

ORIX Asia Limited

**Interim Results
30 September 2023**

By Order of the Board:



FENG Xuefeng
CHIEF EXECUTIVE

Unaudited statement of profit or loss For the six months ended 30 September 2023

	<i>Note</i>	2023	2022
		US\$	US\$
Interest income calculated using the effective interest method	4(a)	13,547,010	10,859,545
Other interest income	4(a)	309	308
Interest expense	4(b)	<u>(3,217,269)</u>	<u>(1,289,831)</u>
Net interest income		<u>10,330,050</u>	<u>9,570,022</u>
Fee and commission income	5(a)	3,707,322	3,242,541
Fee and commission expense	5(b)	<u>(1,806,868)</u>	<u>(1,072,227)</u>
Net fee and commission income		<u>1,900,454</u>	<u>2,170,314</u>
Net trading gain	6	638,585	1,358,244
Other operating income	7	<u>2,010,256</u>	<u>1,553,800</u>
		<u>2,648,841</u>	<u>2,912,044</u>
Operating income		14,879,345	14,652,380
Operating expenses	8	<u>(9,774,180)</u>	<u>(11,872,207)</u>
		5,105,165	2,780,173
Net (charge)/reversal of impairment losses on financial assets	9	<u>(473,865)</u>	<u>785,137</u>
Profit before taxation		4,631,300	3,565,310
Income tax	10	<u>(721,538)</u>	<u>(525,669)</u>
Profit for the period		<u>3,909,762</u>	<u>3,039,641</u>

Unaudited statement of profit and loss and other comprehensive income For the six months ended 30 September 2023

	<i>Note</i>	2023 US\$	2022 US\$
Profit for the period		3,909,762	3,039,641
Other comprehensive income	11		
<i>Item that will not be reclassified to profit or loss:</i>			
Equity investment securities at fair value through other comprehensive income (FVOCI):			
Change in fair value of FVOCI investment (non-recycling)		-	-
Exchange difference on translation of FVOCI investment (non-recycling)		(111,492)	(116,096)
		(111,492)	(116,096)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Debt investment securities at FVOCI:			
Change in fair value of FVOCI investment (recycling)		(36,526)	25,672
Other comprehensive income for the period, net of tax		(148,018)	(90,424)
Total comprehensive income for the period		3,761,744	2,949,217

Unaudited statement of financial position as at 30 September 2023

	<i>Note</i>	<i>30-9-2023</i> US\$	<i>31-3-2023</i> US\$
Assets			
Cash and balances with banks and other financial institutions	12	12,953,158	10,917,952
Trading assets	13	191,338	428,047
Loans and advances to customers	14(a)	435,326,280	444,592,246
Investment securities	15	23,606,527	23,776,294
Property and equipment	16	4,952,177	6,919,993
Deferred tax assets	17(b)	518,000	346,248
Other assets	18	12,822,081	9,862,652
Total assets		490,369,561	496,843,432
Equity and liabilities			
Deposits and balances from banks and other financial institutions	19(a)	88,733,910	53,860,517
Deposits from customers	19(b)	55,039,758	60,672,115
Deposits from fellow subsidiaries		25,551,595	62,966,336
Loan from ultimate holding company	20	8,691,001	9,735,640
Trading liabilities	21	29,540	9,185
Lease liabilities	23	4,466,435	6,214,280
Tax payable	17(a)	609,424	58,070
Other liabilities	22	4,742,176	4,583,311
Total liabilities		187,863,839	198,099,454
Equity			
Share capital	24	32,000,000	32,000,000
Reserves	25	270,505,722	266,743,978
Total equity		302,505,722	298,743,978
Total equity and liabilities		490,369,561	496,843,432

1 General information

The Directors of ORIX Asia Limited (“the Company”) are pleased to present the unaudited interim results of the Company for the six months ended 30 September 2023.

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

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

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

2 Basis of preparation and accounting policies

Except as described below, the accounting policies and methods of computation used in the preparation of the 2024 interim financial statements are consistent with those used and described in the Company’s annual audited financial statements for the year ended 31 March 2023.

New and amended standards adopted by the Company

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

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 1, <i>Presentation of financial statements:</i> <i>Classification of liabilities as current or non-current</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements:</i> <i>Non-current liabilities with covenants</i>	1 January 2024
Amendments to HKFRS16, <i>Lease: Lease liability in a sale and leaseback</i>	1 January 2024

There are no other HKFRSs or interpretations that are effective from 1 April 2023 or not yet effective that would be expected to have a material impact on the Company.

3 Financial review

For the six months ended 30 September 2023, the Company recorded a pre-tax profit of US\$4.6 million, representing an increase of US\$1.1 million or 30% relative to the same period of last year. It was mainly due to increase in interest income by US\$2.7 million, decrease in operating expenses by US\$2.1 million and offset by increase in interest expense by US\$1.9 million and increase in charge of impairment losses on loan and advance by US\$1.3million.

