

ORIX Asia Limited

Interim Results
30 September 2017

CERTIFIED TRUE COPY:

FOR AND ON BEHALF OF

ORIX ASIA LIMITED



HIROYUKI SAKAI
MANAGING DIRECTOR

ORIX Asia Limited
Unaudited statement of profit or loss
For the six months ended 30 September 2017

	<i>Note</i>	2017 US\$	2016 US\$
Interest income	4(a)	16,664,722	14,520,323
Interest expense	4(b)	<u>(5,117,418)</u>	<u>(3,366,997)</u>
Net interest income		<u>11,547,304</u>	<u>11,153,326</u>
Fee and commission income	5(a)	1,387,227	1,174,354
Fee and commission expense	5(b)	<u>(1,374,673)</u>	<u>(1,518,945)</u>
Net fee and commission income/(expense)		<u>12,554</u>	<u>(344,591)</u>
Net trading gain	6	2,258,979	58,002
Other operating (expense)/ income	7	<u>(149,441)</u>	<u>1,008,105</u>
		<u>2,109,538</u>	<u>1,066,107</u>
Operating income		13,669,396	11,874,842
Operating expenses	8	<u>(8,248,211)</u>	<u>(6,898,222)</u>
		5,421,185	4,976,620
Net write back of impairment losses on loans and advances	9	<u>263,162</u>	<u>60,340</u>
Profit before taxation		5,684,347	5,036,960
Income tax	10	<u>(462,169)</u>	<u>(830,230)</u>
Profit for the period		<u>5,222,178</u>	<u>4,206,730</u>

ORIX Asia Limited
Unaudited statement of profit and loss and other
comprehensive income
For the six months ended 30 September 2017

	<i>Note</i>	<i>2017</i> US\$	<i>2016</i> US\$
Profit for the period		5,222,178	4,206,730
Other comprehensive income for the period (after tax and reclassification adjustments)	11		
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Available-for-sale financial assets: Net movement in the revaluation reserve for available-for-sale financial assets		<u>(15,258)</u>	<u>383</u>
Total comprehensive income for the period		<u>5,206,920</u>	<u>4,207,113</u>

ORIX Asia Limited

Unaudited statement of financial position as at 30 September 2017

	<i>Note</i>	<i>30-9-2017</i> US\$	<i>31-3-2017</i> US\$
Assets			
Cash and balances with banks and other financial institutions	12	39,964,698	26,734,660
Trading assets	13	457,488	156,379
Loans and advances to banks and other financial institutions	14(a)	-	27,590
Loans and advances to customers	14(b)	785,027,374	840,647,392
Available-for-sale financial assets	15	30,636,184	20,591,037
Property, plant and equipment	16	2,656,769	2,909,804
Deferred tax assets	17(b)	371,534	-
Other assets	18	13,297,573	13,927,090
Total assets		872,411,620	904,993,952
Equity and liabilities			
Deposits and balances from banks and other financial institutions		361,645,887	422,625,943
Deposits from customers	19	61,316,266	35,558,291
Deposits from fellow subsidiaries		133,123,190	133,620,615
Loans from ultimate holding company	20	38,401,475	38,613,020
Trading liabilities	21	73,415	131,279
Current taxation	17(a)	1,162,309	518,527
Deferred tax liabilities	17(b)	-	2,207
Other liabilities	22	6,600,432	9,042,344
Total liabilities		602,322,974	640,112,226
Equity			
Share capital	23	32,000,000	32,000,000
Reserves	24	238,088,646	232,881,726
Total equity		270,088,646	264,881,726
Total equity and liabilities		872,411,620	904,993,952

1 General information

The Directors of ORIX Asia Limited (“the Company”) are pleased to present the unaudited interim results of the Company for the six months ended 30 September 2017.

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

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

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

2 Basis of preparation and accounting policies

The interim financial disclosure statements have been prepared in accordance with the same accounting policies adopted in preparing the financial statements for the year ended 31 March 2017 except for the adoption of the revised Hong Kong Financial Reporting Standards (“HKFRS”, a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations), which are effective for accounting periods beginning on or after 1 January 2017 issued by HKICPA.

During the period, the Company has adopted the following revised HKFRSs which are relevant to its operations:

-Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*

-Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*

Up to the date of issue of these interim financial disclosure statements, the HKICPA has also issued certain new/revised HKFRS which are not yet effective for accounting period beginning on 1 January 2017 and have not been early adopted by the Company. The Company is in the process of making an assessment of what the impact of these new/revised HKFRSs is expected to be in the period of initial application.

