THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Mason Group Holdings Limited, you should hand this circular and proxy form enclosed with this circular to the purchaser or transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

茂宸集團
MASON GROUP

MASON GROUP HOLDINGS LIMITED
茂宸集團控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 273)

(1) MAJOR TRANSACTION
ACQUISITION OF RAIFFEISEN PRIVATBANK LIECHTENSTEIN AG
AND
(2) NOTICE OF GM

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the GM to be held at 23/F, Euro Trade Centre, No. 21–23 Des Voeux Road Central, Hong Kong at 11:40 a.m. on Wednesday, 17 January 2018 (or immediately following the First GM to be convened on the same day) is set out on pages GM-1 to GM-2 of this circular. A form of proxy for use at the GM is also enclosed. Whether or not you intend to attend the GM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the GM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjournment thereof if you so wish.

22 December 2017

CONTENTS

In this circular, unless the content otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares
"Agreement"	the agreement dated 18 October 2017 between the Company, the Purchaser and the Vendors in relation to the Acquisition
"Board"	the board of directors of the Company
"CHF"	Swiss Franc, the lawful currency of Switzerland and Liechtenstein
"Company"	Mason Group Holdings Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition
"Completion Date"	the fifth Business Day (as defined in the Agreement) after the conditions precedent set forth in the paragraph headed "Conditions Precedent" have been satisfied or waived (where so permitted) or on such other date as the parties may agree
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Company and its subsidiaries immediately after Completion
"EUR"	Euro, the lawful currency of the European Union
"First GM"	the general meeting of the Company to be convened at 23/F, Euro Trade Centre, No. 21–23 Des Voeux Road Central, Hong Kong at 11:30 a.m. on Wednesday, 17 January 2018 or any adjournment thereof (as the case may be) details of which are set out in the notice of general meeting of the Company dated 22 December 2017 in relation to acquisition of wealth management company
"First Vendor"	Walser Privatbank Aktiengesellschaft, a company incorporated in Austria with limited liability
"GM"	the general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, the Acquisition and transactions contemplated thereunder

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	party(ies) independent of the Company and connected persons (as defined in the Listing Rules) of the Company
"Latest Practicable Date"	20 December 2017, being the last practicable date for the purpose of ascertaining certain information for inclusion of this circular
"Liechtenstein GAAP"	generally accepted accounting principles as set forth in the Company Law, Banking Law and Banking Ordinance of the principality of Liechtenstein
"Listing Rules"	the Rules Governing the Listing of Securities of the Stock Exchange
"Long Stop Date"	7 months from the date of the Agreement, or such other date as the First Vendor (in its function as the Vendors' Representative) and Purchaser may mutually agree
"Purchaser"	Mason Strategic Investment Company Limited, an indirect wholly-owned subsidiary of the Company
"Sale Shares"	200,000 registered shares of the Target Company, representing the entire issued capital of the Target Company
"Second Vendor"	Raiffeisenbank Kleinwalsertal Beteiligungsmanagement-GmbH, a company incorporated in Austria with limited liability
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Raiffeisen Privatbank Liechtenstein AG
"US$"	United States dollars, the lawful currency of United States of America

"Vendors"	the First Vendor and the Second Vendor
"%"	per cent

For the purpose of this circular, the translation of CHF into HK$ is based on the rate of CHF1 to HK$8. This conversion rate is for illustrative purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforesaid or any other rates or at all.

茂宸集團
MASON GROUP

MASON GROUP HOLDINGS LIMITED
茂宸集團控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 273)

Executive Directors:
Mr. Ko Po Ming
(Joint Chairman and Chief Executive Officer)
Mr. Chang Tat Joel
Ms. Lui Choi Yiu, Angela
Ms. Fu Yau Ching Shirley

Non-executive Directors:
Mr. Tong Tang, Joseph *(Joint Chairman)*
Ms. Hui Mei Mei, Carol

Independent Non-executive Directors:
Mr. Tian Ren Can
Ms. Kan Lai Kuen, Alice
Mr. Chen Wai Chung Edmund

Registered and principal office:
Units 4708–10, 47/F
The Center
99 Queen's Road
Central
Hong Kong

22 December 2017

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION
ACQUISITION OF RAIFFEISEN PRIVATBANK LIECHTENSTEIN AG

(A) INTRODUCTION

Reference is made to the announcement of the Company dated 18 October 2017.

On 18 October 2017, the Purchaser and the Vendors entered into the Agreement.

The purpose of this circular is to provide the Shareholders with further information on (i) the Acquisition; (ii) the financial information of the Target Company; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) the valuation report in relation to the Target Company; and (v) the notice of the GM, in accordance with the requirements under the Listing Rules.

(B) THE ACQUISITION

On 18 October 2017 (after trading hours), the Purchaser, the Vendors and the Company (as guarantor) entered into the Agreement in relation to the Acquisition. The principal terms of the Agreement are set out below.

Subject matter

The Sale Shares, representing the entire issued share capital in the Target Company.

Consideration

The consideration is CHF58,600,000 (equivalent to approximately HK$468,800,000). The consideration will be payable to the First Vendor (in its capacity as the Vendors' representative) at Completion.

At Completion, out of the consideration of CHF58,600,000:

(i) CHF2,000,000 (equivalent to approximately HK$16,000,000) will be held in escrow for use as indemnity against the Purchaser and/or the Target Company for the breach (if any) of representations and warranties by the Vendors for two years from the Completion Date (the "**General Escrow**"); and

(ii) CHF3,000,000 (equivalent to approximately HK$24,000,000) will be held in escrow for use as indemnity against the Purchaser from damages (if any) arising from a specific litigation as explained in paragraph (2)(c) (the "**Specific Indemnity Escrow**") for two years from the Completion Date or until the specific litigation is finally resolved by a final judgement or settlement.

The consideration is subject to the following adjustments:

(1) Equity portion adjustment

A–B

whereas

- A = the reserves for general banking risks, capital, the general legal reserves, the profit carried forward, and the post-tax profit or, as the case may be, loss of the Target Company for the period beginning on 1 January 2017 and ending on the Completion Date prepared in accordance with Liechtenstein GAAP. *(Note)*

- B ("**Equity Portion**") = CHF41,313,568.61 (equivalent to approximately HK$330,508,548.88), which represents the total shareholder equity (consisting of reserves for general banking risks, capital, the general legal reserves, the profit carried forward, and the post-tax profit) as at 31 December 2016 according to the audited financial statements of the Target Company for the financial year ended 31 December 2016 prepared in accordance with Liechtenstein GAAP.

Note:

The "A" items are accounting items shown in the Target Company's financial statements, which have been and will be prepared in accordance with Liechtenstein GAAP.

For illustrative purposes the reconciliation of the "A" items under Liechtenstein GAAP and IFRS as of 31 December 2016 is set out below:

Table 1: Reconciliation of the "A" items (prepared in accordance with Liechtenstein GAAP) to the statement of change in equity on page II-8 of this circular:

"A"-Items (prepared in accordance with Liechtenstein GAAP)	Classification in IFRS	Amount "A"-Items (prepared in accordance with Liechtenstein GAAP)
Reserve for general banking risk	"Reserve for general banking risk" is classified as "retained earnings" under IFRS.	CHF400,000
Capital	"Capital" is called "share capital" under IFRS. The amount under IFRS is CHF20,000,000 as well.	CHF20,000,000

"A"-Items (prepared in accordance with Liechtenstein GAAP)	Classification in IFRS	Amount "A"-Items (prepared in accordance with Liechtenstein GAAP)
General legal reserve	"General legal reserve" is called "legal reserves" under IFRS. The amount under IFRS is CHF2,099,000 as well.	CHF2,099,000
Profit carried forward (including net profit)	"Profit carried forward" is called "retained earnings" under IFRS. The amount under IFRS is CHF18,903,000 (see table 2 below for derivation).	CHF18,815,000
TOTAL		**CHF41,314,000**

Table 2: Detailed reconciliation of profit carried forward (prepared in accordance with Liechtenstein GAAP) to retained earnings prepared with IFRS):

Description	Amount
Profit carried forward (prepared in accordance with Liechtenstein GAAP)	CHF18,815,000
These are the related IAS 19 retained earnings of the Target Company. Under IFRS (IAS 19), the pension plan is considered as defined benefit plan and the Target Company is required to recognize the net defined benefit liability in its statement of financial position. In retained earnings, The Target Company booked the opening balance as at 1 January 2014 in retained earnings. Further, the related deferred tax of net defined benefit liability is booked in retained earnings during every reporting year since 1 January 2017 as well.	-CHF278,000
Liechtenstein GAAP reports CHF400,000 of "reserves for general banking risks" adjusted from retained earnings. This item is considered as retained earnings under IFRS.	+CHF400,000

Description	Amount
Financial assets of the Target Company are fixed interest rate bonds valued at the lower of cost or market in Liechtenstein GAAP. For IFRS purposes, those financial assets are classified as financial instruments held to maturity and are valued at amortized costs. The difference from the two approaches is adjusted in the retained earnings accordingly.	-CHF34,000
Total retained earnings prepared under IFRS	**CHF18,903,000**

If A is greater than B, then the Purchaser will pay to the Vendors the excess.

If A is less than B, then the Vendors will pay to the Purchaser the shortfall.

Upon Completion, completion accounts will be prepared by the Target Company in accordance with the Agreement. The completion accounts will be prepared according to accounting principles under Liechtenstein GAAP as consistently applied in the past. The ''A'' items are items that will be shown in the completion accounts.

(2) Potential top-ups arising from certain provisions and/or reservations made in the completion accounts

a. specific legal risks (the ''**Specific Legal Risk**'') top-up

The consideration may be increased in the amount of reservations (net of tax) in the completion accounts made in connection with specific legal risks identified in the due diligence process.

An amount equal to the reservations will be held in escrow to satisfy the claims arising from the specific legal risks. In addition, should the escrow be exhausted, the Vendors shall indemnify the Purchaser for all additional claims (without caps) arising out of the specific legal risks. The escrow will not be released until the specific legal risks have been finally and bindingly settled.

b. specific loan (the ''**Specific Loans**'') top-up

The consideration will be increased in the amount (net of tax) of the value adjustment (if any) specifically made for certain specific loans by existing customers in the completion accounts, namely the Specific Loans as described in the paragraph headed ''Specific Loans'' below. An amount equal to the gross exposure of the total loan amount outstanding plus unpaid interest from the clients of the Specific Loans on the Completion Date less CHF1 million (representing an amount agreed to between the Purchaser and the Vendors taking into account the agreed amount of the

General Escrow since part of the General Escrow can be used to cover the loss or exposure of the Specific Loans) will be held on escrow for use to settle the Specific Loans not repaid (if any) (the "**Specific Loans Escrow**"). The Specific Loans Escrow will not be released for a period of two years. If the loans are not fully repaid on the second anniversary of the Completion Date, the Specific Loans Escrow will be refunded to the Purchaser or the Target Company (at the option of the Purchaser). If any amount is recovered after the refund date of the Specific Loans Escrow, the Vendors will be entitled to the principal amount recovered and the Purchaser/the Target Company will be entitled to the interest amount.

The above apportionment of principal and interest was determined after taking into consideration that the Specific Loans Escrow will be *refunded* to the Purchaser if the Specific Loans are not repaid on the second anniversary of the Completion Date. The Purchaser/the Target Company should not be entitled to a "double" recovery of the principal amount of the Specific Loans.

c. specific indemnity (the "**Specific Indemnity**") top-up

The consideration will be increased in the amount (net of tax) of reservations in the completion accounts made in connection with a specific litigation procedure initiated against the Target Company.

None of the above top-ups are subject to any cap amounts.

The consideration of CHF58,600,000 minus the General Escrow and the Specific Indemnity Escrow will be settled in Euros. Parties to the Agreement agreed that the currency exchange exposure, which excludes any potential top-ups, of the Purchaser is between EUR53.5 million and EUR55 million. The parties took into account that from January to September 2017, the exchange rate of EUR/CHF fluctuated between approximately 1.0639 and 1.1592. For certainty in the actual consideration and in order to minimize the currency exchange exposure of the parties, both parties agreed on a EUR/CHF exchange rate ceiling of 1.0953, which translates to EUR53.5 million, and floor of 1.0655, which translates to EUR55 million.

The consideration was determined after arm's length negotiations between the parties with reference to (i) the historical financial performance and the net asset value of the Target Company as at 31 December 2016; (ii) the future prospects of the Target Company; and (iii) the fair market value of the Sale Shares as at 31 December 2016 of CHF58.81 million based on a valuation report, as set out in Appendix V of this circular, provided by Graval Consulting Limited, an independent valuer, by adopting the market approach and the asset approach.

Specific risks identified during due diligence and further information on the top-up mechanism

The following sets out the background information in relation to the specific risks identified by the Company based on the due diligence work conducted by the Company and the information provided by the Vendors:

(i) Specific Legal Risk

On 3 February 2017, the Target Company received a letter from a tax authority. The Target Company was informed by the tax authority that known and unknown responsible employees of the Target Company were being investigated in relation to tax related matters of customers under the jurisdiction of the tax authority (the "**Review**"). As at the Latest Practicable Date, as informed by the Vendors, the Target Company did not receive any further correspondence from the tax authority in relation to the Review. Therefore, a provision of CHF1.85 million was made for the six months ended 30 June 2017.

(ii) Specific Indemnity

The Target Company acted as an independent custodian for a Cyprus-based pension fund which contracted a Switzerland-based investment manager to manage the Guernsey-based pension fund from August 2012 to September 2015.

On 31 July 2017, the Public Trustee of the Bailiwick of Guernsey brought an action against the Target Company before the courts of Liechtenstein for the loss suffered by the above-mentioned pension fund under the management of the Switzerland-based investment manager. The plaintiff claimed for damages in the amount of US$17,829,040 plus interest and cost and a declaratory judgement in confirmation of Target Company's liability for future damages.

Based on the information provided by the Vendors, as at the Latest Practicable Date, no trial dates have been scheduled. The key timeline in relation to the Specific Indemnity is set out below.

31 July 2017	Legal action by the Public Trustee of Bailiwick of Guernsey against the Target Company received by the courts of the Principality of Liechtenstein.
4 September 2017	Legal action received by the Target Company.
6 October 2017	Application by the Target Company for the plaintiff's advance payment of court fees (CHF394,000).
13 December 2017	First hearing to determine the advance payment of court fees by the plaintiff.

As at the Latest Practicable Date, no judgements have been handed down and the litigation is still on-going.

After discussions with its legal counsels and the Target Company's management, the Executive Directors are of the view that the claim is unlikely to succeed on the merits that the Target Company was a third party to the investment strategy, policy, and decisions. Accordingly, based on the current information available, the Executive Directors do not consider that provisions should be made in the Enlarged Group's financial statements. Upon Completion, the Target Company's financial statements will be consolidated into the Group's financial statements. Should the Specific Indemnity remain unresolved after Completion, any provisions made to the Target Company will be consolidated to the consolidated financial statements of the Group. The Executive Directors will monitor closely the development of the litigation and consult professional advisors to determine whether provisions will be required. The auditors concurred with the Directors' assessment that no provision is required to be made in the Enlarged Group's financial statements. Therefore, only a provision for legal advisory costs was made for the six months ended 30 June 2017.

(iii) Specific Loans

In 2009, the Target Company granted certain facilities of indefinite term to clients secured by the shares of a Canadian biotechnology company listed on the Canadian Stock Exchange (the "**Collaterals**"). The principal amount of the Specific Loans initially amounted to approximately CHF17 million. As at 30 June 2017, the outstanding principal amount and overdue interest was CHF4.6 million. As at 30 June 2017, the values of the Collaterals was approximately CHF6.1 million. The outstanding CHF4.6 million of the Specific Loans were owed by two customers with outstanding amounts of approximately CHF3.3 million and CHF1.3 million, respectively. The annual interest rate of the Specific Loans was approximately 12%.

Upon Completion, the Target Company will become a subsidiary of the Company with its financial statements consolidated to the consolidated financial statements of the Group. Any loss of the Target Company will be consolidated into the Group's consolidated financial statements.

With regards to the Specific Loans, the loss will be the total amount outstanding under the Specific Loans, less (i) any amounts recovered by the Target Company through repayment; (ii) any amounts recovered by the Target Company through the sale of the Collaterals; (iii) the amounts recovered and/or refunded from the Specific Loans Escrow and the General Escrow; and (iv) the provisions made in the Target Company's financial statements.

Based on the value of (i) the outstanding Specific Loans as at 30 June 2017 (i.e. CHF4.6 million), (ii) the value of the Collaterals as at 30 June 2017 (i.e. CHF6.1 million), (iii) the provisions made in the 30 June 2017 accounts (i.e. CHF0.25 million), and (iv) the funds available under the Specific Loans Escrow and the

General Escrow, the Company does not expect the Target Company or the Enlarged Group to record any loss even in the circumstance that none of the outstanding Specific Loans is repaid after Completion.

Accordingly, the Company considers that the above arrangements with respect to the risks associated with the Specific Loans, are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

Except as disclosed above, based on the due diligence work conducted by the Company, the Company was not aware of any other material legal risks as at the date of the Agreement and the Latest Practicable Date.

Indemnities provided by the Vendors

Under the Agreement, the Vendors shall:

(i) with respect to the Specific Legal Risk, fully indemnify the Purchaser against any loss without limitation, with respect to time and amount;

(ii) with respect to the Specific Indemnity, indemnify the Purchaser against any damages up to an amount of CHF3,000,000 (i.e. the amount of the Specific Indemnity Escrow) after an insured amount has been exhausted, plus any free funds remaining in the General Escrow on the date which is the second anniversary from the Completion Date.

After the Specific Indemnity Escrow and the General Escrow have been exhausted to settle the damages (if any) arising from the procedure, the Vendors shall indemnify the Purchaser for 50% of all additional damages (without cap) arising out of the procedure.

The 50:50 arrangement was agreed amongst the parties to the Agreement after-taking into consideration: (i) the Vendors' agreement to provide an indemnity up to an amount of CHF3,000,000 (i.e. the amount of the Specific Indemnity Escrow) plus any free funds remaining in the General Escrow; (ii) the merits of this case based on the management of the Company's consultation with its independent legal adviser and discussions with the management of the Target Company; and (iii) the terms of the transaction as a whole. The Board considered that the arrangement for the Purchaser to be responsible for 50% of unrecovered amount (if any) even though the litigation pertains to a matter which occurred prior to the date of the Agreement, is fair and reasonable and in the interest of the Shareholders and the Company as a whole. It is expected that the potential maximum uncovered loss of the Target Company would not be more than CHF3.5 million.

(iii) with respect to the Specific Loans, indemnify the Purchaser for:

(a) the gross exposure of the Specific Loans at Completion,

(b) minus any amounts collected after Completion Date by the Target Company from the customers,

(c) minus any payments relating to the Specific Loans made to the Purchaser or, at the option of the Purchaser, to the Target Company from the Specific Loans Escrow or the General Escrow.

The aggregate indemnity claims of the Purchaser under the Agreement is subject to a cap of CHF2 million (the "**Cap**") which is applicable to the uncovered amounts of the Specific Indemnity and Specific Loan, except that (i) the indemnity in relation to the Specific Legal Risk; and (ii) indemnified amounts covered from the Specific Loans Escrow and Specific Indemnity Escrow, shall not be counted towards the Cap.

Given (i) the indemnities provided by the Vendor in relation to the legal risks (which is unlimited for the Specific Legal Risk); (ii) a proportion of the consideration will be held on escrow to address the legal risks; and (iii) the quantifiable approximate maximum exposure under the Specific Indemnity and the Specific Loans, the Directors considered that the risks have been adequately addressed and that they will not have any material impact on the operations of the Target Company upon Completion.

Upon Completion:

(i) with respect to the Specific Legal Risk, the Company will monitor closely the approach adopted by the authority with respect to other market participants and will seek professional advice as appropriate.

(ii) with respect to the Specific Indemnity, if the matter has not been fully resolved by Completion, it is the intention of the Company and the Target Company to continue with defending the case. Pending the development of the litigation, the Company will seek legal advice on the course of action available.

(iii) with respect to the Specific Loans, the Company will adhere to the existing policy of loan recovery. Any amount not recovered will be dealt with under the mechanism set out in the paragraphs headed "Specific Loans" and "Specific Loans top-up" above.

The Completion Accounts

The current management of the Target Company will determine the provisions for the completion accounts after Completion. After Completion, the existing auditors of the Target Company will audit the completion accounts according to the accounting principles under Liechtenstein GAAP as consistently applied in the past.

Unless the First Vendor (in its function as the Vendors' representative) gives notice of objection to the Purchaser within 20 Business Days (as defined in the Agreement) upon delivery of the completion accounts to the Vendors, the adjustments shall be final and binding.

The First Vendor (in its function as the Vendors' representative) and the Purchaser shall endeavor in good faith to resolve any objection of the First Vendor (in its function as the Vendors' representative) within 20 Business Days (as defined in the Agreement) after the Purchaser's receipt of the notice of objection.

If the parties are unable to do so, either party may within 20 Business Days after the Purchaser's receipt of the notice of objection refer the matter to the audit department of a reputable audit firm with extensive experience in auditing of banks or, if such audit firm has notified the parties in writing that it is not in a position to act, another internationally recognized auditing firm in Liechtenstein agreed upon by the parties (the "**Expert**"), who shall select an experienced partner of its respective audit department, to determine independently, the completion accounts. The Expert's determination shall be final and binding on the parties, except in the event of manifest error on the part of the Expert, as a consequence of which the relevant part of his or her determination shall be void and the matter be remitted to the Expert for correction.

The following table sets out the provisions under each of the legal risks as at 31 December 2016 and 30 June 2017, respectively:

	31 December 2016	**30 June 2017**
Specific Legal Risk	Nil	CHF1.85 million
Specific Loans	CHF2.3 million	CHF0.25 million
Specific Indemnity	Nil	Nil

The figures in the above table were provided by the auditor of the Target Company. The Specific Legal Risk and the Specific Indemnity are the legal risks identified by the Company after 31 December 2016. The provision of the Specific Legal Risk is one of the items included in the "Legal and litigation risks" under Note 18 Provisions of the accountants' report set out in Appendix II to this circular. The provision of the Specific Loans is one of the items included in "Valuation adjustments for default risk" under Note 11 Due from banks and clients of the accountants' report set out in Appendix II to this circular.

If the amount of the Specific Legal Risk increases, the equity amount at the completion accounts will be adjusted downwards with the increased amount. As such, the specific legal risk top-up will net off the equity portion adjustment.

Rationale of the Top-up mechanism

The top-up mechanism was formulated in association with the three risk factors that the Company identified during the due diligence process on the Target Company, which are the Specific Legal Risk, the Specific Indemnity and the Specific Loans. To address these risk factors, the three top-ups will be calculated based on the reservations specifically accounted for the three matters in the completion accounts.

Taking into account that:

1. the reservations for the three risk factors resulted and will result in a decrease in the equity of the Target Company, leading to a smaller figure for ''A'' under the ''Equity portion adjustment'' set out in paragraph (1) above;

2. specific escrow accounts in relation to the three risk factors will be set up to protect the Company from potential future losses after Completion. In addition, the Agreement contains indemnity clauses to ensure that the Purchaser will be able to recover certain of the losses should the escrow amounts be insufficient. The amount to be held in each of such escrow accounts and the indemnity clauses were designed based on the Group's assessment of the three risk factors.

The rationale behind the top-up mechanism is that the Vendor will only be responsible to indemnify the Purchaser, or at the option of the Company, the Target Company for the part of future losses out of these three risk factors which haven't been covered by the reservations made in the completion accounts, for such reserves have or will have reduced the equity of the Target Company.

Since the escrow accounts and indemnity clauses are designed to protect the Purchaser and/or the Target Company from future losses after Completion, regardless of the amount of the reservations made under the Target Company's completion accounts, the purchase price needs to be increased by the amount of such reservations. Accordingly, the Directors are of the view that the top-up mechanism is in the interest of the Company and the Shareholders as a whole.

The Company intends to fund the Acquisition by the net proceeds from the rights issue of the Company completed in February 2017.

Basis of the consideration

The Executive Directors discussed the investment proposal of the Acquisition which sets out, among other things, the business and financials of the Target Company, the results of the due diligence work carried out on the Target Company, comparable analysis, the major terms of the Agreement and reasons for and benefits of the Acquisition, with the investment committee.

The Directors have taken into account (i) the Price-to-Earnings ratio ("**P/E**") as set out in the independent valuer's report; and (ii) the Price-to-Net Book Value ratio ("**P/B**") before arriving at the current consideration.

(i) the independent valuation (P/E)

The following sets out a summary of the valuation report, further details of which are set out in "Appendix V — Valuation Report":

The independent valuer used the market approach to appraise the value of 100% equity interest of the Target Company.

Under the market approach, the independent valuer applied the guideline public company method since there are publicly traded companies engaged in the same or similar line of business as the Target Company that can provide valid value indicators for meaningful comparison. The independent valuer selected comparable companies mainly with reference to the following selection criteria: (i) the listing location; (ii) the principal business location; (iii) major revenue contribution from investment management, asset management, wealth management and private banking services for private and institutional clients; and (iv) size of assets under management ("**AuM**"). The independent valuer reviewed revenue contribution and the scale of AuM of the comparable companies based on the disclosed annual financial information and revenue segment information of the comparable companies, sourced from Bloomberg and annual reports of the comparable companies. Based on the available information obtained, the independent valuer has identified eight comparable companies that share similar fundamental characteristics, including business focus, market positions and customer nature, as the Target Company. These companies are therefore considered comparable to the Target Company.

For the valuation of financial services company, equity multiples are more commonly used than value multiples such as Enterprise Value-to-Earnings Before Interests & Taxes ratio ("**EV/EBIT**") or Enterprise Value-to-Earnings Before Interests, Taxes, Depreciation and Amortization ratio ("**EV/EBITDA**") as the operating and financing activities of financial services company cannot be clearly separated.

After discussing with the independent valuer about the details of the valuation (including the methodology and assumptions) as set out in the valuation report and taking into account (i) the opinion of the independent valuer who has concluded that the market approach is the most appropriate approach for assessing the market value of the Target Company; (ii) the opinion of the independent valuer who has concluded that P/E is one of the most appropriate indicators of the fair value of the Target Company; (iii) based on the data of the comparable companies used in the model were obtained from Bloomberg database and public annual reports of the comparable companies, the mean of the comparable companies is 28.34; and (iv) the 5-year historical control premium international medians from 2012 to 2016 ranging from approximately 25% to 35%; the Directors concurred with the view of the independent valuer that the basis, assumptions and methodologies adopted in the Valuation Report were arrived at after due and careful consideration and are fair and reasonable.

With respect to the adoption of the market approach, the Executive Directors considered that the approach provides a good indication of the fair value of the Target Company since there are sufficient public companies in a similar nature and business to that of the Target Company to make meaningful comparison. The Executive Directors also considered the alternative of using income approach and asset approach. However, the income approach would not be appropriate due to the high level of uncertainty involved in making long-term forecast estimates and assumptions to project the future income of the Target Company. The asset approach is also not suitable because such method only takes into account the current value of the Target Company's tangible net assets to determine its fair market value. This method ignores the future economic benefits of the business as a whole.

With respect to the selection of P/E as the indicator, the Executive Directors considered that the Target Company's earning power is one of the key determinant of its value. The Executive Directors also considered that P/E is a common valuation method for the assessment of the value of well-established and profitable businesses. Given the Target Company has been incorporated since 1990s and has recorded profits in the previous two financial years, the Executive Directors consider that the P/E is one of the most appropriate indicators for valuing the Target Company.

With respect to the comparables as set out in table 8 of the valuation report, the Executive Directors considered that the sample size of eight companies is reasonable for a meaningful comparison and that the comparables were selected based on businesses operations similar to the Target Company's business operations, their proximity with the Target Company's place of business operations and major revenue contributors. The Executive Directors noted that the P/E of the comparables ranges from 11.32 to 86.70 with the median of 15.81.

With respect to the control premium, the Executive Directors considered that a significant aspect of the Acquisition is to become the single largest shareholder of the Target Company. Accordingly, the value of the transaction should take into account the additional value in gaining 100% control of the Target Company. The Executive Directors consider that a five year span market average will provide a reasonable estimate and in line with market practice when valuing market premium.

The Company noted that the P/E (based on the financial statements of the Target Company for 2016) of 36.6 is much higher than the P/E of 15.81 estimated by the valuer. The P/E of 15.81 was calculated based on market comparables of companies engaged in similar business. As set out in Note 11.6 on page V-22 in the valuation report, the valuation of the Acquisition is based on the sum-of-the-parts listed out in paragraph 11.6 (including the property interest and the premium based in acquisitions resulting in the acquirer taking a controlling interest), the valuation of the Acquisition of approximately CHF58.8 million is close to the consideration agreed by the Company (i.e. CHF58.6 million), subject to certain top-ups as explained above.

Having considered the theoretical P/E of companies engaged in similar businesses together with (i) the control premium; (ii) the valuation of the Target Company's property; and (iii) the synergies and prospects as explained in the section headed "Reasons and Benefits of the Acquisition", the Executive Directors considered that the consideration is fair and reasonable.

(ii) P/B

In determining the fair value of the Target Company, the Executive Directors have also taken into account the P/B valuation method. The Executive Directors considered that banks (especially small size private banks) are capital intensive businesses in nature and that the P/B does not factor in intangible assets which are relatively small in value for the Target Company, the P/B can also be an accurate reflection of the value of the Target Company. Based on the financial statements of the Company for 2016, the P/B is 1.5, The Board considered that the P/B of 1.5 is in line with the valuation of market comparables of similar size private banks in Liechtenstein in Switzerland. Based on the information of S&P Capital IQ, the Directors considered the P/B of the following companies listed on the Swiss Exchange:

Symbol	**Name**	**2016 P/B**
VONN	Vontobel	2.2
VZN	VZ Holding	5.6
LLBN	Liechtensteinische Landesbank	0.8
VPBN	VP Bank	0.8

Without taking into account the equity portion adjustment and potential top-ups, the aggregate consideration for the Sale Shares shall be CHF58,600,000, which is lower than the valuation of the Target Company provided by the independent valuer. In addition to the lower consideration amount as compared to the valuation provided by the independent valuer, the Executive Directors have also taken into account, among other things, the historical financial performance and the net asset value of the Target Company, the control premium of 100% stake of a well-established European private banking platform, the synergies between the Target Company and the Group to be created which are essential for the Group to become a comprehensive health and wealth solutions provider, and the reasons and benefits of the Acquisition as set out under the section headed "Reasons and Benefits of the Acquisition", and consider that the Acquisition has been entered into on normal commercial terms, the terms of the Agreement (including the Consideration) are fair and reasonable and that the entering into of the Agreement is in the interests of the Company and its Shareholders as a whole.

Conditions Precedent

Completion will take place on the Completion Date. Completion is conditional upon the satisfaction or waiver of certain conditions (except that condition (1) below cannot be waived while conditions (2), (3), (4), (6), (7), (8) and (9) may be waived in the absolute discretion of the Purchaser, condition (10) may be waived in the absolute discretion of the Vendors and conditions (5), (11) and (12) may only be waived by both parties) including the following:

(1) the Shareholders having passed the relevant resolution approving the Agreement and the transactions contemplated thereunder at a general meeting of the Company;

(2) an agreement under which the Target Company as the holder of the trademarks (a) "RAIFFEISEN BANK LIECHTENSTEIN AG PRIVATE BANKING"; (b) "RAIFFEISEN PRIVATBANK Liechtenstein"; (c) RAIFFEISEN PRIVATBANK LIECHTENSTEIN and (d) any other registered trademark containing the term "Raiffeisen", (the "**Raiffeisen Trademarks**") will transfer the Raiffeisen Trademarks to the First Vendor after a period of 12 months subsequent to the Completion Date, including the unilateral right of the Target Company to extend such period by 6 months, free of any charge, is signed by the Target Company and the First Vendor;

(3) a license agreement for the benefit of the Target Company, for the use free of any charge of the Target Company's name (exclusive license), copyrights (non-exclusive license), domain names (exclusive license) and/or other intellectual property rights (non-exclusive license), other than the Raiffeisen Trademarks, which are necessary to conduct the Target Company's business as currently being conducted for a period of 12 months subsequent to the Completion Date, including the unilateral right of the Target Company to extend such period by 6 months, between the Target Company and the First Vendor is signed by the Target Company and the First Vendor;

(4) an amendment agreement shall have been signed by the Target Company and the First Vendor with regard to certain services to the Target Company which, as of the date of the Agreement, are performed for the Target Company by the First Vendor and which are necessary to conduct the Target Company's business as currently being conducted (i.e. internal audit services, services relating to financial portfolio management and monitoring of investments restrictions, risk controlling, IT-services and marketing support);

(5) all necessary regulatory notifications and approvals for Completion in the form and substance satisfactory to each of the parties to the Agreement shall have been made or obtained from the Financial Market Authority Liechtenstein ("**FMA**");

(6) all necessary corporate approvals of the Target Company for the transfer of the Sale Shares and the recognition of the Purchaser or its assignee as shareholder of the Target Company with all rights pertaining to the Sale Shares, have been obtained;

(7) all representations and warranties given by the Vendors in all material aspects, have been true and correct when made and shall be true and correct as at the Completion Date;

(8) the Vendors having performed and complied with all the obligations resulting from the Agreement;

(9) no change, event, occurrence or condition occurring on or after 1 January 2017 (with the exception of termination of employment agreements by employees of the Target Company and effects resulting from such termination) which has had, or could reasonably be expected to have, individually or in the aggregate, a material adverse effect or effects on the Target Company's business or on the Target Company's operations, assets, liabilities, or conditions, or results of operations or on the Target Company's value for the Purchaser;

(10) no change, event, occurrence or condition (i) occurring on or after 1 January 2017 and (ii) which can reasonably be expected to reduce the shareholders' equity (as defined for the calculation of the Equity Portion in the adjustment of the consideration of the Acquisition) by an amount equal to 10% or more of the Equity Portion (e.g. an additional specific provision in the completion accounts in the respective amount), provided that reserves for general banking risks and provisions and/or value adjustments for the specific legal risks and/or the specific loan shall not count towards this 10% threshold;

(11) no action shall be pending and no order, injunction or decree of any competent Governmental Authority exists which seeks to enjoin, restrain, impede or levy a substantial difficulty on the consummation of the transactions contemplated hereunder and in particular the transfer of the Sale Shares; and

(12) the Vendors, the Purchaser and the escrow agent have signed the escrow agreements in relation to the transactions contemplated under the Agreement.

With respect to the approval set out in condition precedent (5), the Acquisition is subject to the approval of FMA. To obtain the approval, the Company has to satisfy the FMA in various aspects including, among others, (i) the identities of the major shareholders of the Company; (ii) the identity of the Purchaser and the acquisition structure; (iii) the board of directors and management of the Target Company upon Completion; (iv) the group structure upon Completion and an assessment on the impact of FMA's supervision over the Target Company; and (v) the financing of the Acquisition including the source of funding. The entire approval process is expected to take at least three months commencing on the day when the full information package has been submitted to the FMA.

Upon the signing of the Agreement, a notification of the Acquisition has been filed with the FMA. As at the Latest Practicable Date, the Company is still in the process of preparing the information package for submission purposes.

