

ORIX Asia Limited

Interim Results
30 September 2020

By Order of the Board:

A handwritten signature in black ink, appearing to read 'PANG Hau Shu', written over a horizontal line.

PANG Hau Shu
MANAGING DIRECTOR

ORIX Asia Limited
Unaudited statement of profit or loss
For the six months ended 30 September 2020

	<i>Note</i>	2020 US\$	2019 (Note) US\$
Interest income calculated using the effective interest method	4(a)	12,415,134	14,653,466
Other interest income	4(a)	312	6,393
Interest expense	4(b)	(2,755,893)	(5,380,154)
Net interest income		9,659,553	9,279,705
Fee and commission income	5(a)	3,882,677	1,804,671
Fee and commission expense	5(b)	(1,094,282)	(1,412,880)
Net fee and commission income		2,788,395	391,791
Net trading (loss)/gain	6	(714,701)	224,273
Other operating income	7	1,145,895	1,674,919
		431,194	1,899,192
Operating income		12,879,142	11,570,688
Operating expenses	8	(9,438,502)	(8,901,784)
		3,440,640	2,668,904
Net charge for impairment losses on loans and advances	9	(198,272)	(1,257,850)
Profit before taxation		3,242,368	1,411,054
Income tax	10	(531,693)	(222,680)
Profit for the period		2,710,675	1,188,374

Note: The Company has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the 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 2020

	<i>Note</i>	2020 US\$	2019 (Note) US\$
Profit for the period		2,710,675	1,188,374
Other comprehensive income for the period (after tax and reclassification adjustments)	11		
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Investment securities: Net movement in the revaluation reserve and translation reserve		33,877	14,068
Total comprehensive income for the period		2,744,552	1,202,442

Note: The Company has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

ORIX Asia Limited

Unaudited statement of financial position as at 30 September 2020

	<i>Note</i>	<i>30-9-2020</i> US\$	<i>31-3-2020</i> US\$
Assets			
Cash and balances with banks and other financial institutions	12	15,116,620	11,806,911
Loans and advances to customers	13(a)	515,524,613	560,029,290
Investment securities	14	24,815,604	24,717,527
Property and equipment	15	12,237,341	13,508,531
Deferred tax assets	16(b)	1,104,083	1,230,977
Other assets	17	11,611,017	9,461,964
Total assets		580,409,278	620,755,200
Equity and liabilities			
Deposits and balances from banks and other financial institutions		104,024,476	119,779,192
Deposits from customers	18	120,958,863	96,708,525
Deposits from fellow subsidiaries		42,287,335	51,895,683
Loans from ultimate holding company	19	12,287,335	50,647,922
Trading liabilities	20	136,036	867,858
Lease liabilities	22	11,548,049	12,685,247
Tax payable	16(a)	752,204	347,584
Other liabilities	21	7,256,051	9,408,812
Total liabilities		299,250,349	342,340,823
Equity			
Share capital	23	32,000,000	32,000,000
Reserves	24	249,158,929	246,414,377
Total equity		281,158,929	278,414,377
Total equity and liabilities		580,409,278	620,755,200

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 2020.

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-subsiidiary 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 2021 interim financial statements are consistent with those used and described in the Company’s annual audited financial statements for the year ended 31 March 2020.

New and amended standards adopted by the Company

A number of new or amended standards became applicable for the current reporting period, the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The following amendments to accounting standards are applicable for annual reporting periods commencing on or after 1 January 2020:

Amendments to HKFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	1 January 2020

There are no other HKFRSs or interpretations that are effective from 1 April 2020 or not yet effective that would be expected to have a material impact on the Company.

3 Financial review

For the six months ended 30 September 2020, the Company recorded a pre-tax profit of US\$3.2 million, representing an increase of US\$1.8 million or 130% relative to the same period of last year. It was mainly due to increase in operating income by US\$1.3 million and decrease in impairment losses in loan and advances by US\$1.0 million, and offset by increase in operating expenses by US\$0.5 million.

As at 30 September 2020, the Company's total assets amounted to US\$580.4 million, representing a decrease of US\$40.3 million or 7% over the last financial year as at 31 March 2020. Among this, loans and advances to customers decreased by US\$44.5 million, offset by increase in cash and balances with banks and other financial institutions by US\$3.3 million as compared with the last financial year.