As at 30 September 2023, the Company's total assets amounted to US\$490.4 million, representing a decrease of US\$6.4 million or 1% over the last financial year as at 31 March 2023. Among this, loans and advances to customers decreased by US\$9.3 million as compared with the last financial year.

4 Interest income and interest expense

For the six months ended 30 September

(a) *Interest income*

	2023	2022
	US\$	US\$
Interest income calculated using the effective interest method:		
-Interest income on deposits to banks and financial institutions	2,766	-
-Interest income on loans and advances	12,797,553	10,663,888
-Interest income on unlisted debt securities	389,327	93,909
-Interest income on loans and advances to fellow subsidiaries	270,543	95,007
-Others	86,821	6,741
	13,547,010	10,859,545
Other interest income:		
-Amortisation of discounts on purchased lease and loan contracts	309	308
	13,547,319	10,859,853

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\$71,975 (2022: US\$22,381) for the six months ended 30 September 2023.

(b) *Interest expense*

	2023	2022
	US\$	US\$
Interest expense on borrowings and deposits from fellow subsidiaries and borrowings from ultimate holding company	1,103,889	463,268
Interest expense on deposits from customers, banks and other financial institutions	2,042,555	706,898
Interest on lease liabilities (note 23)	70,825	119,665
	3,217,269	1,289,831

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

5 Fee and commission income and expenses

For the six months ended 30 September

(a) Fee and commission income

	2023	2022
	US\$	US\$
Revenue from contracts with customers within the scope of HKFRS 15:		
Credit-related fees and commissions	459,902	432,198
Management fee	3,247,420	2,810,343
	3,707,322	3,242,541
	3,707,322	3,242,541

(b) Fee and commission expense

	2023	2022
	US\$	US\$
Brokerage fee expenses	637,505	477,027
Management fee expenses	1,169,363	595,200
	1,806,868	1,072,227
	1,806,868	1,072,227

The credit-related fee and commission income and the brokerage fee expenses to vendors are related to financial assets and liabilities not measured at fair value through profit and loss.

6 Net trading gain

For the six months ended 30 September

	2023	2022
	US\$	US\$
Net gain from currency derivatives	638,585	1,358,244
	638,585	1,358,244

7 Other operating income

For the six months ended 30 September

	2023	2022
	US\$	US\$
Penalty income from early termination loans	345,346	398,571
Rental income	1,111,707	1,134,465
Net exchange gain	381,682	-
Others	171,521	20,764
	2,010,256	1,553,800
	2,010,256	1,553,800

8 Operating expenses

For the six months ended 30 September

	2023 US\$	2022 US\$
Staff costs		
– Salaries and other benefits	4,720,635	4,218,402
– Contributions to the Mandatory Provident Funds	210,904	199,591
Depreciation:		
– Owned property and equipment	420,604	417,570
– Right-of-use assets (note 23)	1,760,367	1,782,821
Other premises and equipment expenses	185,769	175,602
Advertising expenses	34,539	20,824
Auditor’s remuneration	194,780	184,811
General and administrative expenses	1,411,631	1,577,700
Debt collection expenses	11,434	65,622
Consultancy fee	81,065	200,964
Other professional fee	156,830	687,002
Net exchange loss	-	1,748,919
Others	585,622	592,379
	<u>9,774,180</u>	<u>11,872,207</u>

9 Net (charge)/reversal of impairment losses on financial instruments

For the six months ended 30 September

	2023 US\$	2022 US\$
(Charge)/reversal of impairment losses on loans and advances (note 9(a))	(473,870)	785,577
(Charge)/reversal of impairment losses on cash and balances with banks and other financial institutions (note 9(b))	(3)	1
Reversal/(charge) of impairment losses on investment securities (note 9(c))	8	(441)
Net (charge)/release to the statement of profit or loss	<u>(473,865)</u>	<u>785,137</u>

**9 Net (charge)/reversal of impairment losses on financial instruments
(continued)**

(a) Impairment losses on loans and advances

	2023 US\$	2022 US\$
Stage 3 ECL		
– New provisions	(278,809)	(915,830)
– Releases	99,925	455,201
– Recoveries	65,348	33,340
	(113,536)	(427,289)
Stage 1 and 2 ECL		
– New provisions	(360,334)	-
– Releases (Note)	-	1,212,866
	(360,334)	1,212,866
Net (charge) / release to the statement of profit or loss (note 9)	(473,870)	785,577

Note: The stage 1 and 2 ECL on loans and advances includes the stage 1 ECL on off-balance sheet exposures release of US\$nil (2022: release of US\$253).

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

	2023 US\$	2022 US\$
Stage 1 ECL		
– New provisions	(3)	-
– Releases	-	1
	(3)	1
Net (charge) / release to the statement of profit or loss (note 9)	(3)	1

(c) Impairment losses on investment securities

	2023 US\$	2022 US\$
Stage 1 ECL		
– New provisions	-	(441)
– Releases	8	-
	8	(441)
Net release / (charge) to the statement of profit or loss (note 9)	8	(441)

10 Income tax

For the six months ended 30 September

Taxation in the statement of profit or loss represents:

	2023 US\$	2022 US\$
Current tax - Hong Kong Profits Tax		
Provision for the period	893,290	295,223
Deferred tax		
Origination and reversal of temporary differences (note 17(b))	(171,752)	230,446
Income tax charge	721,538	525,669

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 September, 2022: 16.5%) of the estimated assessable profits for the six months ended 30 September, 2023.

