THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **CITYCHAMP WATCH & JEWELLERY GROUP LIMITED**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CITYCHAMP WATCH & JEWELLERY GROUP LIMITED

冠 城 鐘 錶 珠 寶 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

VERY SUBSTANTIAL ACQUISITION

Financial Adviser to Citychamp Watch & Jewellery Group Limited

Quam CAPITAL 華富嘉洛企業融資

A letter from the Board is set out on pages 6 to 39 of this circular. A notice convening the extraordinary general meeting of Citychamp Watch & Jewellery Group Limited (the "**EGM**") to be held at Units 1902–04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Tuesday, 13 September 2016 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of Citychamp Watch & Jewellery Group Limited, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

26 August 2016

CONTENTS

In this circular, unless the context requires otherwise, the following terms shall have the following meanings:

"2015 Equity Portion"	the unaudited total shareholders' equity of the Bank of CHF59,570,932 (equivalent to approximately HK$482,524,549) as at 31 December 2015, as determined by the unaudited financial statements of the Bank for the financial year ended 31 December 2015, consisting of reserves for general banking risks, capital, general legal reserves, retained earnings, profit carried forward and post-tax profit deducted by dividends, if any
"Acquisition"	the proposed acquisition by the Company from the Sellers of the Sale Shares pursuant to the Share Purchase Agreement
"Amendment Agreement"	the amended agreement dated 3 May 2016 entered into between the Company and Seller 1, and acceded to by the Minority Investor Sellers, in relation to the extension of the Original Minority Investor Election Period
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"AUM"	the amount of assets under management
"Bank"	Valartis Bank (Liechtenstein) AG, a Liechtenstein share corporation, having its registered office in Gamprin-Bendern, Liechtenstein
"Bank Group"	the Bank and its subsidiaries
"Board"	the board of Directors
"Business Day(s)"	any day(s) other than Saturday or Sunday on which banks are open for business in Liechtenstein and Hong Kong
"CHF"	Swiss Franc, the lawful currency of Liechtenstein
"Company"	Citychamp Watch & Jewellery Group Limited (冠城鐘錶珠寶集團有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange

"Completion"	completion of the Share Purchase Agreement pursuant to the terms and conditions thereof
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	consideration for the Sale Shares to be paid by the Company to the Sellers of approximately CHF93,545,471 (equivalent to approximately HK$757,718,315) pursuant to the Share Purchase Agreement
"Deposit"	as defined in the paragraph headed "Consideration" in the "Letter from the Board"
"Director(s)"	the director(s) of the Company
"EEA"	the European Economic Area
"EGM"	the extraordinary general meeting of the Company to be held for the purpose of, considering and if thought fit, approving the Share Purchase Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group and the Bank Group
"EU"	the European Union
"EUR"	euro, the official currency of the eurozone
"FMA Liechtenstein"	Financial Market Authority Liechtenstein
"Full Day"	Full Day Limited, a company incorporated in the British Virgin Islands with limited liability, the entire equity interest of which is beneficially owned by Mr. Hon Kwok Lung
"GBP"	pound sterling, the lawful currency of the United Kingdom
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"IC-Loan"	the credit agreement between the Bank and Seller 1 dated 28 August 2014 under which the Bank granted Seller 1 a loan in the amount as at the Latest Practicable Date of CHF43.2 million (equivalent to approximately HK$349.9 million) as amended by an amendment agreement between the parties dated 25 February 2015, 27 February 2015, 2 March 2015 and 17 March 2015
"Latest Practicable Date"	24 August 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	24 September 2016 (being the date within six months from the date of the Original Share Purchase Agreement) or such other date as Seller 1 and the Company may mutually agree
"Minority Investor Election Period"	the period ending at the date eight weeks following the date of signing of the Original Share Purchase Agreement pursuant to the Amendment Agreement
"Minority Investor Sale Shares"	28,735 participation certificates of the Bank to be sold by the Minority Investor Sellers to the Company
"Minority Investor Sellers"	minority holders of the registered shares and bearer participation certificates of the Bank who have elected to accede to the Share Purchase Agreement and to sell all or part of its/his/her shares and participation certificates of the Bank to the Company, other than Seller 1 and the Bank itself
"Minority Investor(s)"	minority investor(s) of the Bank
"Non-refundable Event"	as defined in the paragraph headed "Consideration" in the "Letter from the Board"
"Original Minority Investor Election Period"	the original period ending at the date six weeks following the date of signing of the Original Share Purchase Agreement pursuant to the Original Share Purchase Agreement

"Original Share Purchase Agreement"	the share purchase agreement dated 24 March 2016 entered into between the Company and Seller 1, and acceded to by the Minority Investor Sellers, in relation to the Acquisition
"Parties"	the Company together with the Sellers
"PRC"	the People's Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Administrative Region of the People's Republic of China and Taiwan
"Recalculated Equity Portion"	the total shareholders' equity of the Bank as at Completion, as determined by the final accounts as at the date of Completion
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	collectively, Seller 1 Sale Shares and the Minority Investor Sale Shares
"Seller"	each of Seller 1 and the Minority Investor Sellers of the Bank
"Seller 1"	Valartis Finance Holding AG, a company incorporated in Vaduz with limited liability and a 100% owned subsidiary of Valartis Group AG
"Seller 1 Sale Shares"	the 100 registered Class A shares, 120,900 registered Class B shares of the Bank and 16,700 participation certificates of the Bank
"Sellers"	collectively, Seller 1 and the Minority Investor Sellers
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company
"Share Purchase Agreement"	the Original Share Purchase Agreement as amended by the Amendment Agreement
"Shareholder(s)"	the holder(s) of the Shares

"Sincere View"	Sincere View International Limited, a company incorporated in the British Virgin Islands with limited liability, which is beneficially owned as to 80% and 20% by Mr. Hon Kwok Lung and his wife, Ms. Lam Suk Ying, respectively
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder"	has the meaning ascribed thereto under the Listing Rules
"US"	the United States of America
"USD"	United States dollar(s), the lawful currency of the US
"VFM AG"	Valartis Fund Management (Liechtenstein) AG, a wholly-owned subsidiary of the Bank
"%"	per cent
"‰"	per-mille

Note: For the purpose of this circular, unless otherwise indicated, conversion of USD, CHF and EUR into HK$ is calculated at the approximate exchange rates of USD1.0 to HK$7.8, CHF1.0 to HK$8.1 and EUR1.0 to HK$8.8, respectively. These exchange rates are adopted for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at these or any other rates or at all.

CITYCHAMP WATCH & JEWELLERY GROUP LIMITED
冠城鐘錶珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

Executive Directors:
Hon Kwok Lung *(Chairman)*
Shang Jianguang *(Chief Executive Officer)*
Shi Tao
Lam Toi Man
Bi Bo
Sit Lai Hei
Hon Hau Wong
Tao Li

Independent Non-executive Directors:
Fung Tze Wa
Kwong Chun Wai, Michael
Li Qiang
Zhang Bin

Registered Office:
P.O. Box 309
Ugland House
South Church Street
Grand Cayman
Cayman Islands

Principal Place of Business:
Units 1902–04, Level 19
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

26 August 2016

To the Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

Reference is made to the announcement of the Company dated 6 April 2016 in respect of the Acquisition.

On 24 March 2016, the Company and Seller 1 entered into the Original Share Purchase Agreement pursuant to which, among other things, Seller 1 conditionally agreed to sell and the Company conditionally agreed to purchase the Seller 1 Sale Shares, representing 68.85% interest in the Bank. In addition, each of the Minority Investors had the right, during the Original Minority Investor Election Period, to accede to the Original Share Purchase Agreement and to sell all or part of its/his/her Minority Investor Sale Shares, representing in aggregate up to 29.45% interest in the Bank, on the same terms and conditions as Seller 1. Pursuant to the Amendment Agreement dated 3 May 2016, the parties to the Original Share Purchase Agreement agreed to extend the Original Minority

Investor Election Period for each of the Minority Investors to consider to accede to the Original Share Purchase Agreement from six weeks following the signing of the Original Share Purchase Agreement to eight weeks following the signing of the Original Share Purchase Agreement, being the Minority Investor Election Period for the Minority Investors. Save for the aforesaid amendment, no other terms of the Original Share Purchase Agreement were amended by the Amendment Agreement. Upon the closing of the Minority Investor Election Period, 33 Minority Investors acceded to the Share Purchase Agreement to sell their respective Minority Investor Sale Shares, representing an aggregate of 14.37% interest in the Bank to be sold to the Company.

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition; (ii) financial information of the Bank Group; (iii) other information as required under the Listing Rules; and (iv) the notice of the EGM.

SHARE PURCHASE AGREEMENT

The Original Share Purchase Agreement was entered on 24 March 2016 and was amended by the Amendment Agreement dated 3 May 2016. The principal terms and conditions of the Share Purchase Agreement are as follows:

Parties

(i) the Company;

(ii) Seller 1; and

(iii) Minority Investor Sellers

Seller 1 is a company incorporated in Vaduz, Liechtenstein with limited liability and is a 100% owned subsidiary of Valartis Group AG. Valartis Group AG is an international banking and finance group which is listed on the SIX Swiss Exchange.

The Minority Investor Sellers are 33 individuals and corporations, certain of which are members of the board of directors of the Bank, members of management of the Bank Group and employees of the Bank Group.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Sellers and its ultimate beneficial owners, where applicable, are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Share Purchase Agreement, Seller 1 conditionally agreed to sell and the Company conditionally agreed to acquire the Seller 1 Sale Shares, being all shares and participation certificates held by Seller 1 as at the Latest Practicable Date, representing 68.85% interest in the Bank, free and clear from any encumbrances.

In addition, each of the Minority Investors had the right, during the Minority Investor Election Period, to accede to the Share Purchase Agreement and to sell all or part of its/his/her shares and participation certificates such Minority Investor held in the Bank, representing in aggregate up to 29.45% interest in the Bank, on the same terms and conditions as Seller 1. Pursuant to the Amendment Agreement, the parties to the Original Share Purchase Agreement agreed to extend the Original Minority Investor Election Period for each of the Minority Investors to consider to accede to the Original Share Purchase Agreement from six weeks following the signing of the Original Share Purchase Agreement to eight weeks following the signing of the Original Share Purchase Agreement, being the Minority Investor Election Period for the Minority Investors. Upon the closing of the Minority Investor Election Period, the 33 Minority Investor Sellers acceded to the Share Purchase Agreement to sell an aggregate of 28,735 participation certificates of the Bank, representing an aggregate of 14.37% of interest in the Bank to be sold to the Company.

As at the Latest Practicable Date, the Bank had 100 registered Class A shares, 135,900 registered Class B shares and 64,000 bearer participation certificates in issue. The Sellers agreed to sell to the Company, in aggregate 100 registered Class A shares, 120,900 registered Class B shares and 45,435 participation certificates of the Bank. Upon Completion, 15,000 registered Class B shares and 15,165 participation certificates of the Bank will be held by the Minority Investors who have not acceded to sell all or any of their respective interest in the Bank and the remaining 1.70% interest in the Bank, being 3,400 participation certificates, will continue to be held by the Bank itself as treasury stock.

Holders of the Class B shares have the right to receive double dividends, i.e. double the amount of dividends paid to the holders of Class A shares and the participation certificates. There are no differences in the voting rights between Class A shares and Class B shares. Participation certificates do not give any right to the holders to vote at the shareholders' meeting.

Consideration

The Consideration consists of the sum of (i) CHF77,394,964 (equivalent to approximately HK$626,899,208), including the amount of IC-Loan (including certain costs and accrued interests) to be paid by the Company on behalf of Seller 1, for the Seller 1 Sale Shares; and (ii) approximately CHF16,150,507 (equivalent to approximately HK$130,819,107), including the aggregate amount of all loans (and accrued interests) to be paid by the Company to Banque Cramer on behalf of each of the Minority Investor Sellers, for the Minority Investor Sale Shares, at a price of approximately CHF562.05 (equivalent to approximately HK$4,552.61) per Minority Investor Sale Share. Therefore, the total Consideration will be approximately CHF93,545,471 (equivalent to approximately HK$757,718,315) for the Acquisition, subject to adjustment as described in the paragraph headed "Adjustment of the Consideration" below. The Consideration shall be settled by the Company (or its nominee(s)) in the following manner:

(i) CHF7,739,000 (equivalent to approximately HK$62,685,900) (the "**Deposit**"), being approximately 10% of the consideration, was paid by the Company in cash into an escrow account jointly established by the Company and the

Sellers after signing of the Original Share Purchase Agreement and shall be released to the Sellers in accordance with the terms of the Original Share Purchase Agreement and the escrow agreement entered into between the Parties and the escrow agent; and

(ii) CHF85,806,471 (equivalent to approximately HK$695,032,415), being the remaining Consideration, shall be paid by the Company in cash upon Completion.

The Deposit is not refundable if Seller 1 demonstrates that all the conditions precedent for the Acquisition have been fulfilled by the Long Stop Date and the Company is unable to complete the Acquisition by the Long Stop Date (the "**Non-refundable Event**"). Save for the occurrence of the Non-refundable Event, in the event any of the conditions precedent has not been entirely fulfilled by the Long Stop Date and either the Company or the Sellers elects to rescind the Share Purchase Agreement, the Deposit shall be refunded to the Company within five Business Days after delivery of the rescission notice pursuant to the Share Purchase Agreement.

The Company intends to finance the Consideration by its internal resources.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Company and the Sellers having taken into account, amongst others, (i) the historical financial results of the Bank Group; (ii) the historical total shareholders' equity of the Bank Group; (iii) the historical total AUM of the Bank Group; and (iv) the future prospects of the Bank Group.

According to the accountants' report of the Bank Group as set out in Appendix II to this circular, the Bank Group recorded net profit of approximately CHF15.3 million, CHF17.9 million and CHF7.2 million for the three years ended 31 December 2015, respectively. The financial result of the Bank Group for the year ended 31 December 2015 was materially affected by an impairment on a loan due from Seller 1, i.e. the IC-Loan, which is an intragroup loan from the Bank to Seller 1. The IC-Loan will be paid by the Company on behalf of Seller 1, out of the Consideration and such impairment is an extraordinary item and not expected to be recurring after Completion. The net profit of the Bank Group excluding the impairment on due from clients (without taking into account the income taxes effect thereof) would be approximately CHF15.4 million, CHF18.2 million and CHF17.4 million for the three years ended 31 December 2015, respectively.

For illustration purpose, five comparable companies (the "**Comparable Companies**") have been identified by the Company for further justification of the fairness and reasonableness of the consideration of the Acquisition. According to S&P Capital IQ, the Comparable Companies (i) are listed companies principally engaged in the industries of private and industrial banking or asset management and custody banks; (ii) are geographically based in Europe; (iii) have business focus in private banking, wealth management or investment advisory; (iv) have positive price-to-earnings ratios based on the latest financial results (excluding the effect of any extraordinary items); and (v) have AUM of not more than CHF25.0 billion (equivalent to approximately HK$202.5 billion) as at 24 March 2016, being the date of the Original Share Purchase Agreement.

The price-to-earnings ratios of the Comparable Companies based on respective market capitalisation as at 24 March 2016, being the date of the Original Share Purchase Agreement, and respective financial results for the latest financial year range from approximately 8.4 times to approximately 39.1 times. For illustration purpose, the pro-rata adjusted historical price-to-earnings ratio (based on the consideration of CHF77,394,964 for 68.85% equity interest of the Bank and the net profit of the Bank Group, excluding the impairment on due from clients (without taking into account the income taxes effect thereof), of approximately CHF17.4 million for the year ended 31 December 2015) is approximately 6.5 times, which falls slightly below the low-end of the range of price-to-earnings ratios of the Comparable Companies.

According to the accountants' report of the Bank Group as set out in Appendix II to this circular, the Bank Group recorded total shareholders' equity of the Bank Group of approximately CHF60.4 million, CHF50.2 million and CHF56.2 million as at 31 December 2013, 2014 and 2015, respectively. The total AUM of the Bank Group were approximately CHF3.5 billion, CHF4.3 billion and CHF3.9 billion as at 31 December 2013, 2014 and 2015, respectively.

For further details of the future prospects of the Bank Group, please refer to the sub-sections headed "Reasons for and benefits of the Acquisition" and "Financial and trading prospects of the Enlarged Group" in this section below.

Based on the above, the Directors consider that the Consideration is fair and reasonable.