4 Interest income and interest expense

For the six months ended 30 September

(a) *Interest income*

	2020	2019
	US\$	US\$
Interest income calculated using the effective interest method:		
-Interest income on deposits to banks and financial institutions	6,480	130,619
-Interest income on loans and advances	12,217,325	14,196,866
-Interest income on unlisted debt securities	85,759	243,351
-Interest income on loans and advances to fellow subsidiaries	104,708	74,324
-Others	862	8,306
	12,415,134	14,653,466
Other interest income:		
-Amortisation of discounts on purchased lease and loan contracts	312	6,393
	12,415,446	14,659,859

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\$ 188,670 (2019: US\$113,840) for the six months ended 30 September 2020.

(b) *Interest expense*

	2020	2019
	US\$	US\$
Interest expense on borrowings and deposits from fellow subsidiaries and borrowings from ultimate holding company	415,264	1,837,056
Interest expense on deposits from customers, banks and other financial institutions	2,149,386	3,315,766
Interest expense on lease liabilities	191,243	227,332
	2,755,893	5,380,154

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

	2020	2019
	US\$	US\$
Revenue from contracts with customers within the scope of HKFRS 15:		
Credit-related fees and commissions	473,788	568,412
Management fee	3,408,889	1,236,259
	3,882,677	1,804,671

(b) Fee and commission expense

	2020	2019
	US\$	US\$
Brokerage fee expenses	992,282	1,304,880
Management fee expenses	102,000	108,000
	1,094,282	1,412,880

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 (loss)/gain

For the six months ended 30 September

	2020	2019
	US\$	US\$
Net (loss)/gain from currency derivatives	(714,701)	224,273

7 Other operating income

For the six months ended 30 September

	2020	2019
	US\$	US\$
Net exchange gain	136,274	405,591
Penalty income from early termination loans	419,334	651,898
Rental income	492,646	487,188
Others	97,641	130,242
	1,145,895	1,674,919

8 Operating expenses

For the six months ended 30 September

	2020	2019
	US\$	US\$
Staff costs		
– Salaries and other benefits	5,062,125	4,526,551
– Contributions to the Mandatory Provident Funds	254,898	229,697
Depreciation	1,654,014	1,688,776
Property rentals	7,112	60,695
Other premises and equipment expenses	196,380	176,552
Advertising expenses	37,264	16,671
Auditor’s remuneration	186,228	165,755
General and administrative expenses	1,129,494	916,673
Debt collection expenses	169,747	88,586
Consultancy fee	269,959	294,143
Travelling and transportation	9,943	30,096
Others	461,338	707,589
	<u>9,438,502</u>	<u>8,901,784</u>

9 Impairment losses on loans and advances

For the six months ended 30 September

	2020	2019
	US\$	US\$
Stage 3 ECL		
New provisions	(2,430,255)	(1,604,653)
Releases	1,252,782	431,999
Recoveries	61,820	45,174
	<u>(1,115,653)</u>	<u>(1,127,480)</u>
Stage 1 and 2 ECL		
New provisions	-	(130,370)
Releases (note)	917,381	-
	<u>917,381</u>	<u>(130,370)</u>
Net charge to the statement of profit or loss	<u>(198,272)</u>	<u>(1,257,850)</u>

Note: The stage 1 and 2 ECL on loans and advances includes the stage 1 ECL on bank balance and off-balance sheet exposures charge of US\$802 (2019: release of US\$476).

10 Income tax

For the six months ended 30 September

Taxation in the statement of profit or loss represents:

	2020	2019
	US\$	US\$
Current tax - Hong Kong Profits Tax		
Provision for the period	404,799	298,410
Deferred tax		
Origination and reversal of temporary differences (note 16(b))	126,894	(75,730)
Income tax charge	531,693	222,680

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 September, 2019: 16.5%) of the estimated assessable profits for the six months ended 30 September, 2020.

