

ORIX Asia Limited

**Interim Results  
30 September 2019**

**By Order of the Board:**



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LIU Guoping  
CHAIRMAN AND DIRECTOR

## ORIX Asia Limited

### Unaudited statement of profit or loss

### For the six months ended 30 September 2019

	<i>Note</i>	2019 US\$	2018 (Note) US\$
Interest income calculated using the effective interest method	4(a)	14,653,466	15,123,204
Other interest income	4(a)	6,393	8,045
Interest expense	4(b)	(5,380,154)	(5,490,771)
<b>Net interest income</b>		9,279,705	9,640,478
Fee and commission income	5(a)	1,804,671	1,617,655
Fee and commission expense	5(b)	(1,412,880)	(1,293,700)
<b>Net fee and commission income</b>		391,791	323,955
Net trading gain	6	224,273	194,890
Other operating income	7	1,674,919	2,156,084
		1,899,192	2,350,974
<b>Operating income</b>		11,570,688	12,315,407
<b>Operating expenses</b>	8	(8,901,784)	(8,486,589)
		2,668,904	3,828,818
Net (charge)/release for impairment losses on loans and advances	9	(1,257,850)	370,552
<b>Profit before taxation</b>		1,411,054	4,199,370
Income tax	10	(222,680)	(599,868)
<b>Profit for the period</b>		1,188,374	3,599,502

Note: The Company has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated.

ORIX Asia Limited  
Unaudited statement of profit and loss and other  
comprehensive income  
For the six months ended 30 September 2019

	<i>Note</i>	<i>2019</i>	<i>2018</i>
		US\$	(Note) US\$
<b>Profit for the period</b>		1,188,374	3,599,502
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>	11		
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Investment securities: Net movement in the revaluation reserve and translation reserve		14,068	(45,651)
<b>Total comprehensive income for the period</b>		1,202,442	3,553,851

Note: The Company has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated.

## ORIX Asia Limited

### Unaudited statement of financial position as at 30 September 2019

	<i>Note</i>	<i>30-9-2019</i> US\$	<i>31-3-2019</i> US\$
<b>Assets</b>			
Cash and balances with banks and other financial institutions	12	51,329,618	22,999,272
Trading assets	13	361,645	314,475
Loans and advances to customers	14(a)	609,534,390	667,563,145
Investment securities	15	26,783,923	31,906,697
Property and equipment	16	1,498,626	1,869,260
Deferred tax assets	17(b)	605,548	529,818
Tax recoverable	17(a)	899,539	757,645
Other assets	18	21,381,796	10,451,300
<b>Total assets</b>		<b>712,395,085</b>	<b>736,391,612</b>
<b>Equity and liabilities</b>			
Deposits and balances from banks and other financial institutions		186,204,728	191,578,509
Deposits from customers	19	99,619,511	112,767,628
Deposits from fellow subsidiaries		71,381,376	93,508,986
Loans from ultimate holding company	20	50,296,629	49,932,249
Trading liabilities	21	116,400	33,127
Other liabilities	22	27,121,395	12,119,613
<b>Total liabilities</b>		<b>434,740,039</b>	<b>459,940,112</b>
<b>Equity</b>			
Share capital	23	32,000,000	32,000,000
Reserves	24	245,655,046	244,451,500
<b>Total equity</b>		<b>277,655,046</b>	<b>276,451,500</b>
<b>Total equity and liabilities</b>		<b>712,395,085</b>	<b>736,391,612</b>

## **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 2019.

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 HKMC Insurance Limited, a wholly-subsiary of the Hong Kong Mortgage Corporation Limited.

## **2 Basis of preparation and accounting policies**

Except as described below, the accounting policies and methods of computation used in the preparation of the 2020 interim financial statements are consistent with those used and described in the Company’s annual audited financial statements for the year ended 31 March 2019.

### **New and amended standards adopted by the Company**

A number of new or amended standards became applicable for the current reporting period, the Company had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 “Leases”.

The impact of the adoption of the leasing standard and the new accounting policies that have been applied from 1 April 2019 are disclosed below.

The Company has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the year ended 31 March 2019, as permitted under the specific transitional provisions in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening balance on 1 April 2019.

#### **(1) Adjustments recognised on adoption of HKFRS16**

On adoption of HKFRS 16, the Company recognised lease liabilities in relation to leases which had previous been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The incremental borrowing rates applied range from 2.04% to 3.13%.