Adjustment of the Consideration

Pursuant to the terms of the Share Purchase Agreement, the Consideration shall be subject to adjustment as per Completion based on the difference between the 2015 Equity Portion, being the unaudited total shareholders' equity of the Bank of approximately CHF59.6 million (equivalent to approximately HK$482.8 million) as at 31 December 2015, and the Recalculated Equity Portion, being the total shareholders' equity of the Bank as at Completion. If the Recalculated Equity Portion is higher than the 2015 Equity Portion, the Company shall pay to the Sellers the difference between the Recalculated Equity Portion and the 2015 Equity Portion on a dollar-for-dollar basis. If the Recalculated Equity Portion is lower than the 2015 Equity Portion, the Sellers shall pay to the Company the difference between the Recalculated Equity Portion and the 2015 Equity Portion on a dollar-for-dollar basis.

In addition, if the AUM of the Bank at the date of Completion are higher than CHF3,370,711,000 (equivalent to approximately HK$27,302,759,100), the Company shall pay 1.225% of the difference between the assets under management of the Bank at the date of Completion and CHF3,370,711,000 (equivalent to approximately HK$27,302,759,100), up to a maximum of CHF1,500,000 (equivalent to approximately HK$12,150,000).

Conditions precedent to the Share Purchase Agreement

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

(i) all necessary regulatory notifications and approvals for Completion shall have been made with or obtained from the FMA Liechtenstein either unconditionally or subject to the satisfaction of certain conditions or commitments reasonably required by the FMA Liechtenstein (the fulfillment of said conditions or commitments shall not be beyond the control of either of the Company and the Sellers);

(ii) clearance shall have been obtained from the Stock Exchange for the circular relating to the transaction contemplated by the Share Purchase Agreement to be prepared pursuant to the Listing Rules;

(iii) the transaction as contemplated in the Share Purchase Agreement shall have been approved by the competent judge — which approval requires pre-approval by the Seller 1's creditors and, until Valartis Bank (Austria) AG, also being a creditor of Seller 1, has returned its banking licence to the financial market authority in Austria — or the competent judge shall have explained that no approval is required;

(iv) no action shall be pending and no order, injunction or decree of any competent court, administrative body or arbitration tribunal exists which seeks to enjoin, restrain, impede or levy a substantial difficulty on the consummation of the transactions contemplated under the Share Purchase Agreement and in particular the transfer of the Sale Shares;

(v) the following agreements have been signed and are enforceable: (a) the release agreement(s) to be signed between the Minority Investor Sellers and Banque Cramer for the release of Minority Investor Shares from the pledge in favour of Banque Cramer upon Completion, (b) the termination and release agreement between the Seller and the Bank according to which all and any security granted under or in connection with the IC-Loan shall be released and returned to the Seller upon Completion; and

(vi) the Company has paid the Deposit.

As at the Latest Practicable Date, conditions (i), (ii) and (vi) above had been fulfilled. If any of the conditions precedent has not been fulfilled or waived (where so permitted) by the Sellers or the Company (as the case may be) on or before Long Stop Date, Seller 1 or the Company may rescind the Share Purchase Agreement by giving notice to the other party unless such party itself acted in bad faith, and in so doing, prevented, hindered, frustrated or interfered with the satisfaction of the relevant condition precedent.

Completion

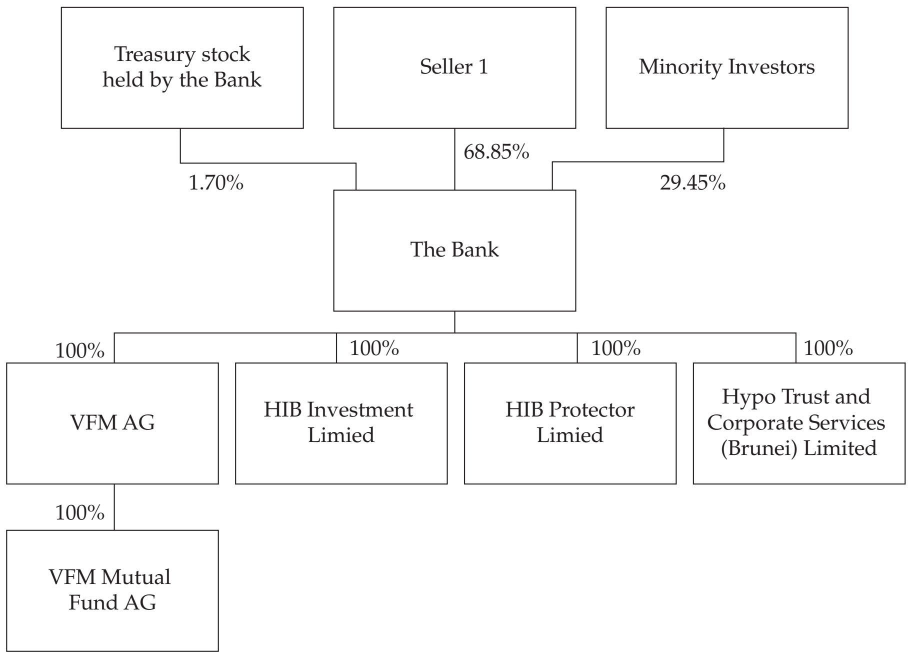
Completion shall take place five Business Days after all conditions precedent to the Share Purchase Agreement have been satisfied or waived (where so permitted) or on such other date as the Company and the Sellers may agree.

INFORMATION OF THE BANK GROUP

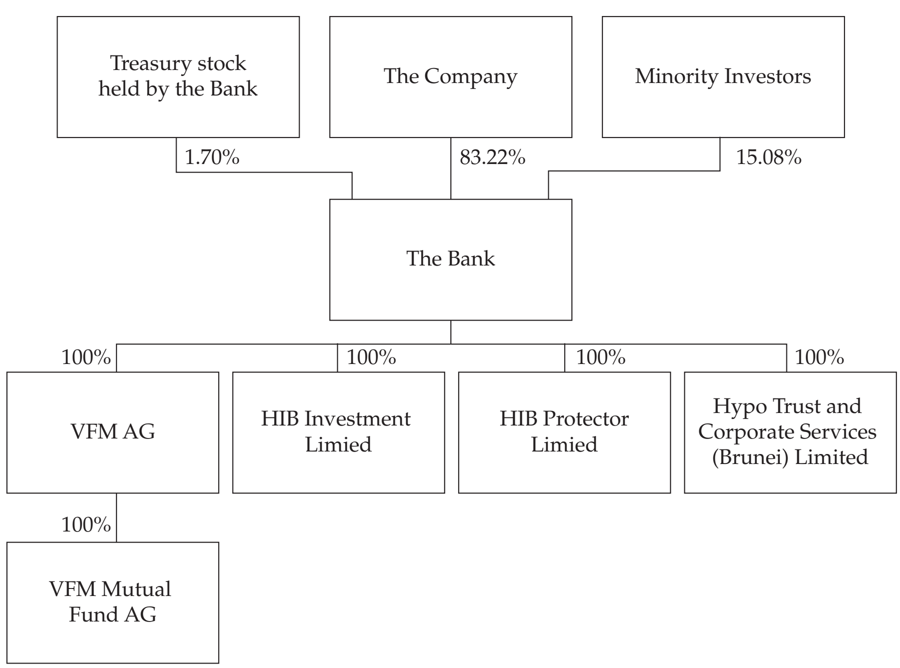
Shareholding structure of the Bank Group

The following charts show the simplified shareholding structure of the Bank Group (i) as at the Latest Practicable Date; and (ii) immediately after Completion:

(i) As at the Latest Practicable Date



(ii) Immediately after Completion



Information on the Bank

The Bank is a share corporation incorporated in Liechtenstein with limited liability. The Bank was founded in 1998 and is a fully licensed bank with headquarters in the principality of Liechtenstein. The Bank Group is the fifth largest Liechtenstein based private bank by the AUM as at 31 December 2014 according to Liechtenstein Bankers Association and in the fifth place out of a total of 16 banks (including one of which was in liquidation and one of which was only licensed for credit business) in the financial centre of Liechtenstein based on the volumes managed and profit after tax in 2015. The Bank Group conducts all transactions associated with it being an asset management bank in Liechtenstein and abroad with principal activities including accepting client deposits, investing them on stock exchanges and in financial centres and granting loans as part of its asset management business. As at 31 March 2016, the AUM of the Bank Group were approximately CHF3.6 billion (equivalent to approximately HK$29.2 billion) with 103 employees.

Information on VFM AG

VFM AG is wholly-owned by the Bank with paid-up capital of CHF1.5 million. VFM AG is authorised by the FMA Liechtenstein to provide investment counselling, to act as technical administrator of fund units, to act as a fund management company and to act as an alternative investment fund manager. VFM AG specialises in establishing and administering tailor-made fund solutions and is a one-stop service provider for own investment fund under sophisticated family office instrument or regular fund to be externally distributed to qualified investors.

As a fund solutions provider, VFM AG offers a complete package covering the conceptualisation, initial setup and administration including fund accounting, risk management, valuation services, compliance and effective management function for funds. Each fund is being identified with its own securities identification number, externally audited and supervised. As a member of the EEA, law in Liechtenstein is fully in line with the European guidelines. The specialty of VFM AG is structuring rather complex assets for well-educated and closed circles of investors, such as US life settlements, real estate and private equity.

Information on VFM Mutual Fund AG

VFM Mutual Fund AG is a wholly-owned subsidiary of VFM AG. VFM Mutual Fund AG was established in 2011 in relation to a takeover of an existing investment fund which was then managed by a local competitor. The only function of VFM Mutual Fund AG is the management of that particular fund as general partner and it does not have a license from the regulator to perform any other tasks and/or manage any other funds. Such investment fund is an investment company which invests in American life insurance policies and thus offers a product that has very little correlation with the financial markets. The overall business model is the purchase of such life insurance contracts, the payment of linked premiums and the collection of death benefits upon the maturity of the insured persons. The revenue for acting as general partner for such investment fund is 0.75% per annum on the net asset value of such investment fund which was approximately USD278.2 million as at 31 May 2016.

Information on HIB Investment Limited

HIB Investment Limited is wholly-owned by the Bank and incorporated in the British Virgin Islands with paid-up capital of USD50,000. HIB Investment Limited is responsible for managing the benchmark portfolio of the Bank which is used by relationship managers for illustrative purposes to the clients.

Information on HIB Protector Limited

HIB Protector Limited is wholly-owned by the Bank and incorporated in the British Virgin Islands with paid-up capital of USD10,000. HIB Protector Limited is responsible for protecting assets of the clients by monitoring statutory provisions of trusts and foundations as well as potential transfers of trustee duties or functions.

Information on Hypo Trust and Corporate Services (Brunei) Limited

Hypo Trust and Corporate Services (Brunei) Limited is wholly-owned by the Bank and construed under Brunei's law acts as trustee with paid-up capital of USD130,000 which serviced nine trusts with an equivalent value of approximately CHF6.1 million (equivalent to approximately HK$49.4 million).

Business model of the Bank Group

The principal business lines of the Bank Group include normal client custody account, asset management and investment advisory. In order to support the principal business lines of the Bank Group, the Bank Group provides other value-added services to its clients based on their particular needs, such as brokerage business. The Bank Group also generates operating income through VFM AG.

The following table sets forth the distribution of the total AUM of the Bank Group by business as of the dates indicated:

	As at 31 December						As at 31 March	
	2013		2014		2015		2016	
	Amount (CHF in '000)	*% of total*	*Amount (CHF in '000)*	*% of total*	*Amount (CHF in '000)*	*% of total*	*Amount (CHF in '000)*	*% of total*
Normal client custody account	2,962,152	84.9	3,695,166	85.4	3,170,795	81.9	2,954,539	81.2
Asset management	453,678	13.0	549,534	12.7	613,927	15.9	601,206	16.5
Investment advisory	73,272	2.1	83,902	1.9	86,036	2.2	84,013	2.3
TOTAL	**3,489,102**	**100.0**	**4,328,602**	**100.0**	**3,870,758**	**100.0**	**3,639,758**	**100.0**

Normal client custody account

With normal client custody account of the Bank Group, the clients control their portfolios and trades without advice from the Bank Group while still benefiting from access to the expert research, market information and trading ideas from the Bank Group. The clients can retain direct control of their investments and trade a wide range of securities including bonds, equities and foreign exchange. This service is directed to those customers who have great investment experience, knowledge and strong opinion on the market as well as the ability to dedicate the necessary time for their own portfolios' management. In addition to providing investment advice, the staff of the Bank Group are also on hand to assist clients with issues concerning the tax treatment of earnings and capital gains, or the settlement of inheritance and succession matters. In return, the Bank Group receives fees for custody and management of valuables and securities on annual basis. The Bank Group receives 2.5‰ for securities issued in Switzerland and Liechtenstein and 3.5‰ for securities issued in all other locations, subject to minimum charge per custody account, as safekeeping fee which is calculated based on the end-of-month inventories and debited quarterly. The safekeeping fee includes the collection of coupons, redemptions, capital increases and splits.

As at 31 December 2013, 2014 and 2015, 31 March 2015 and 2016, the Bank Group had 7,157, 7,839, 6,987, 7,910 and 6,614 normal client custody accounts, respectively. During the year ended 31 December 2013, 2014, 2015, and the three months ended 31 March 2015 and 2016, revenue generated from normal client custody accounts was approximately CHF25.8 million (equivalent to approximately HK$209.0 million), CHF31.2 million (equivalent to approximately HK$252.7 million), CHF31.4 million (equivalent to approximately HK$254.3 million), CHF8.0 million (equivalent to approximately HK$64.8 million) and CHF6.3 million (equivalent to approximately HK$51.0 million) respectively, representing approximately 69.7%, 69.6%, 66.3%, 66.7% and 57.0% of the total revenue for the same periods.

Asset management

The Bank Group offers active and professional asset management services which are based on a systematic and combined top-down approach to market and securities analysis starting from a minimum amount of CHF500,000 or the equivalent in USD and EUR. The principal services include investing in international securities, such as stocks, funds, bonds, foreign currency and precious metals. The clients benefit from a tailor-made solution based on their personal situation and risk profile without taking an active part in any investment decisions. A core-satellite investment approach gives the opportunity to combine a relatively stable core investment with a more actively managed satellite component. Modern reporting on investment decisions and performance guarantees clients a transparent representation of how the assets are developing. The asset management services are generally offered or recommended via the Bank Group's relationship managers, who work closely together with other financial intermediaries.

The Bank Group offers five strategies depending on the clients' risk tolerance which are set out below from expected lowest to highest risk:

Strategies	Focus	Expected risk level	Recommended investment horizon	Portfolio percentage: (i) liquid investment; (ii) bonds; and (iii) stocks
Interest income	Fixed interest income	Low	3 years	(i) nil–20%; (ii) 80–100%; and (iii) nil.
Income	Conservation of value upon constant return	Medium-low	5 years	(i) nil–20%; (ii) 60–80%; and (iii) 15–25%.
Balance	Current earnings from interest and capital gain	Medium	6 years	(i) nil–20%; (ii) 40–60%; and (iii) 30–50%.
Growth	Achievement of a higher return, mainly from capital gain	Medium-high	8 years	(i) nil–20%; (ii) 20–40%; and (iii) 50–70%.
Capital gain	Long-term high income from capital gain	High	10 years	(i) nil–20%; (ii) nil; and (iii) 80–100%.

Fee levels depend on the complexity, volume and regulatory functions performed by VFM AG. Depending on complexity, a one-time fee will be charged at a minimum amount of CHF40,000 for setting up a regulated investment fund and asset/fund structuring. In terms of running costs for pure administration mandates, VFM AG charges its services for a minimum amount starting at approximately CHF30,000, ranging from 0.15% to 0.35% per annum of the applicable net asset value. For mandates including administration and management, VFM AG charges its services for a minimum amount starting at approximately CHF60,000, ranging from 0.40% to 0.75% per annum of the applicable net asset value.

The pricing model for asset management is charging a fixed percentage all inclusive, ranging from 1.2% to 1.7% per annum of the total AUM, for the mandates during the three years ended 31 December 2015, including asset management fee, safekeeping fee and commissions for trading floor transactions, for different strategies of client assets being managed by the Bank Group. The client can cancel the asset management mandate at any time.

As at 31 December 2013, 2014, 2015, 31 March 2015 and 2016, the Bank Group had 168, 206, 178, 204 and 168 asset management clients, respectively. During the year ended 31 December 2013, 2014, 2015, and the three months ended 31 March 2015 and 2016, revenue generated from asset management business of the Bank

Group was approximately CHF3.8 million (equivalent to approximately HK$30.8 million), CHF5.2 million (equivalent to approximately HK$42.1 million), CHF5.7 million (equivalent to approximately HK$46.2 million), CHF1.3 million (equivalent to approximately HK$10.5 million) and CHF1.2 million (equivalent to approximately HK$9.7 million), respectively, representing approximately 10.2%, 11.6%, 11.9%, 10.9% and 10.9% of the total revenue for the same periods.