11 Other comprehensive income

For the six months ended 30 September

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

	2023			2022		
	<i>Before-tax amount</i> US\$	<i>Tax benefit</i> US\$	<i>Net-of-tax amount</i> US\$	<i>Before-tax amount</i> US\$	<i>Tax expense</i> US\$	<i>Net-of-tax amount</i> US\$
Equity investment securities at FVOCI:						
- Change in fair value of FVOCI investment	-	-	-	-	-	-
- Exchange difference on translation of FVOCI investment	(111,492)	-	(111,492)	(116,096)	-	(116,096)
Debt investment securities at FVOCI:						
- Change in fair value of FVOCI investment	(36,526)	-	(36,526)	25,672	-	25,672
Other comprehensive income	<u>(148,018)</u>	<u>-</u>	<u>(148,018)</u>	<u>(90,424)</u>	<u>-</u>	<u>(90,424)</u>

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

	2023 US\$	2022 US\$
Investment securities:		
Changes in fair value recognised during the period:		
- Equity investment securities at FVOCI (non-recycling)	-	(71,954)
- Debt investment securities at FVOCI (recycling)	(36,526)	97,626
Exchange difference on translation of FVOCI investment	(111,492)	(116,096)
Net deferred tax (charged)/credited to other comprehensive income	<u>-</u>	<u>-</u>
Net movement in the revaluation reserve and translation reserve during the period recognised in other comprehensive income	<u>(148,018)</u>	<u>(90,424)</u>

12 Cash and balances with banks and other financial institutions

	30-9-2023 US\$	31-3-2023 US\$
Cash in hand	639	636
Balances with banks and authorised institutions and placements with banks	<u>12,952,531</u>	<u>10,917,324</u>
	<u>12,953,170</u>	<u>10,917,960</u>
Less: Impairment allowances - Stage 1 ECL	<u>(12)</u>	<u>(8)</u>
	<u>12,953,158</u>	<u>10,917,952</u>

13 Trading assets

	30-9-2023 US\$	31-3-2023 US\$
Positive fair values of derivatives (note 26(b))	<u>191,338</u>	<u>428,047</u>

14 Loans and advances to customers

(a) Loans and advances to customers

	30-9-2023 US\$	31-3-2023 US\$
Loans and advances to customers at amortised cost	180,588,673	172,755,946
Finance leases	<u>256,385,974</u>	<u>273,799,077</u>
Gross loans and advances to customers (note 14(c))	<u>436,974,647</u>	<u>446,555,023</u>
Less: Impairment allowances (note 14(b))		
- stage 3 ECL	(2,637,019)	(2,661,646)
- stage 1 and 2 ECL	(1,276,535)	(914,258)
Unearned discount on purchased lease and loan contracts	(717)	(1,023)
Prepaid initial cost	<u>2,265,904</u>	<u>1,614,150</u>
	<u>435,326,280</u>	<u>444,592,246</u>

14 Loans and advances to customers (continued)

(b) Movement in impairment allowances on loans and advances

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

	<u>30-9-2023</u>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>ECL</i>	<i>ECL</i>	<i>ECL</i>	
	US\$	US\$	US\$	US\$
At 1 April 2023	454,966	459,292	2,661,646	3,575,904
Transfer to Stage 1	881	(881)	-	-
Transfer to Stage 2	(1,313)	1,313	-	-
Transfer to Stage 3	(359)	-	359	-
Net remeasurement of loss allowance (including exchange adjustments)	(62,758)	370,874	235,228	543,344
New financial assets originated or purchased	96,943	89,365	-	186,308
Financial assets that have been matured and repaid	(77,894)	(53,894)	(49,253)	(181,041)
Write-offs	-	-	(210,961)	(210,961)
At 30 September 2023	<u>410,466</u>	<u>866,069</u>	<u>2,637,019</u>	<u>3,913,554</u>

	<u>31-3-2023</u>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>ECL</i>	<i>ECL</i>	<i>ECL</i>	
	US\$	US\$	US\$	US\$
At 1 April 2022	1,187,481	1,337,002	2,908,745	5,433,228
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(8,762)	8,762	-	-
Transfer to Stage 3	(7,696)	(22,966)	30,662	-
Net remeasurement of loss allowance (including exchange adjustments)	(610,232)	(723,316)	476,184	(857,364)
New financial assets originated or purchased	171,085	309,546	-	480,631
Financial assets that have been matured and repaid	(276,910)	(449,736)	(1,738)	(728,384)
Write-offs	-	-	(752,207)	(752,207)
At 31 March 2023	<u>454,966</u>	<u>459,292</u>	<u>2,661,646</u>	<u>3,575,904</u>