If the conditions precedent are not satisfied or waived (if applicable) on or before the Long Stop Date, the parties may terminate the Agreement and all provisions of the Agreement shall cease to be effective. Should condition (1) not be satisfied before the Long Stop Date, the Purchaser shall pay to First Vendor (in its capacity as the Vendors' representative) a break-up-fee in the amount of CHF1,500,000 (equivalent to approximately HK$12,000,000).

As at the Latest Practicable Date, the Purchaser has no current intention to waive any of the conditions precedent which are capable of being waived by the Purchaser.

As at the Latest Practicable Date, none of the conditions precedent set out above have been satisfied or waived (if applicable).

Guarantee by the Company

The Company has guaranteed the full and punctual performance of any and all obligations and undertakings of the Purchaser under or in connection with the Agreement.

(C) INFORMATION ON THE PARTIES

(1) The Purchaser is an indirect wholly-owned subsidiary of the Company which is the guarantor to the Purchaser. It is principally engaged in investment holding.

(2) The First Vendor is a company incorporated in Austria. It is the legal owner of 15% of the Target Company and the beneficial owner of 100% of the Target Company. It is principally engaged in providing banking services, private banking services and asset management services to clients mainly from the German speaking parts of Europe. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge, information and belief, the First Vendor is a third party independent of the Company and connected persons of the Company.

As set out in condition precedent (4), the First Vendor will provide certain services to the Target Company.

As at the date of the Agreement, the First Vendor provides internal audit, financial portfolio management and monitoring of investment restrictions, risk control, IT-services, and marketing support services to the Target Company on a non-exclusive basis through a series of Service Level Agreements ("**SLA(s)**") detailing the respective compensation and terms for cancellation. The relationship between the First Vendor and the Target Company are set out in a general framework contract, in which the SLAs are annexed. The main duties under the general framework contract are duties of diligent and careful provision of the services detailed in the SLAs. They include the rights of the Target Company to get full insight on all audit reports of the First Vendor relating to the services covered under the SLAs. Upon Completion, the Target Company will sign an amendment agreement to amend and supplement the original

SLAs with the First Vendor with regard to the services provided. The amendment agreement will amend the original agreements such that the Target Company will have the right to terminate the engagement of the First Vendor. Except as disclosed above, the principal terms of the SLAs (and the proposed amendment agreement) shall remain unchanged. It is expected that for most of the SLAs the service periods of such amended SLAs will not be more than 18 months after Completion, which the Company considers will be sufficient for the Target Company to develop its own brand.

Risk Control

The Board is of the opinion that the SLA regarding risk control services is no longer of relevance because the risk control services have been adequately performed by the Target Company.

Internal audit

With regard to the internal audit services under the amended SLAs, the (i) First Vendor shall have the right to terminate these agreements at any time in writing with a six month notice period, (ii) the Target Company shall have the right to terminate these agreements in writing at any time with a three month notice period, and (iii) the agreements shall terminate automatically upon the change of the Target Company's name becoming legally effective. The SLAs for internal audit services ensured that the internal audit department of First Vendor is functioning as the internal audit department of the Target Company. This is a necessary service and legal requirement under Liechtenstein law unless the Target Company transfers this duty to another internal audit service provider that is recognised by the FMA Liechtenstein or establishes its own department for this function. It is the Board's intention to engage a reputable auditing firm to perform an internal audit on the Target Company and phase out the internal audit SLAs within 12 months after Completion. The rate for services rendered is expected to be EUR95 per hour once such services are rendered.

Portfolio management and monitoring of investment restriction

Given that (i) the core business of the Target Company has been the provision of investment advisory services; (ii) the small scale and demand of the Target Company's portfolio management services such that the provision of profolio management services have been a non-core business of the Target Company; and (iii) the expertise of the First Vendor in portfolio management, it has been more cost efficient to outsource such portfolio management services to the First Vendor to provide such services.

During the transition period, the parties agreed that such services will continue to be provided by the First Vendor, on a non-exclusive basis.

Having considered (i) the scale of the Target Company's portfolio management services which is not expected to materially change upon Completion; (ii) maintaining existing practice would ensure smooth transition after completion of the Acquisition of the Target Company; and (iii) potentially higher cost of setting up a new business unit to provide portfolio management services immediately after Completion, the Executive

Directors considered that maintaining the existing arrangement would be in the interest of the Company and Shareholders as a whole. The commission income attributable to the portfolio management services provided by the First Vendor (including but not limited to Austria) for the three years ended 31 December 2016 and six months ended 30 July 2017 in accordance with IFRS amounted to CHF0.1 million, CHF0.1 million, CHF0.2 million, and CHF0.4 million, respectively. Under the relevant banking and securities laws and regulations of Liechtenstein, when investment firms outsource critical or important operational functions or any investment services or activities, the investment firms remain fully responsible for discharging all of their obligations under Directive 2004/39/EC. Investment firms are required to exercise due skill, care and diligence when entering into, managing or terminating any arrangement for the outsourcing to a service provider of critical or important operational functions or of any investment services or activities. For example, the service provider must have the ability, capacity, and any authorisation required by law to perform the outsourced functions, services or activities reliably and professionally, the service provider must cooperate with the competent authorities of the investment firm in connection with the outsourced activities, the service provider must disclose to the investment firm any development that may have a material impact on its ability to carry out the outsourced functions effectively and in compliance with applicable laws and regulatory requirements. In order to appoint a service provider for the portfolio management function, the Target Company requires an outsourcing agreement (i.e. the SLA, which is regulated by the Banking Act). In addition, the service provider must be licensed under Liechtenstein law or under the law and supervision of an equivalent jurisdiction (all European Economic Area ("**EEA**") countries are regarded as equivalent). The outsourcing agreement governs the portfolio management process, the relevant risk management, the access to information for both parties and the fees. The SLA relating to financial portfolio management and monitoring of investment restrictions sources the management of some individual client portfolios to the First Vendor. The investment restrictions laid out by both the Liechtenstein law and the respective clients are also subject to this SLA and are ensured by the First Vendor. Under the amended SLA (i) the First Vendor shall have the right to terminate this agreement at any time in writing with a 12 month notice period, and (ii) the Target Company shall have the right to terminate this agreement in writing at any time with a 6 month notice period. It is the Executive Directors' intention to retain the First Vendor as an independent third-party asset manager manger on individual client portfolios based on merits and arm's-length basis. The commission for services rendered will depend on the complexity of the portfolio and on a scale based on the size of the portfolio. For example, for simple deposit structuring, the commission will range from approximately 0.1% up to approximately 0.3% depending on the asset size. While commissions for portfolios of foreign currencies and speculative investments will range from approximately 0.2% to 0.4% portfolios depending on the portfolios size.

IT Services

With regards to IT services: (i) the First Vendor shall have the right to terminate the agreement at any time in writing with a six month notice period, and (ii) the Target Company shall have the right to terminate the agreement in writing at any time with a three month notice period. It is the Board's understanding that, with the exception of its email system, the Target Company runs a full in-house IT department and controls all IT routines relevant to the banking business, directly. It is the Board's opinion that the IT SLA can be phased out within 6 months after Completion.

Marketing support services

With regards to marketing support services: (i) the First Vendor shall have the right to terminate the agreement at any time in writing with a six month notice period; (ii) the Target Company shall have the right to terminate the agreement in writing at any time with a three month notice period; and (iii) the agreement shall terminate automatically upon the change of the Bank's name has become legally effective. As marketing services have been set up internally, the Target Company has the option to selectively request the services detailed in the SLAs from the First Vendor. During the transition period after Completion but before the Raiffeisen Trademarks have been transferred from the Target Company to the First Vendor, it is agreed between the First Vendor and the Target Company that the Target Company will not directly engage in public advertisement or market its products and services in Austria, which is the home-market of the First Vendor. As at the Latest Practicable Date, the Raiffeisen group has operations in countries including Germany, Italy, Austria, Luxembourg, Poland, Sweden, Switzerland, Slovakia, Slovenia, Spain, Czech Republic, Hungary, UK and Russia (the "**Restricted Regions**"). As at the Latest Practicable Date, the Target Company is the Liechtenstein subsidiary of a member bank of the Raiffeisen Group. Each region has its local Raiffeisen member branch with operations in the relevant region. The relevant Raiffeisen member branch of one region in general does not have operations or directly compete with the Raiffeisen member branch of another region. As at the Latest Practicable Date and during the transition period, the Target Company does not and will not have operations in these Restricted Regions. Accordingly, in order not to confuse market users of Austria and to protect the interest of the Austria branch of the First Vendor (which is the home-market of the First Vendor), the parties to the Agreement have agreed that the Target Company will not have operations nor make direct sales in Austria before the change of name of the Target Company. No public marketing (including solicitation of clients and public advertising) will be allowed in Austria. Although, the service of the First Vendor is not necessary, having considered the potential advantage of selling products under the Raiffeisen Trademarks as the product brand, the Company considers such service provided by the First Vendor to be desirable to ensure a smooth period of transition from the Raiffeisen Trademarks to its own trademarks. During the transition period, the Target Company will sell its services in Austria under the above arrangements. After completion of the transfer of the Raiffeisen Trademarks, it is expected that the Target Company will be able to market under its own brand in Austria. Immediately after Completion, the Target Company can, however, directly market outside Leichtenstein (except Austria).

The rate for services rendered is expected to be EUR680 per day and per person once such services are rendered regardless of the number of locations and nature of marketing services rendered.

Based on the rate for services rendered as disclosed above, it is expected that the transactions between the Target Company and the First Vendor will not constitute notifiable transactions under Chapter 14 of the Listing Rules. For the year ended 31 December 2016, the service fees paid by the Target Company to the First Vendor was approximately CHF0.02 million. Upon Completion, should the transactions between the First Vendor and the Target Company constitute notifiable transaction(s) under Chapter 14 of the Listing Rules, the Company will comply with the relevant requirements.

It has never been the intention of the Vendors to either sell or license the Raiffeisen Trademarks to the Purchaser. The subject of the Acquisition was solely the business and its banking license. The Raiffeisen Trademarks are owned by the Target Company. Under the trademark agreement, the Target Company can use the Raiffeisen Trademarks for a transition period of maximum of 18 months after signing of the Agreement. The revenue and profits (if any) will be recognised as the revenue and profit of the Target Company. The Company considers that the transition period will be sufficient to develop a new brand name and to accustom clients and partners to these changes. It is the intention of the Board to change the name of the Target Company as soon as possible but retain the marketing support services from the First Vendor to ensure a smooth transition. From the outset, the Company only considers purchasing the private banking business of the Target Company without the associated Raiffeisen Trademarks, therefore the Company considers the transfer back of the Raiffeisen Trademarks to the First Vendor is irrelevant in determining the consideration.

(3) The Second Vendor is a company incorporated in Austria. It is wholly owned by the First Vendor. The Second Vendor is the legal owner of 85% of the Target Company. It is principally engaged in holding investments in companies in the financial services industry in Europe. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge, information and belief, the Second Vendor is a third party independent of the Company and connected persons of the Company.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge, information and belief, each of the First Vendor, the Second Vendor and their respective ultimate beneficial owner is a third party independent of the Company and connected persons of the Company.

(D) INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Liechtenstein. It is licensed according to Art. 15 Law of 21 October 1992 on Banks and Investments Firms. It is based in Liechtenstein and is principally engaged in the provision of private banking services while also offering services for external asset managers ("**EAM**") with AuM of more than CHF 1 billion as at 30 September 2017. Its head office is in Vaduz, Principality of Liechtenstein. The Target Company's clients are mainly from Germany, Austria, Spain, Liechtenstein, Russia and Switzerland.

As at the date of the Agreement, the Target Company does not have any subsidiaries or associated companies.

The Target Company can be divided into the following two strategic business units:

(1) Private banking: the Target Company provides advisory and other services (accounts, cards, trading etc.) for clients with a minimum target asset level of CHF250,000.

(2) Institutional clients: the Target Company serves as custodian bank for EAMs providing advisory, account and custody management as well as back and middle office services.

A summary of the audited financial information of the Target Company prepared in accordance with International Financial Reporting Standards for the two years ended 31 December 2016 as extracted from the accountants' report set out in Appendix II to this circular is set out as follows:

	For the year ended 31 December	
	2015	**2016**
	audited	*audited*
	CHF'000	*CHF'000*
Total operating income	10,039	9,943
Profit before taxation	843	1,413
Profit after taxation	820	1,301

	As at 31 December	
	2015	**2016**
	audited	*audited*
	CHF'000	*CHF'000*
Total assets	303,968	368,906
Shareholders' equity	40,093	39,295

Further financial information of the Target Company is set out in Appendix II of this circular.

(E) FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will be wholly owned by the Purchaser. The financial information of the Target Company will be consolidated into the Company's financial statements after Completion.

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the pro forma consolidated total assets of the Group as at 30 June 2017 would increase from approximately HK$7,637 million to approximately HK$10,530 million and the pro forma consolidated total liabilities of the Group as at 30 June 2017 would increase from approximately HK$1,208 million to approximately HK$4,125 million as a result of the Acquisition.

Fair value adjustments have been made to the intangible assets namely, the bank license and customer relationship of the Enlarged Group. The bank license of approximately HK$18.6 million and customer relationships of approximately HK$36.6 million as at 30 June 2017 have been recognised in the unaudited pro forma financial information of the Enlarged Group in accordance with Hong Kong Financial Reporting Standard (''HKFRS'') 3 (Revised) Business Combinations issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA'') as if the Acquisition had been completed on 30 June 2017.

Banking license and customer relationship represent the rights of the Target Company to engage in the business of private banking, asset management and private lending and customers that maintained stable business relationship with the Target Company. The fair value of banking license was estimated based on income-based approach, i.e. relief from royalty method by using a royalty rate of 3% on the estimated revenue attributable to the banking license and the discount rate of 15.86%. The fair value of customer relationship was estimated based on income-based approach, i.e. multi-excess earnings method, with the estimated revenue and useful life of existing customer relationship using an attrition rate of 17.79% and the discount rate of 15.86%. Estimated future economic benefits attributed to the banking license and customer relationship were discounted at a rate which reflected the business risks in relation to the business operated.

For the purpose of the unaudited pro forma financial information, the Directors have assessed the fair value adjustment of the Target Company expected to arise from the Acquisition following the principles set out in HKFRS 3 (Revised) Business Combinations. Based on the discussion with the independent valuer and the auditors, the Executive Directors consider that the underlying assumptions on the valuation are fair and reasonable.

Such intangibles were not recognised in the financial statements. The recognition of the intangible assets in the financial statements of the Target Company has to fulfil the definition of intangible assets according to Hong Kong Accounting Standard 38 (''HKAS 38'') ''Intangible assets''. According to paragraph 63 of HKAS 38, the internally generated bank license and customer relationship shall not be recognised as intangible assets in the financial statements of the Target Company. However, in the case of business combination, these intangible assets are able to fulfil the definition of intangible assets in the Enlarged Group. According to paragraph 34 of HKAS 38 and HKFRS 3 (Revised), the Group recognises at the

Completion Date, separately from goodwill, intangible assets of the Target Company, irrespectively of whether the asset had been recognised by the Target Company before the business combination.

With respect to the fair value adjustments of the consideration in relation to the Specific Legal Risk, the Specific Loan and the Specific Indemnity, please refer to III-7 for the pro forma financial information. The reporting accountants concurred with the Executive Directors' assessment of the intangible assets in the unaudited Pro Forma Financial Information. Upon Completion, the same accounting treatment will be applied.

The Directors confirm that they will apply consistent accounting policies and principal assumptions for the annual assessment of impairment loss of the intangible assets in the preparation of the consolidated financial statements of the Group after the Completion as required under HKAS 36 "Impairment of Assets" issued by the HKICPA.

The details of the financial effect of the Acquisition on the financial position of the Group together with the basis and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix III to this circular.

The Acquisition would have increased the profits of the Group if the Acquisition had been completed on 30 June 2017. The Acquisition is expected to contribute towards broadening the revenue and earnings base for the Enlarged Group in the future.

(F) REASONS AND BENEFITS OF THE ACQUISITION

The Group is a health and wealth solutions service conglomerate. It is principally engaged in (i) the provision of comprehensive financial services in Hong Kong, including dealing in securities, commodities broking, bullion trading services, provision of securities margin financing, provision of investment and corporate finance advisory services, investment in securities, asset management, money lending and investment holding; and (ii) the healthcare and mother infant child care related business.

Capitalising on its existing financial and healthcare services platforms, the Group continues to develop its business in direct investments, provision of wealth management services complimenting the securities and asset management business.

As disclosed in the prospectus of the Company dated 13 January 2017 in relation to the rights issue, the Group intended to acquire a controlling stake in a private bank. Through the Acquisition, the Group intends to leverage on the Target Company as the Group's platform for its core financial practice which will supplement the existing financial segments of the Company and enable further cross-selling and create synergies amongst the Group's different line of businesses. The Group will also gain a presence in the Liechtenstein private banking market which can serve as a hub for further expansion into other European private banking market. After the acquisition of this private banking platform including the license, the Group will use this platform to further develop its wealth management business through offering wide range of Asian financial products to European clients and providing high-quality European private banking services for high-net-worth clients in Asia Pacific. The Group will continue to launch investment products, including Asian fixed income securities, mortgage-backed securities, asset-backed securities, asset management products, and other investment products in order to meet the demands of the private banking clientele of the Target Company. As at the Latest Practicable Date, the Company intends to first implement its plans via client referrals. It is intended that referral agreements will be signed between the Target Company and the Company. Clients of the Target Company who are interested in the wealth management products of the Company will be referred to the Company.

The Group's current investment products include securities *inter alia* equities, futures and fixed income, and fund management. It is the plan of the Group to offer these products to the clients of the Target Company.

The Target Company has a full banking license issued by the Liechtenstein regulator. The license should enable the Target Company to sell these investment products to its clients. In any case, any introduction of new products of the Target Company will go through rigorous internal new product approval process of the Target Company, and Legal and Compliance Department's signed-off is a necessary pre-condition for launching of new products.

Since the strategic repositioning in 2015, the Target Company has seen a steady rise in private banking clients and AuM and a meaningful improvement in profit margin. Coupled with the synergy created when the Target Company becomes a subsidiary of the Company, the Board believes that the Target Company will continue to enjoy a steady growth in AuM.

The Target Company has established necessary functions to support further business growth. These include the clients onboarding team, relationship managers and customer service. The Company can leverage on the Target Company's existing infrastructure to expand its business in the Asia Pacific region, which will allow the Target Company to increase its client base and hence increase its AuM. The Company expects that the commission income of the bank will increase with the addition of new Asian clients. Furthermore, the Company considered that the Target may build on the Company's expertise in the wealth management, mortgage and securities business, which will assist the Target Company in potentially devising new products and offering a wider range of products to existing and new clients.

With the introduction of new Asian clients to the bank, the Group expects the AuM of the Target Company may increase steadily over the next 3 years through the additional commission fee income may the Target Company. Given the current negative interest rate environment in Europe, the Executive Directors also expects to generate a small interest income on client deposits over the next three years. The Group also intends to increase the bank's collateralized loan portfolio going forward. The loan book is forecasted to grow over the next years due to the expected demand in collateralized financing from Asian clients, resulting in an increase in interest income on the loan book. The mortgage loan book also is expected to grow in line with the growth rate of AuM.

Having considered the reasons for and benefits of the Acquisition as mentioned above, the Directors are of the view that the terms of the Acquisition (including the consideration) are on normal commercial terms, and are fair and reasonable, and are in the interest of the Company and the Shareholders as a whole.

(G) IMPLICATIONS OF THE LISTING RULES

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Acquisition exceeds 25% but are less than 100%, the Acquisition contemplated under the Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

(H) WAIVER FROM STRICT COMPLIANCE WITH RULE 4.03 OF THE LISTING RULES

Under Rule 4.03 of the Listing Rules, the accountants' report of the Target Company for inclusion in this circular must be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance. Rule 4.03 of the Listing Rules also provides that, in the case of a circular issued by a listed issuer in connection with acquisition of an overseas company, the Stock Exchange may be prepared to permit the accountants' report to be prepared by a firm of practicing accountants which is not so qualified but which is acceptable to the Stock Exchange. Such a firm must normally have an international name and reputation and be a member of a recognised body of accountants.

ReviTrust Grant Thornton AG ("**GTL**"), which is the Target Company's current auditors, is not qualified under the Professional Accountants Ordinance.

Having considered (i) the international name and reputation of GTL as being the world's seventh largest professional services network of independent accounting and consulting member firms; (ii) that GTL is a member of the professional association of auditors in Liechtenstein and that GTL is a member of the Forum of Firms; (iii) that GTL has been the Target Company's auditor since 2001; (iv) the Target Company was incorporated in Liechtenstein with its operations based in and regulated in Liechtenstein; and (v) substantial time and cost would be incurred for the translation and collection of the relevant data due to the geographical distance and language difference, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 4.03 of the Listing Rules to allow GTL to act as the reporting accountant for the accountants' report of the Target Company for inclusion in the circular for compliance with Rule 14.67(6)(a)(i) of the Listing Rules.

Such waiver has been granted by the Stock Exchange and the accountant's report by GTL is set out in Appendix II to this circular.

(I) GM

A notice convening the GM to be held at 23/F, Euro Trade Centre, No. 21–23 Des Voeux Road Central, Hong Kong at 11:40 a.m. on Wednesday, 17 January 2018 (or immediately following the First GM to be convened on the same day) for the purpose of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder is set out on GM-1 to GM-2 of this circular.

A proxy form for the GM is enclosed. Whether or not you intend to attend and vote at the GM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for holding the GM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending or voting in person at the GM or any adjournment thereof should you so wish.

The GM will be convened for the purpose of considering and, if thought fit, approving, the Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge, information and belief, no Shareholder had a material interest in the Agreement who will be required to abstain from voting at the GM in respect of the resolution(s) relating to the Agreement and the transactions contemplated thereunder.

Shareholders with a material interest in the Acquisition shall not vote on the resolution to be proposed at the GM. Voting at the GM will be conducted by way of a poll.

(J) RECOMMENDATION

The Directors considers that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommends the Shareholders to vote in favour of the ordinary resolution to approve the Agreement and the transactions contemplated thereunder at the GM.

(K) ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
Mason Group Holdings Limited
Ko Po Ming
Joint Chairman and Chief Executive Officer

A. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for each of the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the unaudited interim results for the six months ended 30 June 2017, have been disclosed in the following annual reports of the Company and results announcement of the Company which are available on the Company's website at http://www.masonhk.com/en/and the website of the Stock Exchange at www.hkexnews.hk:

- annual report of the Company for the year ended 31 December 2014 (pages 32–136) published on 27 April 2015 at http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0427/LTN20150427033.pdf;

- annual report of the Company for the year ended 31 December 2015 (pages 46–168) published on 25 April 2016 at http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0425/LTN20160425003.pdf;

- annual report of the Company for the year ended 31 December 2016 (pages 76–224) published on 13 April 2017 at http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0413/LTN20170413019.pdf; and

- interim report of the Company for the six months ended 30 June 2017 published on 27 September 2017.

B. STATEMENT OF INDEBTEDNESS

Statement of Indebtedness

As at 31 October 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group amounted to approximately HK$767,569,000, details of which are set out below:

	HK$'000
Secured bank and other loans	529,880
Secured other loans interest payables	1,890
Unsecured other loans	210,880
Unsecured other loans interest payables	2,410
Unsecured bonds	20,000
Unsecured bonds interest payables	714
Obligations under finance leases	1,230
Amount due to former shareholders of a subsidiary	565
	767,569

Borrowings

As at 31 October 2017, the Group had outstanding secured bank and other loans of HK$529,880,000, which comprised of i) six bank loans with an aggregate amount of HK$355,783,000, which are secured by inventories of RMB51,000,000 (equivalent to HK$59,910,000) and corporate guarantees issued by the Company, a subsidiary of the Company and/or companies owned by the beneficial owners of non-controlling interests of a subsidiary; ii) a loan of HK$160,000,000 from a subsidiary of a bank, which is secured by the Group's 55.02% interests in subsidiaries with the Group's share of carrying amount of net assets value of HK$218,202,000, financial assets at fair value through profit or loss with carrying amount of HK$400,441,000 and corporate guarantee issued by the Company; and iii) the remaining loans of HK$14,097,000 are secured by corporate guarantees issued by certain subsidiaries of the Company.

Loan facilities

The Group has a loan facility of HK$42,000,000 from a financial institution, which is secured by the Company's corporate guarantee, none of which had been utilised as at 31 October 2017.

Obligations under finance leases

As at 31 October 2017, the Group had outstanding obligations under finance leases of HK$1,230,000 secured by charges over a motor vehicle and equipment.

Commitment

As at 31 October 2017, the Group had the following capital expenditure commitments contracted but not provided for, net of deposit paid:

	HK$'000
Acquisition of property, plant and equipment	225
Acquisition of intangible assets — computer software and systems	1,268
Subscription of investment in joint ventures	24,620
Subscription of private funds	128,410
	154,523

Pledge of assets

As at 31 October 2017, the Group had bank deposits of RMB29,357,000 (equivalent to HK$34,486,000) which was pledged to banks for bills payables of RMB33,753,000 (equivalent to HK$39,650,000).

Financial guarantee

As at 31 October 2017, Group had issued a financial guarantee in respect of a loan granted to a third party individual with the principal amount of RMB51,000,000 (equivalent to HK$59,910,000) to a third party. The Directors consider no present obligation for the Company under this financial guarantee as at 31 October 2017 as it was not probable that the repayment of the loan would be in default.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 31 October 2017.

Target Company

As at 31 October 2017, being the latest practicable date for the purpose of the indebtedness statement of the Target Company prior to the printing of this circular, the Target Company had following indebtedness:

		CHF'000
(1)	**Debt securities and term loans**	
	Short term interbanking borrowing with maturity of less than three months arising within the normal course of banking business	10,151
	Cash deposits for reverse repurchase agreements	40,000
(2)	**Other borrowings or indebtedness**	
	Current accounts, calls and fixed-term deposits arising within the normal course of banking business	285,670
(3)	**Contingent liabilities or guarantees**	
	Bank and credit guarantees which are fully collateralized arising within the normal course of banking business	105

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Target Company did not have any outstanding mortgages, charges, debentures, convertible bonds, or other loan capital, bank overdrafts or loans, term loans, debt securities, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities on 31 October 2017.

C. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after taking into account the effects of the completion of the Proposed Acquisition and the financial resources available to the Enlarged Group, the Enlarged Group has sufficient working capital to satisfy its requirements and for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

D. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Reference is made to the interim report of the Group for the six months ended 30 June 2017.

Looking ahead, Hong Kong's financial market is awash with both uncertainties and opportunities. Hong Kong has long served as the bridge between China and other parts of the world, conveying trade and investment flows both ways. In recent years, the economic connection between mainland China and Hong Kong has become stronger. Northbound bond trading commenced in July 2017 while southbound trading is slated to start at a later date. Together they will allow overseas investors from Hong Kong and other regions to invest in the China interbank bond market through mutual access arrangements in respect of trading, custody and settlement. Hong Kong remains as a major overseas center for mainland investors to allocate their wealth through channels such as the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Meanwhile, China's healthcare and medical sector is expected to grow rapidly, on the back of an aging population and the two-child policy, coupled with the rising health awareness and the increase in the domestic per capita disposable income. Another factor driving growth is the surging medical expenditure by Chinese citizens. The total medical expenditure will increase to RMB4.7 trillion in 2017, representing 6.1% of China's GDP, according to China's Pharmaceutical Industry and Investment Analysis (2014-2019) issued by Zhongshang Industry Institute.

2017 is a pilot year for the Group since its transformation which started in the fourth quarter of 2016. It is a year during which, the Group is embracing new challenges and is moving forward towards its vision of becoming the "Health and Wealth Solution Partner" for its customers through its "Enterprise + Finance" parallel strategy. Demonstrating initial success of the strategy, the Group achieved a turnaround in its revenue and a significant decrease in net loss for the six months ended 30 June 2017. On the strength of its abundant capital, differentiated development strategy, experienced management with global insight and outstanding servicing team, the Group will execute strategic plans for more mergers and acquisitions in both the enterprise and financial sectors, reinforcing a balanced and complementary development in both segments.

In the financial sector, the Group will strive to offer its clients a wider array of products in order to continue to boost its customer base, as well as to further diversify its businesses. To achieve this, the Group will expand the existing business in securities, brokerage and margin financing, and set its sight on business opportunities in other financial sectors such as insurance and fund management, embracing the vast opportunities in Hong Kong's financial market. At the same time, the Group will continue to assess potential acquisition targets, acquiring targets which are beneficial to the development of the Group and those which will create synergistic value with the Group's other business sectors. One of its aims is to acquire financial institutions in the US, Europe, and Asia, in order to build a financial platform with world-wide asset allocation capabilities.

In the enterprise sector, the Group will continue to be engaged in the high-end, high-quality health care and mother-infant-child care related business. The success of its previous acquisitions suggests that the Group's enterprise business development is on the right track, while the newly acquired companies are expected to be one of the key revenue drivers in future. In the face of the rising demand in medical and mother-infant-child products in mainland China and the enormous potential within the industry, the Group will actively expand its business along the value chain of medical services and the mother-infant-child industry.

In addition, the Group intends to grow its international business, strengthen its position in developing markets and expand on a global scale. The Group's recent strategic alliance with Wattle Health has been a milestone in the Group's development in the enterprise sector. The Group endeavors to deliver high quality products and services to the mother-infant-child industry chain and to build up industry-specific private equity, thereby creating a synergistic mechanism where the financial, healthcare and medical sector can complement and benefit each other.

The following is the text of a report set out on pages II-4 to II-85, received from the Company's reporting accountants, ReviTrust Grant Thornton AG, Certified Public Accountants, Liechtenstein, for the purpose of incorporation in this circular.

ReviTrust Grant Thornton

An instinct for growth™

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MASON GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Raiffeisen Privatbank Liechtenstein AG (the ''Target Company'' or the ''Bank'') set out on pages II-4 to II-85, which comprises the statements of financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017, and the statements of profit or loss, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 (the ''Track Record Period'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages II-4 to II-85 forms an integral part of this report, which has been prepared for inclusion in the circular of the Mason Group Holdings Limited dated 22 December 2017 (the ''Circular'') in connection with the proposed acquisition of entire interest in the Target Company by the Company (the ''Proposed Acquisition'').

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of financial position of the Target Company as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of the Target Company's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 June 2016 and other explanatory information (the ''Stub Period Comparative Financial Information''). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the International Auditing and Assurance Standards Board (the ''IAASB''). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-11 have been made.

Dividends

We refer to Note 32 to the Historical Financial Information which contains information about the dividends paid by the Target Company in respect of the Track Record Period.

ReviTrust Grant Thornton AG
Certified Public Accountants, Liechtenstein
22 December 2017

STATEMENTS OF PROFIT OR LOSS

In CHF1,000	Note	1.1–30.06.2017	unaudited 1.1–30.06.2016	1.1–31.12.2016	1.1–31.12.2015	1.1–31.12.2014
Interest income		1,348	1,197	2,458	1,989	2,367
Interest expense		(92)	66	87	112	(485)
Net interest income	*1*	1,256	1,263	2,545	2,101	1,882
Commission income — loan business		2	5	4	50	39
Commission income — securities and investment business		4,230	4,072	8,142	8,674	8,721
Commission expense		(1,060)	(956)	(1,928)	(1,730)	(1,881)
Net Income from commission and service fees	*2*	3,173	3,121	6,218	6,994	6,878
Income from trading	*3*	258	395	767	596	492
Net other ordinary income	*4*	206	214	413	349	385
Total operating income		4,892	4,993	9,943	10,039	9,637
Personnel expenses	*5*	(2,239)	(2,355)	(4,522)	(5,154)	(5,952)
General expenses	*6*	(1,123)	(1,166)	(2,228)	(2,463)	(2,833)
Operating expenses		(3,363)	(3,521)	(6,751)	(7,617)	(8,784)
Depreciation and amortisation	*7*	(422)	(338)	(676)	(661)	(696)
Valuation adjustments, provisions and losses	*8*	(23)	(92)	(1,104)	(918)	(0)
Net profit before taxes		1,084	1,042	1,413	843	157
Income taxes	*9*	122	(38)	(113)	(23)	20
Net profit		1,206	1,004	1,301	820	176

STATEMENTS OF COMPREHENSIVE INCOME

In CHF1,000	*Note*	1.1–30.06.2017	unaudited 1.1–30.06.2016	1.1–31.12.2016	1.1–31.12.2015	1.1–31.12.2014
Net profit in the income statement		1,206	1,004	1,301	820	176
Foreign exchange translation differences		—	—	—	—	—
Remeasurement of defined benefit pension plans		131	(642)	(308)	(121)	(1,277)
Total other comprehensive income, after tax		131	(642)	(308)	(121)	(1,277)
Total comprehensive income		1,337	362	993	699	(1,101)

STATEMENTS OF FINANCIAL POSITION

In CHF1,000	*Note*	**30.06.2017**	**31.12.2016**	**31.12.2015**	**31.12.2014**	**01.01.2014**
Cash and balances with central banks	*10*	37,757	14,651	19,577	3,124	3,662
Due from banks	*11*	150,276	199,501	137,668	189,008	220,693
Cash deposits for reverse repurchase agreements	*11a*	67,210	8,153	—	—	—
Due from clients	*11–12*	82,496	92,568	108,108	118,028	137,704
Derivative financial instruments	*13*	70	73	57	1,255	199
Financial assets held to maturity	*14*	16,103	16,318	1,040	7,694	—
Property, plant and equipment	*15*	36,168	36,436	36,925	37,407	37,826
Intangible assets	*16*	142	127	135	82	196
Accrued and deferred assets		1,915	745	218	278	350
Deferred tax assets	*9a*	279	288	221	175	(28)
Other assets		52	45	18	36	17
Total assets		392,468	368,906	303,968	357,086	400,618
Due to banks		20,345	20,439	51,068	50,544	59,560
Cash deposits for reverse repurchase agreements	*11a*	34,000	16,000	—	—	—
Due to clients	*17*	291,517	287,879	208,155	260,666	297,189
Derivative financial instruments		67	71	55	1,241	188
Current income taxes		42	155	50	—	—
Accrued and deferred liabilities		764	1,865	1,035	1,082	1,214
Provisions	*18*	2,418	86	150	137	196
Other liabilities		2,684	3,116	3,361	3,724	1,197
Total liabilities		351,836	329,611	263,875	317,394	359,545
Share capital	*19*	20,000	20,000	20,000	20,000	20,000
Legal reserves		2,174	2,099	2,048	2,032	2,018
Retained earnings		20,033	18,903	19,443	18,937	19,056
Remeasurement of defined benefit pension plans	*30*	(1,575)	(1,706)	(1,398)	(1,277)	—
Shareholders' equity of the shareholders		40,632	39,295	40,093	39,692	41,074
Total liabilities and shareholders' equity		392,468	368,906	303,968	357,086	400,618

STATEMENTS OF CHANGES IN EQUITY

In CHF1,000	Share capital	Legal reserves	Retained earnings	Remeasurement of defined benefit pension plans[1]	Total shareholders' equity
Opening balance at 1 January 2014 under Liechtenstein GAAP	20,000	2,018	18,458	—	40,476
Restatement of opening balance due to adoption of IFRS	—	—	598	—	598
Restated opening balance at 1 January 2014	20,000	2,018	19,056	—	41,074
Remeasurement of defined benefit pension plans	—	—	—	(1,277)	(1,277)
Net profit	—	—	176	—	176
Dividend payments *(Note 32)*	—	—	(281)	—	(281)
Change in legal reserves	—	14	(14)	—	—
Total shareholders' equity at 31 December 2014	20,000	2,032	18,937	(1,277)	39,692
Opening balance at 1 January 2015	20,000	2,032	18,937	(1,277)	39,692
Remeasurement of defined benefit pension plans	—	—	—	(121)	(121)
Net profit	—	—	820	—	820
Dividend payments *(Note 32)*	—	—	(298)	—	(298)
Change in legal reserves	—	16	(16)	—	—
Total shareholders' equity at 31 December 2015	20,000	2,048	19,443	(1,398)	40,093
Opening balance at 1 January 2016	20,000	2,048	19,443	(1,398)	40,093
Remeasurement of defined benefit pension plans	—	—	—	(642)	(642)
Net profit	—	—	1,004	—	1,004
Dividend payments *(Note 32)*	—	—	(960)	—	(960)
Change in legal reserves	—	51	(51)	—	—
Total shareholders' equity at 30 June 2016	20,000	2,099	19,436	(2,040)	39,495

In CHF1,000	Share capital	Legal reserves	Retained earnings	Remeasurement of defined benefit pension plans[1]	Total shareholders' equity
Opening balance at 1 July 2016	20,000	2,099	19,436	(2,040)	39,495
Remeasurement of defined benefit pension plans	—	—	—	334	334
Net profit	—	—	296	—	296
Dividend payments *(Note 32)*	—	—	(830)	—	(830)
Change in legal reserves	—	—	—	—	—
Total shareholders' equity at 31 December 2016	20,000	2,099	18,903	(1,706)	39,295
Opening balance at 1 January 2017	20,000	2,099	18,903	(1,706)	39,295
Remeasurement of defined benefit pension plans	—	—	—	131	131
Net profit	—	—	1,206	—	1,206
Dividend payments *(Note 32)*	—	—	—	—	—
Change in legal reserves	—	75	(75)	—	—
Total shareholders' equity at 30 June 2017	20,000	2,174	20,033	(1,575)	40,632

1 The opening balance of defined benefit pension plans at 1 January 2014, amounted CHF198 thousand, was booked in retained earnings.