The table below sets forth the total AUM of different asset management strategies as of the dates indicated:

	As at 31 December			As at 31 March
	2013	**2014**	**2015**	**2016**
		(CHF in '000)		
Interest income	5,405	7,522	6,560	6,407
Income	28,338	29,009	20,361	22,885
Balance	93,296	107,579	103,528	103,108
Growth	5,490	8,879	11,802	12,427
Capital gain	6,388	13,019	7,468	5,851
Fund management	314,761	383,526	464,208	450,528
Total AUM	453,678	549,534	613,927	601,206

Fund management

VFM AG, a wholly-owned subsidiary of the Bank, is a private label boutique fund management company which offers tailor-made and EEA compliant fund solutions to institutional clients, such as asset managers, family officers, high-net-worth individuals and institutional investors. VFM AG is fully licensed for all currently possible investment fund structures for various Liechtenstein funds which are incorporated under (i) Investments Undertaking Act ("**IUA**"), being the specific fund regime of Liechtenstein which was first incorporated in 2005 and is still currently in place; (ii) Undertakings for Collective Investments in Transferable Securities Act ("**UCITS-A**"), which are enacted in Liechtenstein in 2011 with regard to standardised investment fund with highly liquid assets; and (iii) Alternative Investment Fund Manager Act ("**AIFM-A**"), which are enacted in Liechtenstein in 2012 with focuses on the regulation of all alternative funds, which are based upon European law. As a specialised niche player, VFM AG focuses on complex and non-standardised solutions. For further details of IUA, UCITS-A and AIFM-A, please refer to the section headed "Regulatory Overview" in this circular.

VFM AG generates its operating income mainly from fee-based asset management and administration services in relation to the funds under management. In addition, VFM AG generates one-off foundation and structuring fees for new funds. As at 31 December 2013, 2014, 2015, 31 March 2015 and 2016, VFM AG and its subsidiaries managed 26, 38, 35, 40 and 26 funds, including fully established and capitalised or still in the first subscription phase, and one, four, nine, four and six, respectively, funds were in liquidation partially by VFM AG or external liquidator(s).

The table below sets forth the total number of funds managed by VFM AG and its subsidiaries as of the dates indicated:

Number of funds[1]	As at 31 December			As at 31 March	
	2013	2014	2015	2015	2016
IUA	24	36	31	38	24
UCITS-A	2	2	3	2	1
AIFM-A	–	–	1	–	1
Total	**26**	**38**	**35**	**40**	**26**

Note:

(1) The number of funds includes VFM Mutual Fund AG, a subsidiary of VFM AG, and funds in liquidation.

During the year ended 31 December 2013, 2014, 2015 and the three months ended 31 March 2015 and 2016, revenue generated from fund management business of the Bank Group was approximately CHF3.0 million (equivalent to approximately HK$24.3 million), CHF3.3 million (equivalent to approximately HK$26.7 million), CHF3.6 million (equivalent to approximately HK$29.2 million), CHF0.9 million (equivalent to approximately HK$7.3 million) and CHF0.7 million (equivalent to approximately HK$5.7 million), respectively.

Investment advisory

Within the context of a written investment advisory, the Bank Group is responsible for presenting to the clients with selected investment proposals in line with their profiles on a regular basis and implementations of these proposals are at clients' discretion. The Bank Group offers clients a variety of wealth management advisory services including investment education, research and trading strategies, asset allocation and risk management for both domestic and international opportunities. The offerings are designed to address the clients' diverse financial needs by providing tailored investment advice on a one-on-one basis. As a basic principle, investments can be made in international securities without being restricted to a particular country or currency. Other investment instruments include foreign currency and precious metals. The Bank Group also provides financial instruments to conduct futures and options transactions. Investment advisory service is offered to the clients starting from a minimum amount of CHF150,000 or the equivalent for annual investment advice fee of 0.5%. The Bank Group periodically submits investment proposals to the potential clients with four risk levels selection available including (i) risk averse; (ii) profit-oriented; (iii) dynamic with risk conscious; and (iv) speculative. An investment advice mandate can be cancelled at any time.

As at 31 December 2013, 2014, 2015, 31 March 2015 and 2016, the Bank Group had 31, 41, 51, 44 and 50 investment advisory mandates, respectively. During the year ended 31 December 2013, 2014, 2015 and three months ended 31 March 2015 and 2016, revenue generated from investment advisory business of the Bank Group was approximately CHF0.2 million (equivalent to approximately HK$1.6 million), CHF0.8 million (equivalent to approximately HK$6.5 million), CHF0.7 million (equivalent to approximately HK$5.7 million), CHF0.2 million (equivalent to approximately HK$1.6 million) and CHF0.2 million (equivalent to approximately HK$1.6 million), respectively, representing approximately 0.5%, 1.8%, 1.6%, 1.6% and 1.4% of the total revenue for the same periods.

Brokerage business

The Bank Group's brokerage business is geared primarily to its private client business, but also trades for its own account to a limited extent. Professional trading, combined with an excellent technical infrastructure and an international network of contacts, ensure that all transactions are carried out in an appropriate manner.

The following table sets forth the total trading volume, commission income and the average commission rates for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2013	2014	2015	2015	2016
			(CHF in '000)		
				(unaudited)	
Securities trading (stocks, funds and bonds)					
Trading volume	705,696	929,037	1,818,185[(2)]	719,713[(2)]	572,823[(4)]
Commission	5,652	7,307	8,588	2,361	1,277
Average commission rate[(1)]	0.8%	0.8%	0.5%[(3)]	0.3%	0.2%

Notes:

(1) Average commission rate = commission on the trading of stocks, funds and bonds/trading volume of stocks, funds and bonds.

(2) The primary reason for the increase in trading volume from 2014 to 2015 was due to the relocation from interbank deposits to short term bills and bonds within the banking book.

(3) The average commission for the year ended 31 December 2015 amounted to 0.5% in total and 0.8% excluding trades for own account.

(4) The primary reason for the decrease from the first quarter of 2015 to the first quarter of 2016 was due to the decrease in transactions of the Bank Group's own accounts.

The following table sets forth the income from trading the underlying assets for the Bank Group's own account for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2013	2014	2015	2015	2016
			(CHF in '000)		
				(unaudited)	
Income from trading:					
Forex and precious metals	5,172	6,321	8,315	1,728	2,112
Debt instruments	294	746	511	417	40
Funds	41	(46)	32	53	(54)
Securities	3	–	4	1	–
Total	5,510	7,021	8,862	2,199	2,098

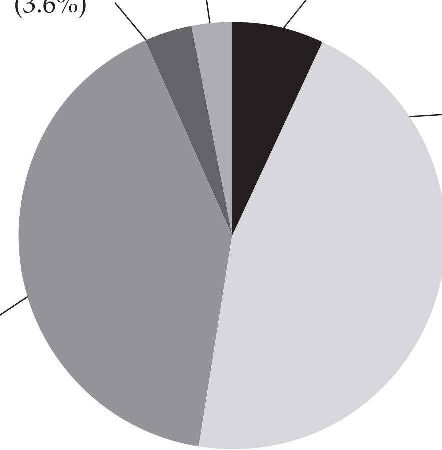
Granting loans

The Bank Group offers lending to its private client business, which largely takes place on a secured basis. For the year ended 31 December 2013, 2014, 2015 and the three months ended 31 March 2015 and 2016, the Bank Group held secured assets at approximately 92.0%, 95.3%, 97.4%, 97.4% and 97.3% of underlying loans, respectively. When determining the interest rate, the Bank Group takes into consideration factors such as the borrower's financial condition and credit rating, the nature and value of collateral, the term of the loan, the intended use of the loan and prevailing market conditions. The Bank Group also considers the cost of lending, credit risk and general market competition when providing its services. Loans are granted in accordance with the internal authorisation process of the Bank Group and compliance within the limits is regularly monitored by the management board of the Bank Group. For the years ended 31 December 2013, 2014, 2015 and the three months ended 31 March 2015 and 2016, the Bank Group charged its clients with interest rates ranging from 0.5% to 7.5%, 0.5% to 7.5%, 0.5% to 9.7%, 0.5% to 7.5% and 0.5% to 9.7%, respectively. During the year ended 31 December 2013, 2014, 2015 and the three months ended 31 March 2015 and 2016, revenue generated from granting loans of the Bank Group was approximately CHF2.7 million (equivalent to approximately HK$21.9 million), CHF3.9 million (equivalent to approximately HK$31.6 million), CHF4.3 million (equivalent to approximately HK$34.8 million), CHF1.2 million (equivalent to approximately HK$9.7 million) and CHF0.8 million (equivalent to approximately HK$6.5 million), respectively.

Target customers

The Bank Group specialises in providing advice for high-net-worth families and institutional investors. It primarily targets the market in Europe, while it has been increasingly targeting markets outside EU, from Russia to Turkey, the Middle East, Americas and Asia.

The follow chart sets forth the distribution of the AUM of the Bank Group by geographical regions as at 31 March 2016 according to the information available to the Bank Group:



The follow table sets forth the AUM and number of clients by scale of AUM of the clients of the Bank Group as at 31 March 2016 according to the information available to the Bank Group:

Scale of AUM *(CHF in million)*	**Total AUM** *(CHF in million)*	**Number of clients**(1)
From 0 to 0.5	437	5,879
Over 0.5 to 1	219	314
Over 1 to 5	806	393
Over 5 to 10	453	65
Over 10	1,725	53
Total	**3,640**	**6,704**

Note:

(1) The number of clients is defined as the number of beneficial owners.

Revenue model of the Bank Group

The main sources of income of the Bank Group are the commission and service fees income, income from trading transactions, net interest income and other income. For the year ended 31 December 2015 and the three months ended 31 March 2016, the net commission and service fees income of the Bank Group accounted for approximately 70.3% and 70.5% of total revenue, followed by income from trading transactions at approximately 18.7% and 18.9% of total revenue and net interest income at approximately 11.2% and 10.8% of total revenue. The following table sets forth the breakdown of income of the Bank Group for the periods indicated:

	For the year ended 31 December			For three months ended 31 March	
	2013	2014	2015	2015	2016
			(CHF in '000)		
				(unaudited)	
Net commission and service fees income	25,783	31,532	33,344	8,402	7,811
Income from trading transactions	5,510	7,021	8,862	2,199	2,098
Net interest income	5,693	6,641	5,314	1,455	1,192
Other income	43	(345)	(113)	(77)	(20)
Total	37,029	44,849	47,407	11,979	11,081

Net commission and service fees income

The Bank Group generates commission and service fees income mainly through providing asset management, investment advice, investment services and other services to its clients. For the year ended 31 December 2015, the commission margin stood at 81 basis point (annualised), calculated by net commission and service fees income divided by average total AUM, and the net commission and service fees income rose by 5.7% to CHF33.3 million (equivalent to approximately HK$269.7 million) as compared to the corresponding period in 2014. For the three months ended 31 March 2016, the commission margin stood at 82 basis point (annualised), calculated by net commission and service fees income divided by average total AUM, and the net commission and service fees income decreased by approximately 7.0% to approximately CHF7.8 million (equivalent to approximately HK$63.2 million) as compared to the corresponding period in 2015. The Bank Group charges commission rate for trading transactions in Switzerland and Liechtenstein ranging from 0.2% to 1.0% for shares and bonds and ranging from 0.2% to 1.9% for other countries, subject to minimum fee.

Income from trading transactions

The Bank Group's trading business is geared primarily to its private client business. Income from trading transactions is mainly generated from trading of foreign exchange and precious metals which represented approximately 93.9%, 90.0%, 93.8%, 78.6% and 100.7% of the total income from trading transactions for the years ended 31 December 2013, 2014, 2015 and the three months ended 31 March 2015 and 2016, respectively. The remaining income from trading transactions is generated from trading of debt instruments, securities and others.

Net interest income

Interest income of the Bank Group is mainly generated from interest-related business with banks, clients and from interest bearing securities. The Bank Group introduced negative interest in EUR and CHF for its clients' sight money with more than 0.5 million in nominal value. Interest expenses are mainly incurred from clients' call money, clients' time deposits as well as a subordinated bond issued. For the year ended 31 December 2015, net income from interest-related business amounted to CHF5.3 million (equivalent to approximately HK$42.9 million), comprising of (i) net income from interest-related business with clients of approximately CHF4.5 million (equivalent to approximately HK$36.5 million); (ii) net interest income from financial securities of approximately CHF1.7 million (equivalent to approximately HK$13.8 million); (iii) net interest expenses from banks of approximately CHF0.5 million (equivalent to approximately HK$4.1 million); and (iv) interest expenses on issued debt instruments of approximately CHF0.4 million (equivalent to approximately HK$3.2 million). For the three months ended 31 March 2016, income from interest-related business amounted to approximately CHF1.2 million (equivalent to approximately HK$9.7 million), comprising of (i) net income from interest-related business with clients of approximately CHF1.0 million (equivalent to approximately HK$8.1 million); (ii) net interest income from financial securities of approximately CHF0.6 million (equivalent to approximately HK$4.9 million); (iii) net interest expenses from banks of approximately CHF0.2 million (equivalent to approximately HK$1.6 million); and (iv) interest expenses on issued debt instruments of approximately CHF0.1 million (equivalent to approximately HK$0.8 million).

Major operating costs

The operating costs incurred in the ordinary business activities of the Bank Group mainly consist of staff costs (including social security deductions and retirement provision) and operating expenses for office premises and machinery. For the year ended 31 December 2015 and the three months ended 31 March 2016, the total staff costs incurred were approximately CHF16.3 million (equivalent to approximately HK$132.0 million) and CHF6.0 million (equivalent to approximately HK$48.6 million), representing 64.7% and 67.4% of total business expenses for the same periods. The general expenses, including operating expenses for office premises and machinery, amounted to approximately CHF8.9 million (equivalent to approximately HK$72.1 million) and CHF2.9 million (equivalent to approximately HK$23.5 million) for the year ended 31 December 2015 and the three months ended 31 March 2016, representing 35.3% and 32.6% of total operating expenses for the same periods.

Financial information of the Bank Group

The following table sets out consolidated net profit (before and after tax) of the Bank Group for each of the three years ended 31 December 2015 and the three months ended 31 March 2015 and 2016 as extracted from the accountants' report of the Bank Group as set out in Appendix II to this circular.

	For the year ended 31 December						For three months ended 31 March			
	2013		2014		2015		2015		2016	
	CHF'000	*Equivalent to HK$'000*	*CHF'000*	*Equivalent to HK$'000*	*CHF'000*	*Equivalent to HK$'000*	*CHF'000 (unaudited)*	*Equivalent to HK$'000*	*CHF'000*	*Equivalent to HK$'000*
Net profit before tax	17,017	137,838	20,419	165,394	9,571	77,525	5,132	41,569	1,726	13,981
Net profit after tax	15,291	123,857	17,945	145,355	7,205	58,361	4,566	36,985	1,483	12,012

As at 31 March 2016, the audited consolidated net asset value of the Bank Group was approximately CHF57.9 million (equivalent to approximately HK$469.0 million). For further details of the financial information of the Bank Group, please refer to the accountants' report of the Bank Group as set out in Appendix II to this circular.

Employees

As at 31 March 2016, the Bank Group had 91 staff and had 12 staff for the fund management, which are all based in Liechtenstein, including 7 part-time staff.

The Bank Group believes an outstanding and motivated talent pool is the foundation of sustainable growth and has made significant efforts in human resources development. The Bank Group recruits and cultivates talented professionals through a range of human resources management tools, including a strict recruitment and selection process, a competitive compensation structure, an effective performance evaluation system and long-term employee development schemes. Consistent with market practice, the compensation structure consists of (i) a base salary, which is determined based on the specific position, requirements of qualification and working experience and market demand; (ii) a bonus based on the employee's performance; and (iii) other perk benefits such as pension insurance, medical insurance, workplace injury insurance, unemployment insurance and maternity insurance.

For the three years ended 31 December 2015 and the three months ended 31 March 2016, the Bank Group did not experience any labor strikes or other material labor disputes that affected operations of the Bank Group and retained a good relationship with the employees.