3 Financial review

For the six months ended 30 September 2017, the Company recorded a pre-tax profit of US\$5.7 million, representing an increase of US\$0.6 million or 13% relative to the same period of last year. It was mainly due to increase in net operating income by US\$1.8million and net write back of impairment losses on loans and advances by US\$0.2 million offset by increase in operating expenses by US\$1.4 million.

As at 30 September 2017, the Company's total assets amounted to US\$872.4 million, representing a decrease of US\$32.6 million or 4% over the last financial year as at 31 March 2017. Among this, loans and advances to customers decreased by US\$55.6 million offset by increase in cash and balances with banks and other financial institutions by US\$13.2 million and available-for-sale financial assets by US\$10.0 million as compared with the last financial year.

4 Interest income and interest expense

For the six months ended 30 September

(a) Interest income

	2017 US\$	2016 US\$
Interest income on deposits to banks and financial institutions	68,205	68,747
Interest income on loans and advances	16,466,678	14,419,346
Interest income on unlisted debt securities	58,179	6,041
Amortisation of discounts on purchased lease and loan contracts	8,356	13,858
Interest income on loans and advances to fellow subsidiaries	63,239	11,313
Other interest income	65	1,018
	<hr/>	<hr/>
Total interest income on all financial assets	<u>16,664,722</u>	<u>14,520,323</u>

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

Included in the above is interest income accrued on impaired financial assets of US\$44,893 (2016: US\$92,641) for the six months ended 30 September 2017.

4 Interest income and interest expense (continued)

For the six months ended 30 September

(b) *Interest expense*

	2017	2016
	US\$	US\$
Interest expense on borrowings and deposits from fellow subsidiaries and borrowings from ultimate holding company	1,502,149	1,031,102
Interest expense on deposits from customers, banks and other financial institutions	3,615,269	2,335,895
Total interest expense on all financial liabilities	5,117,418	3,366,997

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

5 Fee and commission income and expenses

For the six months ended 30 September

(a) *Fee and commission income*

	2017	2016
	US\$	US\$
Credit-related fees and commissions	416,496	294,996
Management fee	970,731	879,358
	1,387,227	1,174,354

(b) *Fee and commission expense*

	2017	2016
	US\$	US\$
Brokerage fee expenses	1,290,673	1,434,927
Management fee expenses	84,000	84,000
Others	-	18
	1,374,673	1,518,945

The credit-related fee and commission income and the brokerage fee expenses to vendors are related to financial assets and liabilities not measured at fair value through profit and loss for the six months ended 30 September 2017.

6 Net trading gain

For the six months ended 30 September

	2017 US\$	2016 US\$
Net gain from currency derivatives	<u>2,258,979</u>	<u>58,002</u>

7 Other operating (expense)/income

For the six months ended 30 September

	2017 US\$	2016 US\$
Net exchange (loss)/gain	(1,568,109)	119,522
Penalty income from early termination loans	827,007	709,149
Others	<u>591,661</u>	<u>179,434</u>
	<u>(149,441)</u>	<u>1,008,105</u>

8 Operating expenses

For the six months ended 30 September

	2017 US\$	2016 US\$
Staff costs		
– Salaries and other benefits	3,818,579	3,832,266
– Contributions to the Mandatory Provident Funds	209,586	156,263
Depreciation	415,407	206,783
Property rentals	1,519,622	828,039
Other premises and equipment expenses	135,216	128,363
Advertising expenses	12,703	3,078
Auditor's remuneration	130,223	122,340
General and administrative expenses	896,185	674,893
Debt collection expenses	30,831	78,154
Consultancy fee	328,957	194,585
Travelling and transportation	56,883	41,462
Others	<u>694,019</u>	<u>631,996</u>
	<u>8,248,211</u>	<u>6,898,222</u>

9 Impairment losses on loans and advances

For the six months ended 30 September

	2017 US\$	2016 US\$
Individually assessed		
- new provisions	649,836	1,235,225
- releases	<u>(790,485)</u>	<u>(1,440,329)</u>
	(140,649)	(205,104)
Collectively assessed		
- new provisions	-	144,764
- releases	<u>(122,513)</u>	<u>-</u>
	<u>(122,513)</u>	<u>144,764</u>
Net release to the statement of profit or loss	<u><u>(263,162)</u></u>	<u><u>(60,340)</u></u>

10 Income tax

For the six months ended 30 September

Taxation in the statement of profit or loss represents:

	2017 US\$	2016 US\$
Current tax - Hong Kong Profits Tax		
Provision for the period	835,910	693,098
Deferred tax		
Origination and reversal of temporary differences (note 17(b))	<u>(373,741)</u>	<u>137,132</u>
Income tax charge	<u><u>462,169</u></u>	<u><u>830,230</u></u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the six months period ended 30 September 2017.