11 Other comprehensive income

For the six months ended 30 September

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

	2020			2019		
	<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	33,877	-	33,877	14,068	-	14,068
Other comprehensive income	<u>33,877</u>	<u>-</u>	<u>33,877</u>	<u>14,068</u>	<u>-</u>	<u>14,068</u>

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

	2020 US\$	2019 US\$
Investment securities:		
Changes in fair value recognised during the period	33,877	14,068
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>33,877</u>	<u>14,068</u>

12 Cash and balances with banks and other financial institutions

	30-9-2020 US\$	31-3-2020 US\$
Cash in hand	645	645
Balances with banks and authorised institutions with remaining maturity of		
- within one month	<u>15,115,975</u>	<u>11,806,266</u>
	<u>15,116,620</u>	<u>11,806,911</u>

13 Loans and advances to customers

(a) Loans and advances to customers

	<i>30-9-2020</i>	<i>31-3-2020</i>
	US\$	US\$
Loans and advances to customers at amortised cost	135,440,902	140,695,569
Finance leases	394,308,514	433,297,099
	<hr/>	<hr/>
Gross loans and advances to customers	529,749,416	573,992,668
	<hr/>	<hr/>
Less: Impairment allowances (note 13(b))		
– stage 3 ECL	(10,165,074)	(8,987,057)
– stage 1 and 2 ECL	(4,057,133)	(4,973,413)
Unearned discount on purchased lease and loan contracts	(2,596)	(2,908)
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	<u>515,524,613</u>	<u>560,029,290</u>

13 Loans and advances to customers (continued)

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

	<i>30-9-2020</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>ECL</i>	<i>ECL</i>	<i>ECL</i>	<i>US\$</i>
	US\$	US\$	US\$	US\$
At 1 April 2020	2,511,255	2,462,158	8,987,057	13,960,470
Transfer to Stage 1	1,205,700	(1,205,700)	-	-
Transfer to Stage 2	(77,145)	77,145	-	-
Transfer to Stage 3	(7,422)	(752,624)	760,046	-
Net remeasurement of loss allowance (including exchange adjustments)	(905,668)	449,192	527,050	70,574
New financial assets originated or purchased	605,550	-	-	605,550
Financial assets that have been derecognised and repayment	(154,356)	(150,952)	(109,079)	(414,387)
Write-offs	-	-	-	-
At 30 September 2020	<u>3,177,914</u>	<u>879,219</u>	<u>10,165,074</u>	<u>14,222,207</u>

	<i>31-3-2020</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>ECL</i>	<i>ECL</i>	<i>ECL</i>	<i>US\$</i>
	US\$	US\$	US\$	US\$
At 1 April 2019	525,805	1,094,046	7,637,907	9,257,758
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(18,412)	18,412	-	-
Transfer to Stage 3	(16,282)	(356,735)	373,017	-
Net remeasurement of loss allowance (including exchange adjustments)	1,018,280	1,654,209	3,544,304	6,216,793
New financial assets originated or purchased	1,119,934	315,929	537,613	1,973,476
Financial assets that have been derecognised and repayment	(118,070)	(263,703)	-	(381,773)
Write-offs	-	-	(3,105,784)	(3,105,784)
At 31 March 2020	<u>2,511,255</u>	<u>2,462,158</u>	<u>8,987,057</u>	<u>13,960,470</u>

13 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”).

	<u>30-9-2020</u>		<u>31-3-2020</u>	
	<i>Gross loans and advances to customers US\$</i>	<i>% of gross loans and advances covered by collaterals</i>	<i>Gross loans and advances to customers US\$</i>	<i>% of gross loans and advances covered by collaterals</i>
Gross loans and advances for use in Hong Kong				
Industrial, commercial and financial				
- Property investment	-	-	-	-
- Financial concerns	3,145,934	100	3,569,137	100
- Wholesale and retail trade	1,903,523	41	1,832,813	36
- Manufacturing	11,905,279	32	14,650,647	39
- Transport and transport equipment	322,795,746	95	357,786,359	96
- Others	72,151,056	76	71,294,826	77
Individuals				
- Loans and advances for the purchase of other residential properties	39,800	100	49,307	100
- Others	27,290,778	65	28,588,824	66
	<u>439,232,116</u>	<u>88</u>	<u>477,771,913</u>	<u>89</u>
Gross loans and advances for use outside Hong Kong	<u>90,517,300</u>	<u>85</u>	<u>96,220,755</u>	<u>84</u>
Gross loans and advances to customers	<u><u>529,749,416</u></u>	<u><u>88</u></u>	<u><u>573,992,668</u></u>	<u><u>88</u></u>

