow US$	*Repayable on demand* US$	*Within 1 month* US$	*Over 1 month but within 3 months* US$	*Over 3 months but within 1 year* US$	*Over 1 year but within 5 years* US$	*Over 5 years* US$	*Indefinite* US$
Liabilities								
Deposits and balances of banks and other financial institutions	101,744,909	-	47,864,151	38,107,413	15,773,345	-	-	-
Deposits from customers	2,230,559	-	2,026,324	204,235	-	-	-	-
Deposits from fellow subsidiaries	40,348,475	-	37,455	40,311,020	-	-	-	-
Other liabilities	2,907,868	-	2,907,868	-	-	-	-	-
Total liabilities	147,231,811	-	52,835,798	78,622,668	15,773,345	-	-	-
Commitments								
Guarantees, acceptances and other financial facilities	4,850,776	-	4,850,776	-	-	-	-	-

29 Financial risk management (continued)

(d) Operational risk management

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

– to independently evaluate the adequacy of all internal controls;

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

– to pro-actively recommend improvements.

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

30 Fair values of financial instruments

(a) Financial instruments carried at fair value

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

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

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

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

30 Fair values of financial instruments (continued)

(a) Financial instruments carried at fair value (continued)

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

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

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

- Derivatives

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

30 Fair values of financial instruments (continued)

(a) Financial instruments carried at fair value (continued)

– Debt and equity securities

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

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

	2015			
	Level 1	*Level 2*	*Level 3*	*Total*
	US$	US$	US$	US$
Assets				
Trading assets	-	90,998	-	90,998
Available-for-sale financial assets				
– Debt securities	10,318,719	-	-	10,318,719
– Equity securities	-	-	27,069	27,069
	10,318,719	90,998	27,069	10,436,786
Liabilities				
Trading liabilities	-	112,202	-	112,202

30 Fair values of financial instruments (continued)

(a) Financial instruments carried at fair value (continued)

	2014			
	Level 1 US$	*Level 2* US$	*Level 3* US$	*Total* US$
Assets				
Trading assets	-	105,817	-	105,817
Available-for-sale financial assets				
– Debt securities	10,314,861	-	-	10,314,861
– Equity securities	-	-	24,499	24,499
	10,314,861	105,817	24,499	10,445,177
Liabilities				
Trading liabilities	-	30,580	-	30,580

During the year ended 31 Mar 2015 and 2014, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

(i) Valuation of financial instruments with significant unobservable inputs

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

	Available-for-sale financial assets - Equity securities US$
Assets	
At 1 April 2014	24,499
Impairment	-
Changes in fair value recognised in the other comprehensive income	2,570
At 31 March 2015	27,069
Total gains for the year included in revaluation reserve for available-for-sale of the other comprehensive income for assets held at the end of reporting period	2,570

30 Fair values of financial instruments (continued)

(a) Financial instruments carried at fair value (continued)

(i) Valuation of financial instruments with significant unobservable inputs (continued)

	Available-for-sale financial assets - Equity securities US$
Assets	
At 1 April 2013	27,366
Impairment	(2,867)
Changes in fair value recognised in the other comprehensive income	-
At 31 March 2014	24,499
Total losses for the year included in revaluation reserve for available-for-sale of the other comprehensive income for assets held at the end of reporting period	2,867

(ii) Effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 of the fair value hierarchy, management assessed that, changing one or more of the unobservable inputs used to reasonably possible alternative assumptions would have insignificant effect on other comprehensive income for the year ended 31 March 2015 and 2014.

The effects of using reasonably possible alternative assumptions for equity securities have been calculated by adjusting the unobservable input. The most unobservable input relate to the net asset values of the investments. The effects are estimated by increasing and decreasing of 1% of the net asset values of the investments.

