ORIX Asia Limited

Announcement of 2020/21 Final Results

By Order of the Board:
ORIX ASIA LIMITED

PANG Hau Shu
MANAGING DIRECTOR

Statement of profit or loss for the year ended 31 March 2021

(Expressed in United States dollars)

	Note	*2021* US$	*2020* US$
Interest income calculated using the effective interest method	3(a)	23,857,800	28,451,229
Other interest income	3(a)	624	6,695
Interest expense	3(b)	(4,813,066)	(9,864,808)
Net interest income		19,045,358	18,593,116
Fee and commission income	4(a)	7,893,905	8,316,994
Fee and commission expense	4(b)	(2,159,825)	(2,575,169)
Net fee and commission income		5,734,080	5,741,825
Net trading loss	5	(175,904)	(2,835,694)
Other operating income	6	1,197,413	6,720,830
		1,021,509	3,885,136
Operating income		25,800,947	28,220,077
Operating expenses	7	(18,243,311)	(18,566,639)
		7,557,636	9,653,438
Net charge for impairment losses on financial instruments	8	(3,601,990)	(7,587,539)
Net gain on sales of fixed assets		-	7,705
Profit before taxation		3,955,646	2,073,604
Income tax	10(a)	(704,838)	(150,056)
Profit for the year		3,250,808	1,923,548

The notes on pages 8 to 66 form part of these financial statements.

Statement of profit or loss and other comprehensive income for the year ended 31 March 2021

(Expressed in United States dollars)

	Note	*2021* US$	*2020* US$
Profit for the year		3,250,808	1,923,548
Other comprehensive income	11		
Item that will not be reclassified to profit or loss:			
Equity investment securities at fair value through other comprehensive income (FVOCI):			
Change in fair value of FVOCI investment (non-recycling)		(697,087)	-
Exchange difference on translation of FVOCI investment (non-recycling)		(26,362)	30,212
		(723,449)	30,212
Item that may be reclassified subsequently to profit or loss:			
Debt investment securities at FVOCI:			
Change in fair value of FVOCI investment (recycling)		(22,676)	8,013
Other comprehensive income for the year, net of tax		(746,125)	38,225
Total comprehensive income for the year		2,504,683	1,961,773

The notes on pages 8 to 66 form part of these financial statements.

Statement of financial position at 31 March 2021

(Expressed in United States dollars)

	Note	*2021* US$	*2020* US$
Assets			
Cash and balances with banks and other financial institutions	12	59,113,589	11,806,911
Trading assets	13/27(b)	459,016	-
Loans and advances to customers	14(a)	475,206,353	560,029,290
Investment securities	15	23,977,429	24,717,527
Property and equipment	16	10,590,140	13,508,531
Deferred tax assets	17(b)	1,187,485	1,230,977
Other assets	18	13,181,217	9,461,964
Total assets		583,715,229	620,755,200
Equity and liabilities			
Deposits from customers	19(a)	133,636,586	96,708,525
Deposits and balances from banks and other financial institutions	19(b)	101,748,889	119,779,192
Deposits from fellow subsidiaries		39,032,608	51,895,683
Loan from ultimate holding company	20	11,742,390	50,647,922
Trading liabilities	21/27(b)	4,970	867,858
Lease liabilities	23	10,125,665	12,685,247
Tax payable	17(a)	36,498	347,584
Other liabilities	22	6,468,563	9,408,812
Total liabilities		302,796,169	342,340,823

Statement of financial position at 31 March 2021 (continued)
(Expressed in United States dollars)

	Note	*2021* US$	*2020* US$
Equity			
Share capital	24	32,000,000	32,000,000
Reserves	25	248,919,060	246,414,377
Total equity		280,919,060	278,414,377
Total equity and liabilities		583,715,229	620,755,200

Approved and authorised for issue by the board of directors on 28 July 2021

PANG Hau Shu	)
	)
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	) Directors
Kotaro KAWASHIMA	)
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The notes on pages 8 to 66 form part of these financial statements.

Statement of changes in equity for the year ended 31 March 2021

(Expressed in United States dollars)

	Note	*Share capital* US$	*Revaluation reserve/ (deficit)* US$	*Translation reserve* US$	*Retained profits* US$	*Total* US$
Balance at 1 April 2019		32,000,000	13,747	33,269	244,405,588	276,452,604
Change in equity for 2020						
Profit for the year		-	-	-	1,923,548	1,923,548
Other comprehensive income:	11					
- Exchange difference on translation of FVOCI investment		-	-	30,212	-	30,212
- Change in fair value in FVOCI investment (recycling)		-	8,013	-	-	8,013
Total comprehensive income for the year		-	8,013	30,212	1,923,548	1,961,773
Balance at 31 March 2020 and 1 April 2020		32,000,000	21,760	63,481	246,329,136	278,414,377
Change in equity for 2021						
Profit for the year		-	-	-	3,250,808	3,250,808
Other comprehensive income	11					
- Change in fair value in FVOCI investment (non-recycling)		-	(697,087)	-	-	(697,087)
- Exchange difference on translation of FVOCI investment		-	-	(26,362)	-	(26,362)
- Change in fair value in FVOCI investment (recycling)		-	(22,676)	-	-	(22,676)
Total comprehensive income for the year		-	(719,763)	(26,362)	3,250,808	2,504,683
Balance at 31 March 2021		32,000,000	(698,003)	37,119	249,579,944	280,919,060

The notes on pages 8 to 66 form part of these financial statements.

Cash flow statement for the year ended 31 March 2021

(Expressed in United States dollars)

	Note	*2021* US$	*2020* US$
Operating activities			
Operating profit		3,955,646	2,073,604
Adjustments for:			
Interest income on unlisted debt securities	3(a)	(100,454)	(458,346)
Charges for impairment losses on loans and advances	8(a)	3,493,880	7,587,539
Depreciation	16	3,312,571	3,380,494
Amortisation of discounts on purchased lease and loan contracts	3(a)	(624)	(6,659)
Dividend income	6	(129,557)	(578,540)
Net gain on sales of fixed assets		-	(7,705)
Unrealised exchange loss/(gain)		938,899	(3,284,256)
Operating profit before changes in working capital		11,470,361	8,706,131
Decrease/(increase) in operating assets:			
Trading assets		(459,016)	314,475
Gross loans and advances to customers		79,189,606	107,460,147
Other assets		(3,690,412)	1,076,951
Increase/(decrease) in operating liabilities:			
Trading liabilities		(862,888)	834,731
Deposits and balances from banks and other financial institutions		(17,290,263)	(73,600,769)
Deposits from customers		37,335,087	(17,265,640)
Amounts due to fellow subsidiaries		(12,817,434)	(42,022,449)
Other liabilities		(2,550,801)	(2,142,705)
Cash generated from/(used in) operations		90,324,240	(16,639,128)
Hong Kong Profits Tax (paid)/refund		(971,418)	264,045
Net cash flows generated from/(used in) operating activities		89,352,822	(16,375,083)

Cash flow statement
for the year ended 31 March 2021 (continued)
(Expressed in United States dollars)

	Note	*2021* US$	*2020* US$
Investing activities			
Dividend received	6	129,557	578,540
Payment for purchase of property and equipment	16	(200,143)	(508,631)
Payment for purchase of investment securities		(41,254,786)	(27,794,806)
Proceeds from disposal of investment securities		41,279,923	35,819,517
Net cash flows (used in)/generated from investing activities		(45,449)	8,094,620
Financing activities			
Capital element of lease rentals paid		(2,757,517)	(2,599,523)
Interest element of lease rentals paid	23	(362,186)	(435,255)
Repayment of loans from parent company		(38,702,686)	-
Net cash flows used in financing activities	26(b)	(41,822,389)	(3,034,778)
Net increase/(decrease) in cash and cash equivalents		47,484,984	(11,315,241)
Cash and cash equivalents at 1 April		11,806,911	22,999,272
Effect of foreign exchange rate changes		(178,306)	122,880
Cash and cash equivalents at 31 March	26(a)	59,113,589	11,806,911
Cash flows from operating activities include:			
Interest received		24,013,481	27,773,011
Interest paid		(4,107,672)	(9,341,309)

The notes on pages 8 to 66 form part of these financial statements.

Notes to the financial statements

(Expressed in United States dollars unless otherwise stated)

1 Principal activities

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 license bank under the Hong Kong Banking Ordinance and is an approved seller/servicer of the Hong Kong Mortgage Corporation Limited.