STATEMENTS OF CASH FLOWS

In CHF1,000	1.1– 30.06.2017	unaudited 1.1– 30.06.2016	1.1– 31.12.2016	1.1– 31.12.2015	1.1– 31.12.2014
Net profit before taxes	1,084	1,042	1,413	843	157
Non-cash activities in the income statement					
Amortisation of intangible assets	24	30	61	47	216
Depreciation of property, plant and equipment	398	308	615	615	480
Change in valuation adjustments and provisions	2,208	(171)	936	402	(40)
Change in defined benefit obligation	150	(734)	(352)	(138)	(1,460)
Net increase (decrease) in assets and liabilities					
Accrued and deferred assets	(1,170)	(1,027)	(527)	60	72
Accrued and deferred liabilities	(1,101)	(199)	830	(47)	(132)
Due from clients	10,073	8,601	14,775	9,580	19,657
Due to clients	3,638	(3,929)	79,724	(52,511)	(36,523)
Due from banks with maturity higher than 3 months and repurchase agreements	(60,915)	(27,991)	(5,163)	65,777	(44,458)
Due to banks and repurchase agreements	17,905	23,492	(14,629)	524	(9,016)
Derivative financial instruments (assets)	3	(46)	(16)	1,197	(1,055)
Derivative financial instruments (liabilities)	(4)	42	16	(1,186)	1,053
Other assets	(7)	(38)	(27)	18	(19)
Other liabilities	(432)	(129)	(246)	(362)	2,527
Taxes paid	113	(50)	(136)	(51)	(1)
Cash flow from operating activities	(29,119)	(1,840)	75,860	23,925	(68,699)

In CHF1,000	1.1– 30.06.2017	unaudited 1.1– 30.06.2016	1.1– 31.12.2016	1.1– 31.12.2015	1.1– 31.12.2014
Purchase of property, plant and equipment	(165)	(59)	(125)	(133)	(61)
Sale of property, plant and equipment	34	—	—	—	—
Purchase of intangible assets	(30)	(53)	(44)	(100)	(102)
Sale of intangible assets	—	—	—	—	—
Change of financial assets held to maturity	215	(15,458)	(15,311)	6,654	(7,694)
Cash flow from investment activities	55	(15,570)	(15,479)	6,421	(7,857)
Dividend paid	—	(960)	(1,790)	(298)	(281)
Cash flow from financing activities	—	(960)	(1,790)	(298)	(281)
Net increase (decrease) in cash and cash equivalents	(27,980)	(17,328)	60,004	30,891	(76,681)
Cash and cash equivalents at 1 January	206,904	146,900	146,900	116,010	192,690
Cash and cash equivalents at 31 December/30 June	178,924	129,572	206,904	146,900	116,010
Cash and cash equivalents comprise the following assets:					
Cash and balances with central banks	37,757	46,002	14,651	19,577	3,124
Cash equivalents[1]	141,167	83,569	192,253	127,323	112,885
Total	178,924	129,572	206,904	146,900	116,010

1 Cash equivalents are amounts due from banks on demand or with an original maturity of three months or less.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Raiffeisen Privatbank Liechtenstein AG (the "Target Company" or the "Bank"), with its registered office in Vaduz, Principality of Liechtenstein, was formed in 1998 and conducts transactions within the private banking sector in Liechtenstein. Its principal activities include portfolio management mandates and investment advice. Furthermore, the Bank is engaged in the lending business for its clients primarily granting Lombard loans.

The Bank's share capital is CHF20.0 million. The voting capital is 15% owned by Walser Privatbank AG, Hirschegg, and 85% owned by the Raiffeisenbank Kleinwalsertal Beteiligungsmanagement GmbH, which is a 100% subsidiary of Walser Privatbank AG, Hirschegg. Walser Privatbank AG, Hirschegg is the ultimate parent of Raiffeisen Privatbank Liechtenstein AG, Vaduz.

The statutory auditor of the Bank is ReviTrust Grant Thornton AG, Liechtenstein. The Bank has not published audited interim financial statements subsequent to 30 June 2017.

2 ACCOUNTING PRINCIPLES

2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value, all of which have been measured at fair value.

The financial statements are presented in Swiss francs ("CHF") and all values are rounded to the nearest thousand ("CHF000"), except if otherwise indicated.

2.2 Presentation of Financial Statements

The Bank presents its statements of financial position in order of liquidity. For all annual periods up to and including the year ended 31 December 2016, the Bank prepared its standalone financial statements in accordance with local generally accepted accounting principles ("Local GAAP").

For the purpose of this report, the directors of the Bank (the "Directors") have prepared the financial statement of the Bank (the "Underlying Financial Statement") for the Track Record Period in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statement was audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Underlying Financial Statements for the year ending 31 December 2014, 31 December 2015 and 31 December 2016 were approved by the Executive Management of the Bank on 20 December 2017. The Underlying Financial Statements for the period ending 30 June 2017 were approved by the Executive Management of the Bank on 20 December 2017.

The Historical Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

The Bank prepared the Stub Period Comparative Financial Information for the period ending 30 June 2016.

2.3 Statement of Compliance

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards as issued by the IASB.

In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Bank has no subsidiaries and the prepared financial statements are on an IFRS standalone basis.

2.4 Summary of Significant Accounting Policies

2.4.1 Foreign currency translation

The functional currency is Swiss franc ("CHF"), which is the currency of Liechtenstein where Raiffeisen Privatbank Liechtenstein AG is domiciled. For the income statement and the cash flow statement, annual average exchange rates are used. Monetary assets and liabilities are translated and booked in the income statement at the exchange rates valid on the balance sheet date. Non-monetary items recorded at historical cost in a foreign currency are translated at the historical exchange rate. As the Bank has no consolidated subsidiaries foreign exchange effects are not existing.

The following exchange rates are used for the major currencies:

	Q2 2017 Balance sheet date rate	Q2 2017 Half year average rate	Q2 2016 Balance sheet date rate	Q2 2016 Half year average rate	2016 Balance sheet date rate	2016 Annual average rate	2015 Balance sheet date rate	2015 Annual average rate	2014 Balance sheet date rate	2014 Annual average rate
EUR	1.0950	1.0875	1.0834	1.0901	1.0728	1.0901	1.0866	1.0681	1.2026	1.2146
USD	0.9591	0.9682	0.9772	0.9700	1.0191	0.9850	0.9999	0.9626	0.9938	0.9153
GBP	1.2481	1.2390	1.2961	1.3800	1.2550	1.3349	1.4734	1.4706	1.5483	1.5068

2.4.2 Segment information

The Bank has only one reportable business segment which is Private Clients. Since this is the only reportable segment of the Bank, no further operating segment analysis is presented.

2.4.3 Geographical information

The Bank is based in Vaduz, Liechtenstein and part of its revenues and non-current assets are located in Liechtenstein, Switzerland, Austria and Germany. The information on domestic and non-domestic assets and liabilities is included in Note 22.

2.4.4 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

2.4.5 Financial Instruments — Initial Recognition and Subsequent Measurement

2.4.5.1 *Date of recognition*

Financial assets and liabilities, with the exception of loans and advances to clients, balances due to clients and balances due to banks, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the clients and banks' account. The Bank recognises due to client and due to bank balances when funds reach the Bank.

2.4.5.2 *Measurement of financial instruments*

The Bank measures certain financial assets and liabilities at fair value at each balance sheet date. Fair value is defined as being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an orderly arm's length transaction. The fair values are used either to determine the carrying amount or for the disclosures in the notes. All assets and liabilities that are reported at fair value or for which the fair value is disclosed in the notes are categorized within the fair value hierarchy, described in Note 26.

2.4.5.3 *Financial instruments basic principles*

Financial assets and liabilities, with the exception of loans and advances to clients and balances due to clients, are initially recognised on the trade date At the time of initial recognition, financial assets and liabilities are, in accordance with IAS 39, attributed to the corresponding categories and measured on the basis of their classification. The Bank classifies its bond portfolio, as financial assets held to maturity. The Bank does not hold any equity instruments.

2.4.5.4 *Due from banks*

Balances due from banks include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, amounts due from banks are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Therefore, the Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

If expectations are revised the adjustment is booked a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

2.4.5.5 *Repurchase and reverse repurchase transactions*

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position "cash deposits for reverse repurchase agreements" with a corresponding obligation to return it. The difference between the sale and repurchase prices is treated as interest expense. When the counterparty has the right to sell or re-pledge the securities, the Bank reclassifies those securities in its statement of financial position to financial assets held to maturity pledged as collateral. Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the statement of financial position. The consideration paid is recorded in the statement of financial position reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income. If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

2.4.5.6 Due from clients

Due from clients include loans that the Bank grants directly to a borrower, as well as purchased loans that are not held for trading and not traded on an active market. Granted loans that are soon to be sold are measured at fair value in the income statement. Initial measurement is at fair value, which corresponds to the cash expended for the issue of the loans including transaction costs. Subsequent measurement is at amortised cost less any specific value adjustment for impairment. Any difference between the original amount and the amount to be repaid at maturity is amortised using the effective interest rate method and accrued as interest and discount income. At each balance sheet date, a credit assessment is made to see if there are objective indications that the contractually owed amount may not be recovered in full. If there are such indications, specific value adjustments for impairment are made on these impaired loans. Specific value adjustments for impairment are recognized in the balance sheet as write-downs of the carrying amount of the loan in question. The value adjustment is measured on the basis of the difference between the carrying amount of the receivable and the prospective recoverable amount, discounted at the effective interest rate determined in the initial recognition in consideration of the net proceeds from the realisation of any collateral. Loans with variable interest rates are discounted at the current effective interest rate. If there are changes with regard to the amount and the timing of expected future cash flows compared to previous estimates, the value adjustment for credit risks is adjusted and recognised in the income statement.

Non-performing loans are receivables for which the contractually agreed capital and/or payments are overdue by more than 90 days and where there are no clear indications that they may be recovered by later payments or the sale of collateral. Non-performing loans that are classified as completely or partially unrecoverable are eliminated and charged to a specific value adjustment if one exists.

Impaired receivables are reclassified at full value if the outstanding capital and interest is once again paid on time according to contractual agreements and if further default risk requirements are fulfilled. The recovery of loans that had previously been written down and taken off the books is recorded in the income statement. The existing procedures for the determination and calculation of specific value adjustments results in a comprehensive assessment of loans; accordingly, portfolio value adjustments are generally minimal. Realised income from loans that are sold before their maturity or repaid early are recorded in the income statement under the position "Interest income".

2.4.5.7 Derivatives recorded at fair value through profit and loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

(a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (aka the 'underlying').

(b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

(c) It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if they meet the definition of a derivative (as defined above), their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVPL. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

The Bank does not hold any derivatives that are embedded in underlying contracts count as hybrid instruments and originate from the issue of structured debt instruments. The Bank does not use any derivative financial instruments for trading purposes.

2.4.5.8 Financial assets held to maturity

Financial assets held to maturity are investments with fixed or determinable payments and a fixed maturity which the Bank has the intention and capability of holding until maturity. A financial asset held to maturity is recognised at amortised cost using the effective interest rate method, unless it is impaired. Financial investments are considered impaired if there are objective indications that the full contractually agreed amount may not be recovered. If an impairment has been made, the carrying amount is reduced to the recoverable amount and recognised in the income statement. Interest income are accrued according to the effective interest rate method and recognised in "Net Income from interest".

2.4.6 Property and equipment

Property and equipment (including equipment under operating leases where the Bank is the lessor) is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are, as follows:

Property	50 years
Fixtures in third-party properties	Lower of 10 years or the lease term
IT and telecommunications equipment	3 years

Impairment tests are performed on property and equipment if events or circumstances suggest that the carrying amount may have been impaired. If the recoverable amount exceeds the achievable income, the carrying amount is written down.

2.4.7 Intangible assets

Intangible assets with finite useful lives mainly include purchased software (including software in development). These assets are amortised on a straight-line basis over a period of 3 years. Where necessary, a valuation adjustment is recognised in the income statement in addition to the amortisation.

2.4.8 Taxes and deferred taxes

Income taxes are based on the tax laws of the tax authority Liechtenstein and are expensed in the period in which the related profits are made. The effective tax rate is applied to the net profit before taxes. Deferred income taxes arising from temporary differences between the stated values of assets and liabilities in the balance sheet and their corresponding tax values are recognized as deferred tax claims or deferred tax liabilities. Deferred taxes from past losses are capitalised if there is likely to be enough taxable profit to offset these differences.

In order to calculate deferred income taxes, the Bank applies the tax rates expected to be applicable in the period in which the assets will be realised or the liabilities settled. Deferred taxes are recognised only to the extent it is likely they will arise in future. Tax claims and tax liabilities are offset against each other if they apply to the same tax subject and the same tax authority and if there is an enforceable right to their offsetting. Changes in deferred taxes are reported in the income statement under income taxes. Deferred taxes related to changes that are recognised directly in shareholders' equity are directly charged or credited to shareholders' equity.

2.4.9 Financial guarantees

Bank and credit guarantees commit the Bank to make payments on behalf of its clients' in the event of a specific act. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk. The Bank therefore disclosure bank and credit guarantees as contingent liabilities in the off balance sheet items note (note 28).

2.4.10 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. Detailed disclosures are provided in Note 18.

2.4.11 Leasing

In the case of operating leases, the Bank does not recognize leased assets in its books because ownership rights and duties from the object of the lease contract remain with the lessor. Expenses for operating leases are charged to the position "general expenses" on a straight-line basis over the contractual period.

2.4.12 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

2.4.12.1 Interest and similar income and expenses

For all financial instruments measured at amortised cost and interest bearing financial assets classified at FVPL, interest income or expense is recorded using the EIR. The calculation takes into account all of the contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

2.4.12.2 Commission and service fees

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following categories:

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and private wealth and asset management fees, custody and other management and advisory fees.

Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Fees part of the corresponding financial instruments include loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees.

2.4.13 Asset under Management

Asset under Management include all assets of private, corporate, and institutional clients managed or held for investment purposes and assets in self-managed funds and investment companies of the Bank. They essentially comprise all amounts due to clients, fixed deposits, fiduciary deposits, and all valued assets. Client assets deposited with third parties are also included if they are managed by the Bank. Pure custody assets (i.e., strict clearing accounts), on the other hand, are not included in the calculation of client assets. Double counts show those assets which are included more than once, i.e., in multiple categories of client assets requiring disclosure.

2.4.14 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured and recorded on an undiscounted basis as soon as the employees render the related service and the obligation can be reliably estimated.

Pension plans

The Bank makes contributions for its employees to a pension plan that provide benefits in the event of death, disability, retirement, or termination of employment. This plan is classified as a defined benefit plan.

In the case of defined benefit plans, the period costs are determined by an independent recognised actuary. The benefits provided by these plans are generally based on the level of accrued savings and on the pensionable salary. The net liability or net asset for each defined benefit plan is measured on the basis of the present value of the pension obligations determined using the projected unit credit method and the present value of the plan asset and reported in the balance sheet. These calculations are carried out annually by the actuary on the basis of the estimated future benefits based on the years of service. If the calculation shows an overfunding, the net asset to be recorded is limited to the present value of an economic benefit.

Remeasurement resulting from actuarial gains and losses, the effect of the asset ceiling, or the return on plan assets (excluding net interest), are recorded in other comprehensive income. All expenses related to defined benefit plans are recorded through profit and loss as employee benefits

2.4.15 Share based payments

The Bank does not have any share-based payments.

2.5 Changes in Accounting Principles

2.5.1 Standards issued, but not yet effective

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Bank:

2.5.1.1 IFRS 9 financial instruments

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). The complete version of IFRS 9 replaces most of the guidance in IAS 39. Key features of the standard are:

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income ("FVOCI") and those to be measured subsequently at fair value through profit or loss ("FVPL"). Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. Only embedded derivatives in host contracts that are financial assets are no longer separated from the financial assets. The accounting for embedded derivatives in non-financial host contracts remains unchanged from IAS 39.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS 9 become mandatory on 1 January 2018.

The Bank does not anticipate early adopting IFRS 9 and is currently evaluating its impact.

2.5.1.2 IFRS 15 revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Bank does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

2.5.1.3 IFRS 16 leases

The IASB issued the new standard for accounting for leases — IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Bank does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

2.5.1.4 IFRS 17 insurance contracts

The IASB issued the new standard for accounting for insurance contracts — IFRS 17 Insurance Contracts in May 2017. The new standard sets out the requirements that a company should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. The new standard is effective for periods beginning on or after 1 January 2021 and will replace IFRS 4 Insurance Contracts.

The Bank has not performed a preliminary assessment on the impact of adopting IFRS 17.

2.6 Significant Accounting Judgements, Estimates and Assumptions

2.6.1 Basic principle

In applying the accounting principles, management is required to make numerous estimates and assumptions which can influence the disclosures made in the income statement, statements of financial positions and notes to the financial statements. The actual results can deviate from these estimates. The Bank is confident that the financial statements present a true and fair view of the assets, financial position and income situation. Management reviews the estimates and assumptions on a continuous basis and adapts them to new knowledge and circumstances. This can have an effect on aspects of the financial statements including the following:

2.6.2 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

2.6.3 Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement.

Various factors can influence the value adjustment estimates for credit positions. These factors include changes in borrowers' credit ratings, loan collateral valuations and the expected scale of loss. Management determines the amount of the value adjustment based on the present value of the expected future cash flows. In order to estimate the expected cash flows, management must make assumptions regarding the financial situation of the counterparty and the estimated recoverable amount of collateral.

2.6.4 Provisions and other contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Liechtenstein and in other jurisdictions, arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be not remote, probable or possible, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosers in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

The Bank recognises provisions for potential losses if in the opinion of the responsible experts the probability that losses will occur is greater than the probability that they will not occur and if their amount can be reliably estimated. In judging whether the creation of a provision and its amount are reasonable, the best-possible estimates and assumptions as at the balance sheet date are applied. If necessary, these will be adjusted to reflect new knowledge and circumstances at a later date. New knowledge may have a significant effect on the income statement. For further details on provisions see Note 18.

2.6.5 Income taxes

The current tax obligations reported as at the balance sheet date and the current tax expenses resulting for the reporting period are based in part on estimates and assumptions and can therefore deviate from the amounts determined in the future by the tax authority Liechtenstein. Deferred taxes are calculated at the tax rates which are expected to be applicable in the accounting period in which the assets will be realised or the liabilities settled. Changes in the expected tax rates and any unexpected reductions in the value of intangible assets can have a significant effect on the income statement.

NOTE 1: NET INTEREST INCOME

In CHF1,000	1.1–30.06.2017	unaudited 1.1–30.06.2016	1.1–31.12.2016	1.1–31.12.2015	1.1–31.12.2014
Interest income — due from banks[1]	(26)	72	108	295	423
Interest income — due from clients	839	940	1,817	1,643	1,938
Interest income from financial assets held to maturity	69	21	67	43	6
Interest income from reverse repurchase agreements	465	163	466	8	—
Total interest income	1,348	1,197	2,458	1,989	2,367
Interest expense on due to banks[2]	58	84	119	126	(423)
Interest expense on due to clients	(150)	(18)	(32)	(15)	(63)
Other interest expense	—	—	—	—	—
Total interest expense	(92)	66	87	112	(485)
Net interest income	1,256	1,263	2,545	2,101	1,882

1 Includes negative interest rates charged to Raiffeisen Privatbank Liechtenstein AG by other banks. The accounting system of Raiffeisen Privatbank Liechtenstein AG does not record these expenses separately. As such the amount has not been reclassed to interest expenses. The interest rate is based on LIBOR (London Interbank Offered Rate), which has been negative at the time of grant of the inter-bank loan.

2 Includes negative interest rates charged by Raiffeisen Privatbank Liechtenstein AG to other banks. The accounting system of Raiffeisen Privatbank Liechtenstein AG does not record this income separately. As such the amount has not been reclassed to interest income. The interest rate is based on LIBOR (London Interbank Offered Rate), which has been negative at the time of grant of the inter-bank loan.

NOTE 2: NET COMMISSION INCOME

In CHF1,000	1.1–30.06.2017	unaudited 1.1–30.06.2016	1.1–31.12.2016	1.1–31.12.2015	1.1–31.12.2014
Commission income — loan business	2	5	4	50	39
Brokerage fees	763	631	1,286	2,064	2,523
Custody account fees	1,317	1,131	2,430	2,470	2,442
Account fees	377	477	864	858	498
Commission from service fees	490	546	725	735	852
Commission income from retrocession	697	592	1,593	1,531	1,432
Other commission income	587	695	1,243	1,016	974
Commission income — securities and investment	4,230	4,072	8,142	8,674	8,721
Commission expenses by third parties	(602)	(665)	(1,219)	(985)	(799)
Commission expense on retrocession to third parties	(160)	(262)	(246)	(595)	(753)
Brokerage expense	—	—	(0)	(61)	(232)
Other commission expenses	(297)	(28)	(462)	(89)	(98)
Commission expense	(1,060)	(956)	(1,928)	(1,730)	(1,881)
Net income from commission and service fees	3,173	3,121	6,218	6,994	6,878

NOTE 3: INCOME FROM TRADING

In CHF1,000	1.1–30.06.2017	unaudited 1.1–30.06.2016	1.1–31.12.2016	1.1–31.12.2015	1.1–31.12.2014
Foreign exchange transactions	258	395	767	596	492
Income from trading	258	395	767	596	492

Income from trading relates to income from foreign exchange transactions for clients.

NOTE 4: NET OTHER ORDINARY INCOME

In CHF1,000	1.1–30.06.2017	unaudited 1.1–30.06.2016	1.1–31.12.2016	1.1–31.12.2015	1.1–31.12.2014
Net income from rental[1]	224	226	411	403	404
Other ordinary income	29	16	45	47	80
Other ordinary expenses	(47)	(29)	(43)	(101)	(99)
Net other ordinary income	206	214	413	349	385

1 Raiffeisen Privatbank Liechtenstein AG rents part of it's owned building to third parties. The rental agreements can be canceled at short notice by the third parties.

NOTE 5: PERSONNEL EXPENSES

In CHF1,000	1.1–30.06.2017	unaudited 1.1–30.06.2016	1.1–31.12.2016	1.1–31.12.2015	1.1–31.12.2014
Salaries and bonuses	(1,739)	(1,846)	(3,524)	(3,975)	(4,731)
Social security benefits	(67)	(73)	(146)	(156)	(166)
Contributions to occupational pension plans	(417)	(388)	(774)	(940)	(981)
Other personnel expense	(17)	(49)	(79)	(84)	(74)
Personnel expenses	(2,239)	(2,355)	(4,522)	(5,154)	(5,952)

At the end of June 2017, the Bank employed in total 26.5 Full-time equivalent (FTE) (25.7 FTE at the end of December 2016; 28.0 FTE at the end of December 2015, 36.9 FTE at the end of December 2014).

NOTE 6: GENERAL EXPENSES

In CHF1,000	1.1–30.06.2017	unaudited 1.1–30.06.2016	1.1–31.12.2016	1.1–31.12.2015	1.1–31.12.2014
Occupancy expense	(84)	(92)	(180)	(153)	(186)
IT and information expense	(377)	(480)	(861)	(845)	(897)
Furniture and fixtures	(50)	(42)	(80)	(88)	(88)
Audit and consulting fees	(127)	(186)	(422)	(689)	(855)
Travel and representation fees	(80)	(72)	(156)	(168)	(262)
Marketing expense	(62)	(74)	(181)	(152)	(115)
Other general expense	(342)	(220)	(349)	(367)	(431)
General expenses	(1,123)	(1,166)	(2,228)	(2,463)	(2,833)

NOTE 7: DEPRECIATION AND AMORTISATION

In CHF1,000	1.1–30.06.2017	unaudited 1.1–30.06.2016	1.1–31.12.2016	1.1–31.12.2015	1.1–31.12.2014
Depreciation of property, plant and equipment	(398)	(308)	(615)	(615)	(480)
Amortisation of intangible assets	(24)	(30)	(61)	(47)	(216)
Depreciation and amortisation	(422)	(338)	(676)	(661)	(696)

NOTE 8: VALUE ADJUSTMENTS, PROVISIONS AND LOSSES

In CHF1,000	1.1–30.06.2017	unaudited 1.1–30.06.2016	1.1–31.12.2016	1.1–31.12.2015	1.1–31.12.2014
Impairment on due from clients	(75)	(150)	(1,225)	(1,030)	(628)
Impairment on due from banks	—	—	(107)	—	—
Impairment reversals*	2,114	100	237	253	581
Provisions	(2,050)	—	—	—	(1)
Release of provisions	—	—	64	—	65
Losses due to operational errors	(12)	(42)	(73)	(141)	(18)
Value adjustments, provisions and losses	(23)	(92)	(1,104)	(918)	(0)

* The loan deposited with the value adjustments has been repaid to the bank. For this reason, the value adjustment was reversed.

NOTE 9: INCOME TAXES

In CHF1,000	1.1–30.06.2017	unaudited 1.1–30.06.2016	1.1–31.12.2016	1.1–31.12.2015	1.1–31.12.2014
Current income taxes	(113)	50	136	51	1
Change in deferred taxes	(9)	(12)	(24)	(28)	(21)
Total Income tax	(122)	38	113	23	(20)
Net profit before taxes	1,084	1,042	1,413	843	157
Expected income tax rate[1]	12.5%	12.5%	12.5%	12.5%	12.5%
Expected income taxes	136	130	177	105	20
Income tax as disclosed in the income statement	(122)	38	113	23	(20)
Difference between expected and actual tax rate	(257)	(93)	(64)	(82)	(39)
Explanation for difference					
Tax notional interest deduction	(97)	(80)	(91)	(102)	(41)
Minimal Tax expense	—	—	—	—	1
Prior-year adjustments/additional tax provision	(113)	42	104	42	—
Not activated loss carry forwards	(59)	(56)	(76)	(22)	—
Other effects	11	1	—	—	—
Explained difference	(257)	(93)	(64)	(82)	(39)

[1] The expected income rate is based on the ordinary income tax rate at the domicile of the Bank.

NOTE 9A: DEFERRED TAXES

In CHF1,000	1.1–30.06.2017	unaudited 1.1–30.06.2016	1.1–31.12.2016	1.1–31.12.2015	1.1–31.12.2014
Development of deferred tax assets (net)					
Position at 1 January	288	221	221	175	(28)
Changes affecting the income statement	9	12	24	28	21
Changes not affecting the income statement	(19)	92	44	17	182
Foreign exchange translation differences	—	—	—	—	—
Position at 31 December (net)/30 June	279	325	288	221	175
Reconciliation deferred taxes					
Deferred tax assets					
Retirement benefit obligations	276	321	283	219	175
Financial assets held to maturity	2	4	5	1	—
Total	279	325	288	221	175

NOTE 10: CASH AND BALANCES WITH CENTRAL BANKS

In CHF1,000	30.06.2017	31.12.2016	31.12.2015	31.12.2014	01.01.2014
Cash on hand	12,455	12,305	1,010	928	562
Sight deposits with central banks	25,302	2,346	18,567	2,196	3,101
Cash and balances with central banks	37,757	14,651	19,577	3,124	3,662

NOTE 11: DUE FROM BANKS AND CLIENTS

In CHF1,000	30.06.2017	31.12.2016	31.12.2015	31.12.2014	01.01.2014
Due from banks on a daily basis[1]	128,186	141,133	70,032	47,859	83,140
Other due from banks[2]	22,199	58,476	67,636	141,149	137,553
Subtotal	150,385	199,608	137,668	189,008	220,693
Valuation allowances for credit risk	(109)	(107)	—	—	—
Total due from banks	150,276	199,501	137,668	189,008	220,693
Due from clients — Mortgage loans	16,421	16,150	16,177	—	—
Due from clients — Other[3]	69,004	81,391	95,917	121,524	141,180
Subtotal	85,425	97,541	112,093	121,524	141,180
Valuation adjustments for default risk	(2,929)	(4,973)	(3,985)	(3,496)	(3,477)
Total due from clients	82,496	92,568	108,108	118,028	137,704
Valuation adjustments for credit and default risks					
Position at 1 January	5,080	3,985	3,496	3,477	3,991
Utilisation in accordance with designated purpose	—	—	(287)	(28)	(556)
Newly formed valuation adjustments	75	1,332	1,030	628	94
Release of valuation adjustments	(2,114)	(237)	(253)	(581)	(52)
FX impact on value adjustments	(2)	(0)	—	—	—
Total value adjustments at 31 December/ June	3,039	5,080	3,985	3,496	3,477
of which on amounts due from banks	109	107	—	—	—
of which on amounts due from clients	2,929	4,973	3,985	3,496	3,477

1 "Due from banks on a daily basis" represented amounts that can be called back within 24 hours;

2 "Other due from banks" represented all other amounts due from banks that can only be called back in more than 24 hours; and

3 "Due from clients — Other" represented all other amounts owed by clients (other than banks) that can only be called back in more than 24 hours.

NOTE 11A: CASH DEPOSITS FOR REVERSE REPURCHASE AGREEMENTS

In CHF1,000	30.06.2017	31.12.2016	31.12.2015	31.12.2014	01.01.2014
Assets					
Cash deposits for reverse repurchase agreements	67,210	8,153	—	—	—
Liabilities					
Cash deposits for reverse repurchase agreements	34,000	16,000	—	—	—

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position''cash deposits for reverse repurchase agreements'' with a corresponding obligation to return it. For further details of reverse repurchase agreements please refer to the accounting principles and note 29.