14 Loans and advances to customers (continued)

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

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

	30-9-2023		31-3-2023	
	<i>Gross loans and advances to customers US\$</i>	<i>% of gross loans and advances covered by collaterals</i>	<i>Gross loans and advances to customers US\$</i>	<i>% of gross loans and advances covered by collaterals</i>
Gross loans and advances for use in Hong Kong				
Industrial, commercial and financial:				
Financial concerns	1,055,549	32	1,464,242	57
Wholesale and retail trade	66,574,361	73	56,408,359	72
Manufacturing	6,931,223	16	11,660,693	18
Transport and transport equipment	224,149,572	92	237,649,729	92
Recreational activities	417,430	-	472,531	-
Others	92,310,387	76	82,512,572	74
Individuals:				
Others	1,713,975	49	2,217,162	41
	393,152,497	83	392,385,288	83
Gross loans and advances for use outside Hong Kong				
	43,822,150	89	54,169,735	88
Gross loans and advances to customers	436,974,647	84	446,555,023	83

14 Loans and advances to customers (continued)

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

For each industry sector reported above with loan balance constituting 10% or more of the total balance of advances to customers, the attributable amount of impaired loans, overdue loans, and ECL at stage 1,2 and 3 impairment allowances are as follows:

	30-9-2023				
	<i>Gross loans and advances</i> US\$	<i>Impaired loans and advances</i> US\$	<i>Overdue loans and advances</i> US\$	<i>ECL at Stage 3</i> US\$	<i>ECL at Stage 1 and 2</i> US\$
Loans and advances for use in Hong Kong					
Industrial, commercial and financial					
– Wholesale and retail trade	66,574,361	1,146,794	646,988	237,984	105,079
– Transport and transport equipment	224,149,572	2,897,039	2,415,518	2,200,992	898,825
– Others	92,310,387	31,299	14,680	31,520	185,797
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	31-3-2023				
	<i>Gross loans and advances</i> US\$	<i>Impaired loans and advances</i> US\$	<i>Overdue loans and advances</i> US\$	<i>ECL at Stage 3</i> US\$	<i>ECL at Stage 1 and 2</i> US\$
Loans and advances for use in Hong Kong					
Industrial, commercial and financial					
– Wholesale and retail trade	56,408,359	965,132	447,125	137,622	18,633
– Transport and transport equipment	237,649,729	3,675,858	2,388,684	2,323,965	720,128
– Others	82,512,572	33,776	15,657	34,019	144,185
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loans and advances for use outside HK					
– Property investment	51,086,886	-	-	-	1,440
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

14 Loans and advances to customers (continued)

(d) Non-bank Mainland China exposures

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

	<u>30-9-2023</u>		<i>Total</i> US\$
	<i>On-balance</i> <i>sheet</i> <i>exposure</i> US\$	<i>Off-balance</i> <i>sheet</i> <i>exposure</i> US\$	
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	6,638,760	-	6,638,760
Other entities of local governments	3,312,483	-	3,312,483
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	7,474,902	-	7,474,902
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	8,558,460	-	8,558,460
	<u>25,984,605</u>	<u>-</u>	<u>25,984,605</u>
Total assets after provision	<u>490,369,561</u>		
On-balance sheet exposures as percentage of total assets	<u>5.30%</u>		

14 Loans and advances to customers (continued)

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

	<u>31-3-2023</u>		<i>Total</i> US\$
	<i>On-balance sheet exposure</i> US\$	<i>Off-balance sheet exposure</i> US\$	
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,014,829	-	1,014,829
Other entities of local governments	721,887	-	721,887
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,977,224	-	1,977,224
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,068,442	-	1,068,442
	<u>4,782,382</u>	<u>-</u>	<u>4,782,382</u>
 Total assets after provision	 <u>496,843,432</u>		
 On-balance sheet exposures as percentage of total assets	 <u>0.96%</u>		

14 Loans and advances to customers (continued)

(e) Geographical analysis of loans and advances to customers

		<u>30-9-2023</u>				
		<i>Gross loans and advances US\$</i>	<i>Loans and advances overdue for more than 3 months US\$</i>	<i>Impaired loans (Stage 3) US\$</i>	<i>ECL at Stage 3 US\$</i>	<i>ECL at Stage 1 and 2 US\$</i>
Hong Kong		434,132,594	3,419,363	4,417,310	2,637,019	1,274,036
Others		2,842,053	-	-	-	2,499
		<u>436,974,647</u>	<u>3,419,363</u>	<u>4,417,310</u>	<u>2,637,019</u>	<u>1,276,535</u>
		<u>31-3-2023</u>				
		<i>Gross loans and advances US\$</i>	<i>Loans and advances overdue for more than 3 months US\$</i>	<i>Impaired loans (Stage 3) US\$</i>	<i>ECL at Stage 3 US\$</i>	<i>ECL at Stage 1 and 2 US\$</i>
Hong Kong		442,840,713	3,192,646	5,015,946	2,661,646	912,242
Others		3,714,310	-	-	-	2,018
		<u>446,555,023</u>	<u>3,192,646</u>	<u>5,015,946</u>	<u>2,661,646</u>	<u>914,260</u>