2 Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost except for financial instruments classified as fair value through profit or loss and fair value through other comprehensive income which are stated at their fair values (see note 2(d)).

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

2 Significant accounting policies (continued)

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

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

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Company:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Financial assets and liabilities

(1) Financial assets

(i) Classification and subsequent measurement

The Company has applied HKFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

2 Significant accounting policies (continued)

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(m)(i)).
- FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVPL - if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Business model: the business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

2 Significant accounting policies (continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Company makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(m)(v).

(ii) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

(2) Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

2 Significant accounting policies (continued)

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Company recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(e) Right-of-use assets, property and equipment

The following items of right-of-use (RoU), property and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)(iii)):

- RoU assets arising from leases over freehold or leasehold properties where the Company is not the registered owner of the property interest; and

- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(f)).

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

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Leasehold improvements	10% to 20%
- Furniture and equipment	20% to $33^1/_3$%
- Motor vehicles	20%
- Other properties and office equipments leased for own use	Over the unexpired period of lease

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

2 Significant accounting policies (continued)

(f) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases. At the lease commencement date, the Company recognises a RoU asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Company are primarily office furniture. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The RoU asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the RoU assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The RoU asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(e) and 2(h)(iii)), except for the following types of RoU asset:

- RoU assets that meet the definition of investment property are carried at fair value in accordance;

- RoU assets related to leasehold land and buildings where the Company is the registered owner of the leasehold interest are carried at fair value; and

- RoU assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

2 Significant accounting policies (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the RoU asset, or is recorded in profit or loss if the carrying amount of the RoU asset has been reduced to zero.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Company allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with note 2(m)(iii).

(g) Repossessed assets

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

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

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

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Company recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, accounts and other receivables);

- debt securities measured at FVOCI (recycling);

- lease receivables; and

- loan commitments issued, which are not measured at FVPL

2 Significant accounting policies (continued)

Financial assets measured at fair value, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Company if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Company expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate;

- lease receivables: discount rate used in the measurement of the lease receivable;

- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for accounts receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2 Significant accounting policies (continued)

For all other financial instruments (including loan commitments issued), the Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument’s external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor’s ability to meet its obligation to the Company.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Company becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Company considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2 Significant accounting policies (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(m)(i) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "accounts and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Company's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

2 Significant accounting policies (continued)

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Company monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “accounts and other payables” in respect of the guarantees(i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Company considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured.

As the Company is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Company expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment, including RoU assets (other than properties carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the company’s statement of financial position.

If any such indication exists, the asset’s recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

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

2 Significant accounting policies (continued)

- Recognition of impairment losses

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

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in 2(h)(i).

(j) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

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

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

(k) Income tax

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

2 Significant accounting policies (continued)

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

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

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

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

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

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

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

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies (continued)

(l) Provisions and contingent liabilities

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

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

(m) Revenue recognition

Income is classified by the Company as revenue when it arises from the sale of goods, the provision of services or the use by others of the Company's assets under leases in the ordinary course of the Company's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the company is expected to be entitled, excluding those amounts collected on behalf of third parties.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Company's revenue and other income recognition policies are as follows:

(i) Interest income

Effective interest rate

Interest income and expense for all interest-bearing financial instruments are recognized in the profit or loss on an accruals basis using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

2 Significant accounting policies (continued)

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument but not expected credit losses. For financial assets that were purchased or originated credit-impaired on initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses (i.e. no expected credit loss provision is required at initial recognition).

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were purchased or originated credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(ii) Fee and commission income

Fee and commission income arises on financial services provided by the Company. Fee and commission income is recognised in the profit or loss when the corresponding service is provided. Origination or commitment fees received/paid by the Company which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If it is uncertain that a loan commitment will result in draw-down of a loan, then the loan commitment fee is recognised as revenue on a straight-line basis over the commitment period.

2 Significant accounting policies (continued)

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

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

(iv) Rental income from operating leases

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

(v) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established unconditionally.

- Dividend income from listed investments is recognised when the share price of the investments is quoted ex-dividend.

(n) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are recognised as a reduction of expenses in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(o) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

2 Significant accounting policies (continued)

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

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

(p) Related parties

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

   (i) has control or joint control over the Company;

   (ii) has significant influence over the Company; or

   (iii) is a member of the key management personnel of the Company or the Company's parent.

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

   (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

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

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

   (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

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

3 Interest income and interest expense

(a) Interest income

	2021 US$	*2020* US$
Interest income calculated using the effective interest method:		
- Interest income on deposits to banks and financial institutions	7,560	256,505
- Interest income on loans and advances	23,542,930	27,571,462
- Interest income on unlisted debt securities	100,454	458,346
- Interest income on loans and advances to fellow subsidiaries	201,012	144,595
- Others	5,844	20,321
	23,857,800	28,451,229
Other interest income:		
- Amortisation of discounts on purchased lease and loan contracts	624	6,695
Total interest income on all financial assets	23,858,424	28,457,924

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$420,964 (2020: US$222,658) for the year ended 31 March 2021.

(b) Interest expense

	2021 US$	*2020* US$
Interest expense on borrowings and deposits from fellow subsidiaries and borrowings from ultimate holding company	675,897	3,300,318
Interest expense on deposits from customers, banks and other financial institutions	3,774,983	6,129,235
Interest on lease liabilities (note 23)	362,186	435,255
Total interest expense on all financial liabilities	4,813,066	9,864,808

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

4 Fee and commission income and expenses

(a) Fee and commission income

	2021 US$	*2020* US$
Revenue from contracts with customers within the scope of HKFRS 15:		
Credit-related fees and commissions	876,522	1,516,425
Management fee	7,017,383	6,800,569
	7,893,905	8,316,994

(b) Fee and commission expense

	2021 US$	*2020* US$
Brokerage fee expenses	1,986,245	2,371,169
Management fee expenses	173,580	204,000
	2,159,825	2,575,169

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 or loss.

5 Net trading loss

	2021 US$	*2020* US$
Net loss from currency derivatives	(175,904)	(2,835,694)

6 Other operating income

	2021 US$	2020 US$
Net exchange (loss)/gain	(906,367)	3,913,025
Penalty income from early termination loans	782,087	986,192
Rental income	985,178	976,097
Others	206,958	266,976
Dividend income from equity investment securities (note 15(b))	129,557	578,540
	1,197,413	6,720,830

7 Operating expenses

	2021 US$	2020 US$
Staff costs:		
- Salaries and other benefits	9,963,945	9,480,270
- Contributions to the Mandatory Provident Funds	462,670	445,053
- Government grants (note)	(378,262)	-
Depreciation:		
- Owned property and equipment	572,071	735,846
- Right-of-use assets (note 23)	2,740,500	2,644,648
Other premises and equipment expenses	376,201	374,062
Advertising expenses	102,972	74,759
Auditor's remuneration	364,859	332,035
General and administrative expenses	2,060,814	1,824,593
Debt collection expenses	226,076	186,680
Consultancy fee	498,290	520,189
Other professional fee	253,532	554,833
Others	999,643	1,393,671
	18,243,311	18,566,639

Note: In 2020, the Company successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Company is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

8 Impairment losses on financial instruments

	2021 US$	2020 US$
Impairment losses on loans and advances (note 8(a))	3,493,880	7,587,539
Impairment losses on cash and balances with banks and other financial institutions (note 8(b))	108,110	-
Net charge to the statement of profit or loss	3,601,990	7,587,539

8 Impairment losses on financial instruments (continued)

(a) Impairment losses on loans and advances

	2021 US$	*2020* US$
Stage 3 ECL		
New provisions	5,143,881	5,533,320
Releases	(2,251,168)	(1,192,585)
Recoveries	(87,110)	(67,769)
	2,805,603	4,272,966
Stage 1 and 2 ECL		
New provisions (note)	688,277	3,314,573
Releases	-	-
	688,277	3,314,573
Net charge to the statement of profit or loss (note 8)	3,493,880	7,587,539

Note: the stage 1 and 2 ECL on loans and advances includes the stage 1 ECL on off-balance sheet exposures of US$48 (2020: US$464).