## 2 Basis of preparation and accounting policies (Continued)

### New and amended standards adopted by the Company (Continued)

#### (1) Adjustments recognised on adoption of HKFRS16 (Continued)

	US\$
Operating lease commitments disclosed as at 31 March 2019	16,062,385
Discounted using the lessee's incremental borrowing rate at the date of initial application	(1,340,559)
Add: Contracts which were not classified as operating lease under HKAS 17 and are classified as operating lease under HKFRS 16	273,968
Add: adjustments as a result of a different treatment of extension and termination options	39,558
Less: short-term leases or low-value leases recognised on a straight-line basis as expense	(17,199)
	15,018,153
Lease liabilities recognised as at 1 April 2019	15,018,153

The changes in accounting policy affected the following items in the balance sheet on 1 April 2019:

Right-of-use assets-increase by USD14,351,436

Accruals-decrease by USD667,821

Lease liabilities-increase by USD15,018,153

The net impact on retained earnings on 1 April 2019 was an increase by US\$1,104.

#### (i) Practical expedients applied

In applying HKFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics in reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the use of hindsight in determining the lease term where the contract contains options to extend to terminate the lease.

## 2 Basis of preparation and accounting policies (Continued)

### New and amended standards adopted by the Company (Continued)

(2) The Company's leasing activities and how these are accounted for

The Company leases offices, properties and office equipment. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the year ended 31 March 2019, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

## **2 Basis of preparation and accounting policies (Continued)**

### **New and amended standards adopted by the Company (Continued)**

#### **(2) The Company's leasing activities and how these are accounted for (Continued)**

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of properties.

There are no other HKFRSs or interpretations that are effective from 1 April 2019 or not yet effective that would be expected to have a material impact on the Company.

These interim financial statements have not been audited.

## **3 Financial review**

For the six months ended 30 September 2019, the Company recorded a pre-tax profit of US\$1.4 million, representing a decrease of US\$2.8 million or 66% relative to the same period of last year. It was mainly due to increase in impairment losses in loan and advances by US\$1.6 million, increase in operating expenses by US\$0.4 million and decrease in other operating income by US\$0.5 million.

As at 30 September 2019, the Company's total assets amounted to US\$712 million, representing a decrease of US\$24.0 million or 3% over the last financial year as at 31 March 2019. Among this, loans and advances to customers decreased by US\$58.0 million, and investment securities decreased by US\$5.1 offset by increase in cash and balances with banks and other financial institutions by US\$28.3 and increase in other assets by US\$10.9 million as compared with the last financial year.



#### 4 Interest income and interest expense

For the six months ended 30 September

(a) *Interest income*

	2019	2018
	US\$	US\$
<b>Interest income calculated using the effective interest method:</b>		
-Interest income on deposits to banks and financial institutions	130,619	83,888
-Interest income on loans and advances	14,196,866	14,821,524
-Interest income on unlisted debt securities	243,351	153,552
-Interest income on loans and advances to fellow subsidiaries	74,324	64,062
-Others	8,306	178
	14,653,466	15,123,204
<b>Other interest income:</b>		
-Amortisation of discounts on purchased lease and loan contracts	6,393	8,045
	14,659,859	15,131,249

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\$ 188,856 (2018: US\$29,959) for the six months ended 30 September 2019.

(b) *Interest expense*

	2019	2018
	US\$	US\$
Interest expense on borrowings and deposits from fellow subsidiaries and borrowings from ultimate holding company	1,837,056	2,023,449
Interest expense on deposits from customers, banks and other financial institutions	3,315,766	3,467,322
Lease liabilities	227,332	-
	5,380,154	5,490,771

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

	2019 US\$	2018 US\$
Revenue from contracts with customers within the scope of HKFRS 15:		
Credit-related fees and commissions	568,412	627,739
Management fee	1,236,259	989,916
	<u>1,804,671</u>	<u>1,617,655</u>

### (b) Fee and commission expense

	2019 US\$	2018 US\$
Brokerage fee expenses	1,304,880	1,209,700
Management fee expenses	108,000	84,000
	<u>1,412,880</u>	<u>1,293,700</u>

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.