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

14 Loans and advances to customers (continued)

(f) Impaired, overdue and rescheduled assets

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

	30-9-2023	31-3-2023
	US\$	US\$
Gross impaired (stage 3) loans and advances to customers, net of net realisable value of collateral	4,417,310	5,015,946
Impairment allowance - stage 3 ECL (note 14(b))	(2,637,019)	(2,661,646)
	1,780,291	2,354,300
As a percentage of total loans and advances to customers		
Gross impaired (stage 3) loans and advances	1.01%	1.12%

Stage 3 ECL impairment allowance were made after taking into account the realisable value of collateral in respect of such loans and advances of US\$637,752 (31 March 2023: US\$1,082,152) for the Company. Collateral held by the Company mainly comprised of equipment, vehicles and cash on deposit with the Company.

14 Loans and advances to customers (continued)

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

(ii) Overdue loans and advances to customers

	30-9-2023		31-3-2023	
	Amount	% of total	Amount	% of total
	US\$	advances to	US\$	advances to
		customers		customers
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:				
– six months or less but over three months	-	-	920,835	0.21%
– one year or less but over six months	1,750,612	0.40%	622,548	0.14%
– over one year	1,668,751	0.38%	1,649,266	0.37%
	3,419,363	0.78%	3,192,649	0.72%
 Current market value of collateral held against the covered portion of overdue loans and advances	657,023		1,367,473	
 Covered portion of overdue loans and advances	657,023		972,206	
 Uncovered portion of overdue loans and advances	2,762,340		2,220,443	
 Individual impairment allowances made on loans and advances overdue for more than three months	2,393,008		2,250,451	

14 Loans and advances to customers (continued)

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

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

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

(iii) *Rescheduled loans and advances to customers*

Rescheduled loans and advances are those loans and advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Company. Rescheduled loans and advances to customers are stated net of any loans and advances to customers that have subsequently become overdue for over three months and reported as overdue loans and advances in note 14(f)(ii). The amount of rescheduled loans and advances to customers is not material as at 30 September 2023 and 31 March 2023.

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

There are no loans and advances to banks and other financial institutions which are overdue for more than three months as at 30 September 2023 and 31 March 2023.

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

There are no rescheduled loans and advances to banks and other financial institutions as at 30 September 2023 and 31 March 2023.

(vi) *Other overdue assets*

There are no other assets which are overdue for more than three months as at 30 September 2023 and 31 March 2023.

(g) *Repossessed assets*

	30-9-2023	31-3-2023
	US\$	US\$
Repossessed assets	-	23,008
	-	23,008

15 Investment securities

	<i>30-9-2023</i>	<i>31-3-2023</i>
	US\$	US\$
Investment securities measured at fair value through other comprehensive income -debt instruments	22,679,531	22,737,815
Investment securities designated as at fair value through other comprehensive income -equity instruments	927,567	1,039,058
	23,607,098	23,776,873
Less: Impairment allowances - stage 1 ECL (note 9(c))	(571)	(579)
	23,606,527	23,776,294

16 Property and equipment

	<i>Leasehold improvements</i> US\$	<i>Furniture and equipment</i> US\$	<i>Motor vehicles</i> US\$	<i>Other properties and office equipments leased for own use</i> US\$	<i>Total</i> US\$
Cost:					
At 1 April 2023	1,695,895	4,726,221	113,776	17,808,918	24,344,810
Additions (note)	-	-	-	198,753	198,753
Exchange adjustment	-	-	-	52,392	52,392
At 30 September 2023	<u>1,695,895</u>	<u>4,726,221</u>	<u>113,776</u>	<u>18,060,063</u>	<u>24,595,955</u>
Accumulated depreciation:					
At 1 April 2023	1,294,264	3,737,249	73,954	12,319,350	17,424,817
Charge for the period	126,831	282,395	11,378	1,760,367	2,180,971
Exchange adjustment	-	-	-	37,990	37,990
At 30 September 2023	<u>1,421,095</u>	<u>4,019,644</u>	<u>85,332</u>	<u>14,117,707</u>	<u>19,643,778</u>
Net book value:					
At 30 September 2023	<u>274,800</u>	<u>706,577</u>	<u>28,444</u>	<u>3,942,356</u>	<u>4,952,177</u>
Cost:					
At 1 April 2022	1,695,895	4,066,009	113,776	17,822,469	23,698,149
Additions	-	660,212	-	112,480	772,692
Adjustment from lease modification	-	-	-	(70,513)	(70,513)
Exchange adjustment	-	-	-	(55,518)	(55,518)
At 31 March 2023	<u>1,695,895</u>	<u>4,726,221</u>	<u>113,776</u>	<u>17,808,918</u>	<u>24,344,810</u>
Accumulated depreciation:					
At 1 April 2022	1,040,603	3,174,471	51,199	8,836,382	13,102,655
Charge for the year	253,661	562,778	22,755	3,554,044	4,393,238
Adjustment from lease modification	-	-	-	(38,034)	(38,034)
Exchange adjustment	-	-	-	(33,042)	(33,042)
At 31 March 2023	<u>1,294,264</u>	<u>3,737,249</u>	<u>73,954</u>	<u>12,319,350</u>	<u>17,424,817</u>
Net book value:					
At 31 March 2023	<u>401,631</u>	<u>988,972</u>	<u>39,822</u>	<u>5,489,568</u>	<u>6,919,993</u>