(b) Impairment losses on cash and balances with banks and other financial institutions

	2021 US$	*2020* US$
Stage 1 ECL		
New provisions	108,110	-
Releases	-	-
Net charge to the statement of profit or loss (note 8)	108,110	-

9 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2021 US$	*2020* US$
Directors' fees	64,506	38,703
Salaries, allowances and benefits in kind	531,876	68,535
Discretionary bonuses	280,967	150,148
Retirement scheme contributions	-	-
	877,349	257,386

10 Income tax

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

	2021 US$	*2020* US$
Current tax - Hong Kong Profits Tax		
Provision for the year (note 17(a))	684,900	882,840
Over provision in respect of prior years	(23,554)	(31,625)
	661,346	851,215
Deferred tax		
Origination and reversal of temporary differences (note 17(b))	43,492	(701,159)
Income tax charge	704,838	150,056

The first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax was calculated at the same basis in 2020. The provision for Hong Kong Profits Tax for 2021 is taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2019-20 subject to a maximum reduction of HK$10,000 (2020: was taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of HK$20,000).

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

	2021 US$	*2020* US$
Profit before tax	3,955,646	2,073,604
Notional tax on profit before tax, calculated under Hong Kong Profits Tax two-tiered rate regime	631,459	320,856
Tax effect of non-deductible expenses	267,514	116,192
Tax effect of non-taxable revenue	(161,166)	(222,188)
Tax effect of other adjustments	(9,415)	(33,179)
Over provision in respect of prior years	(23,554)	(31,625)
Actual tax charge	704,838	150,056

11 Other comprehensive income

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

	2021			*2020*		
	Before-tax amount US$	*Tax benefit* US$	*Net-of-tax amount* US$	*Before-tax amount* US$	*Tax expense* US$	*Net-of-tax amount* US$
Equity investment securities at FVOCI:						
- Change in fair value of FVOCI investment	(697,087)	-	(697,087)	-	-	-
- Exchange difference on translation of FVOCI investment	(26,362)	-	(26,362)	30,212	-	30,212
Debt investment securities at FVOCI:						
- Change in fair value of FVOCI investment	(22,676)	-	(22,676)	8,013	-	8,013
Other comprehensive income	(746,125)	-	(746,125)	38,225	-	38,225

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

	2021 US$	*2020* US$
Investment securities:		
Changes in fair value recognised during the year:		
- Equity investment securities at FVOCI (non-recycling)	(697,087)	-
- Debt investment securities at FVOCI (recycling)	(22,676)	8,013
Exchange difference on translation of FVOCI investment	(26,362)	30,212
Net deferred tax (charged)/credited to other comprehensive income	-	-
Net movement in the revaluation reserve and translation reserve during the year recognised in other comprehensive income	(746,125)	38,225

12 Cash and balances with banks and other financial institutions

	2021 US$	*2020* US$
Cash in hand	643	645
Balances with banks and authorised institutions and placements with banks	59,221,056	11,806,266
	59,221,699	11,806,911
Less: Impairment allowances		
- stage 1 ECL	(108,110)	-
	59,113,589	11,806,911

13 Trading assets

	2021 US$	*2020* US$
Positive fair values of derivatives (note 27(b))	459,016	-

14 Loans and advances to customers

(a) Loans and advances to customers

	2021 US$	*2020* US$
Loans and advances to customers at amortised cost	128,382,657	140,695,569
Finance leases (note 14(e))	356,627,402	433,297,099
Gross loans and advances to customers (note 14(c))	485,010,059	573,992,668
Less: Impairment allowances (note 14(b))		
- stage 3 ECL	(4,378,269)	(8,987,057)
- stage 1 and 2 ECL	(5,423,160)	(4,973,413)
Unearned discount on purchased lease and loan contracts	(2,277)	(2,908)
	475,206,353	560,029,290

14 Loans and advances to customers (continued)

(b) Movement in impairment allowances

The following table show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

	2021			
	Stage 1 ECL US$	*Stage 2 ECL* US$	*Stage 3 ECL* US$	*Total* US$
At 1 April 2020	2,511,255	2,462,158	8,987,057	13,960,470
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(37,012)	37,012	-	-
Transfer to Stage 3	(16,486)	(269,614)	286,100	-
Net remeasurement of loss allowance (including exchange adjustments)	723,188	868,661	2,146,124	3,737,973
New financial assets originated or purchased	1,514,465	76,435	488,894	2,079,794
Financial assets that have been matured and repaid	(370,796)	(1,860,380)	(42,215)	(2,273,391)
Financial assets that have been disposed (note)	(1,179)	(214,547)	(7,371,498)	(7,587,224)
Write-offs	-	-	(116,193)	(116,193)
At 31 March 2021	4,323,435	1,099,725	4,378,269	9,801,429

	2020			
	Stage 1 ECL US$	*Stage 2 ECL* US$	*Stage 3 ECL* US$	*Total* 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 matured and repaid	(118,070)	(263,703)	-	(381,773)
Write-offs	-	-	(3,105,784)	(3,105,784)
At 31 March 2020	2,511,255	2,462,158	8,987,057	13,960,470

Note: On 27 January 2021, a portfolio of finance leases of US$9,921,236 was disposed to a fellow subsidiary and the ECL of US$7,587,224 was derecognised.

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").

	2021		*2020*	
	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*
Gross loans and advances for use in Hong Kong				
Industrial, commercial and financial:				
Property investment	95,169	100	-	-
Financial concerns	2,701,066	100	3,569,137	100
Wholesale and retail trade	3,416,916	48	1,832,813	36
Manufacturing	12,465,672	37	14,650,647	39
Transport and transport equipment	302,873,653	93	357,786,359	96
Others	68,457,353	74	71,294,826	77
Individuals:				
Loans and advances for the purchase of other residential properties	31,321	100	49,307	100
Others	17,073,862	92	28,588,824	66
	407,115,012	88	477,771,913	89
Gross loans and advances for use outside Hong Kong	77,895,047	85	96,220,755	84
Gross loans and advances to customers	485,010,059	87	573,992,668	88

14 Loans and advances to customers (continued)

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

	2021 US$	*2020* US$
Gross impaired (stage 3) loans and advances to customers, net of net realisable value of collateral	13,012,081	12,332,553
Impairment allowance - stage 3 ECL (note 14(b))	(4,378,269)	(8,987,057)
	8,633,812	3,345,496
As a percentage of total loans and advances to customers		
Gross impaired (stage 3) loans and advances	2.68%	2.15%

Stage 3 ECL impairment allowance were made after taking into account the realisable value of collaterals in respect of such loans and advances of US$8,731,331 (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.

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

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

	2021		
	Present value of the minimum lease payments US$	*Interest income relating to future periods* US$	*Total minimum lease payments* US$
Within one year	183,237,910	11,839,486	195,077,396
After one year but within five years	173,286,507	9,324,599	182,611,106
After five years	102,985	1,401	104,386
	356,627,402	21,165,486	377,792,888
Impairment allowances	(8,818,072)		
Net investment in finance leases and hire purchase contracts	347,809,330		

14 Loans and advances to customers (continued)

	2020		
	Present value of the minimum lease payments US$	*Interest income relating to future periods* US$	*Total minimum lease payments* US$
Within one year	179,051,619	16,117,180	195,168,799
After one year but within five years	248,020,546	16,105,836	264,126,382
After five years	6,224,934	399,184	6,624,118
	433,297,099	32,622,200	465,919,299
Impairment allowances	(12,614,418)		
Net investment in finance leases and hire purchase contracts	420,682,681		

15 Investment securities

	2021 US$	*2020* US$
Investment securities measured at fair value through other comprehensive income-debt instruments (note 15(a))	23,148,457	23,165,106
Investment securities designated as at fair value through other comprehensive income-equity instruments (note 15(b))	828,972	1,552,421
	23,977,429	24,717,527

(a) Debt investment securities measured at fair value through other comprehensive income

	2021 US$	*2020* US$
Debt investment securities measured at fair value through other comprehensive income		
Unlisted debt securities	23,148,457	23,165,106
Issued by		
- Sovereigns	23,148,457	23,165,106

15 Investment securities (continued)

(b) Equity investment securities designated as at fair value through other comprehensive income

	Fair value at 31 March 2021 US$	Dividend income recognised 2021 US$
Equity investment securities designated as at fair value through other comprehensive income		
Equity security		
- Unlisted	828,972	129,557

	Fair value at 31 March 2020 US$	Dividend income recognised 2020 US$
Equity investment securities designated as at fair value through other comprehensive income		
Equity security		
- Unlisted	1,552,421	578,540

The fair value through other comprehensive income designation was made because the investment is expected to be held for the long term for strategic purposes. During the year ended 31 March 2021 and 31 March 2020, there was no transfer of any cumulative gain or loss within equity relating to this investment.