13 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:

	30-9-2020				
	<i>Gross loans and advances</i> US\$	<i>Impaired loans and advances</i> US\$	<i>Overdue loans and advances</i> US\$	<i>ECL at Stage 3</i> US\$	<i>ECL at Stage 1 and 2</i> US\$
Loans and advances for use in Hong Kong					
Industrial, commercial and financial					
– Transport and transport equipment	322,795,746	9,698,663	11,719,622	1,528,621	1,317,898
– Others	72,151,056	1,457,797	1,480,169	857,514	1,700,738
	<u>70,984,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,118</u>
Loans and advances for use outside HK					
Property investment	70,984,212	-	-	-	16,118
	<u>70,984,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,118</u>
	31-3-2020				
	<i>Gross loans and advances</i> US\$	<i>Impaired loans and advances</i> US\$	<i>Overdue loans and advances</i> US\$	<i>ECL at Stage 3</i> US\$	<i>ECL at Stage 1 and 2</i> US\$
Loans and advances for use in Hong Kong					
Industrial, commercial and financial					
– Transport and transport equipment	357,786,359	2,157,068	9,893,784	849,136	2,908,173
– Others	71,294,826	409,007	930,528	226,365	1,143,053
	<u>71,217,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,088</u>
Loans and advances for use outside HK					
Property investment	71,217,215	-	-	-	40,088
	<u>71,217,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,088</u>

13 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.

	<u>30-9-2020</u>		<i>Total</i> US\$
	<i>On-balance sheet exposure</i> US\$	<i>Off-balance sheet exposure</i> US\$	
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	53,849	-	53,849
Other entities of local governments	3,751,978	-	3,751,978
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	19,155,138	-	19,155,138
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,476,279	-	4,476,279
	<u>27,437,244</u>	<u>-</u>	<u>27,437,244</u>
 Total assets after provision	 <u>580,409,278</u>		
 On-balance sheet exposures as percentage of total assets	 <u>4.73%</u>		

13 Loans and advances to customers (continued)

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

	<u>31-3-2020</u>		<i>Total</i> US\$
	<i>On-balance sheet exposure</i> US\$	<i>Off-balance sheet exposure</i> US\$	
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	84,049	-	84,049
Other entities of local governments	4,015,911	-	4,015,911
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	24,622,699	645,045	25,267,744
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,627,487	-	4,627,487
	<u>33,350,146</u>	<u>645,045</u>	<u>33,995,191</u>
 Total assets after provision	 <u>620,755,200</u>		
 On-balance sheet exposures as percentage of total assets	 <u>5.37%</u>		

13 Loans and advances to customers (continued)

(e) Geographical analysis of loans and advances to customers

	<i>30-9-2020</i>				
	<i>Gross loans and advances US\$</i>	<i>Loans and advances overdue for more than 3 months US\$</i>	<i>Impaired loans (Stage 3) US\$</i>	<i>ECL at Stage 3 US\$</i>	<i>ECL at Stage 1 and 2 US\$</i>
Hong Kong	524,775,110	21,272,019	20,548,601	10,026,168	3,965,868
Others	4,974,306	279,026	244,396	138,906	91,265
	529,749,416	21,551,045	20,792,997	10,165,074	4,057,133
	<i>31-3-2020</i>				
	<i>Gross loans and advances US\$</i>	<i>Loans and advances overdue for more than 3 months US\$</i>	<i>Impaired loans (Stage 3) US\$</i>	<i>ECL at Stage 3 US\$</i>	<i>ECL at Stage 1 and 2 US\$</i>
Hong Kong	567,205,391	18,950,353	12,073,923	8,835,727	4,895,597
Others	6,787,277	258,630	258,630	151,330	77,816
	573,992,668	19,208,983	12,332,553	8,987,057	4,973,413

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.