NOTE 12: IMPAIRMENT OF LOANS

In CHF1,000	30.06.2017	31.12.2016	31.12.2015	31.12.2014	01.01.2014
Impaired Loans					
Impaired loans (gross)	3,152	5,256	5,584	4,603	4,603
Estimated realisation proceeds from collateral	55	153	158	1,042	1,042
Impaired loans (net)	3,097	5,103	5,425	3,561	3,561
Specific valuation adjustments on impaired loans	2,929	4,973	3,985	3,496	3,477

NOTE 13: OPEN DERIVATIVE FINANCIAL INSTRUMENTS

In CHF1,000	Positive replacement values	Negative replacement values	Contract volume
Forward contracts	70	67	7,353
Other derivatives	—	—	—
Total at 30 June 2017	70	67	7,353
Forward contracts	73	71	9,989
Other derivatives	—	—	—
Total at 31 December 2016	73	71	9,989
Forward contracts	57	55	3,428
Other derivatives	—	—	—
Total at 31 December 2015	57	55	3,428
Forward contracts	1,255	1,241	17,566
Other derivatives	—	—	—
Total at 31 December 2014	1,255	1,241	17,566
Forward contracts	199	188	10,043
Other derivatives	—	—	—
Total at 01 January 2014	199	188	10,043

NOTE 14: FINANCIAL ASSETS HELD TO MATURITY

In CHF1,000	30.06.2017	31.12.2016	31.12.2015	31.12.2014	01.01.2014
Debt instruments					
Debt instruments of public sector entities	15,600	15,304	—	4,613	—
Debt instruments of financial institutions	503	1,014	1,040	3,081	—
Total debt instruments	16,103	16,318	1,040	7,694	—
of which listed	16,103	16,318	1,040	7,694	—
of which unlisted	—	—	—	—	—
Total financial assets held to maturity	16,103	16,318	1,040	7,694	—
of which lent out	—	—	—	—	—
of which eligible for repurchase agreement transactions at a central bank (SNB/ECB)	16,103	16,318	1,040	7,694	—

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

In CHF1,000	Real Estate	Office furniture, vehicles and other	Total
Acquisition costs			—
Carrying amount at 01 January 2014	40,396	2,282	42,678
Investments	—	61	61
Divestments	—	—	—
Carrying amount at 31 December 2014	40,396	2,344	42,739
Acquisition costs			
Carrying amount at 01 January 2015	40,396	2,344	42,739
Investments	3	130	133
Divestments	—	—	—
Carrying amount at 31 December 2015	40,399	2,474	42,873
Acquisition costs			
Carrying amount at 01 January 2016	40,399	2,474	42,873
Investments	—	125	125
Divestments	—	—	—
Carrying amount at 31 December 2016	40,399	2,599	42,998
Acquisition costs			
Carrying amount at 01 January 2017	40,399	2,599	42,998
Investments	—	165	165
Divestments	—	(34)	(34)
Carrying amount at 30 June 2017	40,399	2,729	43,128
Depreciation			
Carrying amount at 01 January 2014	(2,925)	(1,927)	(4,852)
Depreciation	(350)	(130)	(480)
Carrying amount at 31 December 2014	(3,275)	(2,058)	(5,333)
Depreciation			
Carrying amount at 01 January 2015	(3,275)	(2,058)	(5,333)
Depreciation	(525)	(89)	(615)
Carrying amount at 31 December 2015	(3,800)	(2,147)	(5,947)
Depreciation			
Carrying amount at 01 January 2016	(3,800)	(2,147)	(5,947)
Depreciation	(525)	(90)	(615)
Carrying amount at 31 December 2016	(4,326)	(2,236)	(6,562)

In CHF1,000	Real Estate	Office furniture, vehicles and other	Total
Depreciation			
Carrying amount at 01 January 2017	(4,326)	(2,236)	(6,562)
Depreciation	(350)	(48)	(398)
Carrying amount at 30 June 2017	(4,676)	(2,284)	(6,960)
Net carrying amount at 01 January 2014	37,471	355	37,826
Net carrying amount at 31 December 2014	37,121	286	37,407
Net carrying amount at 31 December 2015	36,598	327	36,925
Net carrying amount at 31 December 2016	36,073	362	36,436
Net carrying amount at 30 June 2017	35,723	445	36,168

NOTE 15A: OPERATING LEASES

In CHF1,000	30.06.2017	31.12.2016	31.12.2015	31.12.2014
Future liabilities from operating leases				
Remaining term up to 1 year	—	—	—	4
Remaining term from 1 to 5 years	—	2	11	21
Remaining term over 5 years	—	—	—	—
Total	—	2	11	24

NOTE 16: INTANGIBLE ASSETS

In CHF1,000	Purchased software	Total
Acquisition costs		
Carrying amount at 01 January 2014	1,622	1,622
Investments	102	102
Divestments	—	—
Carrying amount at 31 December 2014	1,724	1,724
Acquisition costs		
Carrying amount at 01 January 2015	1,724	1,724
Investments	100	100
Divestments	—	—
Carrying amount at 31 December 2015	1,824	1,824
Acquisition costs		
Carrying amount at 01 January 2016	1,824	1,824
Investments	53	53
Divestments	—	—
Carrying amount at 31 December 2016	1,877	1,877
Acquisition costs		
Carrying amount at 01 January 2017	1,877	1,877
Investments	39	39
Divestments	—	—
Carrying amount at 30 June 2017	1,916	1,916
Depreciation		
Carrying amount at 01 January 2014	(1,426)	(1,426)
Depreciation	(216)	(216)
Carrying amount at 31 December 2014	(1,642)	(1,642)
Depreciation		
Carrying amount at 01 January 2015	(1,642)	(1,642)
Depreciation	(47)	(47)
Carrying amount at 31 December 2015	(1,689)	(1,689)
Depreciation		
Carrying amount at 01 January 2016	(1,689)	(1,689)
Depreciation	(61)	(61)
Carrying amount at 31 December 2016	(1,750)	(1,750)

In CHF1,000	Purchased software	Total
Depreciation		
Carrying amount at 01 January 2017	(1,750)	(1,750)
Depreciation	(24)	(24)
Carrying amount at 30 June 2017	(1,774)	(1,774)
Net carrying amount at 01 January 2014	196	196
Net carrying amount at 31 December 2014	82	82
Net carrying amount at 31 December 2015	135	135
Net carrying amount at 31 December 2016	127	127
Net carrying amount at 30 June 2017	142	142

NOTE 17: DUE TO CLIENTS

In CHF1,000	30.06.2017	31.12.2016	31.12.2015	31.12.2014	01.01.2014
Due to clients — amounts due on a daily basis	238,919	275,535	193,222	222,377	235,976
Due to clients — agreed maturity or period of notice	52,598	12,344	14,933	38,289	61,213
Total	291,517	287,879	208,155	260,666	297,189

NOTE 18: PROVISIONS

In CHF1,000	Legal and litigation risks	Other provisions	Total
Position at 1 January 2014	—	196	196
Utilised/released in accordance with designated purpose	—	—	—
Newly formed and charged to income statement	—	9	9
Released and credited to income statement	—	(67)	(67)
Position at 31 December 2014	—	137	137
Maturity of the provisions			
Within one year	—	137	137
More than one year	—	—	—
Position at 1 January 2015	—	137	137
Utilised/released in accordance with designated purpose	—	—	—
Newly formed and charged to income statement	—	13	13
Released and credited to income statement	—	—	—
Position at 31 December 2015	—	150	150
Maturity of the provisions			
Within one year	—	150	150
More than one year	—	—	—
Position at 1 January 2016	—	150	150
Utilised/released in accordance with designated purpose	—	—	—
Newly formed and charged to income statement	—	—	—
Released and credited to income statement	—	(64)	(64)
Position at 31 December 2016	—	86	86
Maturity of the provisions			
Within one year	—	86	86
More than one year	—	—	—
Position at 1 January 2017	—	86	86
Utilised/released in accordance with designated purpose	—	—	—
Newly formed and charged to income statement	2,250	82	2,332
Released and credited to income statement	—	—	—
Position at 30 June 2017	2,250	168	2,418
Maturity of the provisions			
Within one year	2,250	168	2,418
More than one year	—	—	—

The Bank is involved in various legal proceedings arising in the ordinary course of the Bank's business. The legal and regulatory environment in which the Bank operates involves significant litigation, compliance, reputation and other risks in connection with legal disputes and regulatory proceedings. Depending on the status of the relevant proceedings, the influence on the financial strength and/or the profitability of the Bank can be difficult to assess.

The Bank recognizes provisions for ongoing and imminent proceedings if it has a present obligation as a result of a past event and it is probable that such proceedings will result in a financial loss, and if the amount of such a loss can already be reliably assessed.

The legal and litigation risks provision as of 30 June 2017 represents a provision for the settlement of a claim. The other provisions as of 30 June 2017 relate to obligations that are expected to lead to future outflows of economic benefit.

In isolated cases when the amount cannot be reliably assessed, e.g. due to the early stage, the complexity and/ or other factors, no provision is made, however a contingent liability is disclosed. In addition, in cases where the Bank considers there is a possible obligation, i.e. it is not probable but also not remote, a contingent liability is also disclosed. The contingent liabilities may materially affect the Bank, or may be of interest to investors and other persons for other reasons.

Currently, the Bank is faced with claims presented by former clients which had portfolio accounts with the Bank while they relied upon external asset managers for their investment decisions. These clients accuse the Bank of being responsible for incurred losses. The Bank, together with its legal advisers, concluded that the probability of an outflow of economic resources is not probable, but not remote. Therefore, the Bank has not recognized a provision for these claims as they represent contingent liabilities. Because the respective legal proceedings are still in early stage, the Bank is not able to reliably estimate the amount of this other contingent liabilities in note 28.

NOTE 19: SHARE CAPITAL

	30.06.2017	**31.12.2016**	**31.12.2015**	**31.12.2014**
Number of shares	200,000	200,000	200,000	200,000
Share Capital (in CHF1,000)	20,000	20,000	20,000	20,000

The Bank's share capital is CHF20.0 million. For the periods ended 30.06.2017 and 31.12.2016 the voting capital was 15% owned by Walser Privatbank AG, Hirschegg, and 85% owned by the Raiffeisenbank Kleinwalsertal Beteiligungsmanagement GmbH, which is a 100% subsidiary of Walser Privatbank AG, Hirschegg. Walser Privatbank AG, Hirschegg is the ultimate parent of Raiffeisen Privatbank Liechtenstein AG, Vaduz. For the periods ended 31.12.2015 and 31.12.2014 the voting capital was 15% owned by Walser Privatbank AG, Hirschegg, 60% owned by the Raiffeisenbank Kleinwalsertal Beteiligungsmanagement GmbH, Hirschegg and 25% owned by Raiffeisenlandesbank Vorarlberg Waren-und Revisionsverband reg.Gen.m.b.H, Bregenz.

NOTE 20: STATEMENT OF FINANCIAL POSITION BY CURRENCY

In CHF1,000	**CHF**	**EUR**	**USD**	**Others**	**Total**
30.06.2017					
Assets					
Cash and balances with central banks	36,676	1,067	13	1	37,757
Due from banks	4,643	118,481	15,468	11,684	150,276
Cash deposits for reverse repurchase agreements	—	—	61,381	5,828	67,210
Due from clients	44,553	33,829	2,925	1,188	82,496
Derivative financial instruments	70	—	—	—	70
Financial assets held to maturity	503	15,600	—	—	16,103
Property, plant and equipment	36,168	—	—	—	36,168
Intangible assets	142	—	—	—	142
Accrued and deferred assets	1,847	47	17	5	1,915
Deferred tax assets	279	—	—	—	279
Other assets	42	3	1	6	52
Total assets 30 June 2017	124,924	169,027	79,805	18,712	392,468
Liabilities					
Due to banks	20,226	92	26	0	20,345
Cash deposits for reverse repurchase agreements	34,000	—	—	—	34,000
Due to clients	24,153	169,083	79,650	18,630	291,517
Derivative financial instruments	67	—	—	—	67
Current income taxes	42	—	—	—	42
Accrued and deferred liabilities	742	—	18	4	764
Provisions	2,418	—	—	—	2,418
Other liabilities	2,482	201	—	—	2,684
Total liabilities 30 June 2017	84,130	169,377	79,694	18,634	351,836

In CHF1,000	**CHF**	**EUR**	**USD**	**Others**	**Total**
Off-balance sheet					
Contingent liabilities	—	318	22	—	339

In CHF1,000 31.12.2016	**CHF**	**EUR**	**USD**	**Others**	**Total**
Assets					
Cash and balances with central banks	13,965	648	38	—	14,651
Due from banks	1,798	114,788	66,464	16,451	199,501
Cash deposits for reverse repurchase agreements	—	—	8,153	—	8,153
Due from clients	49,293	38,163	3,592	1,521	92,568
Derivative financial instruments	73	—	—	—	73
Financial assets held to maturity	1,014	15,304	—	—	16,318
Property, plant and equipment	36,436	—	—	—	36,436
Intangible assets	127	—	—	—	127
Accrued and deferred assets	678	35	27	5	745
Deferred tax assets	288	—	—	—	288
Other assets	17	9	3	16	45
Total assets 31 December 2016	103,689	168,947	78,277	17,993	368,906
Liabilities					
Due to banks	20,227	91	33	88	20,439
Cash deposits for reverse repurchase agreements	16,000	—	—	—	16,000
Due to clients	23,287	168,554	78,193	17,844	287,879
Derivative financial instruments	71	—	—	—	71
Current income taxes	155	—	—	—	155
Accrued and deferred liabilities	1,865	—	—	—	1,865
Provisions	86	—	—	—	86
Other liabilities	2,633	483	—	—	3,116
Total liabilities 31 December 2016	64,325	169,128	78,226	17,932	329,611

In CHF1,000	**CHF**	**EUR**	**USD**	**Others**	**Total**
Off-balance sheet					
Contingent liabilities	55	311	23	—	389

In CHF1,000 31.12.2015	CHF	EUR	USD	Others	Total
Assets					
Cash and balances with central banks	19,050	468	60	—	19,577
Due from banks	2,462	83,724	35,272	16,210	137,668
Cash deposits for reverse repurchase agreements	—	—	—	—	—
Due from clients	58,046	40,495	7,996	1,571	108,108
Derivative financial instruments	57	—	—	—	57
Financial assets held to maturity	1,040	—	—	—	1,040
Property, plant and equipment	36,925	—	—	—	36,925
Intangible assets	135	—	—	—	135
Accrued and deferred assets	208	4	5	1	218
Deferred tax assets	221	—	—	—	221
Other assets	12	2	1	3	18
Total assets 31 December 2015	118,157	124,692	43,334	17,786	303,968
Liabilities					
Due to banks	50,307	725	36	—	51,068
Cash deposits for reverse repurchase agreements	—	—	—	—	—
Due to clients	23,823	123,268	43,280	17,784	208,155
Derivative financial instruments	55	—	—	—	55
Current income taxes	50	—	—	—	50
Accrued and deferred liabilities	1,004	28	3	0	1,035
Provisions	150	—	—	—	150
Other liabilities	2,507	854	—	—	3,361
Total liabilities 31 December 2015	77,897	124,875	43,319	17,784	263,875

In CHF1,000	CHF	EUR	USD	Others	Total
Off-balance sheet					
Contingent liabilities	55	866	22	—	943

In CHF1,000 31.12.2014	**CHF**	**EUR**	**USD**	**Others**	**Total**
Assets					
Cash and balances with central banks	2,550	562	13	—	3,124
Due from banks	10,576	117,954	39,175	21,303	189,008
Cash deposits for reverse repurchase agreements	—	—	—	—	—
Due from clients	71,226	35,933	9,301	1,568	118,028
Derivative financial instruments	1,255	—	—	—	1,255
Financial assets held to maturity	3,081	3,616	997	—	7,694
Property, plant and equipment	37,407	—	—	—	37,407
Intangible assets	82	—	—	—	82
Accrued and deferred assets	186	78	14	(1)	278
Deferred tax assets	175	—	—	—	175
Other assets	29	4	1	2	36
Total assets 31 December 2014	126,566	158,147	49,500	22,873	357,086
Liabilities					
Due to banks	49,886	630	28	—	50,544
Cash deposits for reverse repurchase agreements	—	—	—	—	—
Due to clients	31,905	156,421	49,464	22,875	260,666
Derivative financial instruments	1,241	—	—	—	1,241
Current income taxes	—	—	—	—	—
Accrued and deferred liabilities	1,045	35	0	1	1,082
Provisions	137	—	—	—	137
Other liabilities	2,742	982	—	—	3,724
Total liabilities 31 December 2014	86,956	158,069	49,493	22,877	317,394

In CHF1,000	**CHF**	**EUR**	**USD**	**Others**	**Total**
Off-balance sheet					
Contingent liabilities	226	862	22	—	1,111

In CHF1,000 01.01.2014	CHF	EUR	USD	Others	Total
Assets					
Cash and balances with central banks	3,209	448	6	—	3,662
Due from banks	13,112	165,181	25,602	16,798	220,693
Cash deposits for reverse repurchase agreements	—	—	—	—	—
Due from clients	71,173	42,922	21,192	2,416	137,704
Derivative financial instruments	199	—	—	—	199
Financial assets held to maturity	—	—	—	—	—
Property, plant and equipment	37,826	—	—	—	37,826
Intangible assets	196	—	—	—	196
Accrued and deferred assets	246	98	1	6	350
Deferred tax assets	(28)	—	—	—	(28)
Other assets	17	—	—	—	17
Total assets 1 January 2014	125,948	208,649	46,802	19,220	400,618
Liabilities					
Due to banks	52,370	5,790	809	591	59,560
Cash deposits for reverse repurchase agreements	—	—	—	—	—
Due to clients	30,087	202,705	45,887	18,511	297,189
Derivative financial instruments	188	—	—	—	188
Current income taxes	—	—	—	—	—
Accrued and deferred liabilities	1,168	41	—	5	1,214
Provisions	196	—	—	—	196
Other liabilities	1,195	2	—	—	1,197
Total liabilities 1 January 2014	85,204	208,538	46,695	19,107	359,545

In CHF1,000	CHF	EUR	USD	Others	Total
Off-balance sheet					
Contingent liabilities	74	16,310	20	—	16,404

NOTE 21: STATEMENT OF FINANCIAL POSITION BY MATURITY

In CHF1,000	At sight	Callable	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
30.06.2017							
Assets							
Cash and balances with central banks	37,757	—	—	—	—	—	37,757
Due from banks	127,056	1,021	13,090	9,109	—	—	150,276
Cash deposits for reverse repurchase agreements	—	—	67,210	—	—	—	67,210
Due from clients	—	63,619	2,635	2,895	2,253	11,093	82,496
Derivative financial instruments	—	—	70	—	—	—	70
Financial assets held to maturity	—	—	503	—	6,629	8,971	16,103
Property, plant and equipment[1]	—	—	—	—	—	36,168	36,168
Intangible assets[1]	—	—	—	—	—	142	142
Accrued and deferred assets	—	—	497	1,419	—	—	1,915
Deferred tax assets	—	—	—	—	—	279	279
Other assets	—	—	22	30	—	—	52
Total assets 30 June 2017	164,813	64,640	84,027	13,453	8,881	56,654	392,468
Liabilities							
Due to banks	345	—	20,000	—	—	—	20,345
Cash deposits for reverse repurchase agreements	—	—	34,000	—	—	—	34,000
Due to clients	239,051	0	48,832	3,634	—	—	291,517
Derivative financial instruments	—	—	67	—	—	—	67
Current income taxes	—	—	—	42	—	—	42
Accrued and deferred liabilities	768	(4)	—	—	—	—	764
Provisions	—	—	—	2,332	86	—	2,418
Other liabilities	—	—	472	—	—	2,211	2,684
Total liabilities 30 June 2017	240,163	(4)	103,371	6,008	86	2,211	351,836

In CHF1,000	Demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Off-balance sheet							
Contingent liabilities	—	—	—	—	339	—	339

[1] Property, plant and equipment and intangible assets have been classified as due after 5 years. The majority of fixed assets relates to real estate and is as such of a longer maturity.

In CHF1,000	At sight	Callable	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
31.12.2016							
Assets							
Cash and balances with central banks	14,651	—	—	—	—	—	14,651
Due from banks	115,961	25,065	51,228	7,248	—	—	199,501
Cash deposits for reverse repurchase agreements	—	—	—	8,153	—	—	8,153
Due from clients	—	65,868	10,164	2,546	2,905	11,085	92,568
Derivative financial instruments	—	—	73	—	—	—	73
Financial assets held to maturity	—	—	—	1,014	6,503	8,801	16,318
Property, plant and equipment[1]	—	—	—	—	—	36,436	36,436
Intangible assets[1]	—	—	—	—	—	127	127
Accrued and deferred assets	—	—	684	61	0	0	745
Deferred tax assets	—	—	—	—	—	288	288
Other assets	—	—	45	—	—	—	45
Total assets 31 December 2016	130,612	90,933	62,194	19,022	9,408	56,738	368,906
Liabilities							
Due to banks	439	—	20,000	—	—	—	20,439
Cash deposits for reverse repurchase agreements	—	—	8,000	8,000	—	—	16,000
Due to clients	275,733	—	9,080	3,066	—	—	287,879
Derivative financial instruments	—	—	71	—	—	—	71
Current income taxes	—	—	—	—	155	—	155
Accrued and deferred liabilities	—	—	1,865	—	—	—	1,865
Provisions	—	—	—	—	86	—	86
Other liabilities	—	—	848	—	—	2,268	3,116
Total liabilities 31 December 2016	276,172	—	39,864	11,066	241	2,268	329,611

In CHF1,000	Demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Off-balance sheet							
Contingent liabilities	—	—	—	—	55	334	389

1 Property, plant and equipment and intangible assets have been classified as due after 5 years. The majority of fixed assets relates to real estate and is as such of a longer maturity.

In CHF1,000	At sight	Callable	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
31.12.2015							
Assets							
Cash and balances with central banks	19,577	—	—	—	—	—	19,577
Due from banks	80,601	32,597	14,125	10,345	—	—	137,668
Cash deposits for reverse repurchase agreements	—	—	—	—	—	—	—
Due from clients	—	80,182	10,293	2,298	6,435	8,900	108,108
Derivative financial instruments	—	—	57	—	—	—	57
Financial assets held to maturity	—	—	—	—	1,040	—	1,040
Property, plant and equipment[1]	—	—	—	—	—	36,925	36,925
Intangible assets[1]	—	—	—	—	—	135	135
Accrued and deferred assets	—	3	204	11	—	—	218
Deferred tax assets	—	—	—	—	—	221	221
Other assets	—	—	18	—	—	—	18
Total assets 31 December 2015	100,179	112,781	24,697	12,655	7,475	46,181	303,968
Liabilities							
Due to banks	988	6,900	43,000	180	—	—	51,068
Cash deposits for reverse repurchase agreements	—	—	—	—	—	—	—
Due to clients	193,456	0	2,452	12,247	—	—	208,155
Derivative financial instruments	—	—	55	—	—	—	55
Current income taxes	—	—	—	—	50	—	50
Accrued and deferred liabilities	—	(3)	1,034	4	—	—	1,035
Provisions	—	—	—	50	100	—	150
Other liabilities	—	—	1,607	—	—	1,755	3,361
Total liabilities 31 December 2015	194,445	6,897	48,148	12,480	150	1,755	263,875

In CHF1,000	Demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Off-balance sheet							
Contingent liabilities	—	—	—	831	55	57	943

1 Property, plant and equipment and intangible assets have been classified as due after 5 years. The majority of fixed assets relates to real estate and is as such of a longer maturity.

In CHF1,000	At sight	Callable	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
31.12.2014							
Assets							
Cash and balances with central banks	3,124	—	—	—	—	—	3,124
Due from banks	47,859	32,608	32,419	76,123	—	—	189,008
Cash deposits for reverse repurchase agreements	—	—	—	—	—	—	—
Due from clients	—	103,758	13,030	698	477	64	118,028
Derivative financial instruments	—	—	1,255	—	—	—	1,255
Financial assets held to maturity	—	—	—	6,624	1,070	—	7,694
Property, plant and equipment[1]	—	—	—	—	—	37,407	37,407
Intangible assets[1]	—	—	—	—	—	82	82
Accrued and deferred assets	—	9	182	86	—	—	278
Deferred tax assets	—	—	—	—	—	175	175
Other assets	—	—	36	—	—	—	36
Total assets 31 December 2014	50,983	136,375	46,921	83,531	1,548	37,728	357,086
Liabilities							
Due to banks	544	5,900	24,300	19,620	180	—	50,544
Cash deposits for reverse repurchase agreements	—	—	—	—	—	—	—
Due to clients	252,189	—	2,921	5,556	—	—	260,666
Derivative financial instruments	—	—	1,241	—	—	—	1,241
Current income taxes	—	—	—	—	—	—	—
Accrued and deferred liabilities	—	—	1,065	16	1	—	1,082
Provisions	—	—	—	37	100	—	137
Other liabilities	—	—	2,322	—	—	1,402	3,724
Total liabilities 31 December 2014	252,733	5,900	31,849	25,229	281	1,402	317,394

In CHF1,000	Demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Off-balance sheet							
Contingent liabilities	—	—	—	—	824	287	1,111

1 Property, plant and equipment and intangible assets have been classified as due after 5 years. The majority of fixed assets relates to real estate and is as such of a longer maturity.

In CHF1,000	At sight	Callable	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
01.01.2014							
Assets							
Cash and balances with central banks	3,662	—	—	—	—	—	3,662
Due from banks	83,140	91,165	14,722	31,665	—	—	220,693
Cash deposits for reverse repurchase agreements	—	—	—	—	—	—	—
Due from clients	—	122,379	13,074	1,564	612	75	137,704
Derivative financial instruments	—	—	199	—	—	—	199
Financial assets held to maturity	—	—	—	—	—	—	—
Property, plant and equipment[1]	—	—	—	—	—	37,826	37,826
Intangible assets[1]	—	—	—	—	—	196	196
Accrued and deferred assets	—	113	237	—	—	—	350
Deferred tax assets	—	—	—	—	—	(28)	(28)
Other assets	—	—	17	—	—	—	17
Total assets 1 January 2014	86,803	213,657	28,249	33,229	612	38,069	400,618
Liabilities							
Due to banks	6,666	7,000	27,000	18,591	303	—	59,560
Cash deposits for reverse repurchase agreements	—	—	—	—	—	—	—
Due to clients	287,671	—	1,718	7,800	—	—	297,189
Derivative financial instruments	—	—	188	—	—	—	188
Current income taxes	—	—	—	—	—	—	—
Accrued and deferred liabilities	—	—	1,183	30	2	—	1,214
Provisions	—	—	—	54	142	—	196
Other liabilities	0	—	1,423	—	—	(226)	1,197
Total liabilities 1 January 2014	294,338	7,000	31,512	26,474	446	(226)	359,545

In CHF1,000	Demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Off-balance sheet							
Contingent liabilities	—	—	12,890	1,320	1,031	1,163	16,404

1 Property, plant and equipment and intangible assets have been classified as due after 5 years. The majority of fixed assets relates to real estate and is as such of a longer maturity.

NOTE 22: STATEMENT OF FINANCIAL POSITION BY DOMESTIC AND NON-DOMESTIC

In CHF1,000 30.06.2017	**Liechtenstein**	**Switzerland**	**Other**	**Total**
Assets				
Cash and balances with central banks	12,455	25,297	5	37,757
Due from banks	0	18,789	131,486	150,276
Cash deposits for reverse repurchase agreements	—	54,668	12,542	67,210
Due from clients	34,135	4,805	43,555	82,496
Derivative financial instruments	70	—	—	70
Financial assets held to maturity	—	—	16,103	16,103
Property, plant and equipment	36,168	—	—	36,168
Intangible assets	142	—	—	142
Accrued and deferred assets	—	—	1,915	1,915
Deferred tax assets	279	—	—	279
Other assets	52	—	—	52
Total assets 30 June 2017	83,302	103,559	205,607	392,468
Liabilities and shareholders' equity				
Due to banks	0	—	20,344	20,345
Cash deposits for reverse repurchase agreements	—	16,000	18,000	34,000
Due to clients	93,586	10,173	187,758	291,517
Derivative financial instruments	—	—	67	67
Current income taxes	—	—	42	42
Accrued and deferred liabilities	—	—	764	764
Provisions	—	—	2,418	2,418
Other liabilities	2,211	—	472	2,684
Total liabilities 30 June 2017	95,797	26,173	229,866	351,836

In CHF1,000 31.12.2016	**Liechtenstein**	**Switzerland**	**Other**	**Total**
Assets				
Cash and balances with central banks	12,305	2,340	6	14,651
Due from banks	—	72,908	126,593	199,501
Cash deposits for reverse repurchase agreements	—	—	8,153	8,153
Due from clients	40,535	5,708	46,325	92,568
Derivative financial instruments	73	—	—	73
Financial assets held to maturity	—	1,014	15,304	16,318
Property, plant and equipment	36,436	—	—	36,436
Intangible assets	127	—	—	127
Accrued and deferred assets	—	—	745	745
Deferred tax assets	288	—	—	288
Other assets	45	—	—	45
Total assets 31 December 2016	89,809	81,971	197,126	368,906
Liabilities and shareholders' equity				
Due to banks	7	—	20,432	20,439
Cash deposits for reverse repurchase agreements	—	8,000	8,000	16,000
Due to clients	125,397	9,464	153,017	287,879
Derivative financial instruments	—	—	71	71
Current income taxes	—	—	155	155
Accrued and deferred liabilities	—	—	1,865	1,865
Provisions	—	—	86	86
Other liabilities	2,268	—	848	3,116
Total liabilities 31 December 2016	127,673	17,464	184,474	329,611

In CHF1,000 31.12.2015	**Liechtenstein**	**Switzerland**	**Other**	**Total**
Assets				
Cash and balances with central banks	1,010	18,432	135	19,577
Due from banks	—	25,690	111,978	137,668
Cash deposits for reverse repurchase agreements	—	—	—	—
Due from clients	32,023	13,681	62,403	108,108
Derivative financial instruments	57	—	—	57
Financial assets held to maturity	—	—	1,040	1,040
Property, plant and equipment	36,925	—	—	36,925
Intangible assets	135	—	—	135
Accrued and deferred assets	—	—	218	218
Deferred tax assets	221	—	—	221
Other assets	18	—	—	18
Total assets 31 December 2015	70,390	57,803	175,775	303,968
Liabilities and shareholders' equity				
Due to banks	11	—	51,058	51,068
Cash deposits for reverse repurchase agreements	—	—	—	—
Due to clients	77,050	13,935	117,170	208,155
Derivative financial instruments	—	—	55	55
Current income taxes	—	—	50	50
Accrued and deferred liabilities	—	—	1,035	1,035
Provisions	—	—	150	150
Other liabilities	1,755	—	1,607	3,361
Total liabilities 31 December 2015	78,815	13,935	171,124	263,875

In CHF1,000 31.12.2014	**Liechtenstein**	**Switzerland**	**Other**	**Total**
Assets				
Cash and balances with central banks	928	2,196	—	3,124
Due from banks	662	8,216	180,131	189,008
Cash deposits for reverse repurchase agreements	—	—	—	—
Due from clients	29,550	18,200	70,278	118,028
Derivative financial instruments	—	—	1,255	1,255
Financial assets held to maturity	—	—	7,694	7,694
Property, plant and equipment	37,407	—	—	37,407
Intangible assets	82	—	—	82
Accrued and deferred assets	—	—	278	278
Deferred tax assets	175	—	—	175
Other assets	—	—	36	36
Total assets 31 December 2014	68,804	28,612	259,670	357,086
Liabilities and shareholders' equity				
Due to banks	5	—	50,539	50,544
Cash deposits for reverse repurchase agreements	—	—	—	—
Due to clients	78,351	17,712	164,602	260,666
Derivative financial instruments	—	—	1,241	1,241
Current income taxes	—	—	—	—
Accrued and deferred liabilities	—	—	1,082	1,082
Provisions	—	—	137	137
Other liabilities	1,402	—	2,322	3,724
Total liabilities 31 December 2014	79,758	17,712	219,924	317,394

In CHF1,000 01.01.2014	**Liechtenstein**	**Switzerland**	**Other**	**Total**
Assets				
Cash and balances with central banks	562	3,101	—	3,662
Due from banks	2,607	22,461	195,625	220,693
Cash deposits for reverse repurchase agreements	—	—	—	—
Due from clients	46,228	11,956	79,520	137,704
Derivative financial instruments	—	—	199	199
Financial assets held to maturity	—	—	—	—
Property, plant and equipment	37,826	—	—	37,826
Intangible assets	196	—	—	196
Accrued and deferred assets	—	—	350	350
Deferred tax assets	(28)	—	—	(28)
Other assets	—	—	17	17
Total assets 1 January 2014	87,390	37,518	275,711	400,618
Liabilities and shareholders' equity				
Due to banks	598	159	58,803	59,560
Cash deposits for reverse repurchase agreements	—	—	—	—
Due to clients	104,541	15,307	177,341	297,189
Derivative financial instruments	—	—	188	188
Current income taxes	—	—	—	—
Accrued and deferred liabilities	—	—	1,214	1,214
Provisions	—	—	196	196
Other liabilities	(226)	—	1,423	1,197
Total liabilities 1 January 2014	104,913	15,466	239,166	359,545

NOTE 23: RELATED PARTY TRANSACTIONS

A related party is a person or entity that has the ability to control the Bank or can exert a significant influence on operational and financial decisions. As part of its regular business activities, the Bank also conducts transactions (such as securities transactions, payments, etc.) with related parties. Members of the Board of Directors and staff members are granted employee terms and conditions on security transactions (brokerage commission and custody charges). Transactions (such as securities transactions, payment transfers, lending facilities and interest on deposits) with members of the Board of Directors, the Management Board and employees were made under the Bank's employee terms. Transactions with the parent companies are made under the same terms and conditions as applicable to third parties.

In CHF1,000	30.06.2017	31.12.2016	31.12.2015	31.12.2014	01.01.2014
Assets					
Key management and close family members	6	—	12	79	1,109
Own pension fund	—	—	—	—	—
Group Walser Raiffeisen Holding eGen	78,020	82,929	56,387	76,727	71,128
Other related entities	—	—	—	—	—
Total	78,026	82,929	56,400	76,805	72,237
Liabilities					
Key management and close family members	145	104	94	28	369
Own pension fund	—	—	—	—	—
Group Walser Raiffeisen Holding eGen	348	348	1,015	514	535
Other related entities	—	—	—	—	—
Total	494	452	1,109	541	905
Expenses					
Key management and close family members	—	—	—	—	—
Own pension fund	—	—	—	—	—
Group Walser Raiffeisen Holding eGen	25	203	185	285	203
Other related entities	—	—	—	—	—
Total	25	203	185	285	203
Income					
Key management and close family members	—	—	—	9	15
Own pension fund	—	—	—	—	—
Group Walser Raiffeisen Holding eGen	43	220	376	526	1,134
Other related entities	—	—	—	—	—
Total	43	220	376	535	1,150

NOTE 24: LOANS AND EQUITY HOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND GROUP EXECUTIVE MANAGEMENT

31.12.2014

	Dr. Günther Dapunt	Dr. Johannes Ortner	Prof. Dr. Hanns Fritz	Dr. Herbert Fitz	Erhard Tschmelitsch	Gernot Uecker	Florian Widmer	Dr. Andreas Gapp	Richard Erne	Total
Members of the Board of Directors										
Loans and advances in CHF (including to close family members)	–	–	–	–	–	–	–	–	–	–

	Thomas Mathis	Markus Amann	Total
Group Executive Management			
Loans and advances in CHF (including to close family members)	37,000	—	37,000

01.01.2014

	Dr. Günther Dapunt	Dr. Johannes Ortner	Prof. Dr. Hanns Fitz	Dr. Herbert Fritz	Erhard Tschmelitsch	Gernot Uecker	Florian Widmer	Dr. Andreas Gapp	Total
Members of the Board of Directors									
Loans and advances in CHF (including to close family' members)	–	–	–	–	–	–	–	–	–

	Ludwig Rehm	Thomas Mathis	Markus Amann	Total
Group Executive Management				
Loans and advances in CHF (including to close family members)	300,000	14,144	—	314,144

No members of the Board of Directors and Group Executive Management holds any shares of the Bank in the reporting year form 1.1.2014 to 30.06.2017.

At 31.12.2015, 31.12.2016 and 30.06.2017, the Bank did not hold any loans and advances to any members of the Board of Directors and Group Executive Management (including to close family members).