16 Property and equipment

	Leasehold improvements US$	*Furniture and equipment* US$	*Motor vehicles* US$	*Other properties and office equipments leased for own use* US$	*Total* US$
Cost:					
At 1 April 2020	1,561,197	3,041,919	113,776	14,607,535	19,324,427
Additions (note)	-	200,143	-	221,968	422,111
Disposals	-	(35,113)	-	-	(35,113)
Exchange adjustment	-	-	-	(44,233)	(44,233)
At 31 March 2021	1,561,197	3,206,949	113,776	14,785,270	19,667,192
Accumulated depreciation:					
At 1 April 2020	627,261	2,516,395	5,689	2,666,551	5,815,896
Charge for the year	203,768	345,548	22,755	2,740,500	3,312,571
Disposals	-	(35,113)	-	-	(35,113)
Exchange adjustment	-	-	-	(16,302)	(16,302)
At 31 March 2021	831,029	2,826,830	28,444	5,390,749	9,077,052
Net book value:					
At 31 March 2021	730,168	380,119	85,332	9,394,521	10,590,140
Cost:					
At 31 March 2019	1,561,197	2,934,782	97,290	-	4,593,269
Impact on initial application of HKFRS 16	-	-	-	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	1,561,197	3,041,919	113,776	14,607,535	19,324,427
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	627,261	2,516,395	5,689	2,666,551	5,815,896
Net book value:					
At 31 March 2020	933,936	525,524	108,087	11,940,984	13,508,531

Note: During the year of 2021, additions to right-of-use assets were US$221,968 (2020: US$74,498). This amount primarily related to the capitalised lease payments payable under the new tenancy agreements.

17 Income tax in the statement of financial position

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

	2021 US$	*2020* US$
Provision for Hong Kong Profits Tax (note 10(a))	684,900	882,840
Provisional Profits Tax paid	(648,402)	(535,256)
Tax payable	36,498	347,584

(b) Deferred tax assets recognised:

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

Deferred tax arising from:	*Depreciation in excess of related depreciation allowances* US$	*Depreciation charge of right-of-use assets* US$	*Bonus provision* US$	*Credit loss allowance* US$	*Total* US$
At 1 April 2019	41,600	-	220,859	267,359	529,818
Charged to statement of profit or loss (note 10(a))	16,122	122,803	8,971	553,263	701,159
At 31 March 2020 and 1 April 2020	57,722	122,803	229,830	820,622	1,230,977
Charged to statement of profit or loss (note 10(a))	31,812	(122,803)	(44,554)	92,053	(43,492)
At 31 March 2021	89,534	-	185,276	912,675	1,187,485

18 Other assets

	2021 US$	*2020* US$
Interest receivable	673,971	930,730
Amounts due from fellow subsidiaries	7,630,167	3,083,403
Deposits, prepayment and other receivables	4,877,079	5,447,831
	13,181,217	9,461,964

19 Deposits from customers and deposits and balances from banks and other financial institutions

(a) Deposits from customers:

	2021 US$	*2020* US$
Time, call and notice deposits	133,636,586	96,708,525

(b) Deposits and balances from banks and other financial institutions:

	2021 US$	*2020* US$
Deposits and balances from banks	101,748,889	119,779,192

Included in deposits and balances of banks and other financial institutions were short-term and long-term debts of approximately US$102 million (2020: US$120 million) guaranteed by the ultimate holding company.

20 Loan from ultimate holding company

The balance represents a loan from the ultimate holding company bear interest at 0.4% per annum (2020: 2.64%) of US$11,742,390 (2020: US$50,647,922). The loan is unsecured and repayable within one year (2020: within one year).

21 Trading liabilities

	2021 US$	*2020* US$
Negative fair value of derivatives (note 27(b))	4,970	867,858

22 Other liabilities

	2021 US$	*2020* US$
Interest payable	1,212,949	869,741
Amounts due to fellow subsidiaries	3,354	3,022,386
Other liabilities and accrued charges	5,252,260	5,516,685
	6,468,563	9,408,812

23 Lease liabilities

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

	31 March 2021		31 March 2020	
	Present value of the minimum lease payments US$	Total minimum lease payments US$	Present value of the minimum lease payments US$	Total minimum lease payments US$
Within 1 year	3,057,582	3,109,071	2,966,626	3,016,782
After 1 year but within 2 years	2,845,384	2,985,399	2,866,575	3,006,138
After 2 years but within 5 years	4,222,699	4,612,829	6,853,046	7,601,812
After 5 years	-	-	-	-
	7,068,083	7,598,228	9,719,621	10,607,950
	10,125,665	10,707,299	12,686,247	13,624,732
Less: total future interest expenses		(581,634)		(939,485)
Present value of lease liabilities		10,125,665		12,685,247

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

	2021 US$	*2020* US$
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties and office equipment leased for own used, carried at depreciated cost (note 16)	2,740,500	2,644,648
	2,740,500	2,644,648
Interest on lease liabilities (note 3(b))	362,186	435,255
Expense relating to short-term leases	6,016	108,652

Note: The total financing cash outflow for the related lease rentals paid for the year 2021 is US$3,119,703 (2020: US$3,034,778).

24 Share capital

	2021		2020	
	No. of shares	US$	*No. of shares*	US$
Ordinary shares, issued and fully paid:				
Ordinary shares	16,000,000	32,000,000	16,000,000	32,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets. For the year ended 31 March 2021 and 2020, ordinary shares of HK$10 and of US$2 rank pari passu in all respects.

Capital management

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

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

The Company has complied with all externally imposed capital requirements throughout the year ended 31 March 2021 and 2020 and is above the minimum required ratio set by the HKMA.

25 Reserves

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

(b) Nature and purpose of reserves

(i) Revaluation reserve

The revaluation reserve for 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 and is dealt with in accordance with the accounting policies in note 2(d).

25 Reserves (continued)

(ii) Regulatory reserve

The regulatory reserve is maintained to satisfy the provision of the Hong Kong Banking Ordinance for prudential supervision purpose to set aside amounts in respect of losses which the Company may incur on the loans and advances in addition to the impairment allowances made under HKFRS. As at 31 March 2021, no regulatory reserve was earmarked in the retained profits and in consultation with the HKMA (2020: US$2.2 million).

(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.

26 Cash and cash equivalents

(a) Cash and cash equivalents in the cash flow statement

	2021 US$	*2020* US$
Cash in hand and balances with banks and authorised institutions	57,562,450	8,293,576
Placements with banks with original maturity less than three months	1,659,249	3,513,335
	59,221,699	11,806,911
Less: Impairment allowances - stage 1 ECL	(108,110)	-
	59,113,589	11,806,911

26 Cash and cash equivalents

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Loan from ultimate holding company US$ *(Note 20)*	*Lease liabilities* US$ *(Note 23)*	*Total* US$
At 1 April 2020	50,647,922	12,685,247	63,333,169
Changes from financing cash flows:			
Repayment of loan from ultimate holding company	(38,702,686)	-	(38,702,686)
Capital element of lease rental paid	-	(2,757,517)	(2,757,517)
Interest element of lease rentals paid	-	(362,186)	(362,186)
Total changes from financing cash flows	(38,702,686)	(3,119,703)	(41,822,389)
Exchange adjustments	(202,846)	(19,838)	(222,684)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	-	217,773	217,773
Interest on lease liabilities (note 3(b))	-	362,186	362,186
Total other changes	-	579,959	579,959
As 31 March 2021	11,742,390	10,125,665	21,868,055

26 Cash and cash equivalents (continued)

	Loan from ultimate holding company US$ *(Note 20)*	*Lease liabilities* US$ *(Note 23)*	*Total* US$
At 1 April 2019	49,932,249	15,018,153	64,950,402
Changes from financing cash flows:			
Capital element of lease rental paid	-	(2,599,523)	(2,599,523)
Interest element of lease rentals paid	-	(435,255)	(435,255)
Total changes from financing cash flows	-	(3,034,778)	(3,034,778)
Exchange adjustments	715,673	196,510	912,183
Other changes:			
Increase in lease liabilities from entering into new leases during the year	-	70,107	70,107
Interest on lease liabilities (note 3(b))	-	435,255	435,255
Total other changes	-	505,362	505,362
As 31 March 2020	50,647,922	12,685,247	63,333,169

27 Derivatives

(a) Notional amount of derivatives

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

	2021	*2020*
	US$	US$
Currency derivatives		
Forwards and futures	257,500,000	257,500,000

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

	2021			*2020*		
	Fair value			*Fair value*		
	Assets US$	*Liabilities* US$	*Credit risk weighted* amount US$	*Assets* US$	*Liabilities* US$	*Credit risk weighted* amount US$
Currency derivatives	459,016	(4,970)	606,804	-	(867,858)	515,000

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 current and prior 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.