13 Loans and advances to customers (continued)

(f) Impaired, overdue and rescheduled assets

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

	30-9-2020 US\$	31-3-2020 US\$
Gross impaired (stage 3) loans and advances to customers	20,792,997	12,332,553
Impairment allowance - stage 3 ECL (note 13(b))	(10,165,074)	(8,987,057)
	10,627,923	3,345,496
As a percentage of total loans and advances to customers		
– Gross impaired (stage 3) loans and advances	3.93%	2.15%

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\$11,511,721 (31 March 2020: US\$3,426,026) for the Company. Collateral held by the Company mainly comprised of equipment, vehicles and cash on deposit with the Company.

13 Loans and advances to customers (continued)

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

(ii) Overdue loans and advances to customers

	30-9-2020		31-3-2020	
	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	3,048,884	0.58%	9,374,575	1.63%
– one year or less but over six months	8,962,541	1.69%	1,471,929	0.26%
– Over one year	9,539,620	1.80%	8,362,478	1.46%
	21,551,045	4.07%	19,208,982	3.35%
Current market value of collateral held against the covered portion of overdue loans and advances	15,365,617		14,676,866	
Covered portion of overdue loans and advances	13,281,819		11,362,718	
Uncovered portion of overdue loans and advances	8,269,226		7,846,264	
Individual impairment allowances made on loans and advances overdue for more than three months	9,450,459		8,226,182	

13 Loans and advances to customers (continued)

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

(ii) *Overdue loans and advances to customers (continued)*

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.

(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 13(f)(ii). The amount of rescheduled loans and advances to customers is not material as at 30 September 2020 and 31 March 2020.

(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 2020 and 31 March 2020.

(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 2020 and 31 March 2020.

(vi) *Other overdue assets*

There are no other assets which are overdue for more than three months as at 30 September 2020 and 31 March 2020.

(g) *Repossessed assets*

	30-9-2020	31-3-2020
	US\$	US\$
Repossessed assets	6,102,180	748,450
	6,102,180	748,450

14 Investment securities

	<i>30-9-2020</i>	<i>31-3-2020</i>
	US\$	US\$
Investment securities measured at fair value through other comprehensive income-debt instruments	23,218,723	23,165,106
Investment securities designated as at fair value through other comprehensive income-equity instruments	<u>1,596,881</u>	<u>1,552,421</u>
	<u>24,815,604</u>	<u>24,717,527</u>

15 Property and equipment

	<i>Leasehold improvements</i> US\$	<i>Furniture and equipment</i> US\$	<i>Motor vehicles</i> US\$	<i>Other properties and office equipments leased for own use</i> US\$	<i>Total</i> US\$
Cost:					
At 1 April 2020	1,561,197	3,041,919	113,776	14,607,535	19,324,427
Additions	-	159,896	-	221,968	381,864
Disposals	-	(35,113)	-	-	(35,113)
Exchange adjustment	-	-	-	976	976
At 30 September 2020	<u>1,561,197</u>	<u>3,166,702</u>	<u>113,776</u>	<u>14,830,479</u>	<u>19,672,154</u>
Accumulated depreciation:					
At 1 April 2020	627,261	2,516,395	5,689	2,666,551	5,815,896
Charge for the period	101,884	177,597	11,378	1,363,155	1,654,014
Disposals	-	(35,113)	-	-	(35,113)
Exchange adjustment	-	-	-	16	16
At 30 September 2020	<u>729,145</u>	<u>2,658,879</u>	<u>17,067</u>	<u>4,029,722</u>	<u>7,434,813</u>
Net book value:					
At 30 September 2020	<u>832,052</u>	<u>507,823</u>	<u>96,709</u>	<u>10,800,757</u>	<u>12,237,341</u>
Cost:					
At 31 March 2019	1,561,197	2,934,782	97,290	-	4,593,269
Impact on initial application of HKFRS 16 (Note)	-	-	-	14,351,436	14,351,436
At 1 April 2019	1,561,197	2,934,782	97,290	14,351,436	18,944,705
Additions	-	320,357	113,776	74,498	508,631
Disposals	-	(213,220)	(97,290)	-	(310,510)
Exchange adjustment	-	-	-	181,601	181,601
At 31 March 2020	<u>1,561,197</u>	<u>3,041,919</u>	<u>113,776</u>	<u>14,607,535</u>	<u>19,324,427</u>
Accumulated depreciation:					
At 1 April 2019	423,493	2,203,226	97,290	-	2,724,009
Charge for the year	203,768	526,389	5,689	2,644,648	3,380,494
Disposals	-	(213,220)	(97,290)	-	(310,510)
Exchange adjustment	-	-	-	21,903	21,903
At 31 March 2020	<u>627,261</u>	<u>2,516,395</u>	<u>5,689</u>	<u>2,666,551</u>	<u>5,815,896</u>
Net book value:					
At 31 March 2020	<u>933,936</u>	<u>525,524</u>	<u>108,087</u>	<u>11,940,984</u>	<u>13,508,531</u>