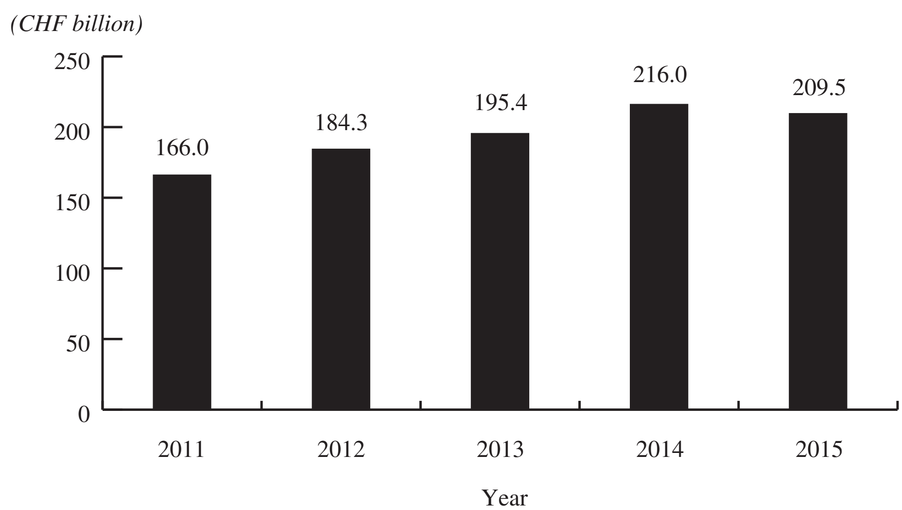
INDUSTRY OVERVIEW OF BANKING INDUSTRY OF LIECHTENSTEIN

The principal business activities of the Bank Group are primarily private banking and wealth management services.

According to the report on Liechtenstein financial market issued by the FMA Liechtenstein in June 2016 (the "**FMAL Report 2015**"), banks in Liechtenstein primarily focus their business activities on private banking and wealth management. Due to the membership of Liechtenstein in the EEA, banks in Liechtenstein are able to enjoy full freedom to provide services throughout EU market as well as, among others, in Iceland and Norway. Certain banks in Liechtenstein are also active outside of Europe, especially in Asia, through their subsidiaries or representative offices. At the end of 2015, 16 banks (including one of which was in liquidation and one of which was only licensed for credit business) were licensed in Liechtenstein.

Despite the difficult market environment in Europe in 2014, the transformation process of the financial centre and the economic situation in Europe continue to make demands on the banking industry of Liechtenstein. The AUM of Liechtenstein banks (including foreign group companies) broke previous record high of CHF216.0 billion in 2014. In January 2015, the Swiss National Bank abandoned its minimum exchange rate of CHF to EUR, resulting in a sudden appreciation of CHF. This has led to the slight decline in the AUM of Liechtenstein banks (including foreign group companies) by approximately 3.0% over 2014 to CHF209.5 billion at the end of 2015, but continued to maintain a positive compound annual growth rate ("**CAGR**") of approximately 6.0% from 2011.

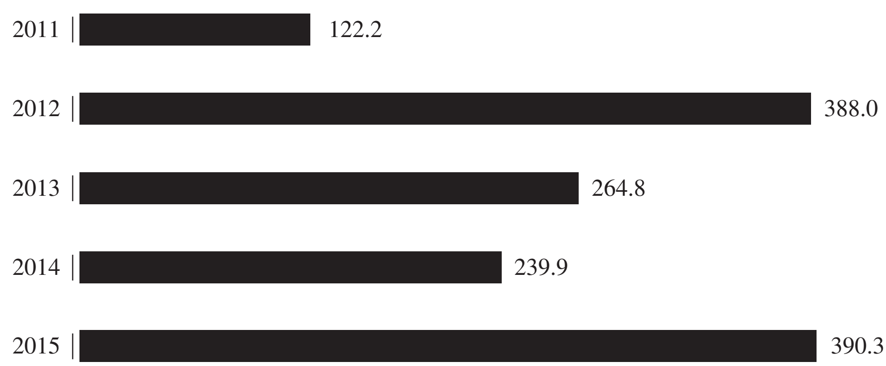
The following chart sets forth the AUM of Liechtenstein banks (including foreign group companies) for the years indicated:



Source: The FMAL Report 2015

Despite the increasing AUM of Liechtenstein banks from 2012 to 2014, the income measured by the result from ordinary business activities of Liechtenstein banks (including foreign group companies) fell by approximately 9.4% from approximately CHF264.8 million in 2013 to approximately CHF239.9 million in 2014, mainly due to the persistently low interest rate level which reduced the earning power of banks after a significant decrease of approximately 31.8% from 2012 to 2013 due to the significant drop in income from financial transactions by approximately 24.3% and interest income by approximately 16.9% over 2013. The income measured from the ordinary business activities of Liechtenstein banks increased by approximately 62.7% from approximately CHF239.9 million in 2014 to approximately CHF390.3 million in 2015, mainly due to the increase in income from financial transactions and interest income in 2015. With the significant growth of income in 2015, the result from ordinary business activities of Liechtenstein banks (including foreign group companies) in 2015 recorded a CAGR of approximately 33.7% from 2011.

The following chart sets forth the income measured from the result from ordinary business activities of Liechtenstein banks for the years indicated:



Note: The above financial data are in CHF million.

Source: The FMAL Report 2015

The equity capital of Liechtenstein banks remained strong in 2015. The average core capital (Tier 1) ratio at the end of 2015 after consolidating all Liechtenstein banks was approximately 21.3% which was higher than the aggregate core capital (Tier 1) ratio of approximately 12.6% in EU, according to the June 2015 EU-wide stress test participated by 59 banks in EU as set out in the 2015 EU-wide transparency exercise report issued by the European Banking Authority.

INTERNAL CONTROLS

The Bank Group has established corporate governance, risk management and risk control systems to manage the specific risk exposure in the business operations. The Bank Group considers, among other things, operational risks, counterparty and country risks and market risks are the major risks relating to the major business activities of the Bank Group. The board of directors of the Bank bears the overall responsibility for the risk management, issues the risk policies and regulations and monitors the risk situation at the level of the Bank Group as a whole. The managing board is responsible for the implementation and monitoring of the adherence of the risk policies. The managing board issues the directives for the individual business sectors and informs the board of directors of the Bank about the situation of the risk periodically in standardised form and when the circumstances require it.

The Bank Group's specific risk categories are restricted through the limit systems or by means of controlling lists. The board of directors of the Bank is usually oriented quarterly or on their meetings with the risk reporting about the adherence of the exposed limits. The Bank Group strives to timely identify any internal control deficiencies and continuously improve its internal control system through quantitative risk management and operational risk control in order to safeguard the stable development of the Bank Group.

MANAGEMENT OF THE BANK GROUP

Board of directors of the Bank

The board of directors of the Bank currently comprises four directors. Two of the directors will resign after Completion. The Company has proposed the appointment of additional seven members to the board of directors of the Bank after Completion subject to the approval of the FMA Liechtenstein.

The Company intends that the Bank Group will continue its existing business. The Company also intends that there will be no material changes to the existing employees of the Bank Group following Completion. The directors of the new board possess relevant industry-related experience and/or management experience to act as directors of the Bank. As such, the Enlarged Group will be able to capitalise on their experience and expertise to manage the business of the Bank Group going forward.

Particulars of the existing and remaining directors are set out below:

Dr. iur. Hilmar R. Hoch, aged 58, joined the Bank and was appointed as the chairman of the Bank on 11 December 2015 and is responsible for the overall business development of the Bank. Dr. Hoch has over 20 years of experience in the legal sector and was qualified as a lawyer both in Liechtenstein in 1991 and New York in 1993. Dr. Hoch provided, amongst others, legal counseling for Liechtenstein banks and professional trustees and acted as liquidator of two Liechtenstein banks. Dr. Hoch worked as a lawyer and eventually promoted to partner in Meier & Wolf from 1987 to 1997 and a partner in Wolf & Hoch from 1997 to 2004. Since 2005, Dr. Hoch has served as a partner in Seeger Frick & Partner. Dr. Hoch currently serves as the vice president of the Liechtenstein Constitutional Court. Dr. Hoch also provides consultancy to national and international clients, specialising in corporate and contract law, administrative law and constitutional law.

Prof Dr. Martin Wenz, aged 49, joined the Bank in 2011 and is currently a member of the board of directors of the Bank and is responsible for national and international tax issues including global standards of the Bank. Dr. Wenz has over 25 years of experience in the financial, national and international taxation sectors in Europe. Since 2010, Dr. Wenz has been the academic director of the Executive Master of Laws programme in international taxation at the University of Liechtenstein, Vaduz. From 2006 to 2011, Dr. Wenz served as the chairman of the tax law revision working group responsible for the total revision of the Liechtenstein tax law. Since 2005, Dr. Wenz has held the chairman position for Tax Management and the Laws of International and Liechtenstein Taxation at the University of Liechtenstein, Vaduz. Since 2006, Dr. Wenz has been the head of the Institute for Financial Services at the University of Liechtenstein, Vaduz. From 1992 to 2005, Dr. Wenz served as an academic research assistant and as an assistant professor at the Universities of Mannheim and Munich, but also worked at the Universities of Cambridge and Oxford for one year during the period. In between, from 2001 to 2002, Dr. Wenz served as a senior tax manager at KPMG in Frankfurt in the field of tax and legal. Dr. Wenz is currently the adviser of the Liechtenstein government regarding the future development of the Liechtenstein national and international tax law, the conclusion of tax information exchange agreements, double tax conventions and other tax treaties, the implementation of the new global standard on automatic exchange of information for tax purposes, the implementation of the Organisation for Economic Co-operation and Development Actions on base erosion and profit shifting and concerning the presentation of Liechtenstein at the EU Commission and the European Free Trade Association Surveillance Authority.

Particulars of the proposed directors are set out below:

Dr. Jodok Simma, aged 70, was the head of the board of directors of the Bank for more than ten years from 1998 to 2009. Dr. Simma is currently heading the board of directors of Vorarlberger Landes- und Hypothekenbank AG, Bregenz, being the fourteenth largest bank in Austria in 2015. Prior to his role of president of Vorarlberger Landes- und Hypothekenbank, Dr. Simma was a member of its management board from 1975 to 1980, its deputy chief executive officer from 1980 to 1997 and its chief executive officer from 1997 to 2012. One of his major strategic steps was the set-up of the Liechtenstein independent banking subsidiary 'Hypo Investment Bank (Liechtenstein) AG', being the Bank, in autumn 1998 and was sold to Valartis Group AG in December 2009. In addition to his experience in banking industry, Dr. Simma is also a board member of Austrian investment, real estate and leasing companies at Management Trust Holding AG, a listed company on the Third Market of the Vienna Stock Exchange. Dr. Simma holds a doctoral degree from the Vienna University of Economics and Business.

Dr. iur. Andreas Casutt, aged 53, has been a partner at Niederer Kraft & Frey AG since 2002 and its managing partner from 2006 to 2014. Dr. Casutt qualified as lawyer in 1993 and since then, he has practiced in Zurich mainly on corporate law, contracts, mergers and acquisitions, particularly in private equity, corporate governance as well as stock exchange law issues and employment law. Dr. Casutt chairs the board of directors of Siegfried Holding AG, a listed company in Swiss Exchange, and is a member of the board of directors of Mikron Holding AG, a listed company in Swiss Exchange. Furthermore, Dr. Casutt is a member of the board of Horizon21 AG, Twelve Capital AG and AgaNola AG which are prudentially supervised asset managers as well as Dextra Rechtsschutz AG, a small insurance company.

Mr. Beat Unternährer, aged 54, is a founding partner and a member of the board of directors of The Corporate Finance Group AG ("**TCFG**"), a leading mid-market mergers and acquisitions boutique firm in Switzerland. Prior to founding TCFG, Mr. Unternährer was a managing partner of Ernst & Young's Zurich corporate finance practice from 1992 to 2000. From 1987 to 1989, Mr. Unternährer was an analyst in the central management information systems department of Credit Suisse for the cost evaluation of various financial products of the bank.

Mr. Hon Kwok Lung, aged 61, the chairman of the Company, joined the Board in April 2004. Mr. Hon is also the chairman of the board of directors of Citychamp Dartong Company Limited ("**Citychamp Dartong**"), the shares of which are listed on the Shanghai Stock Exchange in the PRC, which holds 10.53% of the issued share capital of Fudian Bank. Mr. Hon has extensive business experience in the PRC. Mr. Hon is a member of the National Committee of the Chinese People's Political Consultative Conference, an executive member of All-China Federation of Returned Overseas Chinese Committee and the executive vice president of China Federation of Overseas Chinese Entrepreneurs. Mr. Hon is proposed to act as the chairman of the Bank after Completion, subject to the approval of the FMA Liechtenstein.

Mr. Shang Jianguan, aged 64, the chief executive officer and an executive Director. Mr. Shang joined the Board in 2004 and currently serves as a director of Citychamp Dartong. Mr. Shang was a general manager of investment department in a trust company, responsible for overseeing investments in and served as a director of, among other things, Fujian Industrial Bank and Xiamen International Bank in the PRC. Mr. Shang was a general manager and an executive director of Min Xin Holdings Limited, the shares of which are listed on the Stock Exchange, for two years and was responsible for management and operations of Min Xin Holdings Limited and its subsidiaries, including serving as a director of Xiamen International Bank in the PRC.

Ms. Lam Lai, aged 37, joined the Company in 2008 as investment manager and has been re-designated as general counsel and chief executive officer assistant responsible for merger and acquisition and business development. Ms. Lam leads overseas investments and the merger and acquisition projects of the Company. Ms. Lam is currently a representative for Type 1 (dealing in securities) regulated activity under the SFO. Ms. Lam graduated from University of Western Sydney in 2001 with a degree of Bachelor of Commerce majoring in marketing.

Mr. Fong Chi Wah, aged 53, the chief financial officer and secretary of the Company, joined the Company in 2004. Mr. Fong has over 25 years of extensive experience in financial industry, including direct investment, project and structured finance and capital markets. Mr. Fong served as an auditor of KPMG from September 1986 to January 1989. He served as an accountant from January 1989 to January 1990 and as an analyst from January 1990 to August 1993 at AIA Capital Corporation Limited, a member company of American International Group, Inc., responsible for preparing financial analyses for the evaluation of various projects and assisting in investment opportunities. Mr. Fong served as a general manager at ING Consultants Company Limited, a member company of ING, from September 1993 to May 1996, responsible for proposing credit structures for financing requirements of enterprises and joint ventures operating in the PRC and providing financial advisory services related to foreign companies' investments. Mr. Fong served as an assistant vice president at ING Barings from May 1996 to October 1998, responsible for developing business with multinational clients and proposing credit structures and financial packages to meet clients' needs. Mr. Fong served as a director of Baring Capital (China) Management Limited that managed a listed company on the Stock Exchange, which was formerly known as ING Beijing Investment Company Limited, from January 1999 to December 2002. Mr. Fong is a fellow member of HKICPA, a fellow member of CPA Australia, a Chartered Financial Analyst and a fellow of the Hong Kong Institute of Directors. He is also a responsible officer licensed under the SFO for Type 9 (asset management) regulated activities.

Senior management of the Bank Group

Dr. Andreas Insam, aged 59, has been the chief executive officer of the Bank since the Bank was founded in 1998 and is responsible for clients and marketing of the Bank. He holds a doctoral degree in Business Administration from the University of Innsbruck. He has over 25 years of experience in management and business administration. He served as research assistant at the University of Innsbruck's Institute of Mathematics and Statistics in 1982. From 1986 to 1992, he was a member of the board of directors of LGT Bank in Liechtenstein (Frankfurt) GmbH and was primarily responsible for the institutional sales division.

Dr. Gerhard Lackinger, aged 58, has been a member of the management of the Bank since 2000. He is responsible for the departments of accounting, legal & compliance, information technology, loans, human resources and facility management. Dr. Lackinger holds a doctor's degree in Law and Master in Business Administration from the University of Innsbruck. Dr. Lackinger is a certified accountant in Austria. In 1988, Dr. Lackinger joined Vorarlberger Landes- und Hypothekenbank AG, Austria as an assistant director of the whole board of management. He was a member of the board of directors of Hypo Vorarlberg Leasing AG Bozen (ITA) and Dornbirn (AUT) as well as a managing director of the insurance and real estate brokerage department. From 1996 to 2000, Dr. Lackinger was also the head of legal department of Vorarlberger Landes- und Hypothekenbank AG, Austria.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in manufacture and distribution of watches and timepieces.

The Acquisition provides an opportunity for the Group to participate in the banking industry in Liechtenstein with a controlling equity interest in the Bank and allows the Group to diversify into the financial sector. The Directors are of the view that banking business in Liechtenstein represents an attractive investment opportunity within the financial services sector with the bilateral agreements signed between Liechtenstein and Switzerland in place and Liechtenstein's membership in the EEA, enabling banks in Liechtenstein with access to both Swiss and European market.