	2021	*2020*
	US$	US$
Currency derivatives		
Notional amounts with remaining life of one year or less	257,500,000	257,500,000

28 Contingent liabilities and commitments

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

	2021 US$	*2020* US$
Trade-related contingencies (note 29(a)(i))	326,258	165,947
Other commitments		
- with an original maturity of under one year or which are unconditionally cancellable	17,959,005	16,175,593
	18,285,263	16,341,540

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.

29 Financial risk management

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

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

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

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

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

The Company undertakes certain derivative transactions, primarily foreign currency forward contracts, to manage foreign currency risk. For accounting purposes, these derivatives do not qualify for hedge accounting and are treated as trading instruments. All derivatives as at 31 March 2021 and 2020 are over-the-counter derivatives.

29 Financial risk management (continued)

(a) Credit risk management

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

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

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

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

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

Corporate credit risk

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

29 Financial risk management (continued)

Credit risk for treasury transactions

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

Credit-related commitments

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

Concentration of credit risk

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

(i) Maximum exposure

The maximum exposure to credit risk at the end of reporting period is represented by the carrying amount of each financial assets in the statement of financial position after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	2021	*2020*
	US$	US$
Cash and balances with banks and other financial institutions	59,113,589	11,806,911
Trading assets	459,016	-
Loans and advances to customers	475,206,353	560,029,290
Investment securities	23,977,429	24,717,527
Other assets	13,181,217	9,461,964
Trade-related contingent liabilities (note 28(a))	326,258	165,947
	572,263,862	606,181,639

29 Financial risk management (continued)

(ii) Credit quality of loans and advances

The Company classifies the loans and advances in accordance with the loan classification system required to be adopted for reporting to the HKMA. The following table set out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3.

Loans and advances to customers at amortised cost - gross carrying amount:

	2021				*2020*
	Stage 1 US$	*Stage 2* US$	*Stage 3* US$	*Total* US$	*Total* US$
Current	460,538,229	4,848,146	2,852,810	468,239,185	530,043,242
Overdue 30 days or less	1,756,980	1,105,583	59,616	2,922,179	10,576,730
Overdue over 30 days	-	1,461,120	12,387,575	13,848,695	33,372,696
	462,295,209	7,414,849	15,300,001	485,010,059	573,992,668

Of which:

	2021				*2020*
	Stage 1 US$	*Stage 2* US$	*Stage 3* US$	*Total* US$	*Total* US$
- Grade A: Pass	424,469,791	-	-	424,469,791	531,149,013
- Grade B: Special mention	37,825,418	7,414,849	-	45,240,267	24,414,326
- Grade C: Substandard	-	-	4,025,268	4,025,268	9,295,448
- Grade D: Doubtful	-	-	11,274,733	11,274,733	8,663,487
- Grade E: Loss	-	-	-	-	470,394
	462,295,209	7,414,849	15,300,001	485,010,059	573,992,668

(iii) Collaterals and other credit enhancements

The Company holds collaterals against loans and advances to customers in the form of mortgages over property, other registered securities over assets, cash deposits and guarantees. Collaterals held as security for financial assets other than loans and advances is determined by the nature of the instrument.

29 Financial risk management (continued)

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

	2021 US$	*2020* US$
Fair value of collaterals and other credit enhancements held against financial assets that are:		
Loans and advances to customers at amortised cost	120,096,937	135,711,057
Finance leases	476,704,857	568,260,866
	596,801,794	703,971,923

Collaterals

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

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

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

(i) Cash and balances with banks and other financial institutions, trading assets, loans and advances to banks and other financial institutions and financial assets measured at fair value through other comprehensive income:

Collateral is generally not sought for these assets.

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

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

(b) Market risk management

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

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

No quantitative disclosure has been made as the Company has not engaged in any material trading activities during the year.

29 Financial risk management (continued)

(i) Currency risk

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

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

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

	2021		
	USD equivalents		
	HK dollars	*Japanese Yen*	*Total*
Spot assets	528,365,821	59,961,196	588,327,017
Spot liabilities	(224,239,951)	(55,737,858)	(279,977,809)
Forward purchases	-	-	-
Forward sales	(256,978,057)	-	(256,978,057)
Net long non-structural position	47,147,813	4,223,338	51,371,151

	2020		
	USD equivalents		
	HK dollars	*Japanese Yen*	*Total*
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	42,111,657	6,924,149	49,035,806

The Company does not have any structural position as at 31 March 2021 and 31 March 2020.

29 Financial risk management (continued)

Sensitivity analysis

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

	2021		*2020*	
	Appreciation/ (depreciation) in currency against USD	*Effect on profit after tax and retained profits* US$	*Appreciation/ (depreciation) in currency against USD*	*Effect on profit after tax and retained profits* US$
Hong Kong Dollars	1%	393,684	1%	351,632
	(1%)	(393,684)	(1%)	(351,632)
Japanese Yen	3%	105,795	3%	173,450
	(3%)	(105,795)	(3%)	(173,450)

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next fiscal end of reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in the value of the United States dollar against other currencies. The analysis is performed on the same basis for 2020.

29 Financial risk management (continued)

(ii) Interest rate risk

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

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

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

	2021						
	Effective interest rate	*Total* US$	*3 months or less (include overdue)* US$	*Over 3 months to 1 year* US$	*Over 1 year to 5 years* US$	*Over 5 years* US$	*Non-interest bearing* US$
Assets							
Cash and balances with banks and other financial institutions	0.04%	59,113,589	36,537,867	-	-	-	22,575,722
Loans and advances to customers	4.53%	475,206,353	209,380,600	95,919,514	169,898,797	7,397	45
Investment securities	0.05%	23,977,429	14,147,351	9,001,106	-	-	828,972
Other assets	1.10%	25,417,858	7,575,886	-	-	-	17,841,972
Total assets		583,715,229	267,641,704	104,920,620	169,898,797	7,397	41,246,711
Liabilities							
Deposits and balances of banks and other financial institutions	1.84%	101,748,889	34,414,236	67,334,653	-	-	-
Deposits from customers	0.92%	133,636,586	126,092,402	2,469,513	-	-	5,074,671
Deposits from fellow subsidiaries	0.94%	39,032,608	39,032,608	-	-	-	-
Loans from ultimate holding company	0.4%	11,742,390	-	11,742,390	-	-	-
Tax payable		36,498	-	-	-	-	36,498
Lease liabilities	3.58%	10,125,665	774,812	2,282,770	7,068,083	-	-
Other liabilities	0%	6,473,533	-	-	-	-	6,473,533
Total liabilities		302,796,169	200,314,058	83,829,326	7,068,083	-	11,584,702
Interest rate sensitivity gap			67,327,646	21,091,294	162,830,714	7,397	29,662,009

29 Financial risk management (continued)

	2020						
	Effective interest rate	*Total* US$	*3 months or less (include overdue)* US$	*Over 3 months to 1 year* US$	*Over 1 year to 5 years* US$	*Over 5 years* US$	*Non-interest bearing* US$
Assets							
Cash and balances with banks and other financial institutions	0.98%	11,806,911	4,966,204	-	-	-	6,840,707
Loans and advances to customers	4.52%	560,029,290	248,509,567	104,302,785	207,112,610	104,283	45
Investment securities	1.39%	24,717,527	15,460,949	7,704,157	-	-	1,552,421
Other assets	2.08%	24,201,472	3,033,310	-	-	-	21,168,162
Total assets		620,755,200	271,970,030	112,006,942	207,112,610	104,283	29,561,335
Liabilities							
Deposits and balances of banks and other financial institutions	1.98%	119,779,192	52,243,005	-	67,536,187	-	-
Deposits from customers	2.18%	96,708,525	79,656,382	10,140,886	-	-	6,911,257
Deposits from fellow subsidiaries	2.05%	51,895,683	51,895,683	-	-	-	-
Loans from ultimate holding company	2.64%	50,647,922	-	38,702,686	11,945,236	-	-
Tax payable		347,584	-	-	-	-	347,584
Lease liabilities	3.46%	12,685,247	753,639	2,212,987	9,718,621	-	-
Other liabilities	3.87%	10,276,670	3,019,154	-	-	-	7,257,516
Total liabilities		342,340,823	187,567,863	51,056,559	89,200,044	-	14,516,357
Interest rate sensitivity gap			84,402,167	60,950,383	117,912,566	104,283	15,044,978

29 Financial risk management (continued)

Sensitivity analysis

At 31 March 2021, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Company's profit after tax and retained profits by approximately US$1,275,000 (2020: increase of US$823,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 (2020: 100) basis points increase or minimal decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next fiscal end of reporting period. The analysis is performed on the same basis for the year ended 31 March 2020.