NOTE 25: REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND GROUP EXECUTIVE MANAGEMENT

In CHF1,000	30.06.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Members of the Board of Directors — compensation					
Short-term employee benefits	—	—	13	25	32
Post-employment benefits	—	—	—	—	—
Social security benefits	—	—	—	—	—
Total	—	—	13	25	32
Group Executive Management — compensation					
Short-term employee benefits	283	541	616	778	918
Post-employment benefits	—	—	35	148	—
Social security benefits	56	109	126	140	144
Total	399	650	777	1,066	1,062

NOTE 26: FAIR VALUE OF FINANCIAL INSTRUMENTS

In CHF1,000	30.06.2017		31.12.2016		31.12.2015		31.12.2014		01.01.2014	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets										
Cash	37,757	37,757	14,651	14,651	19,577	19,577	3,124	3,124	3,662	3,662
Cash deposits for reverse repurchase agreements	67,210	67,210	8,153	8,153	—	—	—	—	—	—
Due from banks	150,276	150,276	199,501	199,501	137,668	137,668	189,008	189,008	220,693	220,693
Due from clients	82,496	82,496	92,568	92,568	108,108	108,108	118,028	118,028	137,704	137,704
Financial assets held to maturity	16,103	16,178	16,318	16,588	1,040	1,050	7,694	7,694	—	—
Financial assets at amortised costs	353,841	353,915	331,192	331,461	266,394	266,404	317,854	317,854	362,059	362,059
Derivative financial instruments	70	70	73	73	57	57	1,255	1,255	199	199
Financial assets at fair value	70	70	73	73	57	57	1,255	1,255	199	199
Liabilities	20,345	20,345	20,439	20,439	51,068	51,068	50,544	50,544	59,560	59,560
Due to banks										
Cash deposits for reverse repurchase agreements	34,000	34,000	16,000	16,000	—	—	—	—	—	—
Due to clients	291,517	291,517	287,879	287,879	208,155	208,155	260,666	260,666	297,189	297,189
Financial liabilities at amortised costs	345,861	345,861	324,318	324,318	259,223	259,223	311,210	311,210	356,749	356,749
Derivative financial instruments	67	67	71	71	55	55	1,241	1,241	188	188
Financial liabilities at fair value	67	67	71	71	55	55	1,241	1,241	188	188

In CHF1,000	**Quoted market prices (Level 1)**	**Valuation method based on market data (Level 2)**	**Valuation method not based on market data (Level 3)**	**Total**
30.06.2017				
Assets				
Cash	37,757	—	—	37,757
Cash deposits for reverse repurchase agreements	67,210	—	—	67,210
Due from banks	—	150,276	—	150,276
Due from clients	—	82,496	—	82,496
Financial assets held to maturity	16,103	—	—	16,103
Financial assets at amortised costs	121,070	232,771	—	353,841
Derivative financial instruments	—	70	—	70
Financial assets at fair value	—	70	—	70
Total financial assets	121,070	232,841	—	353,911
Liabilities				
Due to banks	—	20,345	—	20,345
Cash deposits for reverse repurchase agreements	34,000	—	—	34,000
Due to clients	—	291,517	—	291,517
Financial liabilities at amortised costs	34,000	311,861	—	345,861
Derivative financial instruments	—	67	—	67
Total financial liabilities at fair value	—	67	—	67
Total financial liabilities	34,000	311,928	—	345,928

In CHF1,000	Quoted market prices (Level 1)	Valuation method based on market data (Level 2)	Valuation method not based on market data (Level 3)	Total
31.12.2016				
Assets				
Cash	14,651	—	—	14,651
Cash deposits for reverse repurchase agreements	8,153	—	—	8,153
Due from banks	—	199,501	—	199,501
Due from clients	—	92,568	—	92,568
Financial assets held to maturity	16,318	—	—	16,318
Financial assets at amortised costs	39,122	292,069	—	331,192
Derivative financial instruments	—	73	—	73
Financial assets at fair value	—	73	—	73
Total financial assets	39,122	292,143	—	331,265
Liabilities				
Due to banks	—	20,439	—	20,439
Cash deposits for reverse repurchase agreements	16,000	—	—	16,000
Due to clients	—	287,879	—	287,879
Financial liabilities at amortised costs	16,000	308,318	—	324,318
Derivative financial instruments	—	71	—	71
Total financial liabilities at fair value	—	71	—	71
Total financial liabilities	16,000	308,389	—	324,389

In CHF1,000	Quoted market prices (Level 1)	Valuation method based on market data (Level 2)	Valuation method not based on market data (Level 3)	Total
31.12.2015				
Assets				
Cash	19,577	—	—	19,577
Cash deposits for reverse repurchase agreements	—	—	—	—
Due from banks	—	137,668	—	137,668
Due from clients	—	108,108	—	108,108
Financial assets held to maturity	1,040	—	—	1,040
Financial assets at amortised costs	20,618	245,776	—	266,394
Derivative financial instruments	—	57	—	57
Financial assets at fair value	—	57	—	57
Total financial assets	20,618	245,833	—	266,451
Liabilities				
Due to banks	—	51,068	—	51,068
Cash deposits for reverse repurchase agreements	—	—	—	—
Due to clients	—	208,155	—	208,155
Financial liabilities at amortised costs	—	259,223	—	259,223
Derivative financial instruments	—	55	—	55
Total financial liabilities at fair value	—	55	—	55
Total financial liabilities	—	259,279	—	259,279

In CHF1,000	**Quoted market prices (Level 1)**	**Valuation method based on market data (Level 2)**	**Valuation method not based on market data (Level 3)**	**Total**
31.12.2014				
Assets				
Cash	3,124	—	—	3,124
Cash deposits for reverse repurchase agreements	—	—	—	—
Due from banks	—	189,008	—	189,008
Due from clients	—	118,028	—	118,028
Financial assets held to maturity	7,694	—	—	7,694
Financial assets at amortised costs	10,818	307,036	—	317,854
Derivative financial instruments	—	1,255	—	1,255
Financial assets at fair value	—	1,255	—	1,255
Total financial assets	10,818	308,291	—	319,109
Liabilities				
Due to banks	—	50,544	—	50,544
Cash deposits for reverse repurchase agreements	—	—	—	—
Due to clients	—	260,666	—	260,666
Financial liabilities at amortised costs	—	311,210	—	311,210
Derivative financial instruments	—	1,241	—	1,241
Total financial liabilities at fair value	—	1,241	—	1,241
Total financial liabilities	—	312,451	—	312,451

In CHF1,000	Quoted market prices (Level 1)	Valuation method based on market data (Level 2)	Valuation method not based on market data (Level 3)	Total
01.01.2014				
Assets				
Cash	3,662	—	—	3,662
Cash deposits for reverse repurchase agreements	—	—	—	—
Due from banks	—	220,693	—	220,693
Due from clients	—	137,704	—	137,704
Financial assets held to maturity	—	—	—	—
Financial assets at amortised costs	3,662	358,397	—	362,059
Derivative financial instruments	—	199	—	199
Financial assets at fair value	—	199	—	199
Total financial assets	3,662	358,596	—	362,258
Liabilities				
Due to banks	—	59,560	—	59,560
Cash deposits for reverse repurchase agreements	—	—	—	—
Due to clients	—	297,189	—	297,189
Financial liabilities at amortised costs	—	356,749	—	356,749
Derivative financial instruments	—	188	—	188
Total financial liabilities at fair value	—	188	—	188
Total financial liabilities	—	356,938	—	356,938

Level 1 instruments

Level 1 instruments are those financial instruments whose fair value is based on quoted prices in active markets. This category comprises almost all equity and debt instruments held by the Bank. Investment funds for which a tradeable net asset value is published at least daily, exchange-traded derivatives and precious metals are also categorised as level 1 instruments. Closing prices are used for the valuation of debt instruments in the trading book. In the case of equity instruments, listed investment funds and exchange-traded derivatives, the closing or settlement prices of the relevant exchanges are used. In the case of unlisted investment funds, the published net asset values are used. In the case of currencies and precious metals, generally accepted prices are applied. No valuation adjustments are made in the case of level 1 instruments.

Level 2 instruments

Level 2 instruments are financial instruments whose fair value is based on quoted prices in markets that are not active. The same categorisation is used where the fair value is determined using a valuation method where significant inputs are market observable, either directly or indirectly. This category essentially comprises forex and interest-rate derivatives as well as non-traded debt instruments and investment funds for which a binding net asset value is not published on a daily basis. If no active market exists, the fair value is determined on the basis of generally accepted valuation methods. If all of the significant inputs are directly observable in the active market, the instrument is deemed to be a level 2 instrument. The valuation models take account of the relevant input such as the contract specifications, market price of the underlying asset, the foreign exchange rate, the corresponding yield curve, default risks, and volatility.

The valuation of interest rate instruments for which no quoted prices exist is carried out using generally recognised methods. For the valuation of OTC derivatives, generally recognised option pricing models and quoted prices in markets that are not active are used. In the case of investment funds, the published net asset values are used. The credit risk is only taken into account when market participants would take it into account when determining prices.

Level 3 instruments

If at least one significant input cannot be observed directly or indirectly in the market, the instrument is classified as a level 3 instrument. These essentially comprise equity instruments and/or investment funds for which a binding net asset value is not published at least quarterly. The fair value of these positions is based on the estimates of external experts or on audited financial statements. Where possible, the underlying assumptions are supported by observed market quotes. The Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

NOTE 27: ASSET UNDER MANAGEMENT

In CHF1,000	**30.06.2017**	**31.12.2016**	**31.12.2015**	**31.12.2014**	**01.01.2014**
Assets in self-managed funds	—	—	—	—	—
Assets with management mandates	104,668	94,123	83,350	96,649	99,211
Other client assets	920,921	950,590	881,711	1,035,299	981,490
Total assets under management	1,025,589	1,044,713	965,060	1,131,947	1,080,702
of which double counts	—	22	3,072	3,616	9,763
Net new money inflow	9,011	56,330	(100,497)	11,249	22,422

Asset under Management include all assets of private, corporate, and institutional clients managed or held for investment purposes and assets in self-managed funds and investment companies of the Bank. For more Information please refer to the accounting principles.

NOTE 28: OFF-BALANCE SHEET ITEMS

In CHF1,000	**30.06.2017**	**31.12.2016**	**31.12.2015**	**31.12.2014**	**01.01.2014**
Credit guarantees	22	23	22	22	20
Bank guarantees	318	366	921	1,088	16,384
Other contingent liabilities	—	—	—	—	—
Total contingent liabilities	339	389	943	1,111	16,404
Irrevocable commitments	—	—	—	—	—
Loan commitments	—	—	—	—	—
Call commitments and other obligations	—	—	—	—	—
Total credit risk	—	—	—	—	—

NOTE 29: ASSETS PLEDGED

In CHF1,000	Financial assets hold to maturity pledged as collateral 30.06.2017	31.12.2016	31.12.2015	31.12.2014	01.01.2014
Financial assets held to maturity pledged under repurchase agreements	445	13,310	—	—	—
Total	445	13,310	—	—	—

Assets pledged for repurchase agreements were CHF13,310k for the year ended 2016 (30.06.2017 CHF445k). No other assets have been pledged by the bank during the reporting periods.

NOTE 30: DEFINED BENEFIT OBLIGATION

In CHF1,000	30.06.2017	31.12.2016	31.12.2015	31.12.2014
Balance sheet items				
Present value of pension liabilities	8,310	8,253	6,753	7,248
Market value of plan assets	6,099	5,985	4,998	5,847
Pension liabilities (+)/pension assets (–)	2,211	2,268	1,755	1,402
whereof disclosed as other liabilities	2,211	2,268	1,755	1,402

NOTE 30: DEFINED BENEFIT OBLIGATION

In CHF1,000	30.06.2017	unaudited 30.06.2016	31.12.2016	31.12.2015	31.12.2014
Change in net defined benefit liabilities/ assets on the balance					
Net liabilities/(asset) at 1 January	2,268	1,755	1,755	1,402	(226)
Defined benefit cost recognised in personnel expense	283	273	547	653	641
Defined benefit cost recognised in other comprehensive income	(150)	734	352	138	1,460
Employer contributions	(190)	(193)	(386)	(438)	(473)
Net defined benefit liabilities/(assets) at 30 June/31 December	2,211	2,569	2,268	1,755	1,402

NOTE 30: DEFINED BENEFIT OBLIGATION

In CHF1,000	30.06.2017	unaudited 30.06.2016	31.12.2016	31.12.2015	31.12.2014
Components of pension costs in personnel expense					
Annual pension costs	277	266	533	637	645
Plan amendments	—	—	—	—	—
Net interest expense/(income)	6	7	14	16	(3)
Pension costs for defined benefit plans	283	273	547	653	641
Employer's pension expense for defined contribution plans	—	—	—	—	—
Total pensions costs recognised in personnel expense	283	273	547	653	641
Actuarial loss/(gain) on liabilities	(150)	734	477	(3)	1,460
Actuarial loss/(gain) on assets	—	—	(125)	141	—
Total defined benefit cost recognised in other comprehensive income	(150)	734	352	138	1,460

In CHF1,000	30.06.2017	unaudited 30.06.2016	31.12.2016	31.12.2015	31.12.2014
Change in pension liabilities					
Present value of pension liabilities at 1 January	8,253	6,753	6,753	7,248	4,631
Annual pension costs	274	262	525	629	635
Employee contributions	95	96	193	219	236
Interest on pension liabilities	23	26	54	73	121
Paid in/(out benefits and vested benefits)	(185)	126	251	(1,414)	165
Actuarial loss/(gains)	(150)	734	477	(3)	1,460
of which from adjustment to financial assumptions	(150)	734	292	361	1,460
of which from adjustment to experience-based assumptions	—	—	185	(364)	—
Present value of pension liabilities at 30 June/31 December	8,310	7,997	8,253	6,753	7,248

In CHF1,000	30.06.2017	unaudited 30.06.2016	31.12.2016	31.12.2015	31.12.2014
Change in plan assets					
Market value of plan assets at 1 January	5,985	4,998	4,998	5,847	4,857
Employee contributions	95	96	193	219	236
Employer contributions	187	189	378	429	464
Paid in/(out) benefits and vested benefits	(185)	126	251	(1,414)	165
Expected return on plan assets	17	19	41	57	124
Actuarial (gain)/loss	—	—	125	(141)	—
Market value of plan assets at 30 June/31 December	6,099	5,428	5,985	4,998	5,847

in per cent	30.06.2017	unaudited 30.06.2016	31.12.2016	31.12.2015	31.12.2014
Actuarial assumptions					
Discount rate	0.65%	0.15%	0.55%	0.75%	1.05%
Expected rate of salary increases	1.00%	1.00%	1.00%	1.00%	1.00%
Return on retirement assets	1.00%	1.00%	1.00%	1.00%	1.00%
Pension adjustments	0.00%	0.00%	0.00%	0.00%	0.00%

In CHF1,000	30.06.2017	Proportion in %	unaudited 30.06.2016	Proportion in %	31.12.2016	Proportion in %	31.12.2015	Proportion in %	31.12.2014	Proportion in %
Current actuarial calculation of the pension liability	8,310		7,997		8,253		6,753		7,248	
Discount rate										
Increase of 25 basis points	7,943	95.6%	7,639	95.5%	7,888	95.6%	6,451	95.5%	6,927	95.6%
Reduction of 25 basis points	8,696	104.6%	8,365	104.6%	8,636	104.6%	7,062	104.6%	7,589	104.7%
Salary trend										
Increase of 25 basis points	8,395	101.0%	8,083	101.1%	8,337	101.0%	6,825	101.1%	7,341	101.3%
Reduction of 25 basis points	8,221	98.9%	7,903	98.8%	8,165	98.9%	6,673	98.8%	7,156	98.7%

NOTE 31: FIRST-TIME ADOPTION

In CHF1,000	*Footnote*	01.01.2014	31.12.2014
Equity according to Liechtenstein GAAP (not including provision for general banking risk)		40,476	40,518
Release of the reserve for general banking risk under IFRS	*1*	400	400
Defined benefit obligations bookings	*2*	198	(1,226)
Total shareholders' equity according to IFRS		41,074	39,692

In CHF1,000	*Footnote*	31.12.2014
Net profit in the income statement according to Liechtenstein GAAP		323
Defined benefit obligations bookings	*2*	(147)
Total net profit according to IFRS		176

[1] The reverse for general banking reserve does not meet IFRS requirements. An adjustment has been recognized to release the reserve to retained earnings.

[2] Under Liechtenstein GAAP the defined benefit obligations is not recognized in the Balance Sheet and Statement of comprehensive income.

NOTE 32: DIVIDENDS

		Unaudited			
	1.1–30.06.2017	**1.1–30.06.2016**	**1.1–31.12.2016**	**1.1–31.12.2015**	**1.1–31.12.2014**
Dividend payments	—	960	1,790	298	281

Raiffeisen Privatbank Liechtenstein AG distributed a dividend of CHF1.41 per share in 2014, CHF1.49 in 2015 and CHF8.95 in 2016.

RISK MANAGEMENT

Overview

Risk is considered the threat that the actual value of a position or the result of a decision are deviating from the expected value in a negative way due to unexpected changes in the relevant and influencing factors. The risk culture at Raiffeisen Privatbank Liechtenstein AG consists of the Bank's standards, attitudes and behaviors with regard to risk-awareness, risk-taking and risk-management as well as controls that shape risk decisions. Risk culture affects the decisions of management and employees in their day-to-day work and has an impact on the risks they address. As a result, accepting specific risks and managing them professionally is the basis for the value-driven success of the Bank. Accordingly, the return for accepting risks is central to risk management and risk control.

Raiffeisen Privatbank Liechtenstein AG is an integral part of the group-wide risk governance of Walser Privatbank AG. Risk monitoring takes place centrally and decentrally to ensure compliance with risk limits both group-wide and locally. The Bank controls the key risk categories using special processes and overall limits. The concept for risk management and risk control is provided by the fundamental principles defined in the risk policy. This concept takes into account regulatory requirements and has also been fine-tuned to take further risks into account.

Risk Management Organisation and Risk Reporting

The risk strategy is based on various risk-principles, which are geared to the safety objective of the Bank and are crucial for the risk management. By adopting these principles, risk awareness is clearly established, strengthened, and every employee is encouraged to adopt a risk-oriented approach. They are periodically reviewed and, if necessary, adjusted by strategic decisions.

The function of the internal audit is completely transferred to Walser Privatbank AG's internal auditing department. In addition, the compliance officer reports annually to Walser Privatbank AG in connection to the yearly diligence report performed by the Bank. The reporting obligations with regards to content, responsibility, recipients, and frequency are defined in the risk policy. The regular risk reporting is performed by Walser Privatbank AG which received the input data directly from Raiffeisen Privatbank Liechtenstein AG. The reports contain a structured presentation of the risk indicators — risk limits and utilisation — for the various business activities. The risk report, in combination with the associated profitability figures, allows management to allocate limits to business activities with a view to achieving the best possible relationship between risk and return.

In its role as the ultimate supervisory body, the Board of Directors of the Bank is responsible for all risks of the Bank. By means of the risk policy, the Board of Directors defines all risk activities of the Bank: It is responsible for defining additional limits and the maximum risk tolerance (quantitatively and qualitatively) in respect of the risk capacity of the Bank. The Board of Directors is focused on the specific questions regarding accounting and the management of risks and is responsible for operational implementation of the risk management and risk control principles and ensures that the prescribed limits are adhered to at all times. The management of risks is usually performed directly in connection with the business units. Risk Controlling is responsible for risk assessments at bank level. This function ensures in particular the adherence to and constant monitoring of the risk management process based on the core elements, namely risk identification, risk measurement and assessment, risk allocation, and risk controlling.

Risk Appetite

Risk appetite means the extent to which the Board of Directors of the Bank are inclined to take risks to stay consistent with the risk capacity and the strategic objectives of the Bank. As a part of the annual risk budgeting process the risk appetite is determined by Walser Privatbank AG from the available equity capital as an overall limit and broken down to the individual level of Raiffeisen Privatbank AG.

The risk appetite target calculation is to ensure the proper risk cover potential in a negative stress cases. Therefore, the Bank calculates two different scenarios (problem- and extreme-case). This means that the Bank keeps sufficient capital to withstand extraordinarily high losses from an unlikely extreme event while still being able to continue their overall business operations. Consequently, not the entire available equity capital is allocated for the economic capital requirements. This is to ensure if risk is incurred which is neither covered by regulatory nor the economical capital. An example would be business risk, which is the result from unexpected changes in market and environmental conditions with negative effects on earnings or equity capital.

Market Risk

Market risk refers to the risk of a loss of value due to detrimental changes in the market prices of interest rate products, equities, currencies and other equity instruments.

Management of market risk

Raiffeisen Privatbank Liechtenstein AG's risk monitoring takes place centrally and decentrally to ensure compliance with risk limits.

Interest rate instruments

For purpose of reporting the market risk of interest rate, instruments are calculated in accordance with the regulatory guidelines. All interest rate instruments of the Bank are in-line (2% of equity capital) and no reports have been filed to the supervisory authority so far.

Since client funds entrusted to Raiffeisen Privatbank Liechtenstein AG are normally re-invested in the same country and currency, the risk arising from changes in interest rates is very small, and is reviewed periodically.

Market risk: balance sheet structure

Interest rate and currency risks are caused by the balance sheet structure, specifically in mismatches in capital commitments, interest maturities, and currencies between assets, liabilities, and the off-balance-sheet positions.

The interest rate and currency risks arise from the deposits and investments business and are managed and monitored within the framework of limits set out in guidelines.

Interest rate risk

The interest rate sensitivity is shown in the table below. The table shows the change for the main currencies in the banking book, given a parallel interest rate movement for +/–100 basis points across all variable interest rate maturities.

In CHF1,000	30.6.2017		31.12.2016		31.12.2015		31.12.2014	
	+1%	–1%	+1%	–1%	+1%	–1%	+1%	–1%
CHF	5,617	5,506	(19,570)	(19,183)	(3,051)	(2,991)	(15,835)	(15,522)
EUR	(61,704)	(60,483)	(103,797)	(101,742)	(89,039)	(87,276)	(116,304)	(114,001)
USD	(25,146)	(24,648)	(10,748)	(10,535)	(2,997)	(2,937)	(37,211)	(36,474)
Others	(5,400)	(5,293)	186	183	(11,579)	(11,350)	(5,245)	(5,141)

Currency risk

The currency risk arising from financial investments is monitored and managed on an aggregated basis. The sensitivity to a one percent move in exchange rates is shown for all major currencies in the table below.

In CHF1,000	EUR	USD	Others
Total non-trading monetary assets 30 June 2017	168,978	79,787	18,701
Total non-trading monetary liabilities 30 June 2017	169,176	79,676	18,630
Net non-trading monetary assets 30 June 2017	(198)	111	70
Currency sensitivity			
+1%	–2	1	1
–1%	2	–1	–1
Total non-trading monetary assets 31 December 2016	168,903	78,247	17,972
Total non-trading monetary liabilities 31 December 2016	168,645	78,226	17,932
Net non-trading monetary assets 31 December 2016	258	21	41

In CHF1,000	**EUR**	**USD**	**Others**
Currency sensitivity			
+1%	3	0	0
–1%	–3	0	0
Total non-trading monetary assets 31 December 2016	124,687	43,328	17,781
Total non-trading monetary liabilities 31 December 2016	123,993	43,316	17,784
Net non-trading monetary assets 31 December 2016	694	12	(3)
Currency sensitivity			
+1%	7	0	0
–1%	–7	0	0
Total non-trading monetary assets 31 December 2016	158,065	49,486	22,871
Total non-trading monetary liabilities 31 December 2016	157,052	49,492	22,875
Net non-trading monetary assets 31 December 2016	1,013	(7)	(4)
Currency sensitivity			
+1%	10	0	0
–1%	–10	0	0
Total non-trading monetary assets 31 December 2016	208,551	46,801	19,214
Total non-trading monetary liabilities 31 December 2016	208,494	46,695	19,102
Net non-trading monetary assets 31 December 2016	57	106	112
Currency sensitivity			
+1%	1	1	1
–1%	–1	–1	–1

Liquidity Risk

Liquidity risk is the risk of the Bank not having sufficient liquid funds available to meet its short-term payment obligations.

Management of liquidity risk

Operational liquidity risk management takes place at the Bank level, which must in so doing comply with the legal requirements in terms of liquidity and minimum reserves. The regular measurement of the insolvency risk is carried out by measuring the Liquidity Coverage Ratio ("**LCR**") as required by law. The maintenance of liquidity at all times within the Bank continues to have the highest priority. This is assured with a large balance of cash and cash equivalents and high quality liquid assets ("**HQLA**").

In addition, to the Liquidity Coverage Ratio the Net Stable Funding Ratio ("**NSFR**") is calculated since 2015 by the Bank. It dictates the structural liquidity of credit institutions whereby a time horizon of one year is considered and is designed to ensure matched financing on a long-term basis. Furthermore, Raiffeisen Privatbank AG provides input data to Walser Privatbank AG for the consolidated calculation of the NSFR.

The Bank's liquidity risk management includes the continual monitoring of liquidity, the analysis and simulation of possibilities for generating additional liquidity. Raiffeisen Privatbank Liechtenstein AG's liquidity risk is monitored and controlled under statutory banking provisions. The Bank always holds an amount of liquid funds that is above the minimum required by banking legislation.

Credit Risk

Credit risk reflects the risk of loss arising from the failure of a counterparty to fulfil its contractual obligations. It includes default risk from the direct lending business, the invested bond portfolio, concluded transactions (such as money market transactions, derivative transactions, etc.), and settlement risk.

Management of credit risk

Loans to clients are preferably granted as part of the securities business. The Bank offers loans in various currencies (mainly CHF and EUR) and maturities in order to cover short-, medium- or long-term liquidity requirements (Lombard Loans). In rare cases mortgage loans are also granted by the Bank. Collateral is arranged prudently and almost exclusively on a secured basis in accordance with the internal authorisation process of the Bank. The majority of loans are granted to borrowers in Europe, meaning that the resulting country risk is limited.

The credit risk management is primarily focused on managing and monitoring the collateral values, which are a result of haircuts applied to the market values, and the liquidity of the collateral. Credit exposure must always remain within the limits granted by Management and the Board of Directors of the Bank, and it is secured by collateral.

The ten largest single exposures encompass CHF226 million as of 31 December 2016 (31 December 2015: CHF151 million and 31 December 2014: CHF207 million). These exposures relate mainly to banks.

The ten largest single exposures encompass CHF227 million as of 30 June 2017. These exposures relate mainly to banks.

Financial instruments in table A to E include financial assets held to maturity. The remaining positions are reported collectively under other assets. In particular, this includes accruals and deferrals and other assets.

TABLE A — CREDIT RISK: QUALITY OF ASSETS

In CHF1,000	AAA to AA–	A+ to BBB–	BB+ or lower	No external rating	Total
Quality of assets as of 30.06.2017					
Cash and balances with central banks	25,302	—	—	12,455	37,757
Due from banks	17,959	105,781	9,674	16,861	150,275
Due from clients	—	—	—	82,496	82,496
Derivative financial instruments	—	—	—	70	70
Financial assets held to maturity	16,103	—	—	—	16,103
Other assets	—	—	—	52	52
Subtotal	59,364	105,781	9,674	111,934	286,753
Contingent liabilities	—	—	—	339	339
Total at 30 June 2017	59,364	105,781	9,674	112,273	287,092
Quality of assets as of 31.12.2016					
Cash and balances with central banks	2,346	—	—	12,305	14,651
Due from banks	70,249	125,830	2	3,420	199,501
Due from clients	—	—	—	92,568	92,568
Derivative financial instruments	—	—	—	73	73
Financial assets held to maturity	16,318	—	—	—	16,318
Other assets	—	—	—	45	45
Subtotal	88,913	125,830	2	108,411	323,156
Contingent liabilities	—	—	—	389	389
Total at 31 December 2016	88,913	125,830	2	108,800	323,546

In CHF1,000	AAA to AA–	A+ to BBB–	BB+ or lower	No external rating	Total
Quality of assets as of 31.12.2015					
Cash and balances with central banks	18,567	—	—	1,010	19,577
Due from banks	18,170	114,107	3	5,389	137,668
Due from clients	—	—	—	108,108	108,108
Derivative financial instruments	—	—	—	57	57
Financial assets held to maturity	1,040	—	—	—	1,040
Other assets	—	—	—	18	18
Subtotal	37,777	114,107	3	114,582	266,469
Contingent liabilities	—	—	—	943	943
Total at 31 December 2015	37,777	114,107	3	115,526	267,412
Quality of assets as of 31.12.2014					
Cash and balances with central banks	2,196	—	—	928	3,124
Due from banks	24,375	158,656	4	5,973	189,008
Due from clients	—	—	—	118,028	118,028
Derivative financial instruments	—	—	—	1,255	1,255
Financial assets held to maturity	7,694	—	—	—	7,694
Other assets	—	—	—	36	36
Subtotal	34,265	158,656	4	126,219	319,144
Contingent liabilities	—	—	—	1,111	1,111
Total at 31 December 2014	34,265	158,656	4	127,330	320,255
Quality of assets as of 01.01.2014					
Cash and balances with central banks	3,101	—	—	562	3,662
Due from banks	35,615	165,890	—	19,189	220,693
Due from clients	—	—	—	137,704	137,704
Derivative financial instruments	—	—	—	199	199
Financial assets held to maturity	—	—	—	—	—
Other assets	—	—	—	17	17
Subtotal	38,715	165,890	—	157,670	362,275
Contingent liabilities	—	—	—	16,404	16,404
Total at 1 January 2014	38,715	165,890	—	174,074	378,679

TABLE B — CREDIT RISK: OVERVIEW COLLATERAL

In CHF1,000	Mortgage-backed	Other collateral	No collateral	Total
As of 30.06.2017				
Due from clients	16,421	63,486	2,589	82,496
of which mortgage loans	16,421	—	—	16,421
— Residential property	15,621	—	—	15,621
— Other	800	—	—	800
Derivative financial instruments	—	—	70	70
Financial assets held to maturity	—	—	16,103	16,103
Other assets	—	—	52	52
Total at 30 June 2017	16,421	63,486	18,814	98,721
As of 31.12.2016				
Due from clients	16,150	73,480	2,938	92,568
of which mortgage loans	16,150	—	—	16,150
— Residential property	15,377	—	—	15,377
— Other	773	—	—	773
Derivative financial instruments	—	—	73	73
Financial assets held to maturity	—	—	16,318	16,318
Other assets	—	—	45	45
Total at 31 December 2016	16,150	73,480	19,375	109,005
As of 31.12.2015				
Due from clients	16,423	90,426	1,258	108,108
of which mortgage loans	16,177	—	—	16,177
— Residential property	16,177	—	—	16,177
— Other	—	—	—	—
Derivative financial instruments	—	—	57	57
Financial assets held to maturity	—	—	1,040	1,040
Other assets	—	—	18	18
Total at 31 December 2015	16,423	90,426	2,373	109,223

In CHF1,000	Mortgage-backed	Other collateral	No collateral	Total
As of 31.12.2014				
Due from clients	15,612	101,143	1,273	118,028
of which mortgage loans	15,612	5,018	—	20,629
— Residential property	15,612	5,018	—	20,629
— Other	—	—	—	—
Derivative financial instruments	—	—	1,255	1,255
Financial assets held to maturity	—	—	7,694	7,694
Other assets	—	—	36	36
Total at 31 December 2014	15,612	101,143	10,257	127,012
As of 01.01.2014				
Due from clients	5,060	131,009	1,635	137,704
of which mortgage loans	5,060	5,045	263	10,368
— Residential property	5,060	5,045	263	10,368
— Other	—	—	—	—
Derivative financial instruments	—	—	199	199
Financial assets held to maturity	—	—	—	—
Other assets	—	—	17	17
Total at 1 January 2014	5,060	131,009	1,851	137,920

Table B shows that secured lending represents constantly more than 95 per cent of the total due from clients. The bulk of the collateral consists of collateral recognised under Basel II and III (primarily from the Lombard business).

TABLE C — CREDIT RISK: OVERDUE LOANS WITHOUT VALUE ADJUSTMENT, BY MATURITY

In CHF1,000	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	91 days or more	Total
Overdue positions without valuation adjustment by maturity 30.06.2017					
Due from banks	—	—	—	—	0
of which loans	—	—	—	—	0
of which mortgages	—	—	—	—	0
Due from clients	—	—	—	—	0
of which loans and advances	—	—	—	—	0
Accrued and deferred assets	—	—	—	—	0
Total at 30 June 2017	0	0	0	0	0
Overdue positions without valuation adjustment by maturity 31.12.2016					
Due from banks	—	—	—	—	0
of which loans	—	—	—	—	0
of which mortgages	—	—	—	—	0
Due from clients	—	—	—	—	0
of which loans and advances	—	—	—	—	0
Accrued and deferred assets	—	—	—	—	0
Total at 31 December 2016	0	0	0	0	0
Overdue positions without valuation adjustment by maturity 31.12.2015					
Due from banks	—	—	—	—	0
of which loans	—	—	—	—	0
of which mortgages	—	—	—	—	0
Due from clients	—	—	—	—	0
of which loans and advances	—	—	—	—	0
Accrued and deferred assets	—	—	—	—	0
Total at 31 December 2015	0	0	0	0	0

In CHF1,000	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	91 days or more	Total
Overdue positions without valuation adjustment by maturity 31.12.2014					
Due from banks	—	—	—	—	0
of which loans	—	—	—	—	0
of which mortgages	—	—	—	—	0
Due from clients	—	—	—	—	0
of which loans and advances	—	—	—	—	0
Accrued and deferred assets	—	—	—	—	0
Total at 31 December 2014	0	0	0	0	0
Overdue positions without valuation adjustment by maturity 01.01.2014					
Due from banks	—	—	—	—	0
of which loans	—	—	—	—	0
of which mortgages	—	—	—	—	0
Due from clients	—	—	—	—	0
of which loans and advances	—	—	—	—	0
Accrued and deferred assets	—	—	—	—	0
Total at 1 January 2014	0	0	0	0	0

As a general rule, a loan is classified as non-performing after 90 days overdue and not impaired. The Bank has typically already recovered these loans or formed impairments for such positions and therefore such loans are not listed in table C. Loans with a provision are disclosed in note 18.

TABLE D — CREDIT RISK: GEOGRAPHICAL ANALYSIS BY REGION

In CHF1,000	Switzerland and Liechtenstein	Abroad	Total
Geographical analysis by region as of 30.06.2017			
Cash and balances with central banks	37,752	5	37,757
Due from banks	18,789	131,486	150,276
Due from clients	38,940	43,555	82,496
Derivative financial instruments	70	—	70
Financial assets held to maturity	—	16,103	16,103
Other assets	52	—	52
Subtotal	95,604	191,149	286,753
Contingent liabilities	—	339	339
Total at 30 June 2017	95,604	191,488	287,093
Geographical analysis by region as of 31.12.2016			
Cash and balances with central banks	14,645	6	14,651
Due from banks	72,908	126,593	199,501
Due from clients	46,244	46,325	92,568
Derivative financial instruments	73	—	73
Financial assets held to maturity	1,014	15,304	16,318
Other assets	45	—	45
Subtotal	134,929	188,227	323,157
Contingent liabilities	55	334	389
Total at 31 December 2016	134,984	188,561	323,546

In CHF1,000	Switzerland and Liechtenstein	Abroad	Total
Geographical analysis by region as of 31.12.2015			
Cash and balances with central banks	19,442	135	19,577
Due from banks	25,690	111,978	137,668
Due from clients	45,705	62,403	108,108
Derivative financial instruments	57	—	57
Financial assets held to maturity	—	1,040	1,040
Other assets	18	—	18
Subtotal	90,912	175,557	266,469
Contingent liabilities	55	888	943
Total at 31 December 2015	90,967	176,445	267,412
Geographical analysis by region as of 31.12.2014			
Cash and balances with central banks	3,124	—	3,124
Due from banks	8,877	180,131	189,008
Due from clients	47,750	70,278	118,028
Derivative financial instruments	—	1,255	1,255
Financial assets held to maturity	—	7,694	7,694
Other assets	—	36	36
Subtotal	59,751	259,393	319,144
Contingent liabilities	226	885	1,111
Total at 31 December 2014	59,977	260,278	320,255

In CHF1,000	Switzerland and Liechtenstein	Abroad	Total
Geographical analysis by region as of 01.01.2014			
Cash and balances with central banks	3,662	—	3,662
Due from banks	25,068	195,625	220,693
Due from clients	58,184	79,520	137,704
Derivative financial instruments	—	199	199
Financial assets held to maturity	—	—	—
Other assets	—	17	17
Subtotal	86,914	275,361	362,275
Contingent liabilities	74	16,330	16,404
Total at 1 January 2014	86,988	291,691	378,679

Table D shows a concentration in foreign due from banks and clients as well as Financial assets held to maturity. As at 31 December 2016, foreign commitments amounted to CHF189.0 million, or 59 percent of the total volume. As at 30 June 2017, foreign commitments amounted to CHF192.0 million, or 67 percent of the total volume.