Note: For the six month ended 30 September 2023, additions to right-of-use assets were US\$198,753 (31 March 2023: US\$112,480). 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:*

	30-9-2023 US\$	31-3-2023 US\$
Provision for Hong Kong Profits Tax (note 10)	893,290	1,082,748
Provisional Profits Tax paid	(340,978)	(1,024,678)
	552,312	58,070
Balance of Profit Tax provision relating to prior years	57,112	-
Tax payable	609,424	58,070

(b) *Deferred tax assets recognised:*

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

	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\$
Deferred tax arising from:					
At 1 April 2022	22,393	-	192,044	416,618	631,055
Charged to statement of profit or loss	(4,445)	-	(14,687)	(265,675)	(284,807)
At 31 March 2023 and 1 April 2023	17,948	-	177,357	150,943	346,248
Credit to statement of profit or loss (note 10)	57,270	-	54,700	59,782	171,752
At 30 September 2023	75,218	-	232,057	210,725	518,000

18 Other assets

	30-9-2023 US\$	31-3-2023 US\$
Interest receivable	1,258,947	1,052,090
Amounts due from fellow subsidiaries	7,998,304	5,229,267
Deposits, prepayment and other receivables	3,564,830	3,581,295
	12,822,081	9,862,652

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

(a) *Deposits and balances from banks and other financial institutions:*

	30-9-2023	31-3-2023
	US\$	US\$
Deposits and balances from banks	<u>88,733,910</u>	<u>53,860,517</u>

Included in deposits and balances of banks and other financial institutions were short-term and long-term debts of approximately US\$89 million (31 March 2023: US\$54 million) guaranteed by the ultimate holding company.

(b) *Deposits from customers:*

	30-9-2023	31-3-2023
	US\$	US\$
Time, call and notice deposits	<u>55,039,758</u>	<u>60,672,115</u>

20 Loans from ultimate holding company

The balance represents loans from the ultimate holding company bear interest at Tokyo Interbank Offered Rate ("TIBOR") plus 0.5% per annum (31 March 2023: TIBOR plus 0.5%), amounting to US\$8,691,001 (31 March 2023: US\$9,735,640). The loans are unsecured and repayable within one year (31 March 2023: after one years).

21 Trading liabilities

	30-9-2023	31-3-2023
	US\$	US\$
Negative fair value of derivatives (note 26(b))	<u>29,540</u>	<u>9,185</u>

22 Other liabilities

	30-9-2023	31-3-2023
	US\$	US\$
Interest payable	764,030	373,763
Other liabilities and accrued charges	<u>3,978,146</u>	<u>4,209,548</u>
	<u>4,742,176</u>	<u>4,583,311</u>

23 Lease liabilities

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

	30-9-2023		31-3-2023	
	<i>Present value of the minimum lease payments US\$</i>	<i>Total minimum lease payments US\$</i>	<i>Present value of the minimum lease payments US\$</i>	<i>Total minimum lease payments US\$</i>
Within 1 year	3,993,449	4,050,067	3,974,545	4,030,376
After 1 year but within 2 years	362,940	375,691	2,239,735	2,317,845
After 2 years but within 5 years	110,046	133,252	-	-
After 5 years	-	-	-	-
	<u>472,986</u>	<u>508,943</u>	<u>2,239,735</u>	<u>2,317,845</u>
	<u>4,466,435</u>	<u>4,559,010</u>	<u>6,214,280</u>	<u>6,348,221</u>
Less: total future interest expenses		<u>(92,575)</u>		<u>(133,941)</u>
Present value of lease liabilities		<u>4,466,435</u>		<u>6,214,280</u>

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

	30-9-2023 US\$	31-3-2023 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)	<u>1,760,367</u>	<u>3,554,044</u>
	<u>1,760,367</u>	<u>3,554,044</u>
Interest on lease liabilities (note 4(b))	70,825	215,136
Expense relating to short-term leases	19,141	35,079

Note: The total financing cash outflow for the related lease rentals paid for the period ended at 30 September 2023 is US\$2,014,864 (for the year ended 31 March 2023: US\$4,132,599).

24 Share capital

	30-9-2023		31-3-2023	
	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.