(c) Liquidity risk management

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.

29 Financial risk management (continued)

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.

(iii) Regarding cash flow projections, Projection of Cash Flow Report for coming four months is prepared by Treasury Department, for establishing financial plans and recognising 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.

29 Financial risk management (continued)

(i) Analysis of assets and liabilities by remaining maturity

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

	2021							
	Total US$	*Repayable on demand* US$	*Within 1 month* US$	*Over 1 month but within 3 months* US$	*Over 3 months to 1 year* US$	*Over 1 year to 5 years* US$	*Over 5 years* US$	*Undated or overdue* US$
Assets								
Cash and balances with banks and other financial institutions	59,113,589	57,456,804	1,656,785	-	-	-	-	-
Loans and advances to customers	475,206,353	-	17,710,881	63,654,013	123,973,186	224,015,454	39,809,096	6,043,723
Investment securities	23,977,429	-	10,289,403	3,857,948	9,001,106	-	-	828,972
Property and equipment	10,590,140	-	-	-	-	-	-	10,590,140
Other assets	13,640,233	7,630,167	448,820	282,033	4,216	-	-	5,274,997
Undated assets	1,187,485	-	-	-	-	-	-	1,187,485
Total assets	583,715,229	65,086,971	30,105,889	67,793,994	132,978,508	224,015,454	39,809,096	23,925,317
Liabilities								
Deposits and balances of banks and other financial institutions	101,748,889	-	11,742,390	22,671,845	67,334,654	-	-	-
Deposits from customers	133,636,586	-	91,575,464	36,355,414	3,255,461	2,450,247	-	-
Deposits from fellow subsidiaries	39,032,608	-	-	39,032,608	-	-	-	-
Lease liabilities	10,125,665	-	258,936	515,876	2,282,770	7,068,083	-	-
Loans from ultimate holding company	11,742,390	-	-	-	11,742,390	-	-	-
Tax payable	36,498	-	36,498	-	-	-	-	-
Other liabilities	6,473,533	3,354	5,897,271	128,101	220,392	224,415	-	-
Total liabilities	302,796,169	3,354	109,510,559	98,703,844	84,835,667	9,742,745	-	-
Asset-liability gap		65,083,617	(79,404,670)	(30,909,850)	48,142,841	214,272,709	39,809,096	23,925,317

29 Financial risk management (continued)

	2020							
	Total US$	*Repayable on demand* US$	*Within 1 month* US$	*Over 1 month but within 3 months* US$	*Over 3 months to 1 year* US$	*Over 1 year to 5 years* US$	*Over 5 years* US$	*Undated or overdue* US$
Assets								
Cash and balances with banks and other financial institutions	11,806,911	8,293,576	3,513,335	-	-	-	-	-
Loans and advances to customers	560,029,290	-	21,340,682	41,702,240	139,035,284	296,251,864	51,638,935	10,060,285
Investment securities	24,717,527	-	5,158,810	10,302,139	7,704,157	-	-	1,552,421
Property and equipment	13,508,531	-	-	-	-	-	-	13,508,531
Other assets	9,461,964	3,083,403	325,459	11,440	6,227	-	-	6,035,435
Undated assets	1,230,977	-	-	-	-	-	-	1,230,977
Total assets	620,755,200	11,376,979	30,338,286	52,015,819	146,745,668	296,251,864	51,638,935	32,387,649
Liabilities								
Deposits and balances of banks and other financial institutions	119,779,192	-	27,690,931	24,552,074	-	67,536,187	-	-
Deposits from customers	96,708,525	-	10,054,983	70,132,780	12,700,614	3,820,148	-	-
Deposits from fellow subsidiaries	51,895,683	-	-	51,895,683	-	-	-	-
Lease liabilities	12,685,247	-	254,822	498,817	2,212,987	9,718,621	-	-
Loans from ultimate holding company	50,647,922	-	-	-	38,702,686	11,945,236	-	-
Tax payable	347,584	-	-	-	347,584	-	-	-
Other liabilities	10,276,670	3,022,386	6,311,663	203,951	244,019	494,651	-	-
Total liabilities	342,340,823	3,022,386	44,312,399	147,283,305	54,207,890	93,514,843	-	-
Asset-liability gap		8,354,593	(13,974,113)	(95,267,486)	92,537,778	202,737,021	51,638,935	32,387,649

29 Financial risk management (continued)

(ii) Analysis of liabilities by remaining maturity

The following table provides an analysis of the residual contractual maturities of non-derivative financial liabilities of the Company, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of reporting period) and the earliest date the Company can be required to pay:

	2021								
Liabilities	*Carrying amount* US$	*Gross nominal outflow* US$	*Repayable on demand* US$	*Within 1 month* US$	*Over 1 month but within 3 months* US$	*Over 3 months but within 1 year* US$	*Over 1 year but within 5 years* US$	*Over 5 years* US$	*Indefinite* US$
Deposits and balances of banks and other financial institutions	101,748,889	102,955,137	-	12,045,174	22,828,883	68,081,080	-	-	-
Deposits from customers (note 1)	133,636,586	129,540,212	-	91,278,859	35,772,829	2,488,524	-	-	-
Deposits from fellow subsidiaries	39,032,608	39,064,203	-	31,595	39,032,608	-	-	-	-
Lease liabilities	10,125,665	10,707,299	-	259,604	519,207	2,330,259	7,598,229	-	-
Loans from ultimate holding company	11,742,390	11,766,136	-	-	-	11,766,136	-	-	-
Tax payable	36,498	36,498	-	36,498	-	-	-	-	-
Other liabilities (note 2)	6,473,533	3,519,834	3,354	3,516,480	-	-	-	-	-
Total liabilities	302,796,169	297,589,319	3,354	107,168,210	98,153,527	84,665,999	7,598,229	-	-
Commitments									
Guarantees, acceptances and other financial facilities	-	-	-	-	-	-	-	-	-

	2020								
Liabilities	*Carrying amount* US$	*Gross nominal outflow* US$	*Repayable on demand* US$	*Within 1 month* US$	*Over 1 month but within 3 months* US$	*Over 3 months but within 1 year* US$	*Over 1 year but within 5 years* US$	*Over 5 years* US$	*Indefinite* US$
Deposits and balances of banks and other financial institutions	119,779,192	122,862,528	-	28,064,866	24,732,483	1,049,569	69,015,610	-	-
Deposits from customers (note 1)	96,708,525	90,433,027	-	9,688,100	70,454,064	10,290,863	-	-	-
Deposits from fellow subsidiaries	51,895,683	51,987,003	-	91,320	51,895,683	-	-	-	-
Lease liabilities	12,685,247	13,624,732	-	255,479	502,055	2,259,248	10,607,950	-	-
Loans from ultimate holding company	50,647,922	51,687,164	-	335,135	-	39,382,006	11,970,023	-	-
Tax payable	347,584	347,584	-	-	-	347,584	-	-	-
Other liabilities (note 2)	10,276,670	6,969,584	2,814,246	4,155,338	-	-	-	-	-
Total liabilities	342,340,823	337,911,622	2,814,246	42,590,238	147,584,285	53,329,270	91,593,583	-	-
Commitments									
Guarantees, acceptances and other financial facilities	165,947	165,947	-	-	-	165,947	-	-	-

Note 1: the amount of gross nominal outflow excludes receipt in advance from lessees of US$5,074,671 (2020: US$6,911,257).