11 Other comprehensive income

For the six months ended 30 September

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

	2017			2016		
	<i>Before-tax amount</i> US\$	<i>Tax benefit</i> US\$	<i>Net-of-tax amount</i> US\$	<i>Before-tax amount</i> US\$	<i>Tax benefit</i> US\$	<i>Net-of-tax amount</i> US\$
Available-for-sale financial assets: net movement in available-for-sale fair value reserve	(15,258)	-	(15,258)	383	-	383
Other comprehensive income	(15,258)	-	(15,258)	383	-	383

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

	2017 US\$	2016 US\$
Available-for-sale financial assets:		
Changes in fair value recognised during the period	(15,258)	383
Reclassification adjustments for amounts transferred to the statement of profit or loss	-	-
Net movement in the revaluation reserve for available-for-sale financial assets during the period recognised in other comprehensive income	(15,258)	383

12 Cash and balances with banks and other financial institutions

	30-9-2017 US\$	31-3-2017 US\$
Cash in hand	640	644
Balances with banks and authorised institutions with remaining maturity of		
- within one month	39,964,058	26,734,016
	<u>39,964,698</u>	<u>26,734,660</u>

13 Trading assets

	30-9-2017 US\$	31-3-2017 US\$
Positive fair values of derivatives (note 25(b))	<u>457,488</u>	<u>156,379</u>

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

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

	30-9-2017 US\$	31-3-2017 US\$
Gross loans and advances to banks and other financial institutions	-	27,675
Less: Collectively assessed impairment allowances (note 14(c))	<u>-</u>	<u>(85)</u>
	<u>-</u>	<u>27,590</u>

(b) Loans and advances to customers

	30-9-2017 US\$	31-3-2017 US\$
Gross loans and advances to customers (note 14(d))	789,764,949	845,722,515
Less: Impairment allowances		
-individually assessed (note 14(c))	(3,765,022)	(3,968,884)
-collectively assessed (note 14(c))	(944,348)	(1,072,510)
Unearned discount on purchased lease and loan contracts	<u>(28,205)</u>	<u>(33,729)</u>
	<u>785,027,374</u>	<u>840,647,392</u>

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

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

	<i>30-9-2017</i>		
	<i>Collectively assessed</i>	<i>Individually assessed</i>	<i>Total</i>
	US\$	US\$	US\$
At 1 April 2017	1,072,595	3,968,884	5,041,479
Charges	-	649,836	649,836
Releases	(122,513)	(790,485)	(912,998)
Recoveries	-	86,311	86,311
Amounts written off	-	(128,321)	(128,321)
Exchange adjustments	(5,734)	(21,203)	(26,937)
At 30 September 2017	<u>944,348</u>	<u>3,765,022</u>	<u>4,709,370</u>
Analysis by counterparties:			
–Loans and advances to banks and other financial institutions (note 14(a))	-	-	-
–Loans and advances to customers (note 14(b))	944,348	3,765,022	4,709,370
	<u>944,348</u>	<u>3,765,022</u>	<u>4,709,370</u>
	<i>31-3-2017</i>		
	<i>Collectively assessed</i>	<i>Individually assessed</i>	<i>Total</i>
	US\$	US\$	US\$
At 1 April 2016	899,580	4,222,425	5,122,005
Charges	174,577	1,758,280	1,932,857
Releases	-	(1,970,487)	(1,970,487)
Recoveries	-	117,573	117,573
Amounts written off	-	(150,942)	(150,942)
Exchange adjustments	(1,562)	(7,965)	(9,527)
At 31 March 2017	<u>1,072,595</u>	<u>3,968,884</u>	<u>5,041,479</u>
Analysis by counterparties:			
–Loans and advances to banks and other financial institutions (note 14(a))	85	-	85
–Loans and advances to customers (note 14(b))	1,072,510	3,968,884	5,041,394
	<u>1,072,595</u>	<u>3,968,884</u>	<u>5,041,479</u>