25 Reserves

(a)	Revaluation reserve/ (deficit) US\$	Translation reserve US\$	Retained profits US\$	Total US\$
Balance at 1 April 2022	(629,360)	(41,992)	259,672,103	259,000,751
Change in equity for the year				
Profit for the year	-	-	7,379,361	7,379,361
Other comprehensive income:				
- Change in fair value in FVOCI investment (non-recycling)	351,755	-	-	351,755
- Exchange difference on translation of FVOCI investment	-	(62,558)	-	(62,558)
- Change in fair value in FVOCI investment (recycling)	74,669	-	-	74,669
Total comprehensive income for the year	426,424	(62,558)	7,379,361	7,743,227
Balance at 31 March 2023	(202,936)	(104,550)	267,051,464	266,743,978
Change in equity for the period				
Profit for the period	-	-	3,909,762	3,909,762
Other comprehensive income:				
- Change in fair value in FVOCI investment (non-recycling)	-	-	-	-
- Exchange difference on translation of FVOCI investment	-	(111,492)	-	(111,492)
- Change in fair value in FVOCI investment (recycling)	(36,526)	-	-	(36,526)
Total comprehensive income for the period	(36,526)	(111,492)	3,909,762	3,761,744
Balance at 30 September 2023	(239,462)	(216,042)	270,961,226	270,505,722

25 Reserves (continued)

(b) Nature and purpose of reserves

(i) Revaluation reserve

The revaluation reserve for investment securities measured at fair value through other comprehensive income comprises the cumulative net change in the fair value of investment securities measured at fair value through other comprehensive income until the financial assets are derecognised.

(ii) Regulatory reserve

The regulatory reserve is maintained to satisfy the provision of the Hong Kong Banking Ordinance for prudential supervision purpose to set aside amounts in respect of losses which the Company may incur on the loans and advances in addition to the impairment allowances made under HKFRS. As at 30 September 2023, a regulatory reserve of US\$ 2.74 million (31 March 2023: US\$3.19 million) was earmarked in the retained profits and in consultation with the HKMA.

(iii) Translation reserve

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

26 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.

	30-9-2023	31-3-2023
	US\$	US\$
Currency derivatives		
– Forwards and futures	257,500,000	257,500,000

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

	30-9-2023			31-3-2023		
	Fair value		Credit risk weighted amount	Fair value		Credit risk weighted amount
	Assets	Liabilities		Assets	Liabilities	
	US\$	US\$	US\$	US\$	US\$	US\$
Currency derivatives	191,338	(29,540)	1,172,066	428,047	(9,185)	1,237,907

26 Derivatives (continued)

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

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

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

(c) Remaining life of derivatives

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

	30-9-2023 US\$	31-3-2023 US\$
Currency derivatives		
- Notional amounts with remaining life of one year or less	<u>257,500,000</u>	<u>257,500,000</u>

27 Contingent liabilities and commitments

Contingent liabilities and commitments to extend credit

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

	30-9-2023 US\$	31-3-2023 US\$
Other commitments		
- with an original maturity of under one year or which are unconditionally cancellable	<u>29,616,865</u>	<u>33,504,423</u>
	<u>29,616,865</u>	<u>33,504,423</u>

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

The Company does not have any credit risk weighted amount arising from trade-related contingencies as at 30 September 2023 (31 March 2023: US\$ nil).

28 International claims

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

	<i>30-9-2023</i>				
	<i>Non-bank private sector</i>				
	<i>Banks</i>	<i>Official</i>	<i>Non-bank</i>	<i>Non-financial</i>	<i>Total</i>
US\$	sector	financial	private sector	US\$	
	US\$	institutions	US\$	US\$	US\$
Developed countries	4,403,488	-	-	1,279,957	5,683,445
Offshore centres	432,671	-	6,660,161	2,712,435	9,805,267
– of which: Hong Kong	432,671	-	6,660,161	929,474	8,022,306
Developing Asia Pacific	4,181,561	-	-	1,201,350	5,382,911
– of which: China	15,952	-	-	1,201,350	1,217,302
	<u>9,017,720</u>	<u>-</u>	<u>6,660,161</u>	<u>5,193,742</u>	<u>20,871,623</u>

	<i>31-3-2023</i>				
	<i>Non-bank private sector</i>				
	<i>Banks</i>	<i>Official</i>	<i>Non-bank</i>	<i>Non-financial</i>	<i>Total</i>
US\$	sector	financial	private sector	US\$	
	US\$	institutions	US\$	US\$	US\$
Developed countries	3,582,987	-	-	1,442,031	5,025,018
Offshore centres	2,084,762	-	4,148,879	3,421,603	9,655,244
– of which: Hong Kong	2,084,762	-	4,148,879	1,109,329	7,342,970
Developing Asia Pacific	1,665,171	-	-	1,479,120	3,144,291
– of which: China	15,967	-	-	1,479,120	1,495,087
	<u>7,332,920</u>	<u>-</u>	<u>4,148,879</u>	<u>6,342,754</u>	<u>17,824,553</u>

29 Currency risk

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

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

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

	<i>30-9-2023</i>		
	<i>USD equivalents</i>		
	<i>HK dollars</i>	<i>Japanese Yen</i>	<i>Total</i>
Spot assets	437,146,682	42,693,765	479,840,447
Spot liabilities	(156,331,171)	(36,791,192)	(193,122,363)
Forward purchases	-	-	-
Forward sales	(257,086,748)	-	(257,086,748)
Net long non-structural position	<u>23,728,763</u>	<u>5,902,573</u>	<u>29,631,336</u>
	<i>31-3-2023</i>		
	<i>USD equivalents</i>		
	<i>HK dollars</i>	<i>Japanese Yen</i>	<i>Total</i>
Spot assets	434,291,054	53,082,223	487,373,277
Spot liabilities	(126,800,177)	(46,530,847)	(173,331,024)
Forward purchases	-	-	-
Forward sales	(256,391,772)	-	(256,391,772)
Net long non-structural position	<u>51,099,105</u>	<u>6,551,376</u>	<u>57,650,481</u>

The Company does not have any structural position as at 30 September 2023 (31 March 2023: US\$nil).