TABLE E — CREDIT RISK: TOTAL CREDIT RISK/BREAKDOWN BY COUNTERPARTY

In CHF1,000	Central banks	Banks	Public sector entities	Private and institutional clients	Other	Total
Breakdown by counterparty as of 30.06.2017						
Cash and balances with central banks	25,302	—	—	—	12,455	37,757
Due from banks	—	119,585	—	30,691	—	150,275
Due from clients	—	—	—	82,496	—	82,496
Derivative financial instruments	—	—	—	—	70	70
Financial assets held to maturity	—	—	16,103	—	—	16,103
Other assets	—	—	—	—	52	52
Subtotal	25,302	119,585	16,103	113,186	12,577	286,753
Contingent liabilities	—	—	—	339	—	339
Total at 30 June 2017	25,302	119,585	16,103	113,525	12,577	287,092
Breakdown by counterparty as of 31.12.2016						
Cash and balances with central banks	2,346	—	—	—	12,305	14,651
Due from banks	—	199,501	—	—	—	199,501
Due from clients	—	—	—	92,568	—	92,568
Derivative financial instruments	—	—	—	—	73	73
Financial assets held to maturity	—	—	16,318	—	—	16,318
Other assets	—	—	—	—	45	45
Subtotal	2,346	199,501	16,318	92,568	12,423	323,157
Contingent liabilities	—	—	—	389	—	389
Total at 31 December 2016	2,346	199,501	16,318	92,957	12,423	323,546

In CHF1,000	Central banks	Banks	Public sector entities	Private and institutional clients	Other	Total
Breakdown by counterparty as of 31.12.2015						
Cash and balances with central banks	18,567	—	—	0	1,010	19,577
Due from banks	—	137,668	—	—	—	137,668
Due from clients	—	—	—	108,108	—	108,108
Derivative financial instruments	—	—	—	—	57	57
Financial assets held to maturity	—	—	1,040	—	—	1,040
Other assets	—	—	—	—	18	18
Subtotal	18,567	137,668	1,040	108,108	1,085	266,469
Contingent liabilities	—	—	—	943	—	943
Total at 31 December 2015	18,567	137,668	1,040	109,052	1,085	267,412
Breakdown by counterparty as of 31.12.2014						
Cash and balances with central banks	2,196	—	—	0	928	3,124
Due from banks	—	189,008	—	—	—	189,008
Due from clients	—	—	—	118,028	—	118,028
Derivative financial instruments	—	—	—	—	1,255	1,255
Financial assets held to maturity	—	—	7,694	—	—	7,694
Other assets	—	—	—	—	36	36
Subtotal	2,196	189,008	7,694	118,028	2,218	319,144
Contingent liabilities	—	—	—	1,111	—	1,111
Total at 31 December 2014	2,196	189,008	7,694	119,139	2,218	320,255

In CHF1,000	Central banks	Banks	Public sector entities	Private and institutional clients	Other	Total
Breakdown by counterparty as of 01.01.2014						
Cash and balances with central banks	3,101	—	—	0	562	3,662
Due from banks	—	220,693	—	—	—	220,693
Due from clients	—	—	—	137,704	—	137,704
Derivative financial instruments	—	—	—	—	199	199
Financial assets held to maturity	—	—	—	—	—	—
Other assets	—	—	—	—	17	17
Subtotal	3,101	220,693	—	137,704	778	362,275
Contingent liabilities	—	—	—	16,404	—	16,404
Total at 1 January 2014	3,101	220,693	—	154,108	778	378,679

Operational Risk

Operational risk is the risk of losses due to faulty internal processes, procedures and systems, inappropriate behaviour by employees, or external influences. The definition includes legal risk as well as reputational risk. However, it excludes strategic risk.

Management of Operational Risk

The basic responsibility for operational risk is delegated directly to the individual front and back office units in the Bank.

The identification of operational risk is therefore part of the ongoing management activities and is performed whenever new business activities, processes, or products are introduced, and also at regular intervals for business activities, processes, and products already implemented.

Identified risks are mainly handled by the operational units. Decisions as to whether it is best to avoid, minimise, transfer, or accept a risk are primarily based on a cost/benefit analysis. Operational and legal risks are restricted by means of internal rules and directives regarding organisation and control as well as through internal control. Internal Audit, Risk Controlling and Product Management are performed by Walser Privatbank AG on behalf of Raiffeisen Privatbank AG.

The ongoing monitoring of operational risk is, whenever possible, embedded in the operational processes. Separation of functions and a dual control principle are crucial elements in monitoring. The Board of Directors oversees the management of operational risk based on standardised reporting and adhoc information.

Capital Management

Capital management takes place in an active and focused manner under consideration of internal goals and the demands of our clients and shareholders. The Bank strives to guarantee clients an appropriate degree of security in their banking relationship with us. In managing our capital, we monitor the capital required to secure our banking risk as well as available equity to support sustained growth and assure creditworthiness. Forecasts on trends in capital requirements are made to support the management process. As part of capital and balance-sheet-structure management, compliance with regulatory requirements and the fulfilment of business needs is monitored on an on-going basis.

Capital Adequacy

Starting February 1, 2015, the calculation of regulatory capital incorporates the capital requirements following the Capital Requirements Regulation (EU) No. 575/2013 (Capital Requirements Regulation — CRR) and the Capital Requirements Directive No. 2013/36/EU (CRD 4) as implemented into Liechtenstein law. The minimum capital requirement is 8% of risk weighted assets which consists at least of 4.5% common equity tier 1 (CET 1) capital, 1.5% additional tier 1 capital and 2% tier 2 capital. In addition, the Bank has to fulfill 2.5% buffer requirements (capital conservation buffer). The buffer requirement must be fulfilled with CET 1 capital.

Capital ratios measure capital adequacy by comparing the Bank's eligible capital with balance sheet assets, off-balance sheet commitments and market positions at weighted amounts to reflect their relative risk. Assets are weighted according to broad categories of notional risk, first being multiplied by a conversion factor and then being assigned a risk weighting according to the amount of capital deemed to be necessary for them. Off-balance sheet commitments and default risk positions are also multiplied and risk-weighted. Market risk is calculated with the standard approach.

The Bank has complied with all externally imposed capital requirements as at 31 December 2016 and 30 June 2017.

The following table analyses the Bank's capital-adequacy situation as defined for regulatory purposes:

In CHF1,000	**31.12.2016**	**31.12.2015**
Own Funds	39,720	40,485
Tier 1 capital	39,720	40,485
Common equity tier 1 (CET1)	39,720	40,485
Capital instruments eligible as CET1 Capital	20,000	20,000
Paid-in capital	20,000	20,000
Retained earnings	17,348	18,172
Legal reserves	2,099	2,048
Funds for general banking risk	400	400
Other intangible assets	(127)	(135)
Additional deductions of CET1 Capital due to Article 28 CRR	—	—
Additional tier capital (AT1)	—	—
Tier 2 capital (T2)	—	—
Capital instruments and subordinated loans eligible as T2 Capital	—	—
Total required equity	10,542	9,723

In CHF1,000	31.12.2016	31.12.2015
Credit risk (in accordance with standard approach)	8,910	8,138
Market risk (in accordance with standard approach)	52	29
Operational risk (in accordance with basic indicator approach)	1,579	1,555
Credit Value Adjustment (in accordance with standardised method)	1	0
CET1 capital ratio	30.1%	33.3%
Tier 1 capital ratio	30.1%	33.3%
Total capital ratio	30.1%	33.3%
Total risk-weighted assets	131,775	121,534

In CHF1,000	31.12.2014	01.01.2014
Statement of eligible capital		
Core capital (prior to adjustment)	40,513	40,385
less other elements to be deducted from core capital	—	—
— eligible core capital (adjusted core capital)	40,513	40,385
plus lower supplementary capital	—	—
less other deductions from supplementary capital, additional capital and total capital	—	—
Total eligible capital	40,513	40,385
Statement of required capital	**Equity requirement**	
Credit risk	8,608	7,246
Non-counterparty-related risks	2,993	3,026
Market risk	34	61
of which on foreign exchange and precious metals	34	61
of which on commodities	—	—
Operational risk	1,519	1,715
Total required capital	13,153	12,049
Ratio of eligible to required capital	3.08	3.35
BIS tier 1 capital ratio, in per cent	24.6%	26.8%
Total capital ratio, in per cent	24.6%	26.8%

Management of Equity Capital

Capital and balance-sheet-structure management, compliance with regulatory requirements and the fulfilment of business needs is monitored on an on-going basis.

The regulatory capital adequacy requirements and equity capital are calculated and managed at Bank level at Raiffeisen Privatbank Liechtenstein AG and within the parent — Walser Privatbank AG.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

M MAZARS

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel電話：(852) 2909 5555
Fax傳真：(852) 2810 0032
Email電郵：info@mazars.hk
Website網址：www.mazars.hk

22 December 2017

To the Directors of Mason Group Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Mason Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2017 and the related notes (the "**Pro Forma Financial Information**") as set out in Appendix III to the circular dated 22 December 2017 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the directors have compiled the Pro Forma Financial Information are described on pages III-4 to III-9 in Appendix III to the Circular.

The Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed acquisition (the "**Proposed Acquisition**") of entire issued share capital in Raiffeisen Privatbank Liechtenstein AG (the "**Target Company**") on the Group's unaudited consolidated statement of assets and liabilities as at 30 June 2017 as if the Proposed Acquisition had taken place on 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017, on which a review report has been published. Information about the statement of assets and liabilities of the Target Company as at 30 June 2017 has been extracted by the directors from the accountants' report of the Target Company as set out in Appendix II to the Circular, if applicable.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Mazars CPA Limited
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities (the "**Pro Forma Financial Information**") of the Enlarged Group (being Mason Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") together with Raiffeisen Privatbank Liechtenstein AG (the "**Target Company**")) in connection with the proposed acquisition of the entire issued capital of the Target Company by the Group (the "**Proposed Acquisition**").

The accompanying Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") to illustrate the effect of the Proposed Acquisition on the unaudited consolidated statement of assets and liabilities of the Group as if the Proposed Acquisition had been completed on 30 June 2017.

The Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group and the Target Company as included elsewhere in the circular dated 22 December 2017 (the "**Circular**") and the Company's published interim report for the six months ended 30 June 2017 and annual report for the year ended 31 December 2016.

The Pro Forma Financial Information of the Enlarged Group has been prepared based on a number of assumptions, estimates and uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up or at any future date. Further, the Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017, as extracted from the published interim report of the Company for the six months ended 30 June 2017; and (ii) the statement of financial position of the Target Company as at 30 June 2017, as extracted by the executive directors of the Company (the "**Executive Directors**") from the accountants' report of the Target Company as set out in Appendix II of the Circular, with adjustments described below that are directly attributable to the Proposed Acquisition and not relating to future events or decisions, factually supportable and clearly identified as to those have/have no continuing effect on the Group.

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2017	Audited statement of assets and liabilities of the Target Company as at 30 June 2017	Pro forma Adjustment	Pro forma Adjustment	Pro forma Adjustment	Unaudited pro forma adjusted consolidated statement of assets and liabilities of the Enlarged Group immediately after completion of the Proposed Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Property, plant and equipment	38,536	295,493		(23,129)		310,900
Intangible assets	763,288	1,160		55,213		819,661
Goodwill	477,094	—		130,311		607,405
Interests in subsidiaries	—	—	490,348	(490,348)		—
Interests in associates	215,168	—				215,168
Interests in joint ventures	32,380	—				32,380
Non-current deposits paid and prepayments	9,676	—				9,676
Available-for-sale financial assets	677,148	—				677,148
Loans receivables	248,122	—				248,122
Deferred tax assets	306	2,280		2,891		5,477
	2,461,718	298,933				2,925,937
Current assets						
Other assets		425				425
Inventories	272,967	—				272,967
Financial assets at fair value through profit or loss	443,328	—				443,328
Held-to-maturity investments	—	131,562				131,562
Derivative financial instruments	—	572				572
Cash deposits for reverse repurchase agreements	—	549,106				549,106
Loans receivables	775,126	673,992				1,449,118
Trade and other receivables	1,037,223	15,645				1,052,868
Due from banks		1,227,754				1,227,754
Pledged bank deposits	53,179	—				53,179
Bank balances and cash	2,593,906	308,475	(478,762)			2,423,619
	5,175,729	2,907,531				7,604,498

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2017	Audited statement of assets and liabilities of the Target Company as at 30 June 2017	Pro forma Adjustment	Pro forma Adjustment	Pro forma Adjustment	Unaudited pro forma adjusted consolidated statement of assets and liabilities of the Enlarged Group immediately after completion of the Proposed Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current liabilities						
Trade and other payables	661,804	2,429,611	11,586		23,948	3,126,949
Due to banks		166,219				166,219
Derivative financial instruments	—	547				547
Tax payables	21,798	344				22,142
Cash deposits for reverse repurchase agreements	—	277,780				277,780
Interest-bearing borrowings	349,305	—				349,305
	1,032,907	2,874,501				3,942,942
Net current assets	4,142,822	33,030				3,661,556
Total assets less current liabilities	6,604,540	331,963				6,587,493
Non-current liabilities						
Interest-bearing borrowings	20,000	—				20,000
Deferred tax liabilities	155,585	—		6,901		162,486
	175,585	—				182,486
Net assets	6,428,955	331,963				6,405,007

Notes:

(1) The balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as set out in the Company's interim report for the six months ended 30 June 2017.

(2) The balances are extracted from the audited statement of financial position of the Target Company as at 30 June 2017 as set out in Appendix II to the Circular. The amounts have been translated to the Company's presentation currency, Hong Kong dollars (HKD or HK$) at an exchange rate of Swiss Franc ("**CHF**")

1 = HK$8.17 as at 30 June 2017, and rounded to the nearest thousand. No representation is made that the CHF amounts have been, could have been or may be converted into HK$, or vice versa, at the rate applied or at any other rates or at all.

(3) The adjustment represents the fair value of the consideration of the Proposed Acquisition of approximately HK$490,348,000 to be paid by internal resources of the Group, according to the share purchase agreement entered into by Walser Privatbank Aktiengesellschaft and Raiffeisenbank Kleinwalsertal Beteiligungsmanagement-GmbH (collectively referred to as the "**Vendors**") and Mason Strategic Investment Company Limited, a wholly-owned subsidiary of the Company, on 18 October 2017 (the "**Sale and Purchase Agreement**"). Pursuant to the Sale and Purchase Agreement, the consideration of the Proposed Acquisition comprises of:

(a) The purchase price of the Proposed Acquisition is CHF58,600,000 (the "**Purchase Price**") (equivalent to approximately HK$478,762,000), subject to adjustments (if any), which shall be paid upon completion of the Proposed Acquisition.

(b) The Vendors shall be entitled to a sum equals to the difference between the value of the Target Company's equity as at the date of completion of the Proposed Acquisition (the "**Recalculated Equity Portion**") and the value of the Target Company's equity as at 31 December 2016 amounted to approximately CHF41,314,000 (equivalent to approximately HK$337,535,000), based on the audited financial statements of the Target Company as at 31 December 2016 prepared under Liechtenstein general accepted accounting principles (the "**Equity Portion**"). For the purpose of the Pro Forma Financial Information, the Executive Directors assumed that the Recalculated Equity Portion would be the net asset value of the Target Company of CHF40,632,000 (equivalent to approximately HK$331,963,000) as at 30 June 2017 as if the Proposed Acquisition had been completed on 30 June 2017. The difference between the Equity Portion over the Recalculated Equity Portion (the "**Closing Adjustment**") would be approximately CHF682,000 (equivalent to approximately HK$5,572,000), which shall be payable by the Vendors within five business days upon finalisation of the Closing Adjustment.

(c) Pursuant to the Sale and Purchase Agreement, the Purchase Price shall be increased in the amount of the adjustment specifically made in the financial statements of the Target Company for the period from 1 January 2017 to the date of completion of the Proposed Acquisition, in respect of the indemnities provided by the Vendors to indemnify and hold the Group (or at the option of the Group, the Target Company) harmless from and against the top up considerations, details of which were provided in the paragraph headed "Considerations" in the Circular. The Executive Directors estimated that the fair value of the top up considerations would be approximately CHF1,850,000 (equivalent to HK$15,115,000), CHF250,000 (equivalent to HK$2,043,000) and HK$Nil as at 30 June 2017 in respect of specific legal risk, specific loans and specific indemnity respectively (see page 14 of this Circular) with reference to the professional parties' estimation of the probability of occurrence and possible outcome of the events, which shall be added to the Consideration and HK$17,158,000 shall be payable to the Vendors within five business days upon finalisation of the top up considerations.

The Executive Directors confirm that they will apply the same accounting treatment after the date of completion and the reporting accountants concurred with this.

(4) The Group will recognise the acquisition of the Target Company as a business combination in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 3 (Revised) "*Business Combination*" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Goodwill of approximately HK$130,311,000 arising from the Proposed Acquisition is calculated as follows:

	HK$'000
Consideration at fair value	490,348
Carrying amount of identifiable assets and liabilities of the Target Company as at 30 June 2017	331,963
Fair value adjustments on intangible assets *(note 4(a))*	55,213
Fair value adjustments on tangible assets *(note 4(b))*	(23,129)
Deferred tax assets *(note 4(b))*	2,891
Deferred tax liabilities *(note 4(c))*	(6,901)
Fair value of identifiable assets acquired and liabilities assumed of the Target Company	360,037
Goodwill arising from the Proposed Acquisition *(note 4(d))*	130,311

(a) This represents the estimated fair value of intangible assets held by the Target Company at 30 June 2017. In the opinion of the Executive Directors, the fair value of intangible assets as at 30 June 2017 is estimated to be CHF6,758,000 (equivalent to approximately HK$55,213,000), represented by the Target Company's banking license of CHF2,275,000 (equivalent to approximately HK$18,587,000) and customer relationship of CHF4,483,000 (equivalent to approximately HK$36,626,000) with reference to a valuation report as at 30 June 2017 (the "**Valuation Report**") prepared by an independent professional valuer, Graval Consulting Limited. All of the intangible assets were acquired by the Group as a result of the Proposed Acquisition.

Banking license and customer relationship represent the rights of the Target Company engaged in the business of private banking, asset management and private lending and customers that maintained stable business relationship with the Target Company. The fair value of banking license was estimated based on income-based approach, i.e. relief from royalty method by using a royalty rate of 3% on the estimated revenue attributable to the banking license and the discount rate of 15.86%. The fair value of customer relationship was estimated based on income-based approach, i.e. multi-excess earnings method, with the estimated revenue and useful life of existing customer relationship using an attrition rate of 17.79% and the discount rate of 15.86%. Estimated future economic benefits attributed to the banking license and customer relationship were discounted at a rate which reflected the business risks in relation to the business operated.

(b) This represents the excess of the estimated fair value of the properties held by the Target Company, over their carrying amount, of CHF2,831,000 (equivalent to approximately HK$23,129,000) as at 30 June 2017. In the opinion of the Executive Directors, the fair values of the properties as at 30 June 2017 were estimated to be CHF33,337,000 (equivalent to approximately HK$272,364,000) with reference to the Valuation Report. The fair values of the properties were estimated based on a market-based approach by comparison of the prices at which other similar tangible assets or interests changed hands in arm's length transactions.

Deferred tax assets of CHF354,000 (equivalent to approximately HK$2,891,000) is recognised on the fair value adjustments of CHF2,831,000 (equivalent to approximately HK$23,129,000) on the properties at the Target Company's income tax rate of 12.5%.

(c) Deferred tax liabilities of CHF844,000 (equivalent to approximately HK$6,901,000) is provided on the fair value adjustments of the intangible assets of CHF6,758,000 (equivalent to approximately HK$55,213,000) in total at the Target Company's income tax rate of 12.5%.

(d) Goodwill arising from the Proposed Acquisition, being the excess of total consideration paid/payable over the fair value of identifiable assets and liabilities of the Target Company, is attributable to revenue growth, future market development and the assembled workforce from the Target Company. None of the goodwill recognised is expected to be deductible for income tax purpose. In addition, the Executive Directors are of the view that goodwill would not have any future impact on the cash flow of the Enlarged Group.

The fair value of the consideration of the Proposed Acquisition and identifiable assets and liabilities of the Target Company used in the preparation of the Pro Forma Financial Information are subject to changes up to the completion of the Proposed Acquisition, which shall be assessed on the date of completion of the Proposed Acquisition. Consequently, the actual allocation of the consideration, the resulting goodwill to be recognised in connection with the Proposed Acquisition at the acquisition date could be materially different from the estimated amounts stated herein and will likely result in different amounts than those stated in the Pro Forma Financial Information.

For the purpose of preparation of the Pro Forma Financial Information, the management has assessed whether goodwill may be impaired on a pro forma basis in accordance with Hong Kong Accounting Standard ("**HKAS**") 36 "*Impairment of Assets*" issued by the HKICPA. The Target Company is identified as a distinct cash generating unit ("**CGU**") for which goodwill is allocated to. The recoverable amount of the CGU has been determined based on the value in use calculation of the Target Company and making reference to the Target Company's historical financial performance. The Executive Directors determined the recoverable amount of the CGU with the assistance of an independent professional valuer for the purpose of preparation of the Pro Forma Financial Information.

Based on the impairment test of goodwill, the management assessed that the pro forma recoverable amount of the CGU is determined to be higher than the pro forma carrying amount of the CGU, including goodwill, and hence there is no pro forma impairment loss identified in respect of intangible assets and goodwill.

The reporting accountants concurred with the Executive Directors' assessment of the intangible assets and goodwill of the CGU in the unaudited Pro Forma Financial Information.

The Executive Directors confirm that they will apply consistent accounting policies and principal assumptions for the annual assessment of impairment of goodwill in the preparation of the consolidated financial statements of the Group after the completion of the Proposed Acquisition as required under HKAS 36.

(5) The adjustment represents the estimated acquisition-related costs of approximately HK$23,948,000, including accountancy, legal, valuation and other professional services related to the Proposed Acquisition, which would be recognised in profit or loss. The adjustment has no continuing effect on the consolidated assets and liabilities of the Enlarged Group in subsequent periods.

(6) Apart from the above, no other adjustments have been made to the Pro Forma Financial Information of the Enlarged Group to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 30 June 2017, where applicable.

Set out below is the management discussion and analysis of the Target Company for the three years ended 31 December 2014, 2015, 2016 and six months ended 31 June 2016 and 2017.

BUSINESS REVIEW

History and development

The Target Company, formerly known as Raiffeisen Bank (Liechtenstein) is a licensed private bank based in Liechtenstein focusing on private banking services while also offering services to external asset managers (EAM). Its head office is in Vaduz, Principality of Liechtenstein. The Target was founded as a subsidiary of Walser Privatbank AG, which has more than 30 years of experience in private banking in Europe. In 2003, the Target Company merged with the Austrian Erste Sparkasse Bank (Liechtenstein). The Target Company was subsequently renamed as The Target Company in 2010. In 2015, after the joining of Dr. Alexander Putzer and Dr. Georg Stöckl as CEO and CFO respectively, the Target Company implemented new strategies including focusing more on the higher margin private banking sector of the Target Company. Since incorporation, the Target Company has always been an indirect wholly owned subsidiary of Walser/Raiffeisen Banking group.

The Target Company did not have any non-compliance history since its incorporation.

Business of the Target Company

The Target Company divides its business into the Private Banking (PB) unit and the Institutional Clients (IC) unit. The PB unit primarily provides wealth management, brokerage and custody, and trust services to affluent and high net worth clients. The Target Company provides its clients a wide range of funds products including bond, equity, money market and mixed funds. Funds offered by the Target Company include third party funds of collective nature as well as self-developed fund products. The company also provide targeted asset management services to client with a minimum asset under management of EUR1.5 million.

The IC unit primarily services independent external asset managers (EAM). For independent asset managers or trustees who invest assets, the Target Company primarily serves as custodians, providing custody account management and all back office functions. For independent external asset managers who do not invest their own assets, the Target Company can offer both custodian bank function and other asset management services.

In addition, the bank also offers loans to its clients. These include collateralized loans, policy loans, and mortgages.

The Target Company derives its income through (i) interest income from loans to clients; (ii) brokerage fees and commission earned from providing brokerage services to clients; and (iii) financial transactions including forex trading, securities trading, and repo transactions. The Target Company also derives rental income from certain properties it owns in Liechtenstein.

The bank charges a 0.25% to 2% all-in management fee by Asset under Management. With regard to trading and brokerage services, the bank charges brokerage fee and commission plus depository fee according to trading volume ranging from 0.25% to 1.45%.

The Target Company conducts transactions within the private banking sector in Liechtenstein. Its principal activities include portfolio management mandates and investment advice. Furthermore, the Target Company is engaged in the lending business for its clients primarily granting loans. The Target Company's loan portfolio primarily includes collateralized loans, policy loans, mortgages, and overdrafts.

(i) Collateralized loans are loans secured by equity or fixed income securities with loan terms up to 10 years and effective interest rate of 8% p.a..

(ii) Policy loans are loans secured by insurance policies with loan term up to 10 years and effective interest rate of 8% p.a..

(iii) Mortgages are loans secured by real estates. Mortgage loans have loan terms of up to 35 years with effective interest rate of 0.5% – 2.0% p.a..

(iv) The Target Company charges a flat 1% loan-processing fee. Overdrafts interest rate are charged daily with an effective interest rate of 12% p.a..

Total operating income of the Target Company increased by approximately 4.2% from CHF9.6 million (equivalent to approximately HK$76.8 million) in FY2014 to approximately CHF10.0 million (equivalent to approximately HK$80.0 million) in FY2015, which was mainly attributable to the increase of net interest income, net income from commission and service fees and income from trading. Total operating income of the Target Company maintained at approximately CHF9.9 million (equivalent to approximately HK$79.2 million) in FY2016. Total operating income of the Target Company slightly decreased by approximately 2.0% from CHF5.0 million (equivalent to approximately HK$40.0 million) for six months ended 30 June 2016 to approximately CHF4.9 million (equivalent to approximately HK$39.2 million) for six months ended 30 June 2017, which was mainly due to slight decrease of income from trading. Income from trading relates to income from foreign exchange transactions for clients which decline for the six months ended 30 June 2017 because of the lower volume of foreign exchange transactions (amongst others, driven by lower repayments of loans in CHF).

The most significant source of income of the Target Company was the net income from commissions and service fees, which accounted for approximately 71.4% 69.7% 62.5% 62.5% and 64.9%, respectively, of total operating income for the three years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2016 and 2017. The second most significant source of income was net interest income of approximately 19.5%, 20.9%, 25.6%, 25.3%, and 25.7%, respectively, of total operating income for the three years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2016 and 2017.

Net income from commission and services fees of the Target Company amounted to CHF6.9 million (equivalent to approximately HK$55.2 million) in FY2014 and maintained at CHF7.0 million (equivalent to approximately HK$56.0 million) in FY2015. Net income from commission and services fees of the Target Company decreased by approximately 11.4% from CHF7.0 million (equivalent to approximately HK$56.0 million) in FY2015 to approximately CHF6.2 million (equivalent to approximately HK$49.6 million) in FY2016, which was due to (i) the decrease in trading volumes of clients' securities transactions which led mainly to the decline of the brokerage fees. Net income from commission and services fees of the Target Company slightly increased by approximately 3.2% from CHF3.1 million (equivalent to approximately HK$24.8 million) for six months ended 30 June 2016 to approximately CHF3.2 million (equivalent to approximately HK$25.6 million) for six months ended 30 June 2017, which was attributable to the increase of asset under management which led to the increase of custody account fees. The Target Company derives custody account fees from the depository fees and securities management services provided by the Target Company. The Target Company charges a custodial fee of approximately 0.25% to 0.5% on clients' assets.

Net interest income of the Target Company increased by approximately 10.5% from CHF1.9 million (equivalent to approximately HK$15.2 million) in FY2014 to approximately CHF2.1 million (equivalent to approximately HK$16.8 million) in FY2015, which was mainly attributable to the income from negative interest expense on due from banks. Net interest income of the Target Company increased by approximately 19.0% from CHF2.1 million (equivalent to approximately HK$16.8 million) in FY2015 to approximately CHF2.5 million (equivalent to approximately HK$20.0 million) in FY2016, which was attributable to the increase of income from reverse repurchase agreements. The Target Company started in FY2016 to invest their liquid assets in reverse repurchase agreements due to the relatively higher interest level. For six months ended 30 June 2016 and 2017, net interest income were stable and both amounted to CHF1.3 million (equivalent to approximately HK$10.4 million). For six months ended 30 June 2017, the Target Company continuously increased the volume in the reverse repurchase agreements which led to income of CHF0.5 million (equivalent to approximately HK$4.0 million) which was partially offset by the increase of interest expense on due to clients.

The Target Company is currently a participant on the SIX Repo Trading Platform (SIX) for repo trading. SIX is the sole provider of repo service for the Swiss National Bank ("**SNB**"), which is Switzerland's central bank. One of the reasons for the Target Company to enter into repo transactions is to secure short-term liquidity from the SNB. The SNB will buy securities from the Target Company on the condition that the Target Company will repurchase the securities later on with a preset price plus interest. Another reason for the Target Company to enter into repo transactions is to invest excess liquidity currently held by the bank in a secure and collateralised manner. The Target Company typically enters into repo transactions through SIX with other SIX participants, all of which are entities regulated and authorised by their relevant national financial market supervisory authorities.

Net profit after tax of the Target Company increased by 300.0% from CHF0.2 million (equivalent to approximately HK$1.6 million) in FY2014 to CHF0.8 million (equivalent to approximately HK$6.4 million) in FY2015 and further increased by 62.5% from CHF0.8 million (equivalent to approximately HK$6.4 million) in FY2015 to CHF1.3 million (equivalent to approximately HK$10.4 million) in FY2016. Net profit after tax of the Target

Company increased by 20.0% from CHF1.0 million (equivalent to approximately HK$8.0 million) for the six months ended 30 June 2016 to CHF1.2 million (equivalent to approximately HK$9.6 million) for the six months ended 30 June 2017.

FINANCIAL REVIEW

Liquidity, Financial Resources and Funding

Operational liquidity risk management takes place at the Target Company, which is required to comply with the legal requirements of Liechtenstein law in terms of liquidity and minimum reserves. The regular measurement of the insolvency risk is carried out by measuring the Liquidity Coverage Ratio ("LCR") as required by Liechtenstein law. The maintenance of liquidity at all times within the Target Company has the highest priority. This is assured with a large balance of high quality liquid assets ("HQLA") such as cash and cash equivalents. In addition to the Liquidity Coverage Ratio, the Net Stable Funding Ratio ("NSFR") is calculated since 2015 by the Target Company, which dictates the structural liquidity of credit institutions whereby a time horizon of one year is considered and is designed to ensure matched financing on a long-term basis.

Liquidity Coverage Ratio

The Liquidity Coverage Ratio ("**LCR**") states that at minimum and on an ongoing basis, the banks must maintain an adequate level of unencumbered HQLA that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under severe liquidity stress scenario.

$$\text{LCR} = \frac{\text{Stock of HQLA}}{\text{Total net cash outflow for 30 days}}$$

Net Stable Funding Ratio

- The objective of NSFR is to promote more medium and long-term funding of the assets and activities of banking organizations.

- Institutions are required to maintain a sound funding structure over one year in an extended firm-specific stress scenario.

- Assets currently funded and any contingent obligations to fund must be matched to a certain extent by sources of stable funding.

- NSFR is designed to act as a minimum enforcement mechanism to complement the LCR and reinforce other supervisory efforts by promoting structural changes in the liquidity risk profiles of institutions away from short-term funding mismatches and toward more stable, longer-term funding of assets and business activities.

- It aims to limit over-reliance on short-term wholesale funding during times of buoyant market liquidity and encourage better assessment of liquidity risk across all on- and off-balance sheet items.

$$\text{Net Stable Funding Ratio} = \frac{\text{Available stable funding}}{\text{Required stable funding}}$$

The two ratios are calculated since 2015 in the European Economic Area. The ratios were formulated by the Basel committee in the context of Basel III. The European Commission and the European Banking Authority has not finalized the legal framework for the NSFR.

The NSFR compares the amount of a firm's available stable funding ("ASF", the ratio's numerator) to its required stable funding ("RSF", the ratio's denominator) to measure how the firm's asset base is funded. The NSFR is seen by Basel Committee on Banking Supervision as a complement to its previously finalized Liquidity Coverage Ratio ("LCR") which is intended to promote short term resilience of a firm's liquidity risk profile.

The purpose of this requirement is to ensure that banks can manage stressed market conditions, under which the bank is assumed to suffer substantial outflows of the cash previously deposited with it.

The LCR for the year ended 31 December 2015 and 2016 were 104.20% and 82.72%, respectively, which were in compliance with the minimum requirements under the relevant Liechtenstein Law. The ratio is lower in 2016 compared to that in 2015 is because of the higher liabilities due to clients in 2016 than those in 2015.

The NSFR for the year ended 31 December 2015 and 2016 were 167% and 287%, respectively.

Henceforward, the Target Company's liquidity risk management includes the continual monitoring of liquidity. The Target Company always holds an amount of liquid assets that is above the minimum required by Liechtenstein banking legislation (i.e. 1.0). As at 30 June 2017, the Target Company's LCR is 2.3 which means that the Target Company holds 2.3 times more liquid assets as required by Liechtenstein law.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the total liabilities of the Target Company amounted to approximately CHF317.4 million (equivalent to approximately HK$2,539.2 million), CHF263.9 million (equivalent to approximately HK$2,111.2 million), CHF329.6 million (equivalent to approximately HK$2,636.8 million) and CHF351.8 million (equivalent to approximately HK$2,814.4 million), respectively.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the total borrowings of the Target Company amounted to approximately CHF50.5 million (equivalent to approximately HK$404.0 million), CHF51.1 million (equivalent to approximately HK$408.8 million), CHF20.4 million (equivalent to approximately HK$163.2 million) and CHF20.3 million (equivalent to approximately HK$162.4 million), respectively. The total borrowings consist of due to banks only. Due to banks are short term interbanking borrowings with maturities of less than one year's arising within the normal course of banking business. As at 31 December 2014, 2015, 2016 and 30 June 2017, the average interest rates of due to banks are approximately 0.30%, 0.45%, 0.25% and 0.60%.

The Target Company's gearing ratio, calculated on the basis of total borrowings divided by shareholders' equity, was approximately 127.3%, 127.4%, 52.0% and 50.1% as at 31 December 2014, 2015, 2016 and 30 June 2017.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the total assets of the Target Company amounted to approximately CHF357.1 million (equivalent to approximately HK$2,856.8 million), CHF304.0 million (equivalent to approximately HK$2,432.0 million), CHF368.9 (equivalent to approximately HK$2,951.2 million) and CHF392.5 (equivalent to approximately HK$3,140.0 million), respectively.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Company has asset under management amounted to approximately CHF1,131.9 million (equivalent to approximately HK$9,055.2 million), CHF965.1 million (equivalent to approximately HK$7,720.8 million), CHF1,044.7 million (equivalent to approximately HK$8,357.6 million), CHF1,025.6 million (equivalent to approximately HK$8,204.8 million).

The breakdown of the assets under management is set out in Note 27 of the Accountant's report included in Appendix II.

In addition, with respect to the asset-type breakdown, as of 30 June 2017, the Target Company has an asset under management of approximately CHF1,025.6 million, of which approximately CHF 629.4 million are securities; CHF291.5 million is in loan portfolios; and the remaining CHF 104.7 million are assets with management mandate (client's assets deposited with third parties managed by the bank.

As at 31 December 2014, 2015, 2016 and 30 June 2017, Target Company has cash and cash equivalents (which consist of cash and balances with central banks and due from banks) amounted CHF192.1 million (equivalent to approximately HK$1,536.8 million), CHF157.2 million (equivalent to approximately HK$1,257.6 million), CHF214.2 million (equivalent to approximately HK$1,713.6 million) and CHF188.0 million (equivalent to approximately HK$1,504.0 million), respectively.