Note 2: the amount of gross nominal outflow excludes bonus provision of US$1,122,887 (2020: US$1,392,910).

29 Financial risk management (continued)

(d) Operational risk management

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

- to independently evaluate the adequacy of all internal controls;

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

- to pro-actively recommend improvements.

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

30 Fair values of financial instruments

(a) Financial instruments carried at fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

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

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

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

30 Fair values of financial instruments (continued)

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

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

- Derivatives

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

- Debt and equity securities

  Debt securities are valued based on quoted market prices from an exchange or dealer price quotation, where available. For unlisted equity securities, the fair value is estimated based on the investee's financial position and results, risk profile, prospectus and other factors as well as reference to the market valuations for similar entities quoted in an active market.

30 Fair values of financial instruments (continued)

The following table presents the fair value of the financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*:

	2021			
	Level 1 US$	*Level 2* US$	*Level 3* US$	*Total* US$
Assets				
Financial assets at fair value through other comprehensive income:				
- Debt securities (note 15(a))	23,148,457	-	-	23,148,457
- Equity securities (note 15(b))	-	-	828,972	828,972
Trading assets (note 13)	-	459,016	-	459,016
	23,148,457	459,016	828,972	24,436,445
Liabilities				
Trading liabilities (note 21)	-	4,970	-	4,970

	2020			
	Level 1 US$	*Level 2* US$	*Level 3* US$	*Total* US$
Assets				
Financial assets at fair value through other comprehensive income:				
- Debt securities (note 15(a))	23,165,106	-	-	23,165,106
- Equity securities (note 15(b))	-	-	1,552,421	1,552,421
	23,165,106	-	1,552,421	24,717,527
Liabilities				
Trading liabilities (note 21)	-	867,858	-	867,858

During the year ended 31 March 2021 and 2020, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

The fair value of the unlisted equity securities is determined with reference to multiples of comparable listed company such as price/book ratio of comparables, adjusted for a liquidity discounted to reflect the fact that the securities are not actively traded. An increase in ratio in isolation will result in favourable movement in the fair value, while an increase in liquidity discount in isolation will result in unfavourable movement.

30 Fair values of financial instruments (continued)

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

	Financial assets at fair value through other comprehensive income	
	2021	*2020*
	US$	US$
Assets		
At 1 April	1,552,421	1,522,209
Additions	-	-
Net unrealised loss recognised in other comprehensive income	(697,087)	-
Translation reserve recognised in the other comprehensive income	(26,362)	30,212
At 31 March	828,972	1,552,421
Total losses for the year included in revaluation reserve for financial assets at fair value through other comprehensive income held at the end of reporting period	(697,087)	-
Total gains for the year included in translation reserve for financial assets at fair value through other comprehensive income held at the end of reporting period	37,119	63,481

Any gain or loss arising from the remeasurement and exchange adjustment of the unlisted equity securities held for strategic purposes are recognised in the revaluation reserve (non-recycling) and translation reserve in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

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

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

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

30 Fair values of financial instruments (continued)

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

31 Material related party transactions

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

(a) Transactions with group companies

In addition to the related party transactions and balances detailed elsewhere in these financial statements, the Company had the following material transactions and balances with its related parties during the year.

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

	2021 US$	*2020* US$
Fellow subsidiaries		
Interest income	201,012	144,595
Interest expense	(551,294)	(2,001,148)
Fee and commission income	7,017,383	6,942,375
Fee and commission expense	(173,580)	(204,000)
Other operating expense	(23,001)	(26,824)
Other operating income	985,178	976,097
Ultimate holding company		
Interest expense	(124,603)	(1,299,170)
Other operating expense	(113,486)	(200,654)

31 Material related party transactions (continued)

Average balances of (liabilities)/assets with fellow subsidiaries and the ultimate holding company for the year are set out below:

	2021 US$	*2020* US$
Fellow subsidiaries		
Other assets	6,188,925	1,928,112
Deposits from fellow subsidiaries	(43,042,230)	(70,436,265)
Other liabilities	(563,020)	(5,615,170)
Ultimate holding company		
Other assets	25,012	36,623
Loan from ultimate holding company	(12,274,709)	(50,322,686)
Other liabilities	(43,368)	(241,240)

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

Other balances with fellow subsidiaries were unsecured and had no fixed terms of repayment.

The loan from ultimate holding company is unsecured, interest bearing at 0.4% per annum and repayable within one year (2020: within one year).

(b) Key management personnel remuneration

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

(c) Loan to director

Loan to a director of the Company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2021 US$	*2020* US$
Balance of the loan at 31 March	89,857	-
Maximum balance outstanding during the year	114,212	-

The loan is secured, interest bearing at commercial rate and repayable within 3 years. There was no amount due but unpaid, nor any loss allowance made against the principal amount of or interest on the loan at 31 March 2021 and 2020.

32 Immediate parent and the ultimate controlling party

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

33 Key sources of estimation uncertainty

Expected credit losses for loans and advances

Policies on credit losses and impairment of loans and advances are set out in note 2(h).

34 Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 March 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

Unaudited supplementary financial information

(a) Capital and capital adequacy

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

	2021	*2020*
Capital ratio:		
Common Equity Tier 1 ("CET1") Capital Ratio	51.60%	44.17%
Tier 1 Capital Ratio	51.60%	44.17%
Total Capital Ratio	52.62%	45.32%

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 2021, market risk arising from the Company's trading book is minimal. The Company has been granted exemption by the HKMA as it can fulfil the exemption criteria set out in sections 22(l)(a) and (b) of the Banking (Capital) Rules. Hence, the Company was exempted from the calculation of market risk.

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

	2021 US$	*2020* US$
CET1 Capital:		
CET1 Capital instruments	32,000,000	32,000,000
Retained earnings	249,579,944	246,329,136
Disclosed reserves	(660,884)	85,241
CET1 Capital before deductions	280,919,060	278,414,377
Regulatory deductions to CET1 capital:		
Regulatory reserve for general banking risks	-	2,201,495
Net deferred tax assets	1,187,485	1,230,977
Total CET1 Capital	279,731,575	274,981,905
Additional Tier 1 ("AT1") Capital	-	-
Total Tier 1 ("T1") Capital	279,731,575	274,981,905

Unaudited supplementary financial information (continued)

(a) Capital and capital adequacy (continued)

	2021 US$	*2020* US$
Tier 2 ("T2") Capital		
Qualifying Tier 2 capital instruments plus any related share premium		
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	5,531,365	7,146,973
Total T2 Capital	5,531,365	7,146,973
Total Capital	285,262,940	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).

(b) Liquidity ratio

	2021 (Under LMR)	*2020 (Under LMR)*	*2019 (Under LMR)*
Average liquidity ratio	259.45%	94.25%	58.93%

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

Unaudited supplementary financial information (continued)

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

For each industry sector reported above with loan balance constituting 10% or more of the total balance of advances to customers, the attributable amount of impaired loans, overdue loans, ECL at stage 1, 2 and 3, the amount of new provisions charged to income statement, and the amount of impaired loans and advances written off during the year are as follows:

	2021						
	Gross loans and advances US$	*Impaired loans and advances* US$	*Overdue loans and advances* US$	*ECL at Stage 3* US$	*ECL at Stage 1 and 2* US$	*Impairment charged to income statement during the year* US$	*Impairment allowance written off during the year* US$
Loans and advances for use in Hong Kong							
Industrial, commercial and financial							
Transport and transport equipment	302,873,653	9,130,254	8,071,680	2,504,831	3,022,199	3,280,980	103,950
Others	68,457,353	1,131,889	-	246,289	1,471,547	1,415,168	4,482
Loans and advances for use outside HK							
Property investment	63,998,521	-	-	-	16,730	-	-

	2020						
	Gross loans and advances US$	*Impaired loans and advances* US$	*Overdue loans and advances* US$	*ECL at Stage 3* US$	*ECL at Stage 1 and 2* US$	*Impairment charged to income statement during the year* US$	*Impairment allowance written off during the year* US$
Loans and advances for use in Hong Kong							
Industrial, commercial and financial							
Transport and transport equipment	357,786,359	2,157,068	9,893,784	849,136	2,908,173	2,463,949	786,937
Others	71,294,826	409,007	930,528	226,365	1,143,053	1,137,790	63,127
Loans and advances for use outside HK							
Property investment	71,217,215	-	-	-	40,088	39,677	-

Unaudited supplementary financial information (continued)

(d) Overdue and rescheduled assets

(i) Overdue loans and advances to customers

	2021		*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	335,106	0.07%	9,374,575	1.63%
one year or less but over six months	1,181,649	0.24%	1,471,929	0.26%
Over one year	9,304,861	1.92%	8,362,478	1.46%
	10,821,616	2.23%	19,208,982	3.35%
Current market value of collateral held against the covered portion of overdue loans and advances	8,324,989		14,676,866	
Covered portion of overdue loans and advances	7,770,256		11,362,718	

Unaudited supplementary financial information (continued)

(d) Overdue and rescheduled assets (continued)

	2021		2020	
	Amount US$	*% of total advances to customers*	*Amount* US$	*% of total advances to customers*
Uncovered portion of overdue loans and advances	3,051,360		7,846,264	
Individual impairment allowances made on loans and advances overdue for more than three months	3,734,247		8,226,182	

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.