30 Liquidity maintenance ratio

	<i>Six months ended 30-9-2023</i>	<i>Six months ended 30-9-2022</i>	<i>Year ended 31-3-2023</i>
Average liquidity maintenance ratio	<u>105.23%</u>	<u>99.21%</u>	<u>123.26%</u>

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

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

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

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

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

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

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

Other monitoring measures:

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

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

30 Liquidity maintenance ratio (continued)

Other monitoring measures:(continued)

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

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

31 Capital and capital adequacy

	30-9-2023	31-3-2023
Capital ratio:		
Common Equity Tier 1 (“CET1”) Capital Ratio	63.11%	61.60%
Tier 1 Capital Ratio	63.11%	61.60%
Total Capital Ratio	63.96%	62.46%

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, “Standardised approach for counterparty credit risk” for the calculation of counterparty credit risk and “basic indicator approach” for the calculation of operational risk.

During the year ended 31 March 2023 and for the six month ended 30 September 2023, market risk arising from the Company’s trading book is minimal. The Company has been granted exemption by the HKMA as it can fulfil the exemption criteria set out in sections 22(1)(a) and (b) of the Banking (Capital) Rules. Hence, the Company was exempted from the calculation of market risk.

31 Capital and capital adequacy (continued)

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

	30-9-2023 US\$	31-3-2023 US\$
CET1 Capital:		
CET1 Capital instruments	32,000,000	32,000,000
Retained earnings	270,961,226	267,051,464
Disclosed reserves	(455,504)	(307,486)
	302,505,722	298,743,978
Regulatory deductions to CET1 capital:		
Regulatory reserve for general banking risks	(2,743,632)	(3,194,048)
Net deferred tax assets	(518,000)	(346,248)
	299,244,090	295,203,682
Total CET1 Capital	299,244,090	295,203,682
Additional Tier 1 (“AT1”) Capital	-	-
Total Tier 1 (“T1”) Capital	299,244,090	295,203,682
Tier 2 (“T2”) Capital		
Qualifying Tier 2 capital instruments plus any related share premium		
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	4,020,750	4,108,894
	4,020,750	4,108,894
Total T2 Capital	4,020,750	4,108,894
Total Capital	303,264,840	299,312,576

To comply with the Banking (Disclosure) Rules (“BDR”), all additional information in relation to the Company’s regulatory capital disclosures will be published on the Company’s website (<http://www.orix.com.hk>).

32 Leverage ratio

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

	<i>30-9-2023</i>	<i>31-3-2023</i>
Leverage ratio	<u>60.34%</u>	<u>58.71%</u>

For the purposes of compliance with the BDR, information in relation to the Company's regulatory leverage ratio disclosures will be published on the Company's website (<http://www.orix.com.hk>).

33 Countercyclical capital buffer ratio

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

	<i>30-9-2023</i>	<i>31-3-2023</i>
CCyB ratio	<u>0.9897%</u>	<u>0.9876%</u>

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

<i>Jurisdiction</i>	<u><i>30-9-2023</i></u>		<u><i>31-3-2023</i></u>	
	<i>Total</i>	<i>JCCyB</i>	<i>Total</i>	<i>JCCyB</i>
	<i>risk-weighted</i> <i>amount</i> US\$		<i>risk-weighted</i> <i>amount</i> US\$	
Hong Kong SAR	411,081,720	1%	416,923,029	1%
China	1,201,350	0%	1,479,120	0%
Curacao	-	0%	-	0%
Japan	1,279,957	0%	1,442,031	0%
Macau SAR	-	0%	-	0%
Samoa	24,920	0%	34,841	0%
Singapore	1,292,466	0%	1,826,966	0%
West Indies UK	465,575	0%	450,467	0%
Total across countries	<u>415,345,988</u>		<u>422,156,454</u>	

33 Countercyclical Capital Buffer Ratio (continued)

To comply with the BDR, information in relation to the Company's regulatory CCyB ratio disclosures will be published on the Company's website (<http://www.orix.com.hk>).

34 Interim disclosure statement and statement of compliance

This interim financial disclosure statement for the six months ended 30 September 2023 is the Interim Disclosure Statement of the Company prepared in accordance with the requirements set out in the Banking (Disclosure) Rules issued by the HKMA. The Company has fully complied with such disclosure requirements.

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