## 6 Net trading gain

For the six months ended 30 September

	2019 US\$	2018 US\$
Net gain from currency derivatives	<u>224,273</u>	<u>194,890</u>

## 7 Other operating income

For the six months ended 30 September

	2019 US\$	2018 US\$
Net exchange gain	405,591	769,662
Penalty income from early termination loans	651,898	728,870
Others	617,430	657,552
	<u>1,674,919</u>	<u>2,156,084</u>

## 8 Operating expenses

For the six months ended 30 September

	2019 US\$	2018 US\$
Staff costs		
– Salaries and other benefits	4,526,551	4,206,347
– Contributions to the Mandatory Provident Funds	229,697	144,617
Depreciation		
– Property and equipment (note 16)	370,634	426,474
– Right-of-use assets	1,318,142	-
Property rentals	60,695	1,506,002
Other premises and equipment expenses	176,552	208,664
Advertising expenses	16,671	59,664
Auditor’s remuneration	165,755	146,850
General and administrative expenses	916,673	919,177
Debt collection expenses	88,586	23,233
Consultancy fee	294,143	357,002
Travelling and transportation	30,096	29,305
Others	707,589	459,254
	<u>8,901,784</u>	<u>8,486,589</u>

## 9 Impairment losses on loans and advances

For the six months ended 30 September

	2019 US\$	2018 US\$
Stage 3 ECL		
– new provisions	(1,604,653)	(201,613)
– releases	431,999	69,754
– recoveries	45,174	367,567
	<u>(1,127,480)</u>	<u>235,708</u>
Stage 1 and 2 ECL		
– new provisions (note)	(130,370)	-
– releases	-	134,844
	<u>(130,370)</u>	<u>134,844</u>
Net (charge)/release to the statement of profit or loss	<u>(1,257,850)</u>	<u>370,552</u>

Note: The stage 1 and 2 ECL on loans and advances includes the stage 1 ECL on off-balance sheet exposures of US\$476 (2018: US\$405).

## 10 Income tax

For the six months ended 30 September

*Taxation in the statement of profit or loss represents:*

	2019 US\$	2018 US\$
<b>Current tax - Hong Kong Profits Tax</b>		
Provision for the period	298,410	711,806
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 17(b))	(75,730)	(111,938)
Income tax charge	222,680	599,868

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 September, 2018: 16.5%) of the estimated assessable profits for the six months ended 30 September, 2019.

## 11 Other comprehensive income

For the six months ended 30 September

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

	2019			2018		
	<i>Before-tax amount</i>	<i>Tax benefit</i>	<i>Net-of-tax amount</i>	<i>Before-tax amount</i>	<i>Tax benefit</i>	<i>Net-of-tax amount</i>
	US\$	US\$	US\$	US\$	US\$	US\$
Investment securities measured at fair value through other comprehensive income: net movement in revaluation reserve and translation reserve	14,068	-	14,068	(45,651)	-	(45,651)
Other comprehensive income	<u>14,068</u>	<u>-</u>	<u>14,068</u>	<u>(45,651)</u>	<u>-</u>	<u>(45,651)</u>

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

	2019 US\$	2018 US\$
<b>Investment securities:</b>		
Changes in fair value recognised during the period	14,068	(45,651)
Net deferred tax credited/(charged) to other comprehensive income	<u>-</u>	<u>-</u>
Net movement in the revaluation reserve and translation reserve during the period recognised in other comprehensive income	<u>14,068</u>	<u>(45,651)</u>

## 12 Cash and balances with banks and other financial institutions

	30-9-2019 US\$	31-3-2019 US\$
Cash in hand	637	637
Balances with banks and authorised institutions with remaining maturity of		
- within one month	<u>51,328,981</u>	<u>22,998,635</u>
	<u>51,329,618</u>	<u>22,999,272</u>

### 13 Trading assets

	30-9-2019 US\$	31-3-2019 US\$
Positive fair values of derivatives (note 25(b))	<u>361,645</u>	<u>314,475</u>

### 14 Loans and advances to customers

#### (a) Loans and advances to customers

	30-9-2019 US\$	31-3-2019 US\$
Loans and advances to customers at amortised cost	125,849,997	120,141,973
Finance leases	<u>494,142,469</u>	<u>556,685,407</u>
Gross loans and advances to customers	----- 619,992,466	----- 676,827,380
Less: Impairment allowances (note 14(b))		
– stage 3 ECL	(8,707,174)	(7,637,907)
– stage 1 and 2 ECL	(1,750,808)	(1,619,851)
Unearned discount on purchased lease and loan contracts	<u>(94)</u>	<u>(6,477)</u>
	<u>609,534,390</u>	<u>667,563,145</u>