Note: The Company has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

16 Income tax in the statement of financial position

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

	30-9-2020 US\$	31-3-2020 US\$
Provision for Hong Kong Profits Tax	752,204	882,840
Provisional Profits Tax paid	-	(535,256)
	<u>752,204</u>	<u>347,584</u>
Tax payable	<u>752,204</u>	<u>347,584</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>Depreciation charge of right-of-use assets</i> US\$	<i>Bonus provision</i> US\$	<i>Credit loss allowance</i> US\$	<i>Total</i> US\$
Deferred tax arising from:					
At 1 April 2019	41,600	-	220,859	267,359	529,818
Credited/(Charged) to statement of profit or loss	<u>16,122</u>	<u>122,803</u>	<u>8,971</u>	<u>553,263</u>	<u>701,159</u>
At 31 March 2020 and 1 April 2020	57,722	122,803	229,830	820,622	1,230,977
Credited/(Charged) to statement of profit or loss (note 10)	<u>7,453</u>	<u>500</u>	<u>16,207</u>	<u>(151,054)</u>	<u>(126,894)</u>
At 30 September 2020	<u>65,175</u>	<u>123,303</u>	<u>246,037</u>	<u>669,568</u>	<u>1,104,083</u>

17 Other assets

	30-9-2020 US\$	31-3-2020 US\$
Interest receivable	1,085,493	930,730
Amounts due from fellow subsidiaries	5,399,654	3,083,403
Deposits, prepayment and other receivables	<u>5,125,870</u>	<u>5,447,831</u>
	<u>11,611,017</u>	<u>9,461,964</u>

18 Deposits from customers

	30-9-2020	31-3-2020
	US\$	US\$
Time, call and notice deposits	<u>120,958,863</u>	<u>96,708,525</u>

19 Loans from ultimate holding company

The balance represents loans from the ultimate holding company bear interest at 0.4% per annum (31 March 2020: 2.64%), amounting to US\$12,287,335 (31 March 2020: US\$50,647,922). The loans are unsecured and repayable within one year (31 March 2020: after two years).

20 Trading liabilities

	30-9-2020	31-3-2020
	US\$	US\$
Negative fair value of derivatives (note 25(b))	<u>136,036</u>	<u>867,858</u>

21 Other liabilities

	30-9-2020	31-3-2020
	US\$	US\$
Interest payable	844,410	869,741
Amounts due to fellow subsidiaries	3,239	3,022,386
Other liabilities and accrued charges	<u>6,408,402</u>	<u>5,516,685</u>
	<u>7,256,051</u>	<u>9,408,812</u>

22 Lease liabilities

The following table shows the remaining contractual maturities of the Company's lease liabilities at the end of the following reporting periods:

	30-9-2020		31-3-2020	
	<i>Present value of the minimum lease payments</i> \$	<i>Total minimum lease payments</i> \$	<i>Present value of the minimum lease payments</i> \$	<i>Total minimum lease payments</i> \$
Within 1 year	3,073,032	3,124,770	2,966,626	3,016,782
After 1 year but within 2 years	2,920,239	3,063,035	2,866,575	3,006,138
After 2 years but within 5 years	5,554,778	6,114,618	6,853,046	7,601,812
After 5 years	-	-	-	-
	<u>8,475,017</u>	<u>9,177,653</u>	<u>9,719,621</u>	<u>10,607,950</u>
	<u>11,548,049</u>	12,302,423	<u>12,686,247</u>	13,624,732
Less: total future interest expenses		<u>(754,374)</u>		<u>(939,485)</u>
Present value of lease liabilities		<u>11,548,049</u>		<u>12,685,247</u>