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

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

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

	30-9-2017		31-3-2017	
	<i>Gross loans and advances to customers</i>	<i>% of gross loans and advances covered by collateral</i>	<i>Gross loans and advances to customers</i>	<i>% of gross loans and advances covered by collateral</i>
	US\$		US\$	
Gross loans and advances for use in Hong Kong				
Industrial, commercial and financial				
– Property investment	670,421	100	745,421	100
– Wholesale and retail trade	3,965,204	21	6,272,183	20
– Manufacturing	24,892,735	53	27,640,392	53
– Transport and transport equipment	609,517,453	99	646,833,183	99
– Others	73,984,056	84	75,099,091	83
Individuals				
– Loans and advances for the purchase of other residential properties	348,171	61	382,314	62
– Others	24,123,106	42	24,521,765	46
	737,501,146	94	781,494,349	94
Gross loans and advances for use outside Hong Kong	52,263,803	91	64,228,166	95
Gross loans and advances to customers	789,764,949	93	845,722,515	94

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

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

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

		30-9-2017				
		<i>Gross loans and advances</i>	<i>Impaired loans and advances</i>	<i>Overdue loans and advances</i>	<i>Individually assessed impairment allowance</i>	<i>Collectively assessed impairment allowance</i>
		US\$	US\$	US\$	US\$	US\$
Loans and advances for use in Hong Kong						
Industrial, commercial and financial						
– Transport and transport equipment	609,517,453	1,566,415	1,224,971	1,149,581	454,215	
		609,517,453	1,566,415	1,224,971	1,149,581	454,215
		31-3-2017				
		<i>Gross loans and advances</i>	<i>Impaired loans and advances</i>	<i>Overdue loans and advances</i>	<i>Individually assessed impairment allowance</i>	<i>Collectively assessed impairment allowance</i>
		US\$	US\$	US\$	US\$	US\$
Loans and advances for use in Hong Kong						
Industrial, commercial and financial						
– Transport and transport equipment	646,833,183	866,558	797,496	941,928	481,674	
		646,833,183	866,558	797,496	941,928	481,674

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

(e) Non-bank Mainland China exposures

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

	30-9-2017		<i>Total</i> US\$
	<i>On-balance</i> <i>sheet</i> <i>exposure</i> US\$	<i>Off-balance</i> <i>sheet</i> <i>exposure</i> US\$	
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	573,564	-	573,564
Other entities of local governments	607,359	-	607,359
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	48,390,042	3,076,845	51,466,887
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	832,042	-	832,042
	50,403,007	3,076,845	53,479,852
Total assets after provision	872,411,620		
On-balance sheet exposures as percentage of total assets	5.78%		

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

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

	31-3-2017		<i>Total</i> US\$
	<i>On-balance</i> <i>sheet</i> <i>exposure</i> US\$	<i>Off-balance</i> <i>sheet</i> <i>exposure</i> US\$	
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,000,591	-	1,000,591
Other entities of local governments	215,979	-	215,979
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	62,304,580	834,459	63,139,039
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,164,565	1,930,651	3,095,216
	64,685,715	2,765,110	67,450,825
Total assets after provision	904,993,952		
On-balance sheet exposures as percentage of total assets	7.15%		

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

(f) Geographical analysis of loans and advances to customers

	<u>30-9-2017</u>				
	<i>Gross loans and advances</i> US\$	<i>Loans and advances overdue for more than 3 months</i> US\$	<i>Impaired loans (individually determined)</i> US\$	<i>Individually assessed impairment allowances</i> US\$	<i>Collectively assessed impairment allowances</i> US\$
Hong Kong	771,557,233	3,390,032	3,994,699	2,981,376	885,648
Others	18,207,716	781,905	781,906	783,646	58,700
	<u>789,764,949</u>	<u>4,171,937</u>	<u>4,776,605</u>	<u>3,765,022</u>	<u>944,348</u>
	<u>31-3-2017</u>				
	<i>Gross loans and advances</i> US\$	<i>Loans and advances overdue for more than 3 months</i> US\$	<i>Impaired loans (individually determined)</i> US\$	<i>Individually assessed impairment allowances</i> US\$	<i>Collectively assessed impairment allowances</i> US\$
Hong Kong	823,199,768	3,182,374	3,978,946	3,187,044	1,008,817
Others	22,522,747	786,211	786,210	781,840	63,693
	<u>845,722,515</u>	<u>3,968,585</u>	<u>4,765,156</u>	<u>3,968,884</u>	<u>1,072,510</u>