## 14 Loans and advances to customers (continued)

### (b) Movement in impairment allowances on loans and advances

	<i>Stage 1 ECL</i> US\$	<i>Stage 2 ECL</i> US\$	<i>Stage 3 ECL</i> US\$	<i>Total</i> US\$
At 1 April 2019	525,805	1,094,046	7,637,907	9,257,758
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(6,810)	6,810	-	-
Transfer to Stage 3	(789)	(496,320)	497,109	-
Net remeasurement of loss allowance (including exchange adjustments)	14,742	420,910	682,527	1,118,179
New financial assets originated or purchased	244,288	89,835	-	334,123
Financial assets that have been derecognised and repayment	(56,848)	(84,861)	-	(141,709)
Write-offs	-	-	(110,369)	(110,369)
	<u>720,388</u>	<u>1,030,420</u>	<u>8,707,174</u>	<u>10,457,982</u>
	<i>Stage 1 ECL</i> US\$	<i>Stage 2 ECL</i> US\$	<i>Stage 3 ECL</i> US\$	<i>Total</i> US\$
At 1 April 2018	1,027,690	297,943	3,523,158	4,848,791
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(14,760)	14,760	-	-
Transfer to Stage 3	(13,659)	-	13,659	-
Net remeasurement of loss allowance (including exchange adjustments)	(512,003)	706,309	4,384,040	4,578,346
New financial assets originated or purchased	204,732	188,172	-	392,904
Financial assets that have been derecognised and repayment	(166,195)	(113,138)	-	(279,333)
Write-offs	-	-	(282,950)	(282,950)
	<u>525,805</u>	<u>1,094,046</u>	<u>7,637,907</u>	<u>9,257,758</u>
At 31 March 2019	<u>525,805</u>	<u>1,094,046</u>	<u>7,637,907</u>	<u>9,257,758</u>

## 14 Loans and advances to customers (continued)

### (c) 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”).

	30-9-2019		31-3-2019	
	Gross loans and advances to customers US\$	% of gross loans and advances covered by collaterals	Gross loans and advances to customers US\$	% of gross loans and advances covered by collaterals
<b>Gross loans and advances for use in Hong Kong</b>				
Industrial, commercial and financial				
- Property investment	-	-	228,024	80
- Financial concerns	3,935,577	100	4,327,955	100
- Wholesale and retail trade	1,170,889	20	1,666,725	37
- Manufacturing	18,585,016	46	23,315,381	51
- Transport and transport equipment	408,620,339	96	464,392,447	96
- Others	74,900,099	80	69,626,170	77
Individuals				
- Loans and advances for the purchase of other residential properties	81,646	100	130,631	100
- Others	30,207,111	32	30,499,341	71
	537,500,677	88	594,186,674	91
<b>Gross loans and advances for use outside Hong Kong</b>				
	82,491,789	89	82,640,706	89
Gross loans and advances to customers	619,992,466	88	676,827,380	91



## 14 Loans and advances to customers (continued)

### (c) 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 ECL at stage 1,2 and 3 impairment allowances are as follows:

	30-9-2019				
	<i>Gross loans and advances</i> US\$	<i>Impaired loans and advances</i> US\$	<i>Overdue loans and advances</i> US\$	<i>ECL at Stage3</i> US\$	<i>ECL at Stage1 and 2</i> US\$
<b>Loans and advances for use in Hong Kong</b>					
Industrial, commercial and financial					
– Transport and transport equipment	408,620,339	2,319,715	2,321,936	1,013,091	1,275,277
– Others	74,900,099	1,350,729	1,322,946	300,174	20,372
	<u>483,520,438</u>	<u>3,670,444</u>	<u>3,644,882</u>	<u>1,313,265</u>	<u>1,295,649</u>
	31-3-2019				
	<i>Gross loans and advances</i> US\$	<i>Impaired loans and advances</i> US\$	<i>Overdue loans and advances</i> US\$	<i>ECL at Stage3</i> US\$	<i>ECL at Stage1 and 2</i> US\$
<b>Loans and advances for use in Hong Kong</b>					
Industrial, commercial and financial					
– Transport and transport equipment	464,392,447	2,285,662	2,318,794	947,597	1,029,958
– Others	69,626,170	525,831	117,119	257,649	102,069
	<u>534,018,617</u>	<u>2,811,493</u>	<u>2,435,913</u>	<u>1,205,246</u>	<u>1,132,027</u>

## 14 Loans and advances to customers (continued)

### (d) 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.

	30-9-2019		<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	112,078	-	112,078
Other entities of local governments	987,558	-	987,558
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	32,202,566	637,511	32,840,077
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,760,544	-	4,760,544
	38,062,746	637,511	38,700,257
Total assets after provision	712,395,085		
On-balance sheet exposures as percentage of total assets	5.34%		