The Group has been developing its watch business internationally in recent years and has built a strong business infrastructure and unique market position in the PRC and central Europe in the process of establishing a global presence. The Directors believe that such resources are valuable for the Group to diversify into the financial sector. The Bank, founded in 1998, is a fully licensed bank with headquarters in the principality of Liechtenstein. The Acquisition provides an opportunity for the Group to acquire a well-established and profitable bank group. According to the annual report of the Bank Group for the year ended 31 December 2015, the Bank Group recorded net profit for the past five years. The Bank Group's operating experience in private banking market will allow the Bank Group to grow from a private bank in Liechtenstein to be expanded into the Asian market as the traditional banking skills offered by the bankers of Liechtenstein/Switzerland are appealing to fast-growing emerging economies with growing numbers of wealthy individuals. The Bank Group offers traditional investment advisory and asset management services for clients not only in traditional European markets but also in emerging markets through multilingual coverage desks catering to clients from different markets. Further, the outlook and confidence in the future prospects of the banking industry and the capital of the Group to support the Bank Group could boost the confidence of the existing and potential clients to forge stronger trust relationship with the Bank Group. This might eventually lead to the increase in the total AUM and revenue of the Bank Group in the future. The Directors believe that the Acquisition provides an opportunity for the Group to diversify its business and broaden its revenue stream.

Based on the aforesaid, the Directors (including the independent non-executive Directors) consider that the terms of the Share Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company had not entered and did not have any concrete plan to enter, into any agreement, arrangement, undertaking and negotiation to dispose of or downsize the existing businesses of the Group.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Bank Group will become a subsidiary of the Company and the results, assets and liabilities of the Bank Group will be consolidated into the financial statements of the Group.

Earnings

As set out in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming the Completion had taken place on 1 January 2015, profit attributable to owners of the Enlarged Group for the year ended 31 December 2015 would have been increased from approximately HK$307.7 million to approximately HK$419.7 million.

Assets and liabilities

As at 31 December 2015, the Group's audited total assets and total liabilities were approximately HK$6,838.6 million and HK$2,604.1 million, respectively. Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix III to this circular, the total assets and total liabilities of the Enlarged Group would have been increased to approximately HK$19,101.6 million and HK$14,775.1 million, respectively, had the Completion taken place on 31 December 2015.

Details of the financial effects of the Acquisition on the financial position and results of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustrative purpose only, in Appendix III to this circular. It should be noted that the above financial effects do not purport to represent the financial position of the Enlarged Group upon Completion.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

After Completion, the Enlarged Group will continue with the existing principal businesses of the Group and the Bank Group.

Notwithstanding the uncertainties of global, including the PRC, economy persisted in 2015, the Group achieved growth in its profit for the year ended 31 December 2015 as compared to that for the year ended 31 December 2014. Despite such uncertainties of global economy are expected to continue to raise challenges and cast shadows in the short term, the Directors believe that the PRC is more likely to weather any further deterioration better than western countries. In view of the slower growth rate than before in the PRC, effective supply-side and demand-side accommodative policies are expected to be continuously introduced by the PRC central government so as to stimulate investment, consumption and economic growth. Collectively, these policies would continue to be favorable to the demand for the Enlarged Group's watches, especially the Chinese brand watches of the Enlarged Group. Moreover, the Enlarged Group's strong brands with relatively long history, product development expertise, distribution channels, and relatively large operation size are expected to enable the Enlarged Group to benefit from continuous consumption growth driven by an expanding middle class population in the PRC. The Enlarged Group will therefore continue to develop proprietary brands and expand its distribution network in different provinces in the PRC to further develop the established markets and capture the untapped markets. The outlook of the watch segment of the Enlarged Group is considered satisfactory.

The financial sector in Europe has been undergoing a complex process of transformation over the past few years. As one of the smaller financial institutions, the Directors believe that the Bank Group will be able to adapt quickly to these changing framework conditions and being competitive and capable of adapting business model to create added value for its clients. In addition, the Acquisition will enable the Enlarged Group to penetrate into the private banking market in central Europe. The Directors believe that the performance of the Bank Group will be enhanced by the support of the Enlarged Group.

RISK FACTORS

Shareholders should consider carefully all of the information set out in this circular and, in particular, the following risk factors associated with the Enlarged Group as well as other information including the financial information of the Group, financial information of the Bank Group and the unaudited pro forma financial information of the Enlarged Group set forth in Appendices I, II and III, respectively, before making a voting decision at the EGM. If any of the possible events described below occur, the Enlarged Group's business, financial condition or results of operations could be materially and adversely affected and the market price of the Shares could fall significantly.

Risks associated with the Acquisition

Completion is subject to fulfilment of the conditions precedent and there is no assurance that they can be fulfilled and/or the Acquisition will be completed as contemplated.

The conditions precedent to Completion as set out in the section headed "Conditions precedent to the Share Purchase Agreement" in this circular involve the decisions of third parties, in particular, the relevant regulatory authorities. As fulfilment of these conditions precedent is not within the control of the contracting parties involved in the Acquisition, the Company cannot assure that these conditions precedent can be fulfilled and/or the Acquisition will be completed as contemplated. The Company may be in discussions with the relevant regulatory authorities in relation to the Acquisition. The Company and/or the Bank Group will actively address questions raised and conditions imposed by regulatory authorities in order to expedite the necessary approval process.

The Company faces integration risk.

The Company may not be able to successfully integrate the Bank Group into the Group and realise the expected benefits from the Acquisition. To achieve a successful integration, the Company may need to, among other things, (i) retain the existing customers of the Bank Group and maintain its customer base; (ii) put in place and execute a well-managed operation plan among the Bank Group and the Group, including formulating effective incentive mechanisms; (iii) ensure the stability and quality of transitional support to the Bank Group with respect to the operations; (iv) retain, hire and train staff who will contribute to the Bank Group's business development; and (v) minimize adverse effects resulting from cultural differences, if any, between the Bank Group and the Group. The Company cannot assure that the Company can successfully implement these actions or strategies, and the failure of these actions and strategies may significantly and adversely affect the Enlarged Group's financial condition and operational results.

The Board has no experience in operating the banking business in Liechtenstein.

The Acquisition involves the acquisition of the Bank Group which is principally engaged in the banking industry in Liechtenstein. The Board has no experience in operating the banking business in Liechtenstein. The Acquisition may pose significant challenges to the Group, including but not limited to the administrative, financial and operational aspects. As the Board does not have experience in operating the banking business in Liechtenstein, it is difficult to ascertain the time to recover the Group's investment and/or whether profits can be generated from the Bank Group, let alone the amount. If the business of the Bank Group does not develop or progress as planned, the Enlarged Group may not be able to recover the funds and resources it has spent, and this may subsequently adversely and materially affect the Enlarged Group's financial position.

Risks associated with the Bank Group

The Company cannot guarantee that the Bank Group will continue to be profitable in the future.

According to the accountants' report of the Bank Group as set out in Appendix II to this circular, net profit of the Bank Group amounted to approximately CHF15.3 million, CHF17.9 million, CHF7.2 million, CHF4.6 million and CHF1.5 million, respectively, for each of the three years ended 31 December 2015 and the three months ended 31 March 2015 and 2016, respectively. The profitability of the Bank Group is affected by the global macro economy, the relevant government policies and a number of other factors. The Company cannot assure that such economic condition, policies or historical factors will continue to exist or continue to contribute to the Bank Group's profit. As a result, the Company cannot assure that the Bank Group will continue to be profitable in the future as historically experienced.

The Company cannot assure that the Bank Group's various cost control strategies and measures will be continuously and effectively implemented in the future or achieve their expected results.

The Bank Group's cost-to-income ratio was 49.6%, 48.3%, 53.1%, 53.2% and 80.3% for the years ended 31 December 2013, 2014, 2015 and the three months ended 31 March 2015 and 2016, respectively. The Company cannot assure that the Bank Group's cost control measures will be effectively implemented in the future. In addition, the Bank Group may have to adjust its relevant cost control strategies and measures in accordance with the changing economic environment and its business development. If these strategies and measures fail to achieve their expected results, the Bank Group's operating costs may rise and its financial condition and results of operations may be materially and adversely affected.

If the Bank Group fails to attract or retain its key personnel, the Bank Group's future success could be affected.

The Bank Group relies on the continued service and performance of its key personnel and professional staff. The Bank Group's future success depends substantially upon the industry experience of the staff, as well as their working relationship with the employees, major shareholders, customers of the Bank Group and regulatory authorities. Loss of qualified staff may have an adverse impact on the Bank Group's result of operations and prospects. In particular, being a member of the EEA, the increasing movement of labor creates a constant shortage of competent employees in Liechtenstein. There is no assurance that the Bank Group will be able to attract or retain capable staff to serve the Bank Group or that they will not resign in the future.

If the Bank Group is not effective in designing or implementing its risk management policies and procedures or fails to use information technology systems to support the improvement of its risk management and internal controls, its business, financial condition, results of operations and prospects could be materially and adversely affected.

The Bank Group's operations face a variety of risks, including country risk, interest rate risk, liquidity risk, and operational and legal risks. Its risk management system is essential for maintaining its business operations and financial condition. Risk management measures are formulated for its principal business segments. However, the Company cannot assure that its risk management policies and procedures will be adequate to control all country risk, interest rate risk, liquidity risk, operational and legal risks and other risks, or protect the Company from the impact of such risks. The Company may not be able to identify these risks or these risks may turn out to be greater than what are expected or those at historical levels. In addition, in order to manage the Bank Group's risks effectively, the Bank Group will continually update its risk management policies and procedures and may need additional time to implement them and assess their effectiveness. Its risk management also relies on the effective execution of the policies and procedures by its employees. The Company cannot assure that all of the Bank Group's employees will comply with the Bank Group's risk management policies and procedures. Any violation of the above policies and procedures by its employees or any defect during the course of implementation may adversely affect the implementation of its risk management policies and procedures.

Risks associated with Liechtenstein

The reliance of financial sector to the economy of Liechtenstein and few market players in the Liechtenstein banking sector could create cluster risk and market inefficiency.

The financial sector in general and the banks in particular are of great importance to Liechtenstein's national economy and also in terms of their roles as employers. Amongst the total employment of approximately 36,700 in 2015, the number of jobs at banking institutions adjusted for part-time employment at the end of 2015 was about 2,053, which represented a decrease of about 1.3% over the previous year. At the end of 2015, Liechtenstein banks including foreign group companies managed client assets in the amount of CHF121 billion. Together with only 16 banks in Liechtenstein in 2015, the concentration in the Liechtenstein financial sector may give rise to cluster risk and market inefficiency. Price war or non-price competitions will force up the expenses of the Bank Group, such as marketing expenses. However, the Company cannot guarantee that the Bank Group will be able to compete with other Liechtenstein banks or that will continue to succeed in the future.

Future fluctuations in the value of CHF could have a material adverse effect on financial condition and results of operations of the Bank Group.

The revenue and expenses of the Bank Group are denominated in CHF. As a result, fluctuations in exchange rates, which are subject to changes resulted from policies of the Switzerland, local and international economic and political developments as well as supply and demand in the monetary market, particularly between CHF and USD, may result in foreign currency exchange losses of the foreign currency-denominated assets and liabilities and profitability of the Bank Group.

The Bank cannot predict how CHF will fluctuate in the future. In addition, although it has applied safeguards by monitoring approved position limits and reviewed the financial statements periodically. The Bank Group has not entered into any foreign currency agreement to hedge against the exposure to foreign exchange risk between CHF and other currencies. As a result, the fluctuation of exchange rates between CHF and other currencies could materially and adversely affect the Bank Group's operation and financial performance.

Fluctuations in Liechtenstein staff costs could affect the operating costs of the Bank Group which could materially and adversely affect the Bank Group's business and financial performance.

Liechtenstein has a comparably high income level among European countries. The operating expenses of the Bank Group mainly consist of staff costs, which is subject to high degree of volatility. Higher staff costs will increase the operating costs of the Bank Group, in which its business, financial condition and results of operations may be materially and adversely affected. However, the Bank Group cannot guarantee that it will be able to improve labour productivity to offset higher operating costs, which could materially and adversely affect the Bank Group's business and financial performance.

The Bank Group's business, financial condition, results of operations and prospects and the value of its clients' investments may be materially and adversely affected as a result of negative publicity associated with the banking industry in Liechtenstein in general or the Bank Group, its directors, senior management or staff, even if such negative publicity is inaccurate, unsubstantiated or immaterial.

Reputation is crucial to the successful operation of a bank. Despite its efforts to counteract in the recent past, Liechtenstein internationally still has the reputation as "tax heaven". The Bank Group cannot guarantee that it will not be affected by such negative reputation or involved in any publications in relation to such negative reputation as a result of the Bank Group's business operations or alleged misconduct of its directors, senior management or staff. Such negative reputation associated with the banking industry in Liechtenstein in general or the Bank Group, its directors, senior management or staff, even if such negative publicity is inaccurate, unsubstantiated or immaterial, may have a material adverse effect on the Bank Group's reputation. As a result, its business, financial condition, results of operations and prospects, and the value of its clients' investment, may be materially and adversely affected.

The Bank Group faces intense competition from other participants in the banking industry in Switzerland as well as Liechtenstein, especially for private banking services.

The Bank Group is facing fierce competition from other participants as the private banking industry in Switzerland and Liechtenstein is saturated. The intense competition of the private banking services in Switzerland and Liechtenstein may materially and adversely affect the Bank Group's financial condition and results of operations as well as its business and prospects in various ways, including by:

- diminishing the market share of the principal products and service lines;
- reducing the amount to be charged in commissions and fees;
- increasing non-interest expenses, such as marketing expenses; and
- increasing competition for management personnel and qualified professionals.

The Bank Group's business and operations are highly regulated, and its business, financial condition, results of operations and prospects may be materially and adversely affected by regulatory changes or other governmental policies, including their interpretation and application.

As Liechtenstein is a member of the EEA, the Bank Group requires the compliance with certain policies, banking legislations and regulations set forth by the EU. The Bank Group's operations are directly affected by changes in such policies, laws, rules and regulations in the EU relating to the banking industry, such as liquidity requirements, bank-internal capital policy, corporate governance, penalties, and supervisory cooperation. Such changes may result in restrictions on the Bank Group's business activities or additional costs. Future laws, rules, regulations or policies, and changes in existing laws, rules, regulations or policies may have a material adverse effect on the Bank

Group's business, financial condition, results of operations and prospects. Furthermore, any uncertainty as to the interpretation and application of new rules and regulations may lead the Bank Group to incur unanticipated operating or other costs. Failure to comply with applicable laws, rules, regulations and policies may result in fines and restrictions on the Bank Group's activities, which could also have a material adverse effect on its business, financial condition, results of operations and prospects.

Risk associated with global economy

A global economic slowdown or recession may reduce the demand for the Bank Group's products and services and may lower the quality of its assets, which in turn could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Bank Group conducts its business and generates revenue globally. As a result, global economic developments have a significant effect on its financial condition, results of operations and prospects. The economy in Europe and the global economy may deteriorate in the future, which could have an adverse impact on the economy in Liechtenstein. Any significant slowdown in the economies in Europe or the global economy could have a material adverse effect on the Liechtenstein's banking industry as well as the Bank Group's business and operations. In particular, (i) the value of its investments may significantly decline, which could materially and adversely affect its financial condition and results of operations; and (ii) the Bank Group may not be able to raise additional capital on favorable terms, or at all, which could cause a further slowdown in some economies and materially and adversely affect the Bank Group's business and prospects.

THE IRREVOCABLE UNDERTAKINGS BY THE CONTROLLING SHAREHOLDER

In connection with the Acquisition, each of Full Day and Sincere View, together holding in aggregate 3,217,389,515 Shares, representing approximately 74.03% of the entire issued share capital of the Company as at the Latest Practicable Date, has irrevocably undertaken to the Company to vote in favour of the resolution relating to the Acquisition at the EGM. As the Latest Practicable Date, the entire equity interest of Full Day was beneficially owned by Mr. Hon Kwok Lung, an executive Director and the controlling Shareholder, and the equity interest in Sincere View was beneficially owned as to 80% and 20% by Mr. Hon Kwok Lung and his wife, Ms. Lam Suk Ying, respectively.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to the reporting, announcement and shareholders' approval requirements at the EGM by way of poll.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.03 OF THE LISTING RULES

Pursuant to Rule 4.03 of the Listing Rules, the accountants' report of the Bank Group which is required to be included 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.

Given that the Bank is incorporated in Liechtenstein and Ernst & Young, Switzerland ("**EY Switzerland**") has been acting as the auditors of the Bank for the three years ended 31 December 2015, the Directors are of the view that it is more time efficient and cost effective to appoint EY Switzerland instead of professional accountants who are qualified under the Professional Accountants Ordinance as reporting accountants for the purpose of issuing the accountants' report of the Bank Group to be included in this circular. The Company has therefore applied to the Stock Exchange for a waiver from strict compliance with Rule 4.03 of the Listing Rules to allow EY Switzerland to act as the reporting accountant for the accountants' report of the Bank Group for the inclusion in this circular. Such waiver has been granted by the Stock Exchange and the relevant accountants' report is set out in Appendix II to this circular.