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

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

(g) Impaired, overdue and rescheduled assets

(i) Impaired loans

	30-9-2017 US\$	31-3-2017 US\$
Gross impaired loans and advances to customers	4,776,605	4,765,156
Impairment allowance - individually assessed	<u>(3,765,022)</u>	<u>(3,968,884)</u>
	<u>1,011,583</u>	<u>796,272</u>
As a percentage of total loans and advances to customers		
- Gross impaired loans and advances	<u>0.60%</u>	<u>0.56%</u>

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

Individually assessed impairment allowance were made after taking into account the realisable value of collaterals in respect of such loans and advances of US\$922,006 (31 March 2017: US\$762,336) for the Company. These collaterals mainly comprised equipment, vehicles and cash on deposit with the Company.

There were no impaired loans and advances to banks and other financial institutions as at 30 September 2017 and 31 March 2017.

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

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

(ii) Overdue loans and advances to customers

	30-9-2017		31-3-2017	
	Amount	% of total	Amount	% of total
	US\$	advances to	US\$	advances to
		customers		customers
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:				
– six months or less but over three months	262,607	0.03%	390,301	0.05%
– one year or less but over six months	442,839	0.06%	288,702	0.03%
– Over one year	<u>3,466,491</u>	0.44%	<u>3,289,582</u>	0.39%
	<u>4,171,937</u>	0.53%	<u>3,968,585</u>	0.47%
 Current market value of collateral held against the covered portion of overdue loans and advances	 <u>1,152,942</u>		 <u>2,375,988</u>	
 Covered portion of overdue loans and advances	 <u>1,143,897</u>		 <u>1,171,969</u>	
 Uncovered portion of overdue loans and advances	 <u>3,028,040</u>		 <u>2,796,616</u>	
 Individual impairment allowances made on loans and advances overdue for more than three months	 <u>3,361,126</u>		 <u>3,268,825</u>	

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

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

(iii) Rescheduled loans and advances to customers

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Company. Rescheduled loans and advances to customers are stated net of any loans and advances to customers that have subsequently become overdue for over three months and reported as overdue loans and advances in note 14(g)(ii). The amount of rescheduled loans and advances to customers is not material as at 30 September 2017 and 31 March 2017.

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

There are no loans and advances to banks and other financial institutions which are overdue for more than three months as at 30 September 2017 and 31 March 2017.

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

There are no rescheduled loans and advances to banks and other financial institutions as at 30 September 2017 and 31 March 2017.

(vi) Other overdue assets

There are no other assets which are overdue for more than three months as at 30 September 2017 and 31 March 2017.

(h) Repossessed assets

	30-9-2017	31-3-2017
	US\$	US\$
Repossessed assets	94,058	110,359

15 Available-for-sale financial assets

	30-9-2017	31-3-2017
	US\$	US\$
At fair value:		
Unlisted debt securities		
– Issued by Sovereigns	30,636,184	20,591,037

16 Property, plant and equipment

	<i>Leasehold improvements</i> US\$	<i>Furniture and equipment</i> US\$	<i>Motor vehicles</i> US\$	<i>Total</i> US\$
Cost:				
At 1 April 2017	1,606,629	2,246,800	97,290	3,950,719
Additions	22,525	139,847	-	162,372
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2017	1,629,154	2,386,647	97,290	4,113,091
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation:				
At 1 April 2017	17,463	931,027	92,425	1,040,915
Charge for the period	105,548	304,994	4,865	415,407
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2017	123,011	1,236,021	97,290	1,456,322
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 30 September 2017	1,506,143	1,150,626	-	2,656,769
	<hr/>	<hr/>	<hr/>	<hr/>
	<i>Leasehold improvements</i> US\$	<i>Furniture and equipment</i> US\$	<i>Motor vehicles</i> US\$	<i>Total</i> US\$
Cost:				
At 1 April 2016	953,647	3,476,888	97,290	4,527,825
Additions	1,606,629	1,312,781	-	2,919,410
Disposals	(953,647)	(2,542,869)	-	(3,496,516)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	1,606,629	2,246,800	97,290	3,950,719
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation:				
At 1 April 2016	917,087	3,062,119	72,967	4,052,173
Charge for the year	54,024	411,776	19,458	485,258
Disposals	(953,648)	(2,542,868)	-	(3,496,516)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	17,463	931,027	92,425	1,040,915
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 31 March 2017	1,589,166	1,315,773	4,865	2,909,804
	<hr/>	<hr/>	<hr/>	<hr/>