Treasury Policies

The Target Company had implemented treasury policies to keep a low risk profile and imposed limit regarding maturity, volume, rating of counterparties, interest rate risk, currency and liquidity. Liquidity limit is monitored on a daily basis. The adequacy of the treasury policy is reviewed by the management of the Target Company every year.

Foreign Currency Management

The Target Company held foreign currency positions mainly in CHF, EUR and USD. The Target Company monitors its foreign currency exposure closely and on a ongoing basis. The Target Company's foreign currency exposure of the statement of financial position is marginal. The Target Company refinance its liabilities with the same foreign currencies and invest them in due from banks, reverse repurchase agreements or deposits with central banks. Therefore, the Target Company does not use any derivative financial instruments for hedging purposes. Derivative financial instruments are used exclusively in transactions for clients.

Pledge of Assets

As at 31 December 2014 and 2015, no assets had been pledged by the Target Company. As at 31 December 2016 and 30 June 2017, the Target Company had pledged assets held to maturity for repurchase agreements at CHF13.3 million (equivalent to approximately HK$106.4 million) and CHF0.4 million (equivalent to approximately HK$3.2 million), respectively.

Contingent Liabilities

As at 31 December 2014, 2015, 2016 and 30 June 2017, the contingent liabilities of the Target Company amounted to approximately CHF1.1 million (equivalent to approximately HK$8.8 million), CHF0.9 million (equivalent to approximately HK$7.2 million), CHF0.4 million (equivalent to approximately HK$3.2 million) and CHF0.3 million (equivalent to approximately HK$2.4 million), respectively. The contingent liabilities were entirely comprised of loans security guarantees.

Further, the Target Company is faced with claims presented by former clients which had portfolio accounts with the Target Company while they relied upon external asset managers for their investment decisions. These clients accuse the Target Company of being responsible for incurred losses. The Target Company, together with its legal advisers, concluded that the probability of an outflow of economic resources is not probable, but not remote. Therefore, the Target Company has not recognized a provision for these claims as they represent contingent liabilities. Because the respective legal proceedings are still in early stage, the Target Company is not able to reliably estimate the amount of this contingent liability.

Capital Commitment

As at 30 June 2017, the Target Company did not have any material capital commitment.

Major Acquisition and Disposal

For the three years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2016 and 2017, the Target Company had no material acquisitions and disposals of subsidiaries and associated companies.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Company employed 36.9, 28.0, 25.7 and 26.5 full time equivalent employees (headcounts multiplied with their actual workload (eg. 70%, 100%)). The Target Company recruits, employs, promotes and remunerates its employees based on their qualifications, experience, skills, performances and contributions. The Target Company makes contributions for its employees to a pension plan that provides benefits in the event of death, disability, retirement, or termination of employment. The Target Company does not have any share-based payments. The remuneration policy of the Target Company's senior management is also regularly monitored by the executive director of Target Company.

CHANGES IN SHARE CAPITAL AND CAPITAL STRUCTURE

For the three years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2016 and 2017, the Target Company had no changes in share capital and capital structure.

BUSINESS PROSPECTS AND FUTURE DEVELOPMENT

It is expected that the completion of the Acquisition would not have any significant impact to the daily operation and administration of the Target Company and the Target Company will be operated and managed by the management team of the Target Company.

The Target Company has no plans for any material investment or acquisition of capital assets currently.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from Graval Consulting Limited, an independent valuer, in connection with its valuation as at 31 December 2016 of the fair market value of entire issued share capital in the Target Company.

graval Consulting

Graval Consulting Limited
Suite 1702, 17/F, Chinachem Tower
No. 34–37 Connaught Road Central
Hong Kong

22 December 2017

The Board of Directors
Mason Group Holdings Limited
Units 4708–10, 47/F
The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

Re: Valuation of 100% equity interest in Raiffeisen Privatbank Liechtenstein AG

In accordance with your instructions, we have conducted a valuation of the fair market value of the 100% equity interest in Raiffeisen Privatbank Liechtenstein AG ("**Business Enterprise**" and together with its subsidiaries, "**Group**"), a Liechtenstein incorporated company that is principally engaged in private banking business in Liechtenstein. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair market value of the Business Enterprise as at 31 December 2016 ("**Valuation Date**").

This report states the purpose of valuation and premise of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is being prepared solely for the directors and management of Mason Group Holdings Limited ("**Company**") for incorporation into a circular in connection with the proposed acquisition ("**Proposed Acquisition**") of the Business Enterprise by the Company.

The Proposed Acquisition, if materialized, and the corresponding transaction price would be the result of negotiations between the transacting parties. The directors and management of the Company should be solely responsible for determining the consideration of the Proposed Acquisition, in which Graval Consulting Limited ("**Graval**") is not involved in the negotiation and has no comment on the agreed consideration. Furthermore, Graval assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2. PREMISE OF VALUE

Our valuation has been prepared in accordance with the International Valuation Standards ("**IVS**") published by the International Valuation Standards Council and the RICS Valuation — Global Standards 2017 ("**RICS**") published by the Royal Institution of Chartered Surveyors, where applicable.

Our valuation is based on the going concern premise and conducted on a fair market value basis. **Fair market value** is defined as the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

3. SOURCES OF INFORMATION

We relied on the following major documents and information in the valuation analysis. Some of the information and materials are furnished by the management of the Company, the Group and their representatives (collectively, "**Management**"). Other information is extracted from public sources such as government sources, HKEX news, Bloomberg and Duff & Phelps, LLC, etc.

The major documents and information include the following:

- Business licences of the Business Enterprise;
- Banking license issued to the Business Enterprise and other relevant licenses, permits and approvals for operations granted by relevant officials and authorities;
- Due diligence draft report ("**DD Report**") for the Proposed Acquisition issued by Ernst & Young and dated 3 May 2017; and
- Historical financial information such as income statements and balance sheets of the Group;

In the course of our valuation, we have had discussion with the Management on the industry and the development of the Business Enterprise. Furthermore, we have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We consider that we have obtained adequate information from the sources described above to provide a reliable opinion of value.

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

4. COMPANY PROFILE

4.1. Mason Group Holdings Limited

The Company is listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 0273). The Company and its subsidiaries is a health and wealth solution service conglomerate which is principally engaged in provision of comprehensive financial services in Hong Kong.

Its business includes dealing in securities, commodities broking, bullion trading services, securities margin financing, investment and corporate finance advisory services, investment in securities trading, money lending and investment holding.

4.2. Raiffeisen Privatbank Liechtenstein AG

The Business Enterprise was established in Liechtenstein in 1998. It is a joint stock company with company registration number FL 0001.548.573 — 9. The principal place of business of the Business Enterprise is at Austrasse 51, Vaduz, Ll — 11 9490, Liechtenstein. Its scope of business is the provision of private banking services including custodian bank and other related financial services to institutional clients. By the end of 2016, there were 33 employees hired by the Business Enterprise.

Based on the audited financial result provided by the Management, for the year ending on 31 December 2016, the net revenue of the Business Enterprise amounted to approximately CHF10.08 million and recorded a net income of around CHF1.47 million, up 44.2% as compared to CHF1.02 million for the previous corresponding period. The Business Enterprise had total assets of CHF369.63 million, increasing by 21.4% on a year-over-over basis, and mainly comprising cash & cash equivalents, due from banks & clients and property. The net assets of the Business Enterprise were approximately CHF40.91 million.

5. SHAREHOLDING STRUCTURE

As of the Valuation Date, the Business Enterprise was jointly-owned as to 15% by Walser Privatbank AG ("**Vendor A**") and 85% owned as to Raiffeisenbank Kleinwalsertal Beteiligungsmanagement GmbH ("**Vendor B**"). The latter is however wholly owned by Vendor A. Vendor A is a private bank founded in 1984 and is principally engaged in provision of wealth management and personal private banking in Austria.

The shareholding and corporate structure of the Business Enterprise before the Proposed Acquisition is set out below:

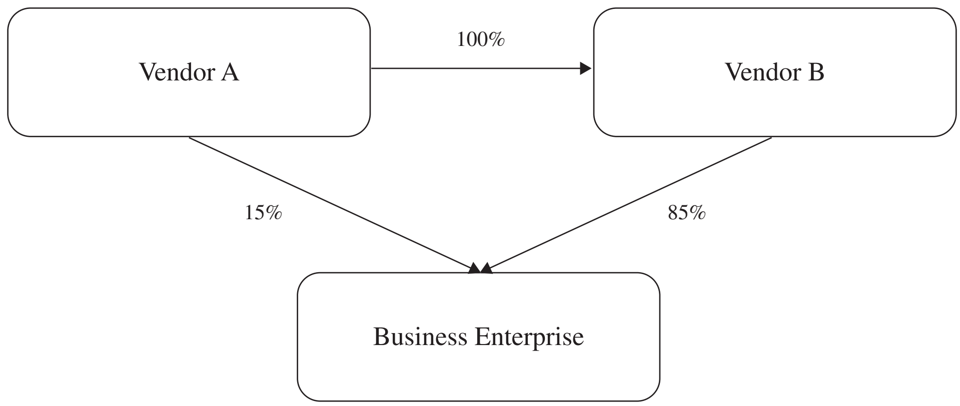

Figure 1: Shareholding structure before the Proposed Acquisition

Source: Management

Upon completion of the Proposed Acquisition, the Business Enterprise will become an indirect wholly owned subsidiary of the Company.

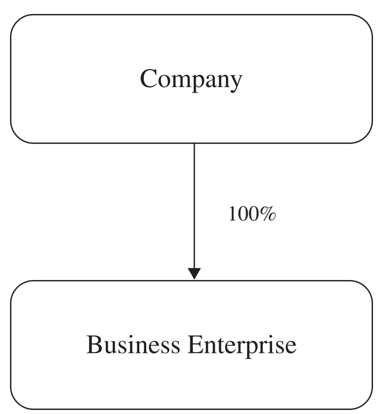

Figure 2: Shareholding structure after the Proposed Acquisition

Source: Management

6. BUSINESS OVERVIEW

The Business Enterprise is a fully licensed private bank with headquarters based in the principality of Liechtenstein, focusing on private banking services while also offering services for external asset managers. According to Liechtenstein Bankers Association, among the 14 licensed banks focusing on wealth management business, the Business Enterprise was the tenth largest member bank by total net assets as of 31 December 2015. Its business could be principally divided into two units:

- Private banking which provides advisory, discretionary portfolio management and other services (accounts, card, trading etc.) for clients with a minimum target asset level; and

- Institutional clients which serves as custodian bank for external asset managers, providing advisory, account and custody management as well as back and middle office services.

6.1. Sources of Revenue

The major sources of revenue include interest income, income from commissions and services and income from financial transactions. In addition to the operating assets of cash & cash equivalents and due from banks and clients, the Business Enterprise holds bank buildings as non-core operating assets, representing approximately 88.17% of net asset value. Part of the buildings has been used as office and the remaining portion has been leased to other corporations for other income.

6.2. Assets Under Management

By the end of 2016, the assets under management ("**AuM**") approximated to CHF1,047 million, comprising private banking of CHF674 million and institutional clients of CHF373 million. Most of the customers under institutional client unit are mainly external asset managers. In addition, the Business Enterprise offers loan to its clients. Taking into account the loan book, the business volume amounted to CHF1,140 million.

As of 31 December 2016, the client base of the Business Enterprise consists of 3,144 accounts, of which 2,763 accounts have average AuM below CHF500,000, representing approximately 87.9% of total accounts. The top 10 accounts contributed 21.0% to total AuM. The average revenue margin of the account was around 76 basis points.

The relationship managers usually serve a wide range of clients from lower wealth bands to higher wealth bands, and not focusing on particular specific wealth band. Furthermore, the relationship managers tend to focus on larger accounts in their portfolio by delivering more intensive services with corresponding higher fee rates. Those accounts execute more trades and thus increase the income of the Business Enterprise from this commission revenue stream.

The top account holder domicile is Liechtenstein accounting for 520 accounts and accumulating CHF424 million AuM, equivalent to approximately 16.5% and 43.8% total accounts and total AuM respectively. Among the existing client base, approximately 40.2% are German based account holders, totalling 1,264 accounts with accumulating AuM of CHF259 million. The top three account domiciles are Liechtenstein, Germany and Switzerland, contributing around 76.5% of total AuM, amounting to CHF740 million.

7. ECONOMIC OVERVIEW

This section of the economic overview is based on the research reports conducted by Hong Kong Trade Development Council, ContryWatch and the Office of Statistics of Liechtenstein, namely European Union: Market Profile, Liechtenstein 2017 Country Review and Liechtenstein in Figures 2017 respectively.

7.1. European Union

For the EU as a whole, the loss of UK, a leading financial centre and one of the few comparatively fast-expanding economics in Europe, will definitely have negative repercussions on EU growth. The union would further suffer from the absence of an influential supporter of trade and service liberalisation. At member state level, those with stronger trade, investment and financial links to the UK, such as Ireland and the Netherlands, would be most affected.

More seriously, the UK departure could lead to a domino effect that threatens the whole EU, spurring some other member states, notably Italy, France, the Netherlands, Sweden and Denmark, to push for their own membership referendums. Even if no other member states ultimately choose to leave, any intensified anti-EU sentiment will hinder the further integration and development of the union, which may translate into a less lucrative, yet more difficult, market for the rest of the world.

		2015	**2016^{e}**
Population (million)	:	508	510
Gross domestic product (US$ billion)	:	16,300	16,500
GDP per capita (US$)	:	38,100	39,200
Real GDP growth (%)	:	2.3	1.8
Inflation (%)	:	0.0	0.3
Unemployment rate (%)	:	9.4	10.1

* *Figures above are subject to rounding*

Table 1: EU major economic indicators

Source: HKTDC

7.2. Liechtenstein

With a land area of just 62 square miles and a population of about 37,622 in 2015, the principality of Liechtenstein is one of the world's smallest countries, tucked away in the Alps between Austria and Switzerland. Despite its small size and limited natural resources, Liechtenstein has developed into a prosperous, well-diversified and highly industrialized economy. It has an extremely diverse national economy with a large number of small and medium-sized enterprises. Its major sectors include manufacturing, tourism and financial services. The high value-added generated is mainly attributed to a strong industrial sector and to financial service providers. At the same time, the contribution of the public sector to the national economy is comparatively small.

Lower business taxes and easy incorporation rules have attracted many so-called letter-box companies to establish nominal offices in Liechtenstein, providing about 30% of state revenue. Liechtenstein is fully integrated with Switzerland, of which it maintains a monetary and customs union, and use the Swiss franc as its national currency. The country is also a member of the European Economic Area, and about 60% of Liechtenstein's exports go to Western European countries.

		2014	2015
Population	:	37,366	37,622
Gross domestic product (US$ billion)	:	6.39	6.66
GDP per capita (US$)	:	141,165	141,165
Inflation (%)	:	0.0	–1.1
Unemployment rate (%)	:	2.4	2.4

* *Figures above are subject to rounding*

Table 2: Liechtenstein major economic indicators

Source: Office of Statistics of Liechtenstein and tradingeconomics.com

8. INDUSTRY OVERVIEW

This section of the industry overview is based on the research reports conducted by PwC and Financial Market Authority of Liechtenstein, namely Asset & Wealth Management Insights Asset Management 2020: Taking stock and Liechtenstein Financial Market 2017 edition.

8.1. Global Market

Changing markets and investor needs have combined to produce a positive environment and huge opportunities for asset and wealth management players. The rise in value of investable assets over the last two to three decades has been driven by increasing financialization across major economies, ageing of OECD market populations and the shift towards funded/defined contribution plans, disintermediation of commercial banks as regulators have constrained their growth, and imbalances in trade-driven flows and financial savings versus local investment needs across major markets.

The trend is continuing and assets are expected to be significantly larger by 2020 than today. The increased headline figure of US$111.2 trillion, compares with US$78.7 trillion at the end of 2015.

Both a faster rise to date in high net worth individuals' assets ("**NHWI**") and the sector's growing ability to capture those assets, causing the increase in forecast for total client's assets from US$277.8 trillion to US$28.34 trillion, of which the sector will manage 39.2% of them by 2020.

		2012	2013	2014	2015	2020e
Pension funds	:	33.9	35.8	38.7	38.2	55.8
Insurance companies	:	24.1	26.1	26.2	27.1	38.8
Sovereign wealth funds	:	5.3	6.1	6.3	6.7	10.0
NHWI	:	52.4	59.2	69.6	67.8	83.5
Mass affluent	:	59.5	64.2	67.2	62.5	96.3
Total client assets	:	175.2	191.4	208.0	202.3	284.4
Global AuM	:	63.9	71.9	78.0	78.7	112.0
Penetration rate	:	36.5%	37.6%	37.5%	38.9%	39.4%
Growth	:	1.5%	12.6%	8.4%	0.9%	7.2%

* *Figures above are subject to rounding*

Table 3: Global historical asset management breakdown and forecast (in US$ trillions)

Source: Office of Statistics of Liechtenstein and tradingeconomics.com

8.2. Liechtenstein Market

The international economy is of crucial importance to the Liechtenstein financial centre, which operates internationally and is highly interconnected. In a very demanding economic environment with low interest rates and high regulatory pressure, the banking sector generated higher income and net new money inflows. At CHF234.8 billion, the assets under management of Liechtenstein banks, including their foreign group companies, reached a record high. Asset management companies slightly increased assets under management. The net assets under management in investment undertakings (funds) also grew slightly. In contrast, premium income in the insurance sector fell slightly in 2016 compared with previous year.

Banks

Liechtenstein banks focus their activities primarily on private banking and wealth management. Due to Liechtenstein's membership in the European Economic Area ("**EEA**"), the banks possess full freedom to provide services throughout the European single market. Some banks are also active outside Europe, especially in Asia, through subsidiaries or representative offices. Upon completion of a voluntary liquidation, the number of licensed banks fell from 16 to 15 in 2016.

The assets under management of banks (banks in Liechtenstein including foreign group companies) amounted to CHF234.8 billion at the end of 2016 (previous year: CHF209.5 billion). Of that amount, banks in Liechtenstein managed CHF136.8 billion (previous year: CHF130.5 billion). This means that at a consolidated level, assets under management reached a new record high.

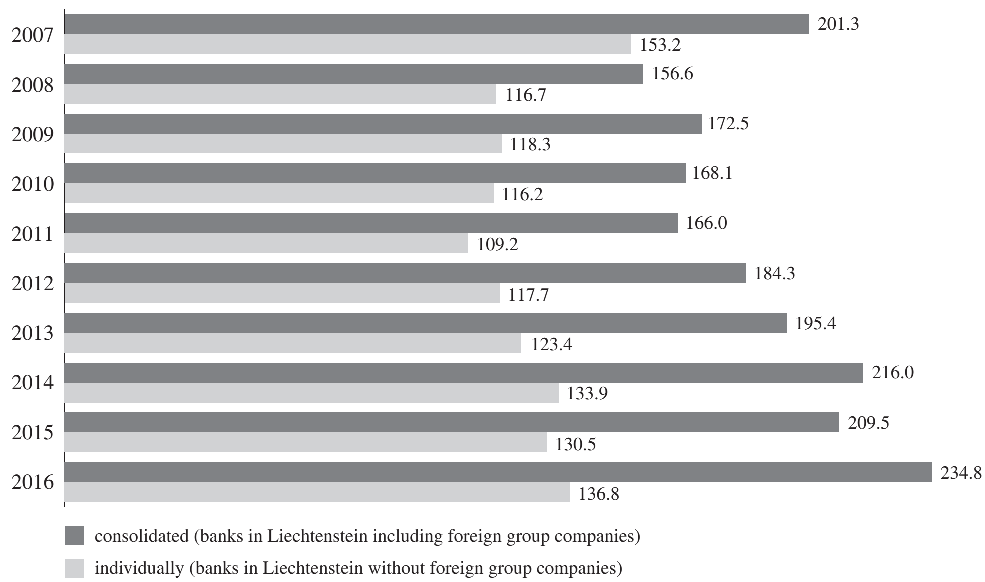

Figure 3: Assets under management of Liechtenstein banks (in CHF billions)

Source: Financial Market Authority of Liechtenstein

The net inflow of new money of the Liechtenstein banks including foreign group companies amounted to approximately CHF20.3 billion (previous year: CHF8.5 billion). Of that amount, CHF3.0 billion was attributable to the Liechtenstein banks (previous year: CHF3.1 billion). Major differences can be seen among the individual banks.

Earnings before tax improved on a consolidated basis (banks in Liechtenstein including foreign group companies) compared with the previous year, rising from CHF390.3 million in 2015 to CHF474.1 million in 2016. This corresponds to an increase of 20.4%. This was mainly due to income from transactions (+27.8%) and net interest income (+22.8%). Because operating expenses also increased, the cost/income ratio of 68.9% was comparable to the previous year's level (67.1%).

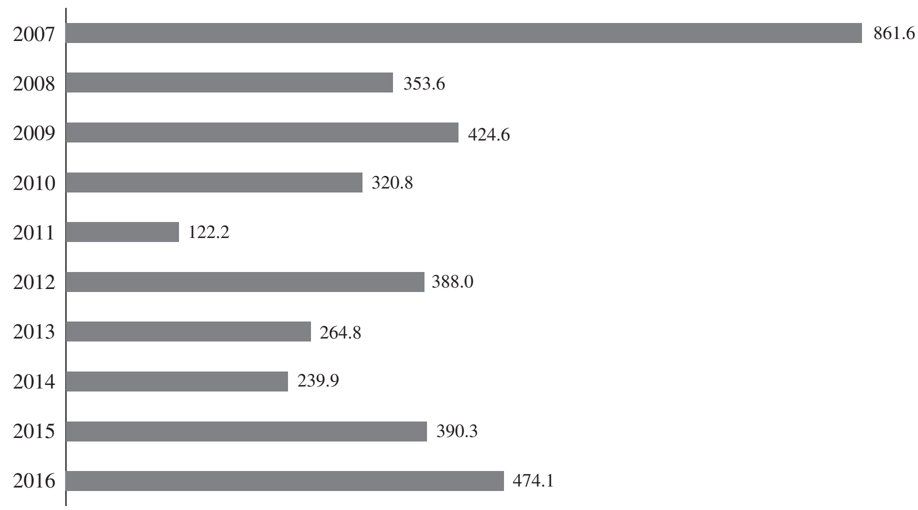

Figure 4: Earning before tax (EBT) of the banks in Liechtenstein (in CHF millions)

Source: Financial Market Authority of Liechtenstein

The number of full-time equivalent jobs at banking institutions at the end of 2016 was about 2,313 (previous year: 2,186). The number of jobs at banks including group companies rose by 10.9% over the previous year to 4,620 at the end of 2016.

Asset Management Companies

The core business of asset management companies includes portfolio management and investment advisory services. They also work in securities and financial analysis as well as the acceptance and transmission of orders dealing with financial instruments. Asset management companies are not allowed to receive or hold assets by third parties. Asset management companies are also investment firms as defined by Directive 2004/39/EC.

At the end of 2016, 116 asset management companies held licenses in Liechtenstein (previous year: 117). They employed a total of 646 employees at the end of 2016 (previous year: 621). At the end of 2016, the asset management companies had a total of 10,267 client relationships, of which 7,281 included an asset management mandate. The companies' assets under management rose by about 5.5% to CHF35.13 billion, of which CHF20.37 billion or 58.2% (previous year: CHF21.0 billion or 63.0%) were invested at Liechtenstein banks.

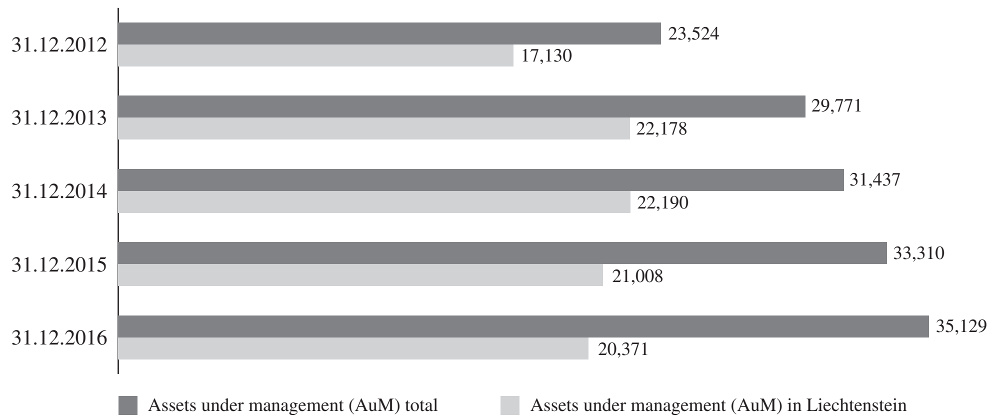

Figure 5: Development of assets under management of asset management companies (in CHF millions)

Source: Financial Market Authority of Liechtenstein

Figure 6: Development of number of client relationships of asset management companies

Source: Financial Market Authority of Liechtenstein

Investment Undertakings (Funds)

Due to stability and international compatibility, the Liechtenstein fund centre offers attractive framework conditions for fund providers and their products.

Taking account of liquidations and deletions, the number of Liechtenstein funds fell by a total of 20 to 490 funds as of the end of 2016 (previous year: 510). At the end of 2016, 695 subfunds/single funds were authorized (previous year: 714).

The funds were managed by a total of 16 authorization holders. Authorization holders included 15 fund managers or alternative investment fund managers (AIFMs) and one self-managing investment company.

The net assets under management at the end of 2016 amounted to CHF46.03 billion (previous year: CHF 45.24 billion).

As a marketing location for foreign funds, Liechtenstein recorded a decrease from the previous year. Taking account of mergers, non-launches, and liquidations, the number of foreign funds authorized in Liechtenstein fell to 126 (previous year: 160) and the number of subfunds authorized for marketing fell to 990 (previous year: 1006).

		2012	2013	2014	2015	2016
Number of Individual funds	:	791	779	735	714	695
AuM of funds (CHF billions)	:	37.2	38.4	46.2	45.2	46
Number of foreign funds	:	177	156	147	160	126
Number of subfunds	:	1,026	1,002	1,035	1,006	990

* *Figures above are subject to rounding*

Table 4: Development of investment undertakings (funds)

Source: Financial Market Authority of Liechtenstein

9. INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to the historical performance, operations and industry, and other relevant information of the Business Enterprise. In addition, we have made relevant enquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which affect the operation of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of the Business Enterprise;
- Historical information of the Business Enterprise;
- Financial condition of the Business Enterprise;
- Proposed business development of the Business Enterprise;
- Nature and terms of the relevant agreements, contracts, licenses, permits and rights;
- Regulations and rules of the relevant industries;
- Economic and industry data affecting the markets and other dependent industries;

- Market-derived investment return(s) of similar business; and
- General global economic outlook.

10. GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to value business subject:

- Market Approach;
- Asset Approach; and
- Income Approach.

Under each approach, various methods are available for assessing the value of a business subject and each uses a specific procedure to determine the business value.

Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing businesses that are similar in nature. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one business valuation approach or method is definitive. Detailed discussion of each approach is presented in the *ADDENDUM I — VALUATION APPROACHES* of this report.

11. VALUATION ANALYSIS

11.1. Methodology

In the process of valuing a business subject, we have taken into consideration of the business nature, specialty of its operation and the industry it is participating. Though the principal activities are private banking and wealth management, the Business Enterprise owns bank buildings based in the capital of Liechtenstein, accounting for approximately 88.17% and 9.76% of net asset value and total asset value respectively. The bank buildings are a non-core operating asset ("**Property Unit**") which generates cash flow independently and whose cash flow is largely independent of the cash flows generated by private banking and wealth management businesses ("**Private Banking Unit**"). The assets of the Business Enterprise could be segmented into two units based on its income nature and operations, and thus are subject to separate and independent valuations. We have therefore valued the Business Enterprise by using sum-of-the-parts ("**SOTP**") analysis.

Private Banking Unit

Among the three general valuation approaches, we believed that the Market Approach would be appropriate and reasonable in the valuation of the Private Banking Unit. The Income Approach is not adopted as the projections would involve a high level of uncertain, long-term forecast estimates and underlying assumptions. On a going concern basis, the Asset Approach is not appropriate as the cost of reproducing and replacing the assets ignores the future economic benefits of the business as a whole. We have therefore relied solely on the Market Approach in determining our opinion of value.

Under the Market Approach, we have considered two commonly used methods of valuation, the Guideline Public Company Method and the Comparable Transaction Method. The Guideline Public Company Method is applied as there are certain publicly traded companies engaged in the same or similar line of business as the Business Enterprise that can be identified. The shares of these publicly traded companies are actively traded in free and open markets and provide valid indicators of value to permit meaningful comparison. The application of the Comparable Transaction Method is limited as there are insufficient direct comparable transactions to form a reliable opinion of value. Precedent transactions are rarely directly comparable as every acquisition target of the deals has its own set of unique circumstances and characteristics including but not limited to locations, timing and size of deal, which makes direct comparison difficult. Sometimes premiums or discounts or synergies have also been considered in the transactions which are not easily known to the public. Adjustments and control for differences between the valuation subject and comparable transactions might be needed but it would somehow involve judgmental and unobservable inputs or assumptions and thus might produce an unreliable result of limited usefulness. In this valuation, Comparable Transaction Method is therefore not recommended but only for an additional reference as presented in the *ADDENDUM II — PRECEDENT TRANSACTIONS REFERENCE*.

For valuation of financial service company, equity multiples are more commonly suitable than value multiples such as Enterprise Value-to-Earnings Before Interests & Taxes ratio ("**EV/EBIT**") or Enterprise Value-to-Earnings Before Interests, Taxes, Depreciation & Amortization ratio ("**EV/EBITDA**"), as the operating and financing activities of financial service company cannot be clearly separated. With respect to equity multiples, Price-to-Sales ratio ("**P/S**") is not applicable as the revenue does not account for relevant costs which are critical to the private banking operations including the interest expenses and provision for impairment loss, and thereby fails to demonstrate the true earning power of the financial service company. Price-to-Net Book Value ratio ("**P/B**") is also rejected as the Business Enterprise had a relatively higher ratio of fixed assets to net assets and total assets, comparing to the industry level in general. The P/B valuation on the basis of the net assets including the Property Unit would be distorted and thus would produce an unfair and misleading result. We therefore considered Price-to-Earnings ratio ("**P/E**") and Price-to-AuM ratio ("**P/AuM**") to be the most appropriate and have employed as basis of relative valuation for the following reasons:

- Earnings power is the primary determinant of value;
- P/E differences are significantly related to long-run average stock returns; and
- Portfolio size of asset managed on behalf of the investors matters as it is a widely recognized measure of success against competition and also one of the key revenue drivers.

Property Unit

The non-core operating property could be distributed to the shareholders without influencing the operating efficiency of the company, and thus have been treated separately in the valuation consideration to claim the full entitlement to the shareholders. We have relied on the audited figure of the bank building as stated in the latest financial result of the Business Enterprise for the financial year ending on 31 December 2016, which is considered to be an appropriate and reasonable basis for valuation.

11.2. Comparable Search

In determining the search criteria, to find the most relevant and appropriate comparable samples, we have firstly considered a number of factors including but not limited to business operations, asset portfolio size, products, services and market location of the valuation subject. The following criteria have been adopted for the selection of comparable sample:

- Public listing locations in Germany, Switzerland, Austria, Belgium, Czech Republic and Luxembourg which are mainly German-speaking countries;
- Principal business based in the above public listing locations;
- Major revenue contribution from investment management, asset management, wealth management and private banking services for private and institutional clients; and
- Size of AuM below or equal to CHF1.5 billion.

To the best of our efforts, however, we were unable to identify any comparable sample matching all the aforesaid criteria. In view of sample size, we expanded the search scope by adopting the above first three criteria which shortlisted the following comparable samples for further analysis:

Sample name	Bloomberg stock code	Revenue contribution from Private Banking Unit[1]
C-QUADRAT Investment AG	C8I GR	99.8%
Commerzbank AG	CBK GR	51.3%
MLP AG	MLP GR	63.5%
OVB Holding AG	O4B GR	100%
Oldenburgische Landesbank AG	OLB GR	51.7%
Liechtensteinische Landesbank AG	LLBN SW	57.8%
Norinvest Holding SA	NIHN SW	100%
St. Galler Kantonalbank AG	SGKN SW	84.4%
Vontobel Holding AG	VONN SW	70.4%
VZ Holding AG	VZN SW	100%
Julius Baer Group Ltd.	BAER VX	100%

Table 5: List of preliminary comparable samples

Source: Bloomberg

Note:

1. This refers to the portion contributed by the Private Banking Unit to the total revenue in the latest annual results available on or before the Valuation Date.

To the best of our endeavours, the above shortlisted companies is an exhaustive list of samples based on the first three criteria. Except for variation in the size of AuM, the above shortlisted samples are all engaged in similar sectors and locations as the Business Enterprise. Since the AuM of the above shortlisted comparable samples are on average higher than that of the Business Enterprise, to account for the factor of AuM, we have performed an additional comparable search by adopting the following criteria:

- Public listing locations in Europe;
- Principal business based in Europe;
- Major revenue contribution from investment management, asset management, wealth management and private banking services for private and institutional clients; and
- Size of AuM below or equal to CHF1.5 billion.

Under the above searching criteria, on best effort basis, an additional exhaustive list of comparable samples is presented as below:

Sample name	Bloomberg stock code	Revenue contribution from Private Banking Unit[1]
Banca Finnat Euramerica S.p.A	BFE IM	69.3%
Banca Profilo S.p.A	PRO IM	85.1%
European Wealth Group Limited	EWG LN	100%
First Property Group PLC	FPO LN	71.9%

Table 6: List of preliminary comparable samples

Source: Bloomberg

Note:

1. This refers to the portion contributed by the Private Banking Unit to the total revenue in the latest annual results available on or before the Valuation Date.

The shortlisted comparable samples in the table 5 and 6 represents the preliminary search based on selected but fundamental characteristics comparable to the valuation subject. The company description of the above comparable companies is presented in *ADDENDUM III — COMPARABLE SAMPLES DESCRIPTION* of this report.

Comparative analysis

To ensure the comparability in terms of financial level, we have further performed a comparative analysis of the subject to the samples regarding the quantitative similarities and differences. The comparative analysis is to ensure the next identified comparable are appropriate and reasonable which contain more relevant and similar attributes of the subject and adjust for differences if necessary. Industry participants engaged in financial sector mainly operate business and generate revenue through asset-light model with insignificant fixed assets investments. The multiple ratio would be misleading when there are significant differences in the asset mix among the comparable firms. In addition, value of private banking business is driven by the commission and management fees and the size of AuM, of which higher fee and larger portfolio size would reasonably indicate a higher profitability. The net revenue and the AuM could be a good proxy to assess the profitability among comparable firms. For comparison, we have especially made reference to the net fixed assets-to-total assets and net revenue-to-AuM across the comparable samples as set out below.