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	30-9-2020 US\$	31-3-2020 US\$
Depreciation charge of right-of-use assets by class of underlying asset:		
Plant and equipment	1,363,155	2,644,648
	<u>1,363,155</u>	<u>2,644,648</u>
Interest on lease liabilities	191,243	435,255
Expense relating to short-term leases and other leases with remaining lease term ending on or before	-	108,652

23 Share capital

	30-9-2020		31-3-2020	
	No. of shares	US\$	No. of shares	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 2020 and for the period ended 30 September 2020, ordinary shares of HK\$10 and of US\$2 rank pari passu in all respects.

24 Reserves

(a)	Revaluation reserve/ (deficit) US\$	Translation reserve US\$	Retained Profits (Note) US\$	Total US\$
Balance at 31 March 2019 (Note)	13,747	33,269	244,404,484	244,451,500
Change in initial application of HKFRS16	-	-	1,104	1,104
Restated balance at 1 April 2019	13,747	33,269	244,405,588	244,452,604
Profit for the year	-	-	1,923,548	1,923,548
Other comprehensive income	8,013	30,212	-	38,225
Total comprehensive income for the year	8,013	30,212	1,923,548	1,961,773
Balance at 31 March 2020	<u>21,760</u>	<u>63,481</u>	<u>246,329,136</u>	<u>246,414,377</u>
Balance at 1 April 2020	21,760	63,481	246,329,136	246,414,377
Profit for the period	-	-	2,710,675	2,710,675
Other comprehensive income	(10,583)	44,460	-	33,877
Total comprehensive income for the period	(10,583)	44,460	2,710,675	2,744,552
Balance at 30 September 2020	<u>11,177</u>	<u>107,941</u>	<u>249,039,811</u>	<u>249,158,929</u>

Note: The Company has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

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 2020, a regulatory reserve of US\$ 0.82 million (31 March 2020: US\$2.20 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.

	30-9-2020	31-3-2020
	US\$	US\$
Currency derivatives		
– Forwards and futures	257,500,000	257,500,000

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

	30-9-2020			31-3-2020		
	Fair value		Credit risk weighted amount	Fair value		Credit risk weighted amount
	Assets	Liabilities		Assets	Liabilities	
	US\$	US\$	US\$	US\$	US\$	US\$
Currency derivatives	-	(136,036)	515,000	-	(867,858)	515,000

25 Derivatives (continued)

(b) Fair values and credit risk weighted amounts of 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/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.

	30-9-2020 US\$	31-3-2020 US\$
Currency derivatives		
- Notional amounts with remaining life of one year or less	<u>257,500,000</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:

	30-9-2020 US\$	31-3-2020 US\$
Trade-related contingencies	1,570,000	165,947
Other commitments		
- with an original maturity of under one year or which are unconditionally cancellable	<u>14,525,888</u>	<u>16,175,593</u>
	<u>16,095,888</u>	<u>16,341,540</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 2020 is US\$314,000 (31 March 2020: US\$33,189).

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>30-09-2020</u>				<i>Total</i> US\$
	<i>Non-bank private sector</i>				
	<i>Banks</i> US\$	<i>Official</i> <i>sector</i> US\$	<i>Non-bank</i> <i>financial</i> <i>institutions</i> US\$	<i>Non-financial</i> <i>private sector</i> US\$	
Developed countries	8,457,988	-	-	1,685,481	10,143,469
Offshore centres	340,372	-	2,980,584	660,101	3,981,057
– of which: Hong Kong	340,372	-	2,980,584	183,126	3,504,082
Developing Asia Pacific	1,298,435	-	-	4,860,534	6,158,969
– of which: China	-	-	-	4,860,534	4,860,534
	<u>10,096,795</u>	<u>-</u>	<u>2,980,584</u>	<u>7,206,116</u>	<u>20,283,495</u>