EGM

The EGM will be convened and held to consider and, if thought fit, pass the resolution to approve, the Share Purchase Agreement and the transactions contemplated thereunder, including the Acquisition.

A notice convening the EGM to be held at Units 1902–04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Tuesday, 13 September 2016 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Sellers are third parties independent of the Company and its connected persons and no Shareholder has any material interest in the Acquisition which is different from other Shareholders. As such, no Shareholder is required to abstain from voting at the EGM. Full Day and Sincere View have irrevocably undertaken to the Company to vote in favour of the resolution relating to the Acquisition at the EGM.

RECOMMENDATION

The Board believes that the terms of the Share Purchase Agreement and transactions contemplated thereunder (including the Acquisition) are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Purchase Agreement and transactions contemplated thereunder.

Shareholders and potential investors should note that Completion is conditional upon the fulfilment and/or waiver (if applicable) of the conditions precedent set out in the Share Purchase Agreement. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

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

REGULATORY OVERVIEW OF THE BANKING INDUSTRY OF LIECHTENSTEIN

The main Liechtenstein laws and regulations relating to the banking industry include:

1) The Liechtenstein Banking Act and the Liechtenstein Banking Ordinance

The Liechtenstein Banking Act and the Liechtenstein Banking Ordinance primarily contain stipulations on obligatory licenses, the required organisation of a bank and the banking business.

The FMA Liechtenstein is the authority responsible for supervising banks in Liechtenstein and monitors compliance with the applicable legal norms. The FMA Liechtenstein implements guidelines and recommendations set out by the European Banking Authority for banks operating in Liechtenstein.

The license for operating a bank in Liechtenstein shall be granted if the preconditions set out below, among others, are met:

- a bank must provide a business plan, setting out in particular the types of business envisaged and the organisational structure of the bank;
- the bank may only be established in the legal form of:
  - a limited company under the Liechtenstein Person and Company Act; or
  - a European company under the Liechtenstein European Company Act.
- the registered office and the central administration of the bank must be situated in Liechtenstein;
- shareholders with a qualifying holding must meet the demands placed in the interest of ensuring sound and prudent management of the bank;
- the professional and personal qualities of the persons entrusted with the governance or management of a bank or investment firm must always ensure sound and proper business operation; and
- the articles of association and regulations must precisely define the material and geographic business circle of the bank activities, and other than banking or investment services must be expressly mentioned in the articles of association.

Each issued banking license is generally valid for an indefinite period of time but shall expire or become invalid if any of the following conditions occur:

- business activities have not been initiated within one year;

- business activities have not been undertaken for at least six months;
- the license is forgone in writing;
- a final bankruptcy order has been issued; or
- the business has been cancelled in the Trade Registry Division of the Liechtenstein Office of Justice (the "**Trade Registry**").

It is also stipulated that:

- banks must be organized in accordance with their business circle;
- banks shall require (i) a board of directors; (ii) a general management consisting of at least two members, who perform their activities with joint responsibilities and may not simultaneously be members of the board of directors; (iii) an internal audit department that reports directly to the board of directors; (iv) a risk management function independent from the operational functions; and (v) appropriate procedures for their employees to report breaches internally through a specific, independent and autonomous channel;
- the board of directors shall be responsible for the overall direction, supervision, and control of the bank;
- the residence of the members of the board of directors and the general management must permit them to effectively perform their functions and responsibilities in a sound and proper manner; and
- the initial capital of a bank must be paid up in full and amounts to at least CHF10 million or the equivalent in EUR or USD.

2) The Liechtenstein Person and Company Act

Any legal entity operating in Liechtenstein, including the legal form of a limited company or a European company, is subject to the Liechtenstein Person and Company Act, in particular relevant provisions regarding the management and administration of limited companies. All limited companies are required to be registered with the Trade Registry, an authority responsible for supervising limited companies and their organisation.

According to the Liechtenstein Person and Company Act, the supreme administrative body of a limited company or a European company is the general meeting of the shareholders. Ordinary meeting of the shareholders is held once a year. A board of directors and statutory auditors are required to be appointed at the meeting of the shareholders. At least one member of the board of directors needs to be a citizen of a member state of the EEA.

The management of a limited company is generally performed by its board of directors. If the limited company is a bank and is therefore subject to the Liechtenstein Banking Act, there is a separate general management – the executive board. The members of the executive board may not be members of the board of directors.

3) The Liechtenstein Due Diligence Act and the Liechtenstein Due Diligence Ordinance

The Liechtenstein Due Diligence Act and the Liechtenstein Due Diligence Ordinance, the execution of which are supervised by the FMA Liechtenstein without prejudice to the powers of the Financial Intelligence Unit (the "**FIU**"), contain statutory provisions on professional due diligence duties for the prevention of money laundering, organised crime and financing of terrorism within the meaning of the Criminal Code. The Liechtenstein Due Diligence Act and the Liechtenstein Due Diligence Ordinance apply to persons subject to due diligence, in particular (i) banks and investment firms; (ii) e-money institutions; (iii) management companies authorised under the Law on Undertaking for Collective Investment in Transferable Securities or licensed under the Investment Undertakings IUA; (iv) insurance undertakings; (v) insurance brokers; (vi) payment service providers; (vii) asset management companies; and (viii) professional trustees and trust companies.

Due diligence measures must be applied in the following situations:

- when establishing a business relationship;
- when carrying out occasional transactions amounting to CHF15,000 or above, whether the transaction is carried out in a single operation or in several operations which appear to be linked;
- when there are doubts about the veracity or adequacy of previously obtained data on the identity of the contracting party or the beneficial owner; and
- when there is suspicion of money laundering, a predicate offence of money laundering, organized crime, or terrorist financing, regardless of any derogation, exemption or threshold.

The Liechtenstein Due Diligence Act and the Liechtenstein Due Diligence Ordinance require the persons subject to due diligence to meet the following obligations:

- identification and verification of the identity of the contracting party;
- identification and verification of the identity of the beneficial owner;
- establishment of a business profile; and
- risk-adequate monitoring of the business relationship.

The persons subject to due diligence must take the necessary organisational measures and ensure suitable internal instruments of control and monitoring. They shall in particular issue internal instructions, provide secure storage of due diligence files and ensure basic and continuing training for their staff. The persons subject to due diligence must also prepare an internal annual report in which an oversight is given regarding the measures that have been taken to implement the requirements during the preceding calendar year.

4) The Liechtenstein Market Abuse Act and the Liechtenstein Market Abuse Ordinance

The Liechtenstein Market Abuse Act and the Liechtenstein Market Abuse Ordinance, the execution of which are monitored by the FIU and the FMA Liechtenstein without prejudice to the competence of the courts and prosecution authorities, aim to prevent the market abuse in trading in financial instruments. They serve to combat insider dealing and market manipulation (market abuse), with the purpose of safeguarding the integrity of the financial markets and public confidence in financial instruments.

Irrespective of whether or not the transaction actually takes place in one of the following markets, the Liechtenstein Market Abuse Act shall apply to market and off-market trading of any financial instrument either admitted to trading on a regulated market in at least one member state of the EU and the EEA or for which a request for admission to trading on such a market has been made in at least one member state.

The prohibition of insider dealing shall apply to any financial instrument not admitted to trading on a regulated market in a member state of the EU, but whose value depends on a financial instrument as referred to above.

All persons and entities who deal in financial instruments on a professional basis, in particular investment firms and credit institutions (banks, finance companies, asset management companies), are subject to the Liechtenstein Market Abuse Act and the Liechtenstein Market Abuse Ordinance.

Persons discharging managerial responsibilities within an issuer of financial instruments with its registered office in Liechtenstein and, if applicable, persons closely associated with them shall be required to report to the FMA Liechtenstein regarding all trades conducted for their own accounts in equities of the issuers or financial instruments related to such equities, in particular derivatives and to disclose the content of a report as mentioned above as soon as possible on the website of the issuer or via the FMA Liechtenstein. Persons with their registered office or a branch in Liechtenstein that carry out transactions with financial instruments on a professional basis shall report to the FIU immediately if they suspect that a transaction using financial instruments might constitute market abuse.

Persons and entities subject to the Liechtenstein Market Abuse Act and the Liechtenstein Market Abuse Ordinance must take the necessary organisational measures and ensure suitable internal instruments of control and monitoring. They shall in particular issue internal instructions for their staff.

5) The EU Capital Requirement Regulation

In the course of the adoption process for the EU Capital Requirement Directive and the EU Capital Requirement Regulation, the EU Capital Requirement Directive and the EU Capital Requirement Regulation were implemented in the Liechtenstein Banking Act. The FMA Liechtenstein is the authority responsible for supervising banks in Liechtenstein and monitoring their compliance with the applicable own funds requirements according to the Liechtenstein Banking Act, the EU Capital Requirement Directive and the EU Capital Requirement Regulation.

According to the Liechtenstein Banking Act, the own funds of a bank may not fall below the amount of the initial capital of CHF10 million as required at the time of its authorisation pursuant to the Liechtenstein Banking Act. Subject to the aforementioned requirement of the own funds of banks, banks shall at all times satisfy the following own funds requirements according to the EU Capital Requirement Regulation:

- a common equity tier 1 ("**Common Equity Tier 1**") capital ratio of 4.5%;
- a Tier 1 capital ratio of 6%; and
- a total capital ratio of 8%.

According to the EU Capital Requirement Regulation, the total risk exposure amount is calculated as the sum of (a) the risk weighted exposure amount for credit risk; (b) the risk weighted exposure amount for counterparty risk; and (c) the sum of the own funds requirements for (i) the trading book business for position risk and large exposures exceeding the set limits; (ii) foreign exchange risk, settlement risk, and commodities risk; (iii) credit valuation adjustment risk of over-the-counter derivatives; and (iv) operational risk.

In addition, a bank needs to maintain the following capital buffers under the EU Capital Requirement Directive and the Liechtenstein Banking Act:

- a bank is required to maintain a capital conservation buffer of Common Equity Tier 1 capital equivalent to 2.5% of its total risk exposure amount. Capital conservation buffer refers to the own funds that a bank should hold on top of the minimum level of Common Equity Tier 1 capital;
- a bank shall also maintain an institution-specific countercyclical capital buffer equivalent to 2.5% of its total risk exposure amount. Countercyclical capital buffer refers to the institution-specific capital buffer that a bank should hold on top of the capital conservation buffer;

- a bank is required to prevent and mitigate long term non-cyclical systemic or macro-prudential risks to maintain a systemic risk buffer of Common Equity Tier 1 capital up to 5% of its total risk exposure amount;

- A global systemically important bank needs to maintain a buffer of 3.5% of its total risk exposure amount ("**G-SII buffer**") while other systemically important bank needs to maintain a buffer of 2% of its total risk exposure amount ("**O-SII buffer**"). The FMA Liechtenstein is the authority responsible of identifying a G-SII or an O-SII; and

- the aforementioned buffers are subject to a combined buffer requirement that the required capital needs to be built up cumulatively.

6) The Liechtenstein Investments Undertaking Act

Investment undertaking(s) ("**IU(s)**") and their management company(ies) ("**IUM(s)**") are subject to IUA. IUs (funds) are assets, which are collected via public advertising for the purpose of collective investment for account of shareholders.

The FMA Liechtenstein is the regulatory body responsible for issuing licenses to domestic IUs and IUMs and issuing marketing licenses to foreign IUs. Each issued license is generally valid for an indefinite period of time, but may be revoked, withdrawn, or amended if (i) the issuance was obtained by fraudulently providing false information; or (ii) the FMA Liechtenstein for other reasons did not have key information regarding the preconditions for the authorisation. Set out below are the main preconditions for the authorisation of an IUM by the FMA Liechtenstein:

- the IUM must be established in the legal form of either (i) a limited company under the Liechtenstein Person and Company Act, (ii) an European company under the Liechtenstein European Company Act, or (iii) an establishment under the Liechtenstein Person and Company Act;

- a minimum capital of CHF1 million or the equivalent in EUR or USD;

- an organisational structure in accordance with IUA;

- the domicile of the central administration must be in Liechtenstein;

- a guarantee of proper business administration.

In ongoing supervision of IUs and IUMs, the FMA Liechtenstein monitors execution of the IUA and the corresponding ordinance, making use of indirect supervision by external auditors. This area of responsibility includes the inspection of audit and business reports as well as the periodic and case-by-case reports submitted by the IUs and IUMs.

7) The Liechtenstein Undertakings for Collective Investments in Transferable Securities Act

Undertakings for Collective Investments in Transferable Securities ("**UCITS**") and their management companies ("**UCITSM**") are subject to UCITS-A. UCITS refers to an undertaking:

(a) with the sole object of collective investment in transferable securities or in other specific liquid financial assets of capital raised from the public and which operate on the principle of risk-spreading; and

(b) with units which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those undertakings' assets. Action taken by a UCITS to ensure that the relevant value of its units does not significantly vary from their net asset value shall be regarded as equivalent to such repurchase or redemption.

The FMA Liechtenstein is the authority responsible for issuing authorisations under UCITS-A to UCITS and UCITSM. It notifies cross-border marketing of UCITS in other member states of the EEA as well as the cross-border activities of UCITSM (establishment of branches or joint portfolio management).

Each issued authorisation of an UCITSM is generally valid for an indefinite period of time, but may be revoked, withdrawn, or amended if the preconditions for the authorisation as listed below are no longer complied with. Set out below are the main preconditions for the authorisation of an UCITSM by the FMA Liechtenstein:

- an UCITSM must be established in the legal form of either (i) a limited company under the Liechtenstein Person and Company Act, or (ii) a European company under the Liechtenstein European Company Act;
- a minimum capital of EUR125,000 or the equivalent in CHF;
- an executive board consisting of not less than two members with personal integrity and being professionally qualified;
- a business plan setting out the organisational structure of the Alternative Investment Funds Manager(s) ("**AIFM(s)**");
- personally qualified shareholders;
- the domicile of the central administration must be in Liechtenstein;
- adequate remuneration of qualified employees.

8) The Liechtenstein Alternative Investment Fund Manager Act

AIFMs are subject to AIFM-A. AIFMs are any legal entities, whose regular business activity is the management and administration of Alternative Investment Fund(s) ("**AIF(s)**"). An AIF is any undertaking for collective investments, which (i) collects capital of investors for the purpose of investing the capital for the benefit of the said investors; and (ii) is neither an UCITS according to UCITS-A, nor an IU according to IUA. In particular, an AIF is a contract-based legal relationship between several investors on one side and an AIFM and an depositary bank on the other side, for the purpose of the investment, administration and management of assets for the account of the investors in the form of a fund, in which the investors have a share.

The FMA Liechtenstein is the regulatory body responsible for issuing authorisations of AIFMs and AIFs managed by AIFMs. Risk managers, administrators and distributors may also be licensed under the AIFM-A. Each issued authorisation or licence is generally valid for an indefinite period of time, but may be revoked, withdrawn, and/or amended, if (i) the issuance was obtained by fraudulently providing false information; or (ii) did not have key information regarding the preconditions for the authorisation. Set out below are the main preconditions for the authorisation of an AIFM:

- the AIFM must be established in the legal form of either (i) a limited company under the Liechtenstein Person and Company Act, (ii) an European company under the Liechtenstein European Company Act, or (iii) an establishment or a foundation under the Liechtenstein Person and Company Act;

- a minimum capital of EUR125,000 or the equivalent in CHF;

- an executive board consisting of not less than two members with personal integrity and being professionally qualified;

- a business plan setting out the organisational structure of the AIFM;

- personally qualified shareholders;

- the domicile of the central administration must be in Liechtenstein;

- adequate remuneration of qualified employees;

- appropriate agreements by which relevant business activities of the AIFM are delegated to third persons.

In ongoing supervision of the AIFMs and AIFs as well as the risk managers, administrators and distributors, the FMA Liechtenstein monitors execution of AIFM-A and the corresponding ordinance, making use of indirect supervision by external auditors. This area of responsibility includes in particular the inspection of audit and business reports as well as of the periodic and case-by-case reports submitted by AIFs and AIFMs.

I. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.irasia.com/listco/hk/citychamp):

- annual report of the Company for the year ended 31 December 2013 published on 16 April 2014;
- annual report of the Company for the year ended 31 December 2014 published on 28 April 2015; and
- annual report of the Company for the year ended 31 December 2015 published on 20 April 2016.

II. INDEBTEDNESS

The Group

As at the close of business on 30 June 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had secured bank overdrafts of HK$63,658,000; secured bank borrowings of HK$819,377,000; and unsecured corporate bonds with aggregated principal amount of approximately HK$732,415,000 which is interest bearing at 3.625% per annum.