**14 Loans and advances to customers (continued)**

**(d) Non-bank Mainland China exposures (continued)**

	<u>31-3-2019</u>		<i>Total</i> US\$
	<i>On-balance</i> sheet exposure US\$	<i>Off-balance</i> sheet exposure US\$	
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	148,176	-	148,176
Other entities of local governments	1,139,141	-	1,139,141
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	39,953,835	3,236,179	43,190,014
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>5,075,236</u>	<u>-</u>	<u>5,075,236</u>
	<u>46,316,388</u>	<u>3,236,179</u>	<u>49,552,567</u>
 Total assets after provision	 <u>736,391,612</u>		
 On-balance sheet exposures as percentage of total assets	 <u>6.29%</u>		

**14 Loans and advances to customers (continued)**

*(e) Geographical analysis of loans and advances to customers*

		30-9-2019				
		<i>Loans and advances</i>				
		<i>Gross loans and advances</i>	<i>overdue for more than 3 months</i>	<i>Impaired loans (Stage 3)</i>	<i>ECL at Stage 3</i>	<i>ECL at Stage 1 and 2</i>
		US\$	US\$	US\$	US\$	US\$
Hong Kong		610,467,293	14,035,497	13,510,883	8,392,162	1,679,377
Others		9,525,173	297,863	315,413	315,012	71,431
		619,992,466	14,333,360	13,826,296	8,707,174	1,750,808
		31-3-2019				
		<i>Loans and advances</i>				
		<i>Gross loans and advances</i>	<i>overdue for more than 3 months</i>	<i>Impaired loans (Stage 3)</i>	<i>ECL at Stage 3</i>	<i>ECL at Stage 1 and 2</i>
		US\$	US\$	US\$	US\$	US\$
Hong Kong		664,462,825	10,172,557	11,467,884	7,346,040	1,608,049
Others		12,364,555	293,235	293,235	291,867	11,802
		676,827,380	10,465,792	11,761,119	7,637,907	1,619,851

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 customers (continued)**

*(f) Impaired, overdue and rescheduled assets*

*(i) Impaired (stage 3) loans and advances to customers*

	30-9-2019 US\$	31-3-2019 US\$
Gross impaired (stage 3) loans and advances to customers	13,826,296	11,761,119
Impairment allowance – stage 3 ECL	(8,707,174)	(7,637,907)
	5,119,122	4,123,212
As a percentage of total loans and advances to customers		
– Gross impaired (stage 3) loans and advances	2.23%	1.74%

Stage 3 ECL impairment allowance were made after taking into account the realisable value of collateral in respect of such loans and advances of US\$4,369,975 (2019: US\$4,253,668) for the Company. Collateral held by the Company mainly comprised of equipment, vehicles and cash on deposit with the Company.

## 14 Loans and advances to customers (continued)

### (f) Impaired, overdue and rescheduled assets (continued)

#### (ii) Overdue loans and advances to customers

	30-9-2019		31-3-2019	
	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	1,173,158	0.19%	3,334,092	0.49%
– one year or less but over six months	6,382,654	1.03%	2,977,022	0.44%
– Over one year	6,777,548	1.09%	4,154,678	0.61%
	<u>14,333,360</u>	2.31%	<u>10,465,792</u>	1.54%
Current market value of collateral held against the covered portion of overdue loans and advances	<u>6,288,596</u>		<u>4,563,963</u>	
Covered portion of overdue loans and advances	<u>5,997,262</u>		<u>4,065,912</u>	
Uncovered portion of overdue loans and advances	<u>8,336,098</u>		<u>6,399,880</u>	
Individual impairment allowances made on loans and advances overdue for more than three months	<u>8,166,775</u>		<u>6,422,015</u>	

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

**14 Loans and advances to customers (continued)**

**(f) 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(f)(ii). The amount of rescheduled loans and advances to customers is not material as at 30 September 2019 and 31 March 2019.

**(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 2019 and 31 March 2019.

**(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 2019 and 31 March 2019.

**(vi) Other overdue assets**

There are no other assets which are overdue for more than three months as at 30 September 2019 and 31 March 2019.