17 Income tax in the statement of financial position

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

	30-9-2017 US\$	31-3-2017 US\$
Provision for Hong Kong Profits Tax	835,910	1,088,400
Provisional Profits Tax paid	-	(569,873)
	<u>835,910</u>	<u>518,527</u>
Balance of Profit Tax provision relating to prior years	<u>326,399</u>	<u>-</u>
Tax payable	<u><u>1,162,309</u></u>	<u><u>518,527</u></u>

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

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

	<i>Depreciation in excess of related depreciation allowances</i> US\$	<i>Impairment allowance and bonus provision</i> US\$	<i>Revaluation of available- for-sale investment</i> US\$	<i>Total</i> US\$
Deferred tax arising from:				
At 1 April 2017	107,759	(105,552)	-	2,207
Credited to statement of profit or loss (note 10)	<u>(68,743)</u>	<u>(304,998)</u>	<u>-</u>	<u>(373,741)</u>
At 30 September 2017	<u><u>39,016</u></u>	<u><u>(410,550)</u></u>	<u><u>-</u></u>	<u><u>(371,534)</u></u>
At 1 April 2016	(96,810)	(148,431)	-	(245,241)
Charged to statement of profit or loss	<u>204,569</u>	<u>42,879</u>	<u>-</u>	<u>247,448</u>
At 31 March 2017	<u><u>107,759</u></u>	<u><u>(105,552)</u></u>	<u><u>-</u></u>	<u><u>2,207</u></u>

18 Other assets	30-9-2017 US\$	31-3-2017 US\$
Interest receivable	544,345	543,715
Amounts due from fellow subsidiaries	7,053,042	7,538,051
Deposits, prepayment and other receivables	5,700,186	5,845,324
	<u>13,297,573</u>	<u>13,927,090</u>
19 Deposits from customers	30-9-2017 US\$	31-3-2017 US\$
Time, call and notice deposits	61,316,266	35,558,291
	<u>61,316,266</u>	<u>35,558,291</u>
20 Loans from ultimate holding company		
The balance represents loans from the ultimate holding company amounting to US\$38,401,475 (31 March 2017: US\$38,613,020). The loans are unsecured, interest bearing and repayable after one year.		
21 Trading liabilities	30-9-2017 US\$	31-3-2017 US\$
Negative fair value of derivatives (note 25(b))	73,415	131,279
	<u>73,415</u>	<u>131,279</u>
22 Other liabilities	30-9-2017 US\$	31-3-2017 US\$
Interest payable	1,007,058	845,105
Other liabilities and accrued charges	5,593,374	8,197,239
	<u>6,600,432</u>	<u>9,042,344</u>

23 Share capital

	30-9-2017		31-3-2017	
	<i>No. of shares</i>	US\$	<i>No. of shares</i>	US\$
Ordinary shares, issued and fully paid:				
Ordinary shares	<u>16,000,000</u>	<u>32,000,000</u>	<u>16,000,000</u>	<u>32,000,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets. For the year ended 31 March 2017 and for the period ended 30 September 2017, ordinary shares of HK\$10 and of US\$2 rank pari passu in all respects.

24 Reserves

(a)

	<i>Revaluation reserve for available- for-sale financial assets US\$</i>	<i>Retained profits US\$</i>	<i>Total US\$</i>
Balance at 1 April 2017	6,346	232,875,380	232,881,726
Total comprehensive income for the period	<u>(15,258)</u>	<u>5,222,178</u>	<u>5,206,920</u>
Balance at 30 September 2017	<u>(8,912)</u>	<u>238,097,558</u>	<u>238,088,646</u>
Balance at 1 April 2016	238	226,123,026	226,123,264
Total comprehensive income for the year	<u>6,108</u>	<u>6,752,354</u>	<u>6,758,462</u>
Balance at 31 March 2017	<u>6,346</u>	<u>232,875,380</u>	<u>232,881,726</u>

24 Reserves (continued)

(b) Nature and purpose of reserves

(i) Revaluation reserve

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value of available-for-sale financial assets until the financial assets are derecognised.