The bank borrowings of the Group were secured by legal charges over certain of the Group's land and buildings, investment properties, trade receivables, corporate guarantees provided by companies within the Group, a corporate guarantee provided by the related company and a personal guarantee provided by the director of certain subsidiary.

As at 30 June 2016, the Company provided a corporate guarantee of HK$120,000,000 to an associate in respect of bank borrowings.

For the purpose of this statement of indebtedness, foreign currency amounts have been translated into HK$ at the appropriate exchange rates prevailing as at the close of business on 30 June 2016.

Save as aforesaid and apart from intra-group liabilities and normal trade payables arising in the ordinary course of business, as at the close of business on 30 June 2016, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts or other similar indebtedness, debentures, mortgages, loans, charges or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.

The Bank Group

As of 30 June 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Bank Group had the following indebtedness:

(i) Subordinated debt (CHF10.8 million) consists of one subordinated bond issued in June 2013 with a total principal amount of EUR 10.0 million at a coupon rate of 4.00% due on 14 June 2018;

(ii) Due to clients (CHF1,597.6 million) consists of current accounts, calls and fixed-term deposits arising for normal course of banking business; and

(iii) Contingent liabilities (CHF8.8 million) consists exclusively of credit guarantees which are fully collateralized arising for normal course of banking business.

Except as disclosed above, the Bank Group did not have, as of 30 June 2016, any outstanding mortgages, collaterals, debentures, other debt capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

The Enlarged Group

The Directors are not aware of any material change in respect of the indebtedness, contingent liabilities and commitments of the Enlarged Group since 30 June 2016.

III. WORKING CAPITAL

Taking into account the Completion and the financial resources available to the Group and the Bank Group, which collectively comprise the Enlarged Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Group and the Bank Group, which collectively comprise the Enlarged Group, has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest audited financial statements of the Group were made up.

V. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the years ended 31 December 2013, 2014, 2015.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

Business review

The Group was principally engaged in the manufacture and distribution of watches and timepieces and property investments.

The Group achieved substantial revenue and profit growth in 2013. For the year ended 31 December 2013, the Group recorded revenue of approximately HK$3,176,423,000 (2012: HK$2,240,304,000), an increase of HK$936,119,000 or 42% over 2012. Gross profit for the year was approximately HK$1,478,839,000 (2012: HK$1,217,721,000), an increase of HK$261,118,000 or 21% over 2012. Profit after tax of the Group for the year was approximately HK$600,610,000 (2012: HK$310,287,000), an increase of HK$290,323,000 or 94% over 2012. Net profit attributable to owners of the Company for the year was HK$565,434,000, an increase of 109% from HK$270,425,000 for the last year. Rossini contributed net profit of HK$271,733,000 while EBOHR contributed net profit of HK$199,336,000. Sale of 88,600,000 shares of Citychamp Dartong Company Limited contributed a gain on disposal of HK$456,023,000.

Proprietary brands in the PRC, namely Rossini and EBOHR, achieved an impressive growth in revenue and net profit after taxes. Their collective revenue grew by 19% from HK$1,397,564,000 to HK$1,669,430,000 while the net profit after taxes grew by 28% from HK$368,314,000 to HK$471,069,000. The favourable results were also attributable to the increase in gross margin due to their superior positioning advantage and strong pricing power.

Proprietary brands in Switzerland, namely, Codex, Eterna and Corum, achieved different milestones in product and market development. In addition to further development of the distribution channels, they have prepared fantastic new products for the Basel World in 2014.

It was the strategy of the Group to focus on the organic growth of the proprietary brands in the PRC and at the same time, explore the products and markets in overseas. Essentially, the Group applied the increasingly strong recurring income from the well established proprietary brands in PRC to invest the proprietary brands in Switzerland and to develop the distribution channels overseas.

Financial review

Liquidity, Financial Resources and Funding

As at 31 December 2013, the Group had non-pledged cash and cash equivalents of approximately HK$471,621,000 (31 December 2012: HK$228,624,000), mainly denominated in RMB and HK$.

As at 31 December 2013, the Group's total liabilities amounted to approximately HK$1,711,587,000 (31 December 2012: HK$1,305,018,000), which the total borrowings (mainly denominated in EUR and HK$) comprised with secured bank borrowings amounted to approximately HK$597,790,000 (31 December 2012: HK$478,512,000). The Group's gearing ratio, calculated on the basis of total borrowings divided by Shareholders' equity, was at 14% as at 31 December 2013 (31 December 2012: 13%).

As at 31 December 2013, the Group had net current assets of approximately HK$2,554.5 million (31 December 2012: HK$1,248.3 million).

As at 31 December 2013, the inventory balance of the Group was HK$1,987,473,000, an increase of 25% from HK$1,587,657,000 for the same period last year. Such increase was in line with the increase in revenue. Rossini, EBOHR, Eterna and Corum contributed inventory of HK$322,581,000, HK$538,154,000, HK$275,317,000 and HK$398,576,000 respectively. There were two reasons for the considerable increase in inventory. Firstly, there was a significant increase of number of directly managed distribution outlets. Apart from replenishment of existing sales network, additional inventory would also be required for new distribution outlets in the pipeline. Secondly, in order to activate the development and production of new products, especially in the cases of EBOHR and Eterna, relatively more watches were produced but have not been sold to ultimate customers yet, contributing to higher level of inventory. Stocks were increased by around HK$400,000,000 after the acquisition of Corum.

As the Group has initiated measures to enhance sales efficiency at distribution outlet level, improve overall inventory management with more rapid information exchange between the distribution outlet, the regional sale office and the headquarters, and put increasingly strong efforts to clear old inventory, it was expected that the level of inventory would be gradually in line with revenue generated in the medium term.

Foreign Currency Management

The Group mainly operated in Hong Kong, Switzerland, and the PRC with most of the transactions denominated and settled in HK$, CHF and RMB. The Group's exposure to foreign currency risk primarily arose from certain financial instruments which were denominated in EUR and RMB, which were currencies other than the functional currency of the entities to which it related. No foreign currency risk has been identified for those Switzerland and PRC subsidiaries' financial assets and liabilities denominated in CHF and RMB respectively, which was the functional currency of Switzerland and PRC subsidiaries to which these transactions related.

The Group did not have a foreign currency hedging policy.

Pledge of Assets

As at 31 December 2013, banking facilities of the Company were secured by the Group's trade receivables of HK$206,834,000, investment properties in Hong Kong of HK$22,200,000 and land and buildings in Switzerland with net book values of HK$144,552,000, totaling HK$373,586,000 (31 December 2012: HK$69,777,000).

Contingent Liabilities

As at 31 December 2013, the Group had contingent liability in relation to guarantees of approximately HK$120,000,000 (31 December 2012: Nil) given to banks in respect of a loan granted to an associate.

Capital Commitment

As at 31 December 2013, the Group did not have any material capital commitment (31 December 2012: HK$37,335,000).

Employees and remuneration policies

As at 31 December 2013, the Group had approximately 3,000 full-time employees in Hong Kong and the PRC and more than 200 employees in Europe. For the year ended 31 December 2013, the total remuneration amounted to approximately HK$645,614,000 (2012: HK$427,818,000). Employee remuneration packages were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Group also provided other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonuses were offered with reference to the Group's operating results and employees' individual performances. All employees of the Group in Hong Kong have joined the Mandatory Provident Fund Scheme. Employees of Group's subsidiaries in the PRC also participated in social insurance schemes administrated and operated by local authorities and contributions were made according to the local laws and regulations.

Changes in share capital and capital structure

During the year, 37,335,000, 15,000,000 and 404,625,000 Shares were issued for the acquisitions of intangible assets (including supplies and distributions network from a PRC partner), an associate namely Fair Future and subsidiaries respectively. The excess of the fair value of Shares issued over the nominal value of Shares of HK$12,185,000, HK$6,704,000 and HK$234,681,000, respectively, has been included in share premium account.

In 2012, 54,527,000 and 23,000,000 new Shares were issued for the acquisitions of intangible assets (including supplies and distributions network from a PRC partner), and an associate namely Fair Future respectively. The excess of the fair value of Shares issued over the nominal value of Shares of HK$22,477,000 and HK$13,026,000, respectively, has been included in share premium account.

During the year, 3,375,000 (2012: 50,790,000) new Shares were issued upon the exercise of share options. The total proceeds received for the issue of Shares under the share option scheme were HK$1,097,000 (2012: HK$16,508,000). The amount of HK$759,000 (2012: HK$11,429,000), representing the excess of the proceeds received over the nominal value of Shares of HK$338,000 (2012: HK$5,079,000), has been included in share premium account. As at 31 December 2013, the Company had 4,728,400,206 Shares in issue.

Prospects

The global economy was on track of mild recovery. The US was the driver for global economic growth and at the same time, Europe and Japan were also on their course of recovery. However, emerging markets with relatively weak trade balance would experience some fluctuations. In the PRC, slipping economic growth, lower inflationary pressure and decorating money supply growth leave room the PRC Government for accommodative monetary policy and pro-growth policy. It was expected that the PRC Government would gradually loosen the monetary policy and step up pro-growth policies in 2014. As a result, the economy in the PRC would post a moderate recovery. Such macro-economic perspectives should have favorable impact on the performance of the Group.

It was expected that the performance of the Eterna and Corum would improve in the future as the market recognition of the high brand value of Eterna and Corum would increase following the investments on product development, marketing and advertising strategies and restructuring of its brand building strategy during the previous years. The expected expansion of presence in the PRC market would also help Eterna and Corum capture the enormous potential of the PRC's imported watch market.

The Group would remain focused on executing the various initiatives under the strategic plan of developing both proprietary brands and non-proprietary brands. The Group would continue the impressive organic growth through product, market and distribution development, leveraging on its ample financial resources. These multiple strategic moves to achieve a balanced portfolio in a prudent manner were expected to drive significant growth in the years to come. Also, the Group would keep on identifying and evaluating opportunities and undertake mergers, acquisitions and alliances deals that were in the best interests of the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

Business review

The Group was principally engaged in the manufacture and distribution of watches and timepieces and property investments.

For the year ended 31 December 2014, the Group recorded revenue of approximately HK$3,488,553,000 (2013: HK$3,176,423,000), an increase of HK$312,130,000 or 10% over 2013.

Rossini and EBOHR continued to be the major sources of revenue and accounted for more than 54% of the total revenue of the Group (2013: 53%). These two brands seized the opportunity to expand their market shares continuously. They focused on offering products with popular design in the PRC market. High quality-price ratio, enhanced product quality and after sales services have lead to substantial improvement in customers' satisfaction. The market for the brands in the PRC still appeared promising despite the slower economic growth in 2014. The impressive growth of e-commerce also contributed an increasing proportion of the total revenue of the Group.

Owing to the anti-corruption campaign of the PRC Government and the deteriorating consumers' sentiment towards luxury goods, the demand for the imported mid-range and high-end watches was weakened which adversely affected the revenue of the distribution companies of the Group. They collectively accounted for 23% of the total revenue of the Group (2013: 31%). In view of the challenging market situation, the distribution companies had adjusted the product mix skewed towards relatively inexpensive imported watches to minimize the impact.

Through management reorganization and product development, the Group has restructured the foreign subsidiaries and positioned them for strong improvement. The effects were not yet reflected in the 2014 financials due to the challenging external environment, particularly in the PRC and Hong Kong. The foreign subsidiaries collectively accounted for 19% of the total revenue of the Group in 2014 (2013: 13%). The Group's branded products had enjoyed a highly favorable market response at the BaselWorld 2014 and are anticipating higher global sales in 2015.

Gross profit for the year was approximately HK$1,690,642,000 (2013: HK$1,478,839,000), an increase of HK$211,803,000 or 14% over 2013. Profit after tax of the Group for the year was approximately HK$163,032,000 (2013: HK$600,610,000), a decrease of HK$437,578,000 or 73% against 2013. Such decrease was mainly due to two reasons. First, an aggregate amount of approximately HK$182,561,000 of impairment losses were made on goodwill and intangible assets related to two Swiss companies acquired in recent years, Eterna AG Uhrenfabrik and Montres Corum Sàrl. Second, gain on disposal of available-for-sale financial assets for the year ended 31 December 2014 decreased by approximately

HK$292,481,000 compared to the year ended 31 December 2013. Net profit attributable to owners of the Company for the year was HK$132,005,000, a decrease of 77% from HK$565,434,000 for the last year. Before making adjustments for intra-group transactions, Rossini contributed a net profit HK$341,632,000 while EBOHR contributed a net profit of HK$131,038,000.

Financial review

Liquidity, Financial Resources and Funding

As at 31 December 2014, the Group had non-pledged cash and cash equivalents of approximately HK$878,253,000 (31 December 2013: HK$471,621,000), mainly denominated in CHF and HK$.

As at 31 December 2014, the Group's total liabilities amounted to approximately HK$2,657,948,000 (31 December 2013: HK$1,711,587,000). As at 31 December 2014, the Group had borrowings (mainly denominated in USD and EUR) of approximately HK$824,677,000 (31 December 2013: HK$597,790,000), corporate bonds (denominated in CHF and interest-bearing at 3.625% per annum) of HK$764,914,000 (31 December 2013: Nil) and shareholders' equity of HK$3,846,524,000 (31 December 2013: HK$4,315,079,000). The Group's gearing ratio, calculated on the basis of total borrowings divided by total Shareholders' equity, was at 41% at the year end (31 December 2013: 14%).

As at 31 December 2014, the Group had net current assets of approximately HK$3,300,913,000 (31 December 2013: HK$2,554,476,000).

As at 31 December 2014, the inventory balance of the Group was HK$2,065,394,000, representing an increase of 4% from HK$1,987,473,000 for the last year. Before making adjustments for intra-group transactions, Rossini, EBOHR, Eterna and Corum contributed inventory of HK$394,115,000, HK$587,173,000, HK$257,464,000 and HK$314,660,000 respectively. As the Group has initiated measures to enhance sales efficiency at the distribution outlet level, improve overall inventory management with more rapid information exchange among the distribution outlets, the regional sales office and the headquarters, and put increasingly strong efforts to clear old inventory, it was expected that the level of inventory would gradually move in line with revenue generated in the medium term.

Foreign Currency Management

The Group mainly operated in Hong Kong, Switzerland, United Kingdom and the PRC with most of the transactions denominated and settled in HK$, USD, EUR, CHF, GBP and RMB. The Group's exposure to foreign currency risk primarily arose from certain financial instruments which were denominated in EUR, CHF, GBP and RMB, which were currencies other than the functional currencies of the entities to which they related. No foreign currency risk has been identified for those Switzerland, United Kingdom and PRC subsidiaries' financial assets and liabilities denominated in CHF, GBP and RMB respectively, which was the functional currency of Switzerland, United Kingdom and PRC subsidiaries to which these transactions related.

The Group did not have a foreign currency hedging policy.

Pledge of Assets

As at 31 December 2014, banking facilities of the Group were secured by the Group's trade receivables of HK$109,760,000, investment properties in Hong Kong of HK$22,800,000, and land and buildings in Switzerland with net book values of HK$132,104,000 totaling HK$264,664,000 (31 December 2013: HK$373,586,000).

Contingent Liabilities

As at 31 December 2014, the Group had contingent liability in relation to guarantees of approximately HK$120,000,000 (31 December 2013: HK$120,000,000) given to banks in respect of a loan granted to an associate.

Capital Commitment

There were capital commitments with an amount of HK$169,024,000 related to the purchase of property, plant and equipment (31 December 2013: Nil). As at 31 December 2014, the Group did not have any material capital commitment.

Employees and remuneration policies

As at 31 December 2014, the Group had approximately 4,800 full-time employees in Hong Kong and PRC and more than 250 employees in Europe. For the year ended 31 December 2014, the total remuneration amounted to approximately HK$730.4 million (2013: HK$645.6 million). Employee remuneration packages were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Group also provided other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonuses were offered with reference to the Group's operating results and employees' individual performances. All employees of the Group in Hong Kong have joined the Mandatory Provident Fund Scheme. Employees of the Company's subsidiaries in the PRC also participated in social insurance schemes administrated and operated by local authorities and contributions were made according to the local laws and regulations.

Changes in share capital and capital structure

The Group completed the acquisition of an associate, Fair Future Industrial Limited by issue and allotment of 56,000,000 Shares in 2012. 38,000,000 Shares had been issued to the vendor before 31 December 2013 and the remaining 18,000,000 Shares had been issued to the vendor in January 2014. The excess of the fair value of Shares issued over the nominal value of Shares of HK$8,045,000 has been included in share premium account.

In 2013, 37,335,000, 15,000,000 and 404,625,000 new Shares were issued for the acquisitions of intangible assets (including suppliers and distributions network from a PRC partner), an associate namely Fair Future and subsidiaries respectively. The excess of the fair value of Shares issued over the nominal value of Shares of HK$12,185,000, HK$6,704,000 and HK$234,681,000 has been included in share premium account.