**(g) Repossessed assets**

	30-9-2019	31-3-2019
	US\$	US\$
Repossessed assets	484,750	11,972

**15 Investment securities**

	30-9-2019 US\$	31-3-2019 US\$
Investment securities measured at fair value through other comprehensive income-debt instruments	25,218,411	30,384,488
Investment securities designated as at fair value through other comprehensive income-equity instruments	1,565,512	1,522,209
	<u>26,783,923</u>	<u>31,906,697</u>



## 16 Property and equipment

	<i>Leasehold improvements</i> US\$	<i>Furniture and equipment</i> US\$	<i>Motor vehicles</i> US\$	<i>Total</i> US\$
<b>Cost:</b>				
At 1 April 2019	1,561,197	2,934,782	97,290	4,593,269
Disposals	-	(1,525)	-	(1,525)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2019	1,561,197	2,933,257	97,290	4,591,744
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation:</b>				
At 1 April 2019	423,493	2,203,226	97,290	2,724,009
Charge for the period	101,884	268,750	-	370,634
Disposals	-	(1,525)	-	(1,525)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2019	525,377	2,470,451	97,290	3,093,118
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value:</b>				
At 30 September 2019	1,035,820	462,806	-	1,498,626
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cost:</b>				
At 1 April 2018	1,629,153	2,513,544	97,290	4,239,987
Additions	-	421,238	-	421,238
Disposals	(67,956)	-	-	(67,956)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	1,561,197	2,934,782	97,290	4,593,269
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation:</b>				
At 1 April 2018	229,327	1,539,439	97,290	1,866,056
Charge for the year	211,260	663,787	-	875,047
Disposals	(17,094)	-	-	(17,094)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	423,493	2,203,226	97,290	2,724,009
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value:</b>				
At 31 March 2019	1,137,704	731,556	-	1,869,260
	<hr/>	<hr/>	<hr/>	<hr/>

## 17 Income tax in the statement of financial position

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

	30-9-2019 US\$	31-3-2019 US\$
Provision for Hong Kong Profits Tax	298,410	560,015
Provisional Profits Tax paid	<u>(1,197,949)</u>	<u>(1,317,660)</u>
Tax recoverable	<u>(899,539)</u>	<u>(757,645)</u>

### (b) Deferred tax assets recognised:

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

	<i>Depreciation in excess of related depreciation allowances</i> US\$	<i>Bonus provision</i> US\$	<i>Credit loss allowance</i> US\$	<i>Total</i> US\$
<b>Deferred tax arising from:</b>				
At 1 April 2019	41,600	220,859	267,359	529,818
Charged to statement of profit or loss (note 10)	<u>45,680</u>	<u>8,520</u>	<u>21,530</u>	<u>75,730</u>
At 30 September 2019	<u>87,280</u>	<u>229,379</u>	<u>288,889</u>	<u>605,548</u>
At 1 April 2018	(6,563)	283,068	218,522	495,027
Charged to statement of profit or loss	<u>48,163</u>	<u>(62,209)</u>	<u>48,837</u>	<u>34,791</u>
At 31 March 2019	<u>41,600</u>	<u>220,859</u>	<u>267,359</u>	<u>529,818</u>

## 18 Other assets

	30-9-2019 US\$	31-3-2019 US\$
Interest receivable	773,689	710,822
Amounts due from fellow subsidiaries	1,149,828	3,214,992
Deposits, prepayment and other receivables	6,409,762	6,525,486
Right-of-use assets	<u>13,048,517</u>	<u>-</u>
	<u>21,381,796</u>	<u>10,451,300</u>

**19 Deposits from customers**

	30-9-2019	31-3-2019
	US\$	US\$
Time, call and notice deposits	<u>99,619,511</u>	<u>112,767,628</u>

**20 Loans from ultimate holding company**

The balance represents loans from the ultimate holding company bear interest at 2.75% per annum (31 Mar 2019: 2.29%), amounting to US\$50,296,629 (31 Mar 2019: US\$49,932,249). The loans are unsecured and repayable after two years (31 Mar 2019: after three years).

**21 Trading liabilities**

	30-9-2019	31-3-2019
	US\$	US\$
Negative fair value of derivatives (note 25(b))	<u>116,400</u>	<u>33,127</u>

**22 Other liabilities**

	30-9-2019	31-3-2019
	US\$	US\$
Interest payable	838,573	781,497
Amounts due to fellow subsidiaries	6,662,011	3,787,882
Other liabilities and accrued charges	5,860,290	7,550,234
Lease liabilities	<u>13,760,521</u>	<u>-</u>
	<u>27,121,395</u>	<u>12,119,613</u>

## 23 Share capital

	30-9-2019		31-3-2019	
	No. of shares	US\$	No. of shares	US\$
<b>Ordinary shares, issued and fully paid:</b>				
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 2019 and for the period ended 30 September 2019, ordinary shares of HK\$10 and of US\$2 rank pari passu in all respects.