(ii) Regulatory reserve

The regulatory reserve is maintained to satisfy the provision of the Hong Kong Banking Ordinance for prudential supervision purpose to set aside amounts in respect of losses which the Company may incur on the loans and advances in addition to the impairment allowances made under HKFRS. As at 30 September 2017, a regulatory reserve of US\$ 9.60 million (31 March 2017: US\$10.00 million) was earmarked in the retained profits and in consultation with the HKMA.

25 Derivatives

(a) Notional amount of derivatives

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

	30-9-2017	31-3-2017
	US\$	US\$
Currency derivatives		
- Forwards and futures	<u>257,772,894</u>	<u>257,500,000</u>

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

	30-9-2017			31-3-2017		
	Fair value		Credit risk weighted amount	Fair value		Credit risk weighted amount
	Assets	Liabilities		Assets	Liabilities	
	US\$	US\$	US\$	US\$	US\$	
Currency derivatives	<u>457,488</u>	<u>(73,415)</u>	<u>608,398</u>	<u>156,379</u>	<u>(131,279)</u>	<u>546,275</u>

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

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

25 Derivatives (continued)

(c) Remaining life of derivatives

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

	30-9-2017 US\$	31-3-2017 US\$
Currency derivatives		
– Notional amounts with remaining life of one year or less	<u>257,772,894</u>	<u>257,500,000</u>

26 Contingent liabilities and commitments

Contingent liabilities and commitments to extend credit

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

	30-9-2017 US\$	31-3-2017 US\$
Trade-related contingencies	5,158,507	954,485
Other commitments		
– with an original maturity of under one year or which are unconditionally cancellable	<u>33,718,516</u>	<u>26,313,360</u>
	<u>38,877,023</u>	<u>27,267,845</u>

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

The credit risk weighted amount arising from trade-related contingencies as at 30 September 2017 is US\$1,031,701 (31 March 2017: US\$190,897).

27 International claims

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

	<u>30-9-2017</u>				<i>Total</i> US\$
	<i>Non-bank private sector</i>			<i>Non-financial private sector</i> US\$	
	<i>Banks</i> US\$	<i>Official sector</i> US\$	<i>Non-bank financial institutions</i> US\$		
Developed countries	26,430,800	-	-	318,173	26,748,973
Offshore centres	117,947	-	5,027,773	7,297,692	12,443,412
– of which: Hong Kong	117,847	-	5,027,773	5,990,518	11,136,138
Developing Asia Pacific	689,492	-	-	17,160,814	17,850,306
– of which: China	-	-	-	17,160,814	17,160,814
	<u>27,238,239</u>	<u>-</u>	<u>5,027,773</u>	<u>24,776,679</u>	<u>57,042,691</u>

	<u>31-3-2017</u>				<i>Total</i> US\$
	<i>Non-bank private sector</i>			<i>Non-financial private sector</i> US\$	
	<i>Banks</i> US\$	<i>Official sector</i> US\$	<i>Non-bank financial institutions</i> US\$		
Developed countries	19,156,108	-	-	451,639	19,607,747
Offshore centres	699,890	-	1,346,110	4,761,430	6,807,430
– of which: Hong Kong	699,790	-	1,346,110	2,586,796	4,632,696
Developing Asia Pacific	27,685	-	-	21,109,905	21,137,590
– of which: China	-	-	-	21,109,905	21,109,905
	<u>19,883,683</u>	<u>-</u>	<u>1,346,110</u>	<u>26,322,974</u>	<u>47,552,767</u>

28 Currency risk

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

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

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

	<u>30-9-2017</u>		
	<u>USD equivalents</u>		
	<i>HK dollars</i>	<i>Japanese Yen</i>	<i>Total</i>
Spot assets	850,402,600	10,005,110	860,407,710
Spot liabilities	(556,705,128)	(9,755,276)	(566,460,404)
Forward purchases	136,771	136,123	272,894
Forward sales	(256,865,954)	(136,123)	(257,002,077)
Net long non-structural position	<u>36,968,289</u>	<u>249,834</u>	<u>37,218,123</u>
	<u>31-3-2017</u>		
	<u>USD equivalents</u>		
	<i>HK dollars</i>	<i>Japanese Yen</i>	<i>Total</i>
Spot assets	885,437,331	9,915,380	895,352,711
Spot liabilities	(595,008,224)	(9,762,414)	(604,770,638)
Forward purchases	-	-	-
Forward sales	(256,933,933)	-	(256,933,933)
Net long non-structural position	<u>33,495,174</u>	<u>152,966</u>	<u>33,648,140</u>

The Company does not have any structural position as at 30 September 2017 (31 March 2017: nil).