Unaudited supplementary financial information (continued)

(d) Overdue and rescheduled assets (continued)

(ii) Rescheduled loans and advances to customers

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Company. Rescheduled loans and advances to customers are stated net of any loans and advances to customers that have subsequently become overdue for over three months and reported as overdue loans and advances in note (d)(i) above. The amount of rescheduled loans and advances to customers is not material as at 31 March 2021 and 2020.

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

There are no loans and advances to banks and other financial institutions which are overdue for more than three months as at 31 March 2021 and 2020.

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

There are no rescheduled loans and advances to banks and other financial institutions as at 31 March 2021 and 2020.

(v) Other overdue assets

There are no other assets which are overdue for more than three months as at 31 March 2021 and 2020.

Unaudited supplementary financial information (continued)

(d) Overdue and rescheduled assets (continued)

(vi) Geographical analysis of loans and advances to customers

	2021				
	Gross loans and advances US$	*Loans and advances overdue for more than 3 months* US$	*Impaired loans (Stage 3)* US$	*ECL at Stage 3* US$	*ECL at Stage 1 and 2* US$
Hong Kong	481,690,669	10,786,500	12,976,957	4,370,156	5,380,396
Others	3,319,390	35,124	35,124	8,113	42,764
	485,010,059	10,821,624	13,012,081	4,378,269	5,423,160

	2020				
	Gross loans and advances US$	*Loans and advances overdue for more than 3 months* US$	*Impaired loans (Stage 3)* US$	*ECL at Stage 3* US$	*ECL at Stage 1 and 2* US$
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.

Unaudited supplementary financial information (continued)

(e) 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:

	31 March 2021				
		Non-bank private sector			
	Banks US$	*Official sector* US$	*Non-bank financial institutions* US$	*Non-financial private sector* US$	*Total* US$
Developed countries	19,954,318	-	-	912,968	20,867,286
Offshore centres	594,905	-	1,178,506	697,013	2,470,424
of which: Hong Kong	594,905	-	1,178,506	164,777	1,938,188
Developing Asia Pacific	25,673,217	-	-	3,145,653	28,818,870
of which: China	-	-	-	3,145,653	3,145,653
	46,222,440	-	1,178,506	4,755,634	52,156,580

	31 March 2020				
		Non-bank private sector			
	Banks US$	*Official sector* US$	*Non-bank financial institutions* US$	*Non-financial private sector* US$	*Total* 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
	8,089,251	-	2,083,133	8,979,036	19,151,420

Unaudited supplementary financial information (continued)

(f) Non-bank Mainland China exposures

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

	2021		
	On-balance sheet exposure US$	*Off-balance sheet exposure* US$	*Total* US$
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	22,979	-	22,979
Other entities of local governments	3,218,615	-	3,218,615
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	13,250,036	326,235	13,576,271
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,335,424	-	4,335,424
	20,827,054	326,235	21,153,289
Total assets after provision	583,715,229		
On-balance sheet exposures as percentage of total assets	3.57%		

Unaudited supplementary financial information (continued)

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

	2020		
	On-balance sheet exposure US$	*Off-balance sheet exposure* US$	*Total* 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
	33,350,146	645,045	33,995,191
Total assets after provision	620,755,200		
On-balance sheet exposures as percentage of total assets	5.37%		

(g) Repossessed assets

	2021 US$	*2020* US$
Repossessed assets	3,727,938	748,450

Unaudited supplementary financial information (continued)

(h) Segmental analysis

(i) By geographical area

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

(ii) By class of business

	2021		*2020*	
	Profit before taxation US$	*Total assets* US$	*Profit before taxation* US$	*Total assets* US$
Commercial financing business	6,186,869	477,592,673	1,710,533	564,074,252
Investment	(1,906,330)	23,977,430	(2,517,550)	24,717,527
Others	-	-	-	-
	4,280,539	501,570,103	(807,017)	588,791,779
Unallocated income/assets	(324,893)	82,145,126	2,880,621	31,963,421
	3,955,646	583,715,229	2,073,604	620,755,200

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

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

Other business activities included ship finance and staff loan scheme.

Unaudited supplementary financial information (continued)

(i) Additional disclosures on credit risk management

(i) Capital requirement

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

	2021 US$	*2020* US$
Total capital requirements for on-balance sheet exposures	491,752,526	571,209,649
Total capital requirements for off-balance sheet exposures	672,056	548,189
	492,424,582	571,757,838

(ii) Capital charge

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

	2021 US$	*2020* US$
Capital charge for operational risk	3,939,624	4,034,368

(iii) Market risk

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

Unaudited supplementary financial information (continued)

(j) Corporate governance

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

Board committees

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

(i) Quarterly Board of Directors Meeting

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

(ii) Credit Committee

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

(iii) Asset and Liability Management Committee

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

Unaudited supplementary financial information (continued)

(j) Corporate governance (continued)

(iv) Operational Risk Management Team

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

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

(v) Audit Committee

The Audit Committee is authorised by the Board of Directors to review all matters related to financial statements and disclosures, audit work performed by internal auditors, internal control systems, and the effectiveness of risk management and compliance for the Company. The Audit Committee comprises members of non-executive and independent directors, which meets three to four times a year with the Company's management, key personnel and head of internal audit. The Chairman of the Committee is an independent non-executive director.

(k) Remuneration of directors and senior management

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

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

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

Unaudited supplementary financial information (continued)

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

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

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

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

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

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

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

Unaudited supplementary financial information (continued)

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

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

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

Fixed remuneration US$	*Variable remuneration* US$	*Number of beneficiaries*
1,701,567	623,249	15

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

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

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

(l) Leverage ratio

The leverage ratio as at 31 March was compiled in accordance with the Leverage Ratio Framework issued by the HKMA.

	2021	*2020*
Leverage ratio	47.66%	44.24%

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

Unaudited supplementary financial information (continued)

(m) Countercyclical capital buffer ratio

The countercyclical capital buffer ("CCyB") ratio as at 31 March 2021 was compiled in accordance with the CCyB ratio framework issued by the HKMA.

	2021	*2020*
CCyB ratio	0.9904%	0.9848%

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

Jurisdiction	*2021 Total risk-weighted amount* US$	*JCCyB ratio*	*2020 Total risk-weighted amount* US$	*JCCyB ratio*
Hong Kong SAR	473,075,922	1%	557,932,915	1%
China	3,137,540	0%	6,481,004	0%
Curacao	19,594	0%	19,594	0%
Japan	912,968	0%	1,640,984	0%
Macau SAR	37,811	0%	58,868	0%
Samoa	74,554	0%	36,841	0%
West Indies UK	400,277	0%	394,731	0%
Total across countries	477,658,666		566,564,937	

Compliance with the Banking (Disclosure) Rules

The Company is required to comply with the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority which set out the minimum standards for public disclosure which authorised institutions must make in respect of the statement of profit or loss, state of affairs and capital adequacy. The financial statements for the financial year ended 31 March 2021 comply fully with the applicable disclosure provisions of the Banking (Disclosure) Rules.

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

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of ORIX Asia Limited ("the Company") set out on pages 1 to 66, which comprise the statement of financial position as at 31 March 2021, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2021 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG
Certified Public Accountants

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

28 July 2021

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