Comparable sample		Net revenue/ AuM	Net fixed assets[1]/total assets
C8I GR	:	0.48%	4.09%
CBK GR	:	n/a[2]	0.36%
MLP GR	:	2.12%	3.26%
O4B GR	:	n/a[3]	2.48%
OLB GR	:	n/a[4]	0.55%
LLBN SW	:	0.92%	0.63%
NIHN SW	:	n/a[5]	1.18%
SGKN SW	:	1.47%	0.50%
VONN SW	:	0.88%	0.79%
VZN SW	:	1.20%	0.62%
BAER VX	:	0.91%	0.39%
BFE IM	:	10.31%	0.29%
PRO IM	:	8.56%	2.94%
EWG LN	:	0.80%	0.57%
FPO LN	:	6.60%	75.39%

* *Figures above are subject to rounding*

Table 7: Comparative financial analysis

Source: Bloomberg

Note:

1. Net fixed assets is fixed assets net accumulated depreciation.

2. Information is not applicable due to the unavailable data of AuM of the comparable.

3. Information is not applicable due to the unavailable data of AuM of the comparable.

4. Information is not applicable due to the unavailable data of AuM of the comparable.

5. Information is not applicable due to the unavailable data of AuM of the comparable.

By comparing the financial ratios in the table 7, **FPO LN** had a very high portion of assets held as fixed assets as the comparable also makes direct investment in commercial property upon our further analysis. In terms of net revenue-to-AuM, **BFE IM**, **PRO IM** and **FPO LN** had extremely high ratios exceeding other comparable firms as well as the Business Enterprise of 0.92%. Furthermore, there are 4 comparable samples without available data of AuM. As a result, we have ultimately identified a total of 8 guideline public companies which have satisfied the aforesaid financial ratios for relative valuation as follows:

Identified comparable company name	Bloomberg stock code
C-QUADRAT Investment AG	C8I GR
MLP AG	MLP GR
Liechtensteinische Landesbank AG	LLBN SW
St. Galler Kantonalbank AG	SGKN SW
Vontobel Holding AG	VONN SW
VZ Holding AG	VZN SW
Julius Baer Group Ltd.	BAER VX
European Wealth Group Limited	EWG LN

Table 8: List of guideline public companies

Source: Bloomberg

The above companies have been considered as comparable as (i) they had a lower net fixed assets/total assets and (ii) the net revenue/AuM approximated to that of the Business Enterprise. Although the above public guideline companies may operate in slightly different locations or exhibit differences in scale of AuM, they still share similar fundamental characteristics, including business focus, market positions and customer base.

To the best of our knowledge, though not perfectly match to the Business Enterprise, on balance, the comparable are still considered to be fair and representative for the following reasons, (i) they are subject to the same economic and industry forces, (ii) they are exposed to similar risks and rewards and (iii) they share similar financial characteristics, and hence offer useful valuation benchmarks.

11.3. Multiple Ratio

In calculating the multiple ratio, we referred to the latest, publicly available annual or interim result of the comparable companies and applied the relevant financial data. In some cases, it is useful to apply projected financial data, however, such data is unavailable for both the comparable companies and the Business Enterprise. Multiple calculations are presented below:

Comparable company		**P/E[1]**	**P/AuM**
C8I GR	:	86.70	2.38%
MLP GR	:	29.57	1.50%
LLBN SW	:	12.24	2.53%
SGKN SW	:	14.62	5.37%
VONN SW	:	11.32	2.04%
VZN SW	:	28.11	12.02%
BAER VX	:	15.81	2.80%
EWG LN	:	n/a[2]	1.08%
Maximum	:	86.70	12.02%
Minimum	:	11.32	1.08%
Mean	:	28.34	3.72%
Median	:	15.81	2.46%
Applied ratio	**:**	**15.81**	**2.46%**

* *Figures above are subject to rounding*

Table 9: Multiple ratio of guideline comparable companies

Source: Bloomberg

Notes:

1. The net earnings represent the profits under ordinary course of business after taking into account the recurring and ordinary provision for loan loss and impairment on loans & advances.

2. Information is not applicable due to the net loss incurred by the comparable.

Based on the table 9, the P/E ratio of the comparable companies ranged from the minimum of 11.32 to the maximum of 86.70, resulting in a mean of 28.34 and a median of 15.81, and the P/AuM of the comparable companies is in the range between 1.08% and 12.02%, with a mean of 3.72% and a median of 2.46%. Statistically, median is preferable as it is not influenced by extreme values. We then applied the median of P/E and P/AuM to the corresponding measurement base, which is based on the latest available financial data of the Business Enterprise as at the Valuation Date. As per the audited and consolidated financial result provided by the Management, for the trailing twelve months ended on 31 December 2016, the adjusted earnings after tax (after deducting the rental income, adding the depreciation expenses and including loan write-offs and provisions) and the AuM of the Business Enterprise as of the Valuation Date approximated to CHF1.71 million and CHF1,047 million respectively.

11.4. Control Premium

A control premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. The published market price of the identified comparable companies represents the market transaction of minority interests; therefore, adjustment has been made to reflect the degree of control associated with a 100% equity interest of the Business Enterprise. Based on research published by *Mergerstat Control Premium Study*[1], the control premium was approximately 25.70%, representing the international median of the 2016 fourth quarter from completed transactions with publicly traded target companies.

According to the figure 7, the 5-year historical quarterly control premium international medians from 2012 to 2016 normally ranged from approximately 25% to 35%. To avoid using too long a time span of data that may no longer relevant, we have made reference to the current data of reasonable period. The adopted premium of 25.70% is within the reasonable range and representative of market data.

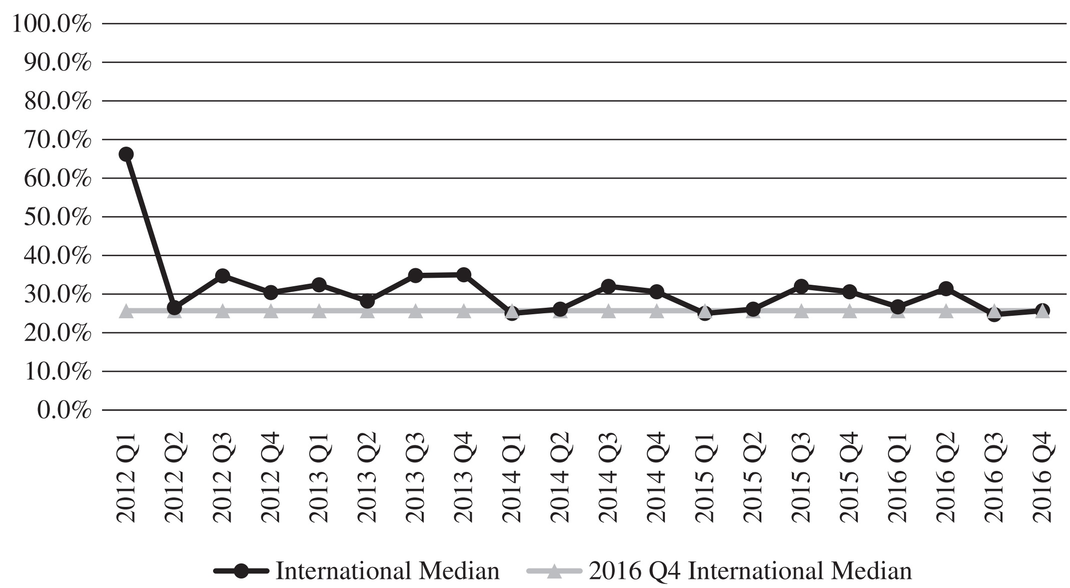

Figure 7: Historical control premium international medians

Source: Mergerstat Control Premium Study

Note:

1. Mergerstat Control Premium Study is a quarterly study published by Factset in the 2016 fourth quarter, examining transactions whereby 50.01% or more of a company was acquired.

11.5. Marketability Discount

In addition, we have adopted a discount lack of marketability ("**DLOM**") of approximately 15.03% for the Business Enterprise as ownership interest in closely held companies are typically not readily marketable compared to similar interest in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. 15.03% discount is benchmarked to the *2016 edition of The FMV Restricted Stock Study Companion guide*[1], representing the overall median discount[2] of 736 examined private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through September 2015.

Note:

1. The FMV Restricted Stock Study Companion Guide is presented by FMV Opinions, Inc. and represents the most widely used and accepted database of DLOM available to the market participants.

2. The discount was calculated by dividing the difference between the private placement price and the market reference price by the market reference price. The market reference price is represented by the stock price on the agreement date, closing date, announcement date or the high-low average stock price for the month of the transaction if no date is specified.

11.6. Calculation

Based on the above parameters and inputs, by using the Market Approach and the Asset Approach, the calculation of this valuation is presented as follows:

	Parameters	Basis		Input value under P/E	Input value under P/AuM
				CHF million	*CHF million*
(1)	Multiple ratio		:	15.81x	2.46%
(2)	Measurement base		:	1.71[2]	1,047.00[3]
(3)	Implied 100% equity value	(1) x (2)	:	27.01	25.72
(4)	Plus control premium	(3) x 25.70%	:	6.94	6.61
(5)	Value with control premium	(3) + (4)	:	33.95	32.33
(6)	Plus property value[1]		:	36.07	36.07
(7)	Value including property	(5) + (6)	:	70.02	68.40
(8)	Less marketability discount	(7) x 15.03%	:	10.52	10.28
(9)	Value after control & DLOM	(7) – (8)	:	59.50	58.12

Table 10: Multiple ratio of guideline comparable companies

Source: Graval

Note:

1. This value represents the book value of the bank building related to the Property Unit owned by the Business Enterprise from the audited balance sheet of the Business Enterprise as at 31 December 2016.

2. This value represents the earnings after tax of the Private Banking Unit of the Business Enterprise excluding rental and depreciation items from the audited statement of profit or loss of the Business Enterprise as at 31 December 2016.

3. This value represents the AuM of the Private Banking Unit owned by the Business Enterprise as at 31 December 2016 as extracted from the DD Report.

Based on the table 10, the implied equity value under P/E and P/AuM ranged from CHF58.12 million to CHF59.50 million, indicating an average result of CHF58.81 million.

12. VALUATION ASSUMPTIONS

- For the Business Enterprise to continue as a going concern, the Business Enterprise will successfully carry out all necessary activities for the development of its business;

- The contractual parties of the agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry;

- The availability of finance will not be a constraint on the forecast growth of the Business Enterprise's operations;

- The audited financial statements of the Business Enterprise as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of the Business Enterprise as at the respective balance sheet dates;

- Market trends and conditions where the Business Enterprise operates will not deviate significantly from the economic forecasts in general;

- Key management, competent personnel and technical staff will all be retained to support ongoing operation of the Business Enterprise;

- There will be no material changes in the business strategy of the Business Enterprise and its expected operating structure;

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing;

- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Business Enterprise operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues and profits attributable to the Business Enterprise.

13. LIMITING CONDITIONS

Our conclusion of the value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates as identified or being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for their accuracy.

We have made reference to the information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and that any material facts have been omitted from the information provided. No responsibility for the operational and financial information that have not been provided to us is accepted.

Our estimate of the value of the property held by the Business Enterprise is only for the purpose of determining our opinion of value of the Business Enterprise and does not constitute a formal valuation of such asset and represent our opinion of fair value of the property.

We have not investigated the title to or any legal liabilities of the Group and have assumed no responsibility for the title to the Group.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value(s) are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value(s) represents the consideration based on information furnished by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

We would particularly point out that our valuation was based on the information such as company background, business nature, market share, and future prospect of the Group provided to us.

14. REMARKS

We hereby confirm that we have neither present nor prospective interests in the Group, the Company and its subsidiaries and associated companies, or the value reported herein.

15. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, we are of the opinion that the fair market value of the 100% equity interest of the Business Enterprise as at the Valuation Date was in the sum of **CHF58,810,000 (SWISS FRANC FIFTY EIGHT MILLION EIGHT HUNDRED AND TEN THOUSAND ONLY)**, which is equivalent to **EUR54,880,000 (EURO FIFTY FOUR MILLION EIGHT HUNDRED AND EIGHTY THOUSAND ONLY)** at an exchange rate of CHF1:EUR0.9331 as at the Valuation Date.

Respectfully submitted,
For and on behalf of
GRAVAL CONSULTING LIMITED

Kelvin C.H. Chan, *FCCA, CFA, MRICS*
Chairman

Analysed and reported by : **Damon S.T. Wan**, *CFA, FRM*
Director

: **Willy T.Y. Yu**
Analyst

: **Tony M.C. Kok**
Analyst

ADDENDUM I — VALUATION APPROACHES

Market Approach

The Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to derive an indication of value.

Asset Approach

The Asset Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle ''assets minus liabilities'', to arrive at the value of the equity interest of the business entity.

Income Approach

The Income Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

ADDENDUM II — PRECEDENT TRANSACTIONS REFERENCE

For cross-reference purpose, we have searched precedent transactions in Bloomberg based on the following search criteria.

- The acquisition targets were principally engaged in investment management, asset management, wealth management and private banking services; and
- The precedent deals were completed in three years prior to the Valuation Date.

To the best of our endeavours and available information, the below screening result based on the above criteria is an exhaustive list of precedent transactions for reference.

Announcement date	Acquirer	Target	Price[1] *HK$ million*	P/E	P/AuM
19 December 2016	Brewin Dolphin Holdings PLC	Duncan Lawrie Asset Management Ltd	246	n/a[2]	3.33%
12 December 2016	Amundi SA	Pioneer Global Asset Management SpA	29,266	14.52	1.49%
29 March 2016	Citychamp Watch & Jewellery Group Ltd	Bendura Bank AG	899	15.57	2.87%
15 April 2015	Poste Italiane SpA	Anima Holding SpA	16,784	15.49	3.08%
7 January 2015	Alandsbanken Abp	Alandsbanken Asset Management AB	277	n/a[3]	2.04%
2 December 2014	VP Bank AG	Centrum Bank AG	552	3.25	1.03%

* *Figures above are subject to rounding*

Table 11: List of precedent transactions

Source: Bloomberg, company websites and HKEX news

Note:

1. This is the estimated consideration for 100% equity interest simply by using the reciprocal of the purchase price of acquired interest.

2. Information is not applicable due to the unavailable data of net earnings of the comparable.

3. Information is not applicable due to the unavailable data of net earnings of the comparable.

As shown in the table 11, the P/E ranged from approximately 3.25 to 15.57, with median of around 15.01, and the P/AuM ranged from approximately 1.03% to 3.33%, with median of around 2.46%. In this valuation, the applied P/E and P/AuM of the Business Enterprise were approximately 15.81 and 2.46%, which were sitting around the respective range of price multiples of the above precedent transactions. Solely for illustration purpose, simply using the respective median of multiple ratios and without the adjustments for differences, the implied equity value of the Business Enterprise ranged from approximately CHF61.72 million to CHF61.80 million, yielded a simple average result of CHF61.76 million.

The shortlisted precedent transactions served as additional reference and secondary source of information regarding the recent mergers and acquisition in the comparable sectors. However, as mentioned in *section 11.1 Methodology*, the above precedent transactions might not be fully comparable to the Proposed Acquisition as each of the deals may factor the value of potential synergies or other specific considerations including but not limited to investment gain in the target, presence of competing bids for the target, prevailing market conditions, size of consideration, means of settlement and existing level of control, and thus include premiums or discounts. The publicly available disclosures of the above precedent transactions did not contain all necessary information for our further analysis and adjustments. The precedent transactions in the above table must be viewed in the context of factors that include market dynamics, competitive differences and significance of stake acquired and therefore is for general reference only. This section would be an alternative assessment on the price multiples for valuation but constitute no impact to our valuation conclusion.

ADDENDUM III — COMPARABLE COMPANY DESCRIPTION

C-QUADRAT Investment AG

C-QUADRAT Investment AG provides investment management services. The bank invests in private equity funds, as well as offers asset management and investment services. C-QUADRAT Investment AG serves customers globally.

Commerzbank AG

Commerzbank AG attracts deposits and offers retail and commercial banking services. The bank offers mortgage loans, securities brokerage and asset management services, private banking, foreign exchange, and treasury services worldwide.

MLP AG

MLP AG offers financial services. The bank offers securities brokerage, life and non-life insurance, asset management and Internet banking services, and mortgage loans. MLP operates in Germany, Austria, Switzerland, Spain, the Netherlands, and the United Kingdom.

OVB Holding AG

OVB Holding AG provides asset management and other financial services, for customers mainly in Germany.

Oldenburgische Landesbank AG

Oldenburgische Landesbank AG is a German regional bank. The bank provides comprehensive banking services through numerous branch offices in the Weser-Ems region.

Liechtensteinische Landesbank AG

Liechtensteinische Landesbank AG attracts deposits and offers corporate and private banking services. The bank offers business start-up loans, corporate financing, home mortgages, asset management services, and investment funds. Liechtensteinische Landesbank AG operates in Liechtenstein and Switzerland.

Norinvest Holding SA

Norinvest Holding SA operates as a holding company. The bank, through its subsidiaries, offers banking services and buys and sells jewelry, as well as provides wealth management, financial planning, investment advisory, real estate advisory, portfolio-based lending, and trade financing services for customers mainly in Switzerland and others on a global basis. Norinvest Holding SA also buys and sells pearls, precious stones, and jewellery.

St. Galler Kantonalbank AG

St. Galler Kantonalbank AG is a Swiss regional bank. The bank offers retail and commercial banking as well as private and institutional banking. SGKB also provides asset management and financial planning services. The bank offers its services in the Canton of St. Gall through a network of branches.

Vontobel Holding AG

Vontobel Holding AG is a globally active wealth and asset manager. The bank's wealth management provides professional, forward-looking advice to private clients, while the asset management division actively manages assets for institutional clients and funds. Vontobel Holding AG's financial products business delivers custom investment solutions to intermediaries and other clients.

VZ Holding AG

VZ Holding AG provides independent financial advice to private individuals and companies for customers mainly in Switzerland and others on a global basis. The bank consults on investment, tax and inheritance planning and provides advice regarding insurance products and coverage.

Julius Baer Group Ltd.

Julius Baer Group Ltd. offers private banking services for customers mainly in Switzerland and others on a global basis. The bank advises on wealth management, financial planning and investments, and offers mortgage and other lending, foreign exchange, securities trading, custody and execution services.

Banca Finnat Euramerica S.p.A

Banca Finnat Euramerica S.p.A. attracts deposits and offers commercial banking services. The bank offers credit, securities brokerage, asset management, investment advisory, private banking, and trust services.

Banca Profilo S.p.A

Banca Profilo S.p.A. is an investment bank which provides financial services for institutional clients and private investors. The bank provides equity and fixed income sales, corporate finance, asset management, private banking, and real estate and fiscal advisory services. Banco Profilo S.p.A operates branches in Milan, Genoa, Rome, Reggio Emilia, Torino and Lugano.

European Wealth Group Limited

European Wealth Group Limited is a holding company. The bank, through its subsidiaries, provides wealth management services such as advisory, estate and tax planning, stockbroking, trust administration and other financial services for customers in Europe.

First Property Group PLC

First Property Group plc is a co-investing direct commercial property fund manager with operations in the United Kingdom and Central Europe.

ADDENDUM IV — STAFF BIOGRAPHY

Kelvin C.H. Chan, *FCCA, CFA, MRICS*
Chairman

Mr. Kelvin C.H. Chan is a CFA Charterholder, a member of RICS and a fellow member of the Association of Chartered Certified Accountants. He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation.

Damon S.T. Wan, *CFA, FRM*
Director

Mr. Damon S.T. Wan is a CFA Charterholder and Certified FRM and has been working in the professional valuation field since 2008. He is experienced and specialized in performing financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing.

Willy T.Y. Yu
Analyst

Mr. Willy T.Y. Yu is an analyst who has been working in the banking and financial industry since 2014. He possesses experience in the aspects of corporate credit risk, cash trading and business valuation.

Tony M.C. Kok
Analyst

Mr. Tony Kok is an analyst who has been working in the financial industry since 2015. He possesses experience in the aspects of financial derivatives, insurance and business valuation.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries and based on the information provided by the Vendors, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interest of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed to have under such provisions of the SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Ko Po Ming	Interest of controlled corporation	632,104,000 *(Note 1)*	1.42%
Chang Tat Joel	Interest of controlled corporation	483,370,800 *(Note 2)*	1.08%

Notes:

1. These shares are held by Jovial Epoch Holdings Limited, a company wholly-owned by Mr. Ko Po Ming, who is an executive Director, the Chief Executive Officer and the Joint Chairman of the Company.

2. These Shares are held by True Elite Limited, a company wholly-owned by Mr. Chang Tat Joel who is an executive Director and the Chief Operating Officer of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed to have under such provisions of the SFO); (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

(ii) Interest of substantial shareholders

As at the Latest Practicable Date, in so far as is known to the Directors or the chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the total number of Shares in issue of the Company carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Hui Wing Mau	Beneficial owner and Interest of controlled corporation	7,591,136,000 *(Note 1)*	17.01%
Chen Sung-Tse	Interest of controlled corporation	3,976,495,616 *(Note 2)*	8.91%

Notes:

1. These shares are held as to 50,680,000 by Shiying Finance Limited and as to 7,540,456,000 by Future Achiever Limited, both of which are wholly-owned by Mr. Hui Wing Mau.

2. These shares are held by Investment Talent Limited, a company wholly-owned by Mr. Chen Sung-Tse.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or the chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 5% or more of the total number of Shares in issue of the Company carrying rights to vote in all circumstances at a general meeting of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

4. EXPERT AND CONSENT

The following is the qualification of the experts whose advices are contained in this circular:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants
ReviTrust Grant Thornton AG	Certified Public Accountants
Graval Consulting Limited	Independent Valuer

Each of the above mentioned experts has given and has not withdrawn its written consents to the issue of this circular with the inclusion of their letters and/or references to its names included herein in the form and context in which they appears. As at the Latest Practicable Date, each of the above mentioned experts was not interested in any shareholding in any member of the Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and had no direct or indirect interest in any assets which have been or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited consolidated accounts of the Group were made up. Save as disclosed above, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the businesses of the Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, save for Ms. Kan Lai Kuen Alice's interest in Asia Investment Management Limited, a licensed corporation under the SFO, none of the other Directors or their respective associates were interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

7. MATERIAL CONTRACTS

The particulars of all material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two (2) years immediately preceding the issue of this circular are set out as follows:

(a) the sale and purchase agreement dated 30 March 2016 entered into between Willie Resources Incorporated ("**WRI**"), a wholly-owned subsidiary of the Company, as the vendor and Capital Union Inc. (an Independent Third Party) as the purchaser, pursuant to which WRI has conditionally agreed to sell and Capital Union Inc. has conditionally agreed to acquire the entire issued share capital of Mind Stone Investments Ltd and 2,457 shares of Co-Lead (representing approximately 43.15% of the issued share capital of Co-Lead Holdings), at a total consideration of HK$1,200 million. Completion of the said disposals by the Group took place on 25 July 2016;

(b) the sale and purchase agreement dated 30 March 2016 entered into between WRI as the vendor and Apex Corporate Investments Limited, which is wholly owned by Mr. Chow Kam Wah (an Independent Third Party) as the purchaser, pursuant to which WRI has conditionally agreed to sell and Apex Corporate Investments Limited has conditionally agreed to acquire 45 shares representing 45% interest of the issued share capital in Willie Link Limited ("**Willie Link**"), an indirect wholly-owned subsidiary of the Company for a cash consideration of HK$200 million. Completion of the said disposal took place on 31 March 2016;

(c) the subscription agreement dated 22 September 2016 entered into between the Company and Future Achiever, as the subscriber, pursuant to which Future Achiever has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 3,072,880,000 subscription shares at the subscription price of HK$0.24 per subscription share. Completion of the subscription took place on 5 October 2016 and the amount of net proceeds raised from the subscription, after deducting the relevant expenses incurred in relation to the subscription, were approximately HK$725 million;

(d) the share purchase agreement dated 30 September 2016 entered into between Jubilant Link Limited ("**Jubilant Link**"), a wholly-owned subsidiary of the Company, as the purchaser and Joywood International Limited ("**Joywood**", holder of 15% of the issued share capital of Reproductive HealthCare Limited ("**RHC**")) and Dr. Ho Wing Chiu Clement ("**Dr. Ho**", holder of 85% of the issued share capital of RHC) as the sellers (collectively, "**RHC Sellers**") in relation to the sale and purchase of the entire issued share capital of RHC ("**RHC Acquisition**"). The aggregate consideration for the said acquisition is a combination of HK$113,962,000 cash and 4,616 ordinary shares of Jubilant Link ("**Jubilant Shares**") and shall be payable by Jubilant Link to the RHC Sellers on the date of completion of the said acquisition in the following manner: (1) HK$34,886,000 payable in cash to Joywood; (2) HK$79,076,000 payable in cash to Dr. Ho; and (3) 4,616 Jubilant Shares to be allotted and issued to Dr. Ho. Completion took place on 1 November 2016;

(e) the share purchase agreement dated 30 September 2016 entered into between Jubilant Link, as the purchaser and Kanrich Pacific Limited ("**Kanrich**", holder of (i) the entire issued share capital of Victory "Art" Laboratory Limited ("**Victory**") and (ii) 60% of the issued share capital of Leader Enterprise Limited ("**Leader**")) as the seller and Mr. Chan Wing Cheng ("**Mr. Chan**"), Dr. Ho and Ms. Pang Yee Man Ophelia ("**Ms. Pang**") (each of Mr. Chan, Dr. Ho and Ms. Pang own one-third of the issued share capital of Kanrich) as the warrantors, in relation to the sale and purchase of the entire issued share capital of Victory and 60% of the issued share capital of Leader ("**V&L Acquisition**"). The aggregate consideration for the said acquisitions is a combination of HK$168,814,000 cash and 4,380 Jubilant Shares and shall be payable by Jubilant Link at the direction of Kanrich to its shareholders, Mr. Chan, Dr. Ho and Ms. Pang, on the date of completion of the said acquisitions in the following manner: (1) HK$93,786,000 payable in cash to Mr. Chan; (2) HK$37,514,000 payable in cash to Dr. Ho; (3) HK$37,514,000 payable in cash to Ms. Pang; (4) 2,190 Jubilant Shares to be allotted and issued to Dr. Ho; and (5) 2,190 Jubilant Shares to be allotted and issued to Ms. Pang. Completion took place on 1 November 2016;

(f) in connection with the RHC Acquisition and the V&L Acquisition, the shareholders' agreement dated 30 September 2016 entered into between Jubilant Link, Mason Worldwide Capital Limited, a wholly-owned subsidiary of the Company, Dr. Ho, Ms. Pang and Mr. Wong Shun Yun, in relation to the management and administration of Jubilant Link's affairs and to govern certain shareholders' rights. The shareholders' agreement shall take effect on the earlier of (i) the date of completion of the RHC Acquisition; or (ii) the date of completion of the V&L Acquisition. Completion of both of the RHC Acquisition and the V & L Acquisition took place on 1 November 2016 and the shareholders' agreement took effect on the same date;

(g) the investment agreement dated 6 October 2016 entered into amongst others, Mason Capital Investments Limited, an indirect non-wholly-owned subsidiary of the Company (a company established to conduct the lending and financing services business of the Group), Mason Assets Limited, an indirect wholly-owned subsidiary of the Company, and other investors, pursuant to which, among other things, Mason Assets Limited has conditionally agreed to subscribe for new ordinary shares of Mason Capital Investments Limited in two (2) tranches at an aggregate consideration of HK$70 million. As at the Latest Practicable Date, the first tranche subscription has been completed and the consideration of HK$26.6 million has been paid and Mason Assets Limited is interested in 70% of the issued share capital of Mason Capital Investments Limited;

(h) the subscription and capitalisation agreement dated 6 October 2016 ("**Subscription Agreement**") entered into amongst others, Mason Capital Investments Limited, an indirect non-wholly-owned subsidiary of the Company (a company established to conduct the lending and financing services business of the Group) and Hong Kong Mortgage Solutions Limited pursuant to which, among other things, Mason Capital Investments Limited has conditionally agreed to subscribe for new ordinary shares of

Hong Kong Mortgage Solutions Limited ("**HKMS Share(s)**") (representing 43% of the issued share capital of the Target Company as enlarged by the allotment and issue of new Target Shares pursuant to the Subscription Agreement) for a total consideration of HK$35,250,000 ("**Subscription**");

(i) in connection with the Subscription, the sale and purchase agreement dated 6 October 2016 entered into between Mason Capital Investments Limited with one of the shareholders of Hong Kong Mortgage Solutions Limited, pursuant to which Mason Capital Investments Limited has conditionally agreed to purchase and the shareholder has conditionally agreed to sell all 20 HKMS Shares (representing 4% of the issued share capital of Hong Kong Mortgage Solutions Limited as enlarged by the allotment and issue of new HKMS Shares pursuant to the Subscription Agreement) held by it to Mason Capital Investments Limited for a total consideration of HK$20 (the "**Purchase**"). Completion of the Subscription and the Purchase took place on 7 October 2016 and Mason Capital Investments Limited has become interested in 47% of the issued share capital of Hong Kong Mortgage Solutions Limited and an aggregate of 51% of the voting rights of Hong Kong Mortgage Solutions Limited through an arrangement with one of the other shareholders of Hong Kong Mortgage Solutions Limited;

(j) the underwriting agreement entered into between the Company and Haitong International Securities Company Limited on 28 October 2016 in relation to the underwriting arrangement in respect of the issue of 22,124,799,450 Shares of the Company by way of rights on 12 January 2017 at HK$0.13 per Share;

(k) the disposal agreement dated 4 November 2016 entered into between WRI as the vendor and Best Mate Limited (an Independent Third Party) as the purchaser, pursuant to which WRI has conditionally agreed to sell and Best Mate Limited has conditionally agreed to acquire 55 shares representing 55% interest of the issued share capital in Willie Link, an indirect non wholly-owned subsidiary of the Company for a cash consideration of HK$200 million;

(l) the subscription agreement dated 25 November 2016 entered into between Mason Resources Finance Limited (as indirect wholly owned subsidiary of the Company) as the issuer, Dazzling Elite Limited (an Independent Third Party) as the subscriber and the Company as the guarantor, pursuant to which Mason Resources Finance Limited has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for the fixed coupon notes of an aggregate principal amount up to HK$100,000,000, and the Company has undertaken to guarantee the performance and observance by Mason Resources of its obligations under the subscription agreement and the instrument constituting the notes;

(m) the subscription agreement dated 25 November 2016 entered into between Mason Resources Finance Limited (as indirect wholly owned subsidiary of the Company) as the issuer, Haitong Freedom Multi-Tranche Master Bond Fund (an Independent Third Party) as the subscriber and the Company as the guarantor, pursuant to which Mason Resources Finance Limited has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for the fixed coupon notes of an aggregate principal amount up to HK$200,000,000, and the Company has undertaken to guarantee the performance and observance by Mason Resources of its obligations under the subscription agreement and the instrument constituting the notes;

(n) the share purchase agreement dated 30 December 2016 entered into between Mason Worldwide Capital Limited and Victoria Fortress Investments Limited in relation to the acquisition of the entire issued share capital of Victor Mind International Limited, at a consideration of HK$187,500,000;

(o) the share purchase agreement dated 30 December 2016 entered into between Mason Worldwide Capital Limited and Ruby Success limited in relation to the acquisition of the entire issued share capital of Active Compass Limited at a consideration of HK$26,716,000;

(p) the investment agreement dated 30 December 2016 entered into between Pioneer Leap Investments Limited (as investor), Golden Metro Investments Limited, Cosmicfield Investments Limited, Shining Time Holdings Limited and the management team members (comprise Mr. Yip Shing Fung, Mr. Ye Faduan, Mr. Ye Fachao, Mr. Lin Han and Ms. Gao Qin), pursuant to which Pioneer Leap Investments Limited shall make the investment in the amount of RMB550,000,000 subject to the terms of the investment agreement. The investment amount made by the Group pursuant to the Investment agreement was comprised of and paid in two parts: (i) the consideration for the acquisition in the amount of RMB409,200,000; and (ii) a loan in the amount of RMB140,800,000 advanced to Cosmicfield Investments Limited;

(q) the agreement dated 3 April 2017 entered into between Mason Capital Investments Ltd and Supreme Global Asset-Backed Fixed Income Fund SPC in relation to the acquisition of the sale interest and the sale loan of Glorious Supreme Investments Management Limited at a consideration of HK$109,643,348.20;

(r) the agreement dated 4 July 2017 entered into between GL Food Holdings Pte Ltd (“**Mason Food**”), the Company, Wattle Health Australia Limited (“**Wattle Health**”) and eight individuals and one family trust in relation to the acquisition of 75% and 5 % of the issued capital of Blend and Pack Pty Ltd CAN 124 152 941 by Mason Food and Wattle Health at a total consideration of AUD 80,000,000 (subject to adjustment);

(s) the sale and purchase agreement dated 7 September 2017 entered into by Mason Strategic Investment Company Limited and Ng Yuen Yee in relation to the acquisition of (i) the entire issued share capital in Harris Fraser Group Limited and Harris Fraser (Hong Kong) Limited; and (ii) all of the issued share capital held by the Vendor in Halena Co. Ltd; and

(t) the Agreement.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and so far as the Directors are aware, there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

9. CORPORATE INFORMATION

Registered office & principal office	Units 4708-10, 47/F The Center 99 Queen's Road Central Hong Kong
Company secretary	Ms. Lui Choi Yiu Angela *Certified Public Accountant* Units 4708-10, 47/F The Center 99 Queen's Road Central Hong Kong
Share registrar and transfer office of the Company	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17/F., Hopewell Centre 183 Queen's Road East Hong Kong

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Units 4708-10, 47/F, The Center, 99 Queen's Road Central, Hong Kong, during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the date of this circular up to and including the date of the GM:

(a) the articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 December 2015 and 31 December 2016;

(c) the interim report of the Company for the six months ended 30 June 2017;

(d) the accountants' reports on the Target Company, the text of which are set out in Appendix II to this circular, respectively;

(e) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the valuation report prepared by Graval Consulting Limited, the text of which is set out in Appendix V to this circular;

(g) the written consents referred to in the paragraph headed "Expert and Consent" in this appendix;

(h) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and

(i) all circulars of the Company issued pursuant to the requirements set out in Chapters 14 and/or 14A which have been issued since 31 December 2016, including this circular.

11. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

MASON GROUP HOLDINGS LIMITED

茂 宸 集 團 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock code: 273)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting (the "**GM**") of Mason Group Holdings Limited ("**Company**") will be held at 23/F, Euro Trade Centre, No. 21–23 Des Voeux Road Central, Hong Kong at 11:40 a.m. on Wednesday, 17 January 2018 (or immediately following the First GM to be convened on the same day) for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTION

Words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular dated 22 December 2017 in relation to acquisition of Raiffisen PrivatBank Liechtenstein AG, published by the Company.

"**THAT:**

the Agreement (a copy of which has been tabled at the meeting marked "A" and signed by the chairman of the meeting for identification purpose) and all transactions contemplated thereunder, be and are hereby approved, ratified and confirmed, and any one Director be and is authorised to do all such things and take all such actions as he/she may consider necessary or desirable to implement and/or give effect to the Agreement and all transactions contemplated thereunder."

By order of the Board
Mason Group Holdings Limited
Ko Po Ming
Joint Chairman and Chief Executive Officer

Hong Kong, 22 December 2017

Notes:

1. Any shareholder entitled to attend and vote at the meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not to be a shareholder of the Company.

2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the meeting (or any adjournment thereof).

3. Completion and delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she were solely entitled hereto; but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

5. A form of proxy for use at the meeting is attached herewith.

6. Any voting at the meeting shall be taken by poll.

7. The form of proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.