## 24 Reserves

(a)	Revaluation reserve/ (deficit) US\$	Translation reserve/ (deficit) US\$	Retained profits US\$	Total US\$
<b>Balance at 1 April 2019</b>	13,747	33,269	244,404,484	244,451,500
Changes on initial application of HKFRS16	-	-	1,104	1,104
<b>Restated balance at 1 April 2019</b>	13,747	33,269	244,405,588	244,452,604
<b>Change in equity for 2019</b>				
Profit for the period	-	-	1,188,374	1,188,374
Other comprehensive income	(29,234)	43,302	-	14,068
Total comprehensive income for the period	(29,234)	43,302	1,188,374	1,202,442
<b>Balance at 30 September 2019</b>	<u>(15,487)</u>	<u>76,571</u>	<u>245,593,962</u>	<u>245,655,046</u>
<b>Balance at 1 April 2018</b>	(44,575)	-	241,649,045	241,604,470
<b>Change in equity for 2019</b>				
Profit for the year	-	-	2,755,439	2,755,439
Other comprehensive income	58,322	33,269	-	91,591
Total comprehensive income for the year	58,322	33,269	2,755,439	2,847,030
<b>Balance at 31 March 2019</b>	<u>13,747</u>	<u>33,269</u>	<u>244,404,484</u>	<u>244,451,500</u>

## 24 Reserves (continued)

### (b) Nature and purpose of reserves

#### (i) Revaluation reserve

The revaluation reserve for investment securities measured at fair value through other comprehensive income comprises the cumulative net change in the fair value of investment securities measured at fair value through other comprehensive income 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 2019, a regulatory reserve of US\$ 6.00 million (31 March 2019: US\$6.84 million) was earmarked in the retained profits and in consultation with the HKMA.

#### (iii) Translation reserve

The translation reserve comprises foreign exchange differences arising from the gain or loss of the equity instruments designated at fair value through other comprehensive income.

## 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.

	30-9-2019	31-3-2019
	US\$	US\$
Currency derivatives		
– Forwards and futures	257,500,000	257,683,859

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

	30-9-2019			31-3-2019		
	Fair value		Credit risk weighted amount	Fair value		Credit risk weighted amount
	Assets	Liabilities		Assets	Liabilities	
	US\$	US\$	US\$	US\$	US\$	US\$
Currency derivatives	361,645	(116,400)	587,328	314,475	(33,127)	579,386

## 25 Derivatives (continued)

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.

### (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.

	30-9-2019 US\$	31-3-2019 US\$
Currency derivatives		
- Notional amounts with remaining life of one year or less	<u>257,000,000</u>	<u>257,683,859</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:

	30-9-2019 US\$	31-3-2019 US\$
Trade-related contingencies	167,346	2,481,077
Other commitments		
- with an original maturity of under one year or which are unconditionally cancellable	<u>14,450,431</u>	<u>25,302,129</u>
	<u>14,617,777</u>	<u>27,783,206</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 2019 is US\$33,469 (31 March 2019: US\$496,215).

## 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:

	<i>30-9-2019</i>				
	<i>Non-bank private sector</i>				<i>Total</i> US\$
	<i>Banks</i>	<i>Official</i>	<i>Non-bank</i>	<i>Non-financial</i>	
US\$	sector US\$	financial institutions US\$	private sector US\$		
Developed countries	39,382,970	-	-	1,603,113	40,986,083
Offshore centres	191,394	-	553,751	50,754,544	51,499,689
– of which: Hong Kong	191,294	-	553,751	50,191,574	50,936,619
Developing Asia Pacific	31,524	-	-	9,376,259	9,407,783
– of which: China	-	-	-	9,376,259	9,376,259
	<u>39,605,888</u>	<u>-</u>	<u>553,751</u>	<u>61,733,916</u>	<u>101,893,555</u>

  