	<u>31-3-2020</u>				<i>Total</i> US\$
	<i>Non-bank private sector</i>				
	<i>Banks</i> US\$	<i>Official</i> <i>sector</i> US\$	<i>Non-bank</i> <i>financial</i> <i>institutions</i> US\$	<i>Non-financial</i> <i>private sector</i> US\$	
Developed countries	8,037,734	-	-	1,640,984	9,678,718
Offshore centres	43,081	-	2,083,133	705,718	2,831,932
– of which: Hong Kong	43,081	-	2,083,133	195,684	2,321,898
Developing Asia Pacific	8,436	-	-	6,632,334	6,640,770
– of which: China	-	-	-	6,632,334	6,632,334
	<u>8,089,251</u>	<u>-</u>	<u>2,083,133</u>	<u>8,979,036</u>	<u>19,151,420</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.

	<i>30-9-2020</i>		
	<i>USD equivalents</i>		
	<i>HK dollars</i>	<i>Japanese Yen</i>	<i>Total</i>
Spot assets	523,419,154	66,880,693	590,299,847
Spot liabilities	(220,255,711)	(61,692,340)	(281,948,051)
Forward purchases	-	-	-
Forward sales	(257,660,039)	-	(257,660,039)
Net long non-structural position	<u>45,503,404</u>	<u>5,188,353</u>	<u>50,691,757</u>
	<i>31-3-2020</i>		
	<i>USD equivalents</i>		
	<i>HK dollars</i>	<i>Japanese Yen</i>	<i>Total</i>
Spot assets	550,586,782	74,101,974	624,688,756
Spot liabilities	(249,973,235)	(67,177,825)	(317,151,060)
Forward purchases	-	-	-
Forward sales	(258,501,890)	-	(258,501,890)
Net long non-structural position	<u>42,111,657</u>	<u>6,924,149</u>	<u>49,035,806</u>

The Company does not have any structural position as at 30 September 2020 (31 March 2020: nil).

29 Liquidity maintenance ratio

	<i>Six months ended 30-9-2020</i>	<i>Six months ended 30-9-2019</i>	<i>Year ended 31-3-2020</i>
Average liquidity maintenance ratio	<u>164.68%</u>	<u>74.17%</u>	<u>94.25%</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

	30-9-2020	31-3-2020
Capital ratio:		
Common Equity Tier 1 (“CET1”) Capital Ratio	48.34%	44.17%
Tier 1 Capital Ratio	48.34%	44.17%
Total Capital Ratio	<u>49.19%</u>	<u>45.32%</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 2020 and for the six month ended 30 September 2020, 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:

	30-9-2020 US\$	31-3-2020 US\$
CET1 Capital:		
CET1 Capital instruments	32,000,000	32,000,000
Retained earnings	249,039,811	246,329,136
Disclosed reserves	119,118	85,241
	281,158,929	278,414,377
Regulatory deductions to CET1 capital:		
Regulatory reserve for general banking risks	816,562	2,201,495
Net deferred tax assets	1,104,083	1,230,977
	279,238,284	274,981,905
Total CET1 Capital	279,238,284	274,981,905
Additional Tier 1 (“AT1”) Capital	-	-
Total Tier 1 (“T1”) Capital	279,238,284	274,981,905
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	4,874,545	7,146,973
	4,874,545	7,146,973
Total T2 Capital	4,874,545	7,146,973
Total Capital	284,112,829	282,128,878

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>30-9-2020</i>	<i>31-3-2020</i>
Leverage ratio	<u>47.91%</u>	<u>44.24%</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.

	<i>30-9-2020</i>	<i>31-3-2020</i>
CCyB ratio	<u>0.9868%</u>	<u>0.9848%</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>30-9-2020</i>		<i>31-3-2020</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	514,606,391	1%	557,932,915	1%
China	4,721,628	0%	6,481,004	0%
Curacao	19,594	0%	19,594	0%
Japan	1,685,481	0%	1,640,984	0%
Macau SAR	48,527	0%	58,868	0%
Samoa	10,309	0%	36,841	0%
West Indies UK	398,545	0%	394,731	0%
Total across countries	<u>521,490,475</u>		<u>566,564,937</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 2020 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.