29 Liquidity maintenance ratio

	<i>Six months ended 30-9-2017</i>	<i>Six months ended 30-9-2016</i>	<i>Year ended 31-3-2017</i>
Liquidity maintenance ratio	<u>48.94%</u>	<u>57.70%</u>	<u>51.96%</u>

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

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

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

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

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

ALCO is responsible for the implementation and maintenance of the overall risk management framework relating to balance sheet structure, market risks and funding and liquidity management across the Company’s banking business. Monthly meeting will be conducted.

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

Other monitoring measures:

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

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

29 Liquidity maintenance ratio (continued)

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

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

30 Capital and capital adequacy

	30-9-2017	31-3-2017
Capital ratio:		
Common Equity Tier 1 (“CET1”) Capital Ratio	30.84%	28.00%
Tier 1 Capital Ratio	30.84%	28.00%
Total Capital Ratio	32.03%	29.19%

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

During the year ended 31 March 2017 and for the six month ended 30 September 2017, market risk arising from the Company’s trading book is minimal. The Company has been granted exemption by the HKMA as it can fulfil the exemption criteria set out in sections 22(1)(a) and (b) of the Banking (Capital) Rules. Hence, the Company was exempted from the calculation of market risk.

30 Capital and capital adequacy (continued)

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

	30-9-2017 US\$	31-3-2017 US\$
CET1 Capital:		
CET1 Capital instruments	32,000,000	32,000,000
Retained earnings	238,097,558	232,875,380
Disclosed reserves	(8,912)	6,346
	270,088,646	264,881,726
Regulatory deductions to CET1 capital:		
Regulatory reserve for general banking risks	9,604,342	9,999,366
Net deferred tax assets	371,534	-
Insignificant capital investments in financial sector entities that are not subject to consolidation	-	7,040,802
	260,112,770	247,841,558
Additional Tier 1 (“AT1”) Capital	-	-
Total Tier 1 (“T1”) Capital	260,112,770	247,841,558
Tier 2 (“T2”) Capital		
Qualifying Tier 2 capital instruments plus any related share premium	-	-
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	10,004,794	10,559,394
	10,004,794	10,559,394
Total T2 Capital	10,004,794	10,559,394
Total Capital	270,117,564	258,400,952

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

31 Leverage ratio

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

	<i>30-9-2017</i>	<i>31-3-2017</i>
Leverage ratio	<u>29.87%</u>	<u>27.49%</u>

As required by section 24A of BDR, information in relation to the Company’s regulatory leverage ratio disclosures will be published by using the standard disclosure templates as specified by the HKMA under “Regulatory Disclosures” section on the Company’s website (<http://www.orix.com.hk>).

32 Countercyclical capital buffer ratio

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

	<i>30-9-2017</i>	<i>31-3-2017</i>
CCyB ratio	<u>1.2210%</u>	<u>1.2170%</u>

As required by section 24B of BDR, the Company’s risk-weighted amounts in relation to each jurisdiction in which the Company has private sector credit exposures and the applicable JCCyB ratio for each jurisdiction that is relevant to the calculation of the Company’s CCyB ratio are as follows:

<i>Jurisdiction</i>	<i>30-9-2017</i>		<i>31-3-2017</i>	
	<i>Total</i>	<i>JCCyB</i>	<i>Total</i>	<i>JCCyB</i>
	<i>risk-weighted</i>		<i>risk-weighted</i>	
	<i>amount</i>	<i>ratio</i>	<i>amount</i>	<i>ratio</i>
	US\$		US\$	
Hong Kong SAR	770,717,104	1.25%	814,482,260	1.25%
China	16,377,168	0%	20,328,068	0%
Curacao	19,594	0%	19,594	0%
Japan	283,170	0%	403,582	0%
New Zealand	35,003	0%	48,057	0%
Samoa	441,277	0%	507,895	0%
Singapore	69,676	0%	69,800	0%
West Indies UK	776,627	0%	933,833	0%
Total across countries	<u>788,719,619</u>		<u>836,793,089</u>	