30 Fair values of financial instruments (continued)

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

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

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

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

31 Material related party transactions

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

(a) Transactions with group companies

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

	2015	*2014*
	US$	US$
Fellow subsidiaries		
Interest income	6,068	9,012
Interest expense	(616,541)	(541,690)
Fee and commission income	1,667,600	1,523,200
Fee and commission expense	(324,000)	(276,000)
Other operating expense	(31,964)	(32,681)

31 Material related party transactions (continued)

(a) Transactions with group companies (continued)

	2015 US$	*2014* US$
Ultimate holding company		
Interest expense	(237,309)	-
Other operating expense	(113,366)	(73,797)

Average balances for the year are set out below:

	2015 US$	*2014* US$
Fellow subsidiaries		
Advances and other assets less provisions	398,346	429,612
Deposits from customers	(47,150,444)	(40,084,874)
Other liabilities	(994,254)	(1,461,843)
Ultimate holding company		
Loans from ultimate holding company	14,131,311	-
Advances and other assets less provision	42,480	43,884
Other liabilities	(63,213)	(20,386)

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

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

Included in deposits and balances of banks and other financial institutions were short-term and long-term debts of approximately US$112.86 million (2014: US$91.54 million) guaranteed by the ultimate holding company.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 is as follows:

	2015 US$	*2014* US$
Short-term employee benefits	322,458	469,492

31 Material related party transactions (continued)

(c) Loans to directors

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

	2015 US$	*2014* US$
Aggregate amount of relevant loans by the Company outstanding at 31 March	139,093	11,818
Maximum aggregate amount of relevant loans by the Company outstanding during the year	161,515	39,159

There were no interest due but unpaid nor any provision made against these loans at 31 March 2015 and 2014.

32 Immediate parent and the ultimate controlling party

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

33 Key sources of estimation uncertainty

Note 30 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

Impairment losses

Loans and advances

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

33 Key sources of estimation uncertainty (continued)

Impairment losses (continued)

Loans and advances (continued)

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

Available-for-sale equity securities

The Company determines that available-for-sale equity securities are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of when a decline in fair value below cost is not recoverable within a reasonable time period is judgemental by nature, so profit and loss could be affected by differences in this judgement.

34 Possible impact of amendments, new standards and Interpretations issued but not yet effective for the year ended 31 March 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 March 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
HKFRS 15, *Revenue from Contracts with Customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Company is in the process of making an assessment of what the impact of these amendments, new standards and Interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position except for HKFRS 9, *Financial instruments*, which may have an impact on the Company's results of operations and financial position arising from changes in the Company's classification and measurement of financial instruments.

Unaudited supplementary financial information

(a) Capital and capital adequacy

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

	2015	*2014*
Capital ratio:		
Common Equity Tier 1 ("CETl") Capital Ratio	53.97%	68.44%
Tier 1 Capital Ratio	53.97%	68.44%
Total Capital Ratio	55.13%	69.59%

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 2015, market risk arising from the Company's trading book is minimal. The Company has been granted exemption by the HKMA as it can fulfil the exemption criteria set out in sections 22(l)(a) and (b) of the Banking (Capital) Rules. Hence, the Company was exempted from the calculation of market risk.

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

	2015 US$	*2014* US$
CETl Capital:		
CETl Capital instruments	32,000,000	32,000,000
Retained earnings	241,885,438	256,351,273
Disclosed reserves	2,256	466
CETl Capital before deductions	273,887,694	288,351,739
Regulatory deductions to CETl capital:		
Regulatory reserve for general banking risks	5,369,261	4,407,558
Net deferred tax assets	281,109	298,088
Total CETl Capital	268,237,324	283,646,093
Additional Tier 1 ("ATl") Capital	-	-
Total Tier 1 ("Tl") Capital	268,237,324	283,646,093

Unaudited supplementary financial information (continued)

(a) Capital and capital adequacy (continued)

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

	2015 US$	*2014* 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	5,784,611	4,759,425
Total T2 Capital	5,784,611	4,759,425
Total Capital	274,021,935	288,405,518

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

(b) Liquidity ratio

	2015 *(Jan-Mar 2015 under LMR)*	*2014* *(April 2014 to December 2014 under LR)*	*2014* *(April 2013 to March 2014 under LR)*
Average liquidity ratio	80.94%	193.49%	526.70%

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

Unaudited supplementary financial information (continued)