	<i>31-3-2019</i>				
	<i>Non-bank private sector</i>				<i>Total</i> US\$
	<i>Banks</i>	<i>Official</i>	<i>Non-bank</i>	<i>Non-financial</i>	
US\$	sector US\$	financial institutions US\$	private sector US\$		
Developed countries	13,906,977	-	-	1,559,790	15,466,767
Offshore centres	779,831	-	538,090	44,639,144	45,957,065
– of which: Hong Kong	779,731	-	538,090	43,993,385	45,311,206
Developing Asia Pacific	31,354	-	-	12,132,948	12,164,302
– of which: China	-	-	-	12,132,948	12,132,948
	<u>14,718,162</u>	<u>-</u>	<u>538,090</u>	<u>58,331,882</u>	<u>73,588,134</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>30-9-2019</u>		
	<u>USD equivalents</u>		
	<i>HK dollars</i>	<i>Japanese Yen</i>	<i>Total</i>
Spot assets	654,055,136	52,287,888	706,343,024
Spot liabilities	(355,442,545)	(46,647,540)	(402,090,085)
Forward purchases	-	-	-
Forward sales	(256,998,515)	-	(256,998,515)
Net long non-structural position	<u>41,614,076</u>	<u>5,640,348</u>	<u>47,254,424</u>
	<u>31-3-2019</u>		
	<u>USD equivalents</u>		
	<i>HK dollars</i>	<i>Japanese Yen</i>	<i>Total</i>
Spot assets	682,505,609	46,941,707	729,447,316
Spot liabilities	(385,366,636)	(41,651,142)	(427,017,778)
Forward purchases	92,272	91,588	183,860
Forward sales	(256,880,289)	(91,588)	(256,971,877)
Net long non-structural position	<u>40,350,956</u>	<u>5,290,565</u>	<u>45,641,521</u>

The Company does not have any structural position as at 30 September 2019 (31 March 2019: nil).



## 29 Liquidity maintenance ratio

	<i>Six months ended 30-9-2019</i>	<i>Six months ended 30-9-2018</i>	<i>Year ended 31-3-2019</i>
Liquidity maintenance ratio	<u>74.17%</u>	<u>53.57%</u>	<u>58.93%</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)

Other monitoring measures:(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

<b>Capital ratio:</b>	<i>30-9-2019</i>	<i>31-3-2019</i>
Common Equity Tier 1 (“CET1”) Capital Ratio	39.99%	37.35%
Tier 1 Capital Ratio	39.99%	37.35%
Total Capital Ratio	<u>41.13%</u>	<u>38.52%</u>

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 2019 and for the six month ended 30 September 2019, 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:

	30-9-2019 US\$	31-3-2019 US\$
<b>CET1 Capital:</b>		
CET1 Capital instruments	32,000,000	32,000,000
Retained earnings	245,593,962	244,404,484
Disclosed reserves	61,084	47,016
	277,655,046	276,451,500
<b>Regulatory deductions to CET1 capital:</b>		
Regulatory reserve for general banking risks	5,999,098	6,840,491
Net deferred tax assets	605,548	529,818
	271,050,400	269,081,191
<b>Total CET1 Capital</b>	271,050,400	269,081,191
<b>Additional Tier 1 (“AT1”) Capital</b>	-	-
	271,050,400	269,081,191
<b>Tier 2 (“T2”) Capital</b>		
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	7,749,940	8,407,733
	7,749,940	8,407,733
<b>Total T2 Capital</b>	7,749,940	8,407,733
<b>Total Capital</b>	278,800,340	277,488,924

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

### 31 Leverage ratio

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

	30-9-2019	31-3-2019
Leverage ratio	<u>38.18%</u>	<u>36.63%</u>

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

### 32 Countercyclical capital buffer ratio

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

	30-9-2019	31-3-2019
CCyB ratio	<u>2.4545%</u>	<u>2.4471%</u>

For the purposes of compliance with the BDR, the Company’s risk-weighted amounts in relation to each jurisdiction in which the Company has private sector credit exposures and the applicable JCCyB ratio for each jurisdiction that is relevant to the calculation of the Company’s CCyB ratio are as follows:

<i>Jurisdiction</i>	<i>30-9-2019</i>		<i>31-3-2019</i>	
	<i>risk-weighted amount</i>	<i>JCCyB ratio</i>	<i>risk-weighted amount</i>	<i>JCCyB ratio</i>
	US\$		US\$	
Hong Kong SAR	605,409,300	2.500%	650,354,937	2.500%
China	9,061,245	0%	11,841,078	0%
Curacao	19,594	0%	19,594	0%
Japan	1,603,113	0%	1,559,790	0%
Macau SAR	68,126	0%	62,950	0%
Samoa	86,532	0%	149,134	0%
West Indies UK	388,718	0%	414,081	0%
Total across countries	<u>616,636,628</u>		<u>664,401,564</u>	

### **32 Countercyclical Capital Buffer Ratio (continued)**

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

### **33 Interim disclosure statement and statement of compliance**

This interim financial disclosure statement for the six months ended 30 September 2019 is the Interim Disclosure Statement of the Company prepared in accordance with the requirements set out in the Banking (Disclosure) Rules issued by the HKMA. The Company has fully complied with such disclosure requirements.