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

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

	2015						
	Gross loans and advances US$	*Impaired loans and advances* US$	*Overdue loans and advances* US$	*Individually assessed impairment allowance* US$	*Collectively assessed impairment allowance* US$	*Impairment charged to income statement during the year* US$	*Impairment allowance written off during the year* US$
Loans and advances for use in Hong Kong							
Industrial, commercial and financial							
– Transport and transport equipment	252,392,493	752,835	497,781	623,937	234,194	725,845	13,363
– Others	65,766,821	63,882	60,267	63,522	194,336	161,745	-
Loans and advances for use outside Hong Kong							
Industrial, commercial and financial							
– Manufacturing	75,265,674	715,121	715,121	307,378	223,379	7,295	87,023

	2014						
	Gross loans and advances US$	*Impaired loans and advances* US$	*Overdue loans and advances* US$	*Individually assessed impairment allowance* US$	*Collectively assessed impairment allowance* US$	*Impairment charged to income statement during the year* US$	*Impairment allowance written off during the year* US$
Loans and advances for use in Hong Kong							
Industrial, commercial and financial							
– Transport and transport equipment	188,436,668	138,305	129,334	121,664	173,097	233,624	68,000
– Others	56,416,192	-	-	-	170,148	25,972	-
Loans and advances for use outside Hong Kong							
Industrial, commercial and financial							
– Manufacturing	67,970,642	1,367,556	1,150,637	707,791	225,898	243,914	2,975,259

Unaudited supplementary financial information (continued)

(d) Overdue and rescheduled assets

(i) Overdue loans and advances to customers

	2015		*2014*	
	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	380,830	0.08%	69,236	0.02%
– one year or less but over six months	107,918	0.02%	430,780	0.11%
– Over one year	805,010	0.17%	867,235	0.22%
	1,293,758	0.27%	1,367,251	0.35%
Current market value of collateral held against the covered portion of overdue loans and advances	2,046,509		737,196	
Covered portion of overdue loans and advances	895,063		643,230	

Unaudited supplementary financial information (continued)

(d) Overdue and rescheduled assets (continued)

(i) Overdue loans and advances to customers (continued)

	2015		*2014*	
	Amount US$	*% of total advances to customers*	*Amount* US$	*% of total advances to customers*
Uncovered portion of overdue loans and advances	398,695		724,021	
Individual impairment allowances made on overdue loans and advances	798,073		748,534	

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

Unaudited supplementary financial information (continued)

(d) Overdue and rescheduled assets (continued)

(ii) Rescheduled loans and advances to customers

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Company. Rescheduled loans and advances to customers are stated net of any loans and advances to customers that have subsequently become overdue for over three months and reported as overdue loans and advances in note (d)(i) above. The amount of rescheduled loans and advances to customers is not material as at 31 March 2015 and 2014.

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

There are no loans and advances to banks and other financial institutions which are overdue for more than three months as at 31 March 2015 and 2014.

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

There are no rescheduled loans and advances to banks and other financial institutions as at 31 March 2015 and 2014.

(v) Other overdue assets

There are no other assets which are overdue for more than three months as at 31 March 2015 and 2014.

Unaudited supplementary financial information (continued)

(d) Overdue and rescheduled assets (continued)

(vi) Geographical analysis of loans and advances to customers

	2015				
	Gross loans and advances US$	*Overdue loans and advances* US$	*Impaired loans (individually determined)* US$	*Individually assessed impairment allowances* US$	*Collectively assessed impairment allowances* US$
Hong Kong	444,025,348	938,764	1,197,434	888,270	772,809
Others	25,292,666	354,994	354,994	110,928	75,901
	469,318,014	1,293,758	1,552,428	999,198	848,710

	2014				
	Gross loans and advances US$	*Overdue loans and advances* US$	*Impaired loans (individually determined)* US$	*Individually assessed impairment allowances* US$	*Collectively assessed impairment allowances* US$
Hong Kong	372,018,744	807,072	938,334	583,203	724,348
Others	14,100,759	560,178	653,572	332,297	53,226
	386,119,503	1,367,250	1,591,906	915,500	777,574

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

Unaudited supplementary financial information (continued)

(e) Cross border claims

Cross border claims are on-balance sheet exposures of counterparties based on the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated. Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate cross border claims are shown as follows:

	2015		
	Banks and other financial institutions US$	*Other* US$	*Total* US$
Asia Pacific excluding Hong Kong	3,044,721	24,655,783	27,700,504
– of which China	-	21,842,543	21,842,543
– of which Japan	2,899,092	1,522,699	4,421,791
– of which Taiwan	115,635	920,824	1,036,459
Others	-	1,143,014	1,143,014

	2014		
	Banks and other financial institutions US$	*Other* US$	*Total* US$
Asia Pacific excluding Hong Kong	3,752,151	14,242,604	17,994,755
– of which China	-	11,365,144	11,365,144
– of which Japan	3,629,966	2,699,787	6,329,753
– of which Taiwan	122,185	-	122,185
Others	-	346,824	346,824

Unaudited supplementary financial information (continued)

(f) Non-bank Mainland China exposures

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

No restatement for 2014 comparative figures is necessary as the analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties under the Banking (Disclosure) Rules with reference to the prevailing HKMA return, which includes the Mainland exposures extended by the Company.

	2015		
	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)	187,355	-	187,355
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	5,094,137	-	5,094,137
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	67,053,895	1,536,959	68,590,854
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,601,909	-	4,601,909
	76,937,296	1,536,959	78,474,255
Total assets after provision	516,696,699		
On-balance sheet exposures as percentage of total assets	14.89%		

Unaudited supplementary financial information (continued)

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

	2014			
	On-balance sheet exposure US$	*Off-balance sheet exposure* US$	*Total* US$	*Individually assessed impairment* US$
Mainland entities	1,933,542	-	1,933,542	-
Companies and individuals outside the Mainland where the credit is granted for use in the Mainland	68,817,239	2,433,216	71,250,455	707,791
	70,750,781	2,433,216	73,183,997	707,791

(g) Repossessed assets

	2015 US$	*2014* US$
Repossessed assets	12,898	10,153

Unaudited supplementary financial information (continued)

(h) Segmental analysis

(i) By geographical area

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

(ii) By class of business

	2015		*2014*	
	Profit before taxation US$	*Total assets* US$	*Profit before taxation* US$	*Total assets* US$
Commercial financing business	9,484,981	472,137,964	8,194,933	388,593,999
Investment	(900,593)	10,345,788	(713,104)	10,339,360
Others	7,355	174,509	8,030	191,753
	8,591,743	482,658,261	7,489,859	399,125,112
Unallocated income/assets	(1,691,344)	34,029,294	(754,864)	46,968,935
	6,900,399	516,687,555	6,734,995	446,094,047

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

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

Other business activities included ship finance and staff loan scheme.

Unaudited supplementary financial information (continued)

(i) Additional disclosures on credit risk management

(i) Capital requirement

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

	2015 US$	*2014* US$
Total capital requirements for on-balance sheet exposures	461,358,826	379,247,703
Total capital requirements for off-balance sheet exposures	1,410,081	1,506,318
	462,768,907	380,754,021

(ii) Capital charge

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

	2015 US$	*2014* US$
Capital charge for operational risk	2,743,490	2,696,047

(iii) Market risk

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

Unaudited supplementary financial information (continued)

(j) Corporate governance

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

Board committees

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

(i) Quarterly Board of Directors Meeting

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

(ii) Credit Committee

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

(iii) Asset and Liability Management Committee

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

Unaudited supplementary financial information (continued)

(j) Corporate governance (continued)

(iv) Operational Risk Management Team

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

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

(v) Audit Committee

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

(k) Remuneration of directors and senior management

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

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

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

Unaudited supplementary financial information (continued)

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

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

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

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

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

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

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

Unaudited supplementary financial information (continued)

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

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

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

Fixed remuneration US$	*Variable remuneration* US$	*Number of beneficiaries*
1,322,165	447,307	17

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

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

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

(l) Leverage ratio

To comply 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).

Compliance with the Banking (Disclosure) Rules

The Company is required to comply with the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority which set out the minimum standards for public disclosure which authorised institutions must make in respect of the statement of profit or loss, state of affairs and capital adequacy. The financial statements for the financial year ended 31 March 2015 comply fully with the applicable disclosure provisions of the Banking (Disclosure) Rules.

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

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of ORIX Asia Limited ("the Company") set out on pages 1 to 65, which comprise the Company's statement of financial position as at 31 March 2015, the Company's statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

(Incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

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

27 July 2015

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