On 13 February 2014, the Company entered into a share repurchase agreement with Severin Participations GmbH and the trustee of Severin Wunderman Family Trust for the benefit of Michael Wunderman as the vendors, pursuant to which the Company conditionally agreed to purchase and vendors conditionally agreed to sell 340,300,000 Shares. The agreed repurchase price was HK$0.75 and the aggregate consideration was HK$255,225,000. Following the completion of the share repurchase, the number of issued Shares was reduced by 340,300,000 accordingly.

During the year, 2,825,000 new Shares were issued upon the exercise of share options (2013: 3,375,000). The total proceeds received for the issue of Shares under the share option scheme were HK$919,000 (2013: HK$1,097,000). The amount of HK$636,000 (2013: HK$759,000), representing the excess of the proceeds received over the nominal value of Shares of HK$283,000 (2013: HK$338,000), has been included in share premium account. As at 31 December 2014, the Company had 4,408,925,206 Shares in issue.

Prospects

While the economy in the US was for a consolidation of its recovery, Europe and Japan still faced significant challenges. Emerging markets faced equally challenging conditions, arising from a stronger USD and the prospects of increasing US interest rates. The PRC continued to try and strike a balance between growth and reform in its economy. In 2015, the world's major central banks' monetary policies were diverging. On one hand, the US Federal Reserve has ended its Quantitative Easing assets purchase program, and both the US Federal Reserve and the Bank of England were expected to increase interest rates. On the other hand, the European Central bank and the Bank of Japan were expected to implement more aggressive expansionary monetary policies in an effort to counteract deflationary forces and stimulate economic growth. In the PRC, the most important task for the PRC Government was to "make efforts to maintain the stabilized growth of the economy." It was clear that the PRC Government was ready to loosen fiscal policy, thus the required reserve ratio would be cut and the credit quota would be expanded to stabilize economic growth in 2015. The economy in the PRC was expected to post a moderate recovery. Such macro-economic developments should have a favorable impact on the performance of the Group, especially for Rossini and EBOHR.

The impact of the appreciation of the CHF on the Group was limited as a majority of revenue was generated from its proprietary brands in the PRC whose cost was mainly RMB-based. The distribution companies, through substitution, would adjust the product mix emphasizing relatively inexpensive imported watches to minimize the effect of the appreciation of the CHF. The Group's Swiss watch companies would focus on the effective and stricter control over the entire value chain, from raw materials and component procurement, product design and development, manufacturing of mechanical movements, assembly, inventory management and distribution to marketing with the objective of achieving cost reductions and the impact of the appreciation of the CHF.

The Group would keep on identifying and evaluating opportunities and undertaking mergers, acquisitions and alliances deals that were in the best interests of the Company and the shareholders as a whole. Through the existing portfolio of watch companies, the Group has laid a strong foundation for growth in the years to come.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2015

Business review

The Group was principally engaged in the manufacture and distribution of watches and timepieces and property investments.

The Group achieved significant growth in 2015. For the year ended 31 December 2015, the Group recorded revenue of approximately HK$3,476,354,000 (2014: HK$3,488,553,000), a slight decrease of HK$12,199,000 or 0.3% over 2014.

Gross profit for the year was approximately HK$1,781,858,000 (2014: HK$1,690,642,000), an increase of HK$91,216,000 or 5.4% over 2014.

Operating expenses for the year was approximately HK$1,499,303,000 (2014: HK$1,624,464,000), a decrease of HK$125,161,000 or 7.7% over 2014.

Net profit after tax for the year was approximately HK$340,159,000 (2014: HK$163,032,000) an increase of HK$177,127,000 or 109% over 2014. Having set apart the financial impact of an aggregate amount of approximately HK$182,561,000 of impairment losses were made on goodwill and intangible assets related to two Swiss companies and the gain on disposal of available-for-sale financial assets of HK$163,542,000 in 2014, the Group should have an increase of net profit after tax of HK$158,108,000 in 2015 over 2014.

Net profit attributable to owners of the Company for the year was HK$307,675,000, an increase of 133% from HK$132,005,000 the year ended 31 December 2014. Before making adjustments for intra-group transactions, Rossini contributed net profit attributable to owners of the Company of HK$342,694,000 while EBOHR Group of HK$231,683,000.

Financial review

Liquidity, Financial Resources and Funding

As at 31 December 2015, the Group had non-pledged cash and bank balances of approximately HK$836,065,000 (31 December 2014: HK$878,253,000), mainly denominated in HK$, CHF and USD.

As at 31 December 2015, the Group's total liabilities amounted to approximately HK$2,604,069,000 (31 December 2014: HK$2,657,948,000). As at 31 December 2015, the Group had bank loans (mainly denominated in USD, HK$ and EUR) of approximately HK$938,532,000 (31 December 2014: HK$824,677,000), corporate bonds (denominated in CHF and interest-bearing at 3.625% per annum) of HK$708,834,000 (31 December 2014: HK$764,914,000) and shareholders' equity of HK$4,043,253,000 (31 December 2014: HK$3,846,524,000). The increase in bank borrowings was due to additional working capital required to finance the continuous growth of the Group. The Group's gearing ratio, calculated on the basis of loans plus corporate bonds divided by total shareholders' equity, was at 41% at the year end (31 December 2014: 41%).

As at 31 December 2015, the Group had net current assets of approximately HK$2,980,160,000 (31 December 2014: HK$3,300,913,000).

As at 31 December 2015, the inventory balance of the Group was HK$2,042,892,000, a decrease of 1.1% from HK$2,065,394,000 for the same period last year. Rossini, EBOHR Group, Eterna Group, Corum Group and Dreyfuss Group contributed inventory of HK$401,581,000, HK$522,490,000, HK$241,469,000, HK$324,397,000 and HK$108,660,000 respectively.

The increase in inventory of Rossini was in line with its increase in distribution outlets. For Eterna Group, Corum Group and Dreyfuss Group, the Group has initiated measures to enhance sales efficiency at distribution outlet level, improve overall inventory management with more rapid information exchange between the distribution outlet, the regional sale office and the headquarters, and put increasingly strong efforts to clear old inventory. It was expected that the level of inventory would be gradually in line with revenue generated in the medium term.

Foreign Currency Management

The Group mainly operated in Hong Kong, Switzerland, United Kingdom and the PRC with most of the transactions denominated and settled in HK$, USD, EUR, CHF, GBP and RMB. The Group's exposure to foreign currency risk primarily arose from certain financial instruments including available-for-sale financial assets, other receivables, cash and bank balances, other payables and accruals, contingent consideration payables and borrowings which were denominated in USD, EUR, CHF, GBP and RMB.

The Group did not have a foreign currency hedging policy but the management continuously monitored the foreign exchange exposure.

Pledge of Assets

As at 31 December 2015, banking facilities of the Company were secured by the Group's investment properties in Hong Kong of HK$23,800,000 and land and buildings in Switzerland with net book values of HK$129,397,000, totaling HK$153,197,000 (31 December 2014: HK$264,664,000).

Contingent Liabilities

As at 31 December 2015, the Group had contingent liability in relation to guarantees of approximately HK$120,000,000 (31 December 2014: HK$120,000,000 given to banks in respect of a loan granted to an associate).

Capital Commitment

There were capital commitments with an amount of HK$109,974,000 (2014: HK$169,024,000) related to the purchase of property, plant and equipment. As at 31 December 2015, the Group did not have any material capital commitment.

Employees and remuneration policies

As at 31 December 2015, the Group had approximately 5,300 full-time employees in Hong Kong and the PRC and more than 200 employees in Europe. For the year ended 31 December 2015, the total remuneration amounted to approximately HK$664,583,000 (2014: HK$730,375,000). Employee remuneration packages were determined and reviewed on an arm's length basis with reference to the market condition and individual performance. The Group also provided other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonuses were offered with reference to the Group's operating results and employees' individual performances. All employees of the Group in Hong Kong have joined the Mandatory Provident Fund Scheme. Employees of the Company's subsidiaries in the PRC also participated in social insurance schemes administrated and operated by local authorities and contributions were made according to the local laws and regulations.

Changes in share capital and capital structure

The Group completed the acquisition of an associate, Fair Future Industrial Limited by issue and allotment of 56,000,000 Shares in 2012. 38,000,000 Shares had been issued to the vendor before 31 December 2013 and the remaining 18,000,000 Shares have been issued to the vendor in January 2014. The excess of the fair value of Shares issued over the nominal value of Shares of HK$8,045,000 has been included in share premium account.

On 13 February 2014, the Company entered into a share repurchase agreement with Severin Participations GmbH and the trustee of Severin Wunderman Family Trust for the benefit of Michael Wunderman as the vendors, pursuant to which the Company conditionally agreed to purchase and vendors conditionally agreed to sell 340,300,000 shares of the Company. The agreed repurchase price was HK$0.75 and the aggregate consideration was HK$255,225,000. Following the completion of the share repurchase, the number of issued Shares was reduced by 340,300,000 accordingly.

During the year, 450,000 (2014: 2,825,000) new Shares were issued upon the exercise of share options. The total proceeds received for the issue of Shares under the share option scheme were HK$146,000 (2014: HK$919,000). The amount of HK$101,000 (2014: HK$636,000), representing the excess of the proceeds received over the nominal value of Shares of HK$45,000 (2014: HK$283,000), has been included in share premium account. As at 31 December 2015, the Company had 4,409,375,206 Shares in issue.

Prospects

The economic slowdown in the PRC, ongoing uncertainty in Europe and the normalization of monetary policy in the US would render operating conditions challenging. In the PRC, loose monetary policy and expansionary fiscal policy were expected to continue in 2016. The PRC Government would streamline channels for the monetary policy and increase the effectiveness of the fiscal policy, leading to a stable growth at around 7%.

Despite the challenges facing its PRC business, the Group remained deeply rooted as the leading group with the comprehensive distribution network, well-known brands and profitable operations in the PRC as it remained the backbone of its business. The Group overseas business continued to improve as a result of improved management, planning and execution of the appropriate strategies. The Group recognized that the rapid growth of the digital economy was changing consumer behavior, hence was aggressively implementing the digital transformation of its business. The portion of its e-commerce should grow towards 20% of the Group's total revenue.

Looking ahead, with its strong cross-border infrastructure and unique market position in the PRC, the Group continued to enhance the value of its businesses in the PRC and further develop its Swiss proprietary brands. The Group has entered a new era and shall enjoy a time of dynamic and sustainable growth prospects in the years to come.

I. FINANCIAL INFORMATION

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Switzerland – Bank's Accountants' Report on the Financial Information of the Bank for the purpose of incorporation in this circular.

26 August 2016

The Directors
Citychamp Watch & Jewellery Group Limited, Hong Kong

Dear Sirs,

We set out below our report on the Financial Information of Valartis Bank (Liechtenstein) AG (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Valartis Group") comprising the consolidated income statement (page II-4), the consolidated statement of comprehensive income (page II-5), the consolidated statement of changes in equity (pages II-8 to II-12) and the consolidated cash flow statement (pages II-13 to II-14) of the Valartis Group for each of the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016 (the "Relevant Periods"), and the consolidated statement of financial position (pages II-6 to II-7) of the Valartis Group as at 31 December 2013, 2014 and 2015, and 31 March 2016 together with the notes (pages II-15 to II-100) thereto (the "Financial Information") and the consolidated income statement, consolidated statements of comprehensive income, statements of changes in equity and statement of cash flows of the Valartis Group for the three months period ended 31 March 2015 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 (pages II–15 to II–17), for inclusion in the Circular of the Citychamp Watch & Jewellery Group Limited (the "Company") in connection with the proposed very substantial acquisition of the Valartis Group by the Company (the "Circular").

The Bank is a share corporation incorporated in the Principality of Liechtenstein with limited liability. The Bank was founded in 1998 and is a fully licensed bank with headquarters in the Principality of Liechtenstein.

As at the date of this report, the Bank has direct interests in the subsidiaries as set out in note 30 (pages II-79). All its subsidiaries comprising the Valartis Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies comprising the Valartis Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 43 (page II-100).

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

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

Directors' responsibility

The Directors of the Bank are responsible for the contents of the Circular in which this report is included. Furthermore, the Directors are responsible for the preparation of the Underlying Financial Statement the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statement, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and a review conclusion on the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statement and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA").

We have also performed a review of the Interim Comparative Information 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 IAASB. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Valartis Group as at 31 December 2013, 2014 and 2015, and 31 March 2016 and of the consolidated financial performance and cash flows of the Valartis Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

Ernst & Young
Certified Public Accountants Switzerland

CONSOLIDATED INCOME STATEMENT

In CHF 1,000	Note	1.1.–31.3.2016	1.1.–31.3.2015 *unaudited*	1.1.–31.12.2015	1.1.–31.12.2014	1.1.–31.12.2013
Interest and discount income		2,072	1,832	8,196	8,230	7,701
Dividend income		1	14	20	3	2
Interest expense		–881	–391	–2,902	–1,592	–2,010
Net income from interest and dividends	*1*	1,192	1,455	5,314	6,641	5,693
Commission income from loan business		71	80	422	486	564
Commission income from securities and investment business		9,779	11,383	46,472	42,367	35,376
Commission expense		–2,039	–3,061	–13,550	–11,321	–10,157
Net income from commission and service fees	*2*	7,811	8,402	33,344	31,532	25,783
Income from trading	*3*	2,098	2,199	8,862	7,021	5,510
Net other ordinary income	*4*	–20	–77	–113	–345	43
Total operating income		11,081	11,979	47,407	44,849	37,029
Personnel expense	*5*	–5,995	–3,951	–16,285	–14,676	–12,407
General expense	*6*	–2,901	–2,427	–8,892	–6,969	–5,952
Administrative expense		–8,896	–6,378	–25,177	–21,645	–18,359
Gross profit		2,185	5,601	22,230	23,204	18,670
Depreciation/amortisation of property, plant and equipment and intangible assets	*7*	–415	–446	–1,726	–1,786	–1,651
Valuation adjustments, provisions and losses	*8*	–44	–23	–10,933	–999	–2
Net profit from continued operations before taxes		1,726	5,132	9,571	20,419	17,017
Income taxes	*9*	–243	–566	–2,366	–2,474	–1,726
Net profit		1,483	4,566	7,205	17,945	15,291

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In CHF 1,000	1.1.–31.3.2016	1.1.–31.3.2015 *unaudited*	1.1.–31.12.2015	1.1.–31.12.2014	1.1.–31.12.2013
Net profit in the income statement	1,483	4,566	7,205	17,945	15,291
Unrealised gains/losses from financial assets available for sale	–31	–53	–99	55	25
Foreign exchange translation differences	–8	–17	–5	27	–7
Other comprehensive income that will be reclassified to the income statement	–39	–70	–104	82	18
Remeasurement of defined benefit pension plans	202	–596	–461	–1,573	–155
Total other comprehensive income, after tax	163	–666	–565	–1,491	–137
Total comprehensive income	1,646	3,900	6,640	16,454	15,154
Allocation of total comprehensive income					
Shareholders of Valartis Bank	1,646	3,900	6,640	16,454	15,154
Non-controlling interests	0	0	0	0	0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

In CHF 1,000	*Note*	**31.3.2016**	**31.12.2015**	**31.12.2014**	**31.12.2013**	**1.1.2013**
Cash	*10*	649,401	636,957	668,844	391,623	38,903
Due from banks	*11*	261,668	252,502	905,511	713,534	834,402
Due from clients	*11*	158,938	160,013	227,174	159,810	127,443
Trading assets	*13*	1,763	3,417	7,268	5,588	3,083
Financial assets available for sale	*14*	193,660	202,880	25,534	21,111	16,020
Treasury notes and bills	*14*	256,004	180,925	0	0	0
Financial assets held to maturity	*14*	67,801	206,433	132,670	55,953	68,491
Property, plant and equipment	*15*	18,707	18,972	19,951	20,976	20,697
Accrued and deferred assets	*16*	4,172	4,772	5,311	4,676	6,354
Derivative financial instruments	*17*	484	1,053	970	477	75
Other assets	*18*	1,959	2,237	2,589	1,729	1,216
Intangible assets	*19*	435	497	759	569	661
Total assets		1,614,992	1,670,658	1,996,581	1,376,046	1,117,345

Liabilities and equity In CHF 1,000	Note	31.3.2016	31.12.2015	31.12.2014	31.12.2013	1.1.2013
Liabilities						
Due to banks		1,612	583	3,353	2,998	11,741
Due to clients	21	1,526,115	1,582,936	1,909,813	1,285,759	1,023,059
Derivative financial instruments	17	471	991	1,487	1,973	2,292
Current income taxes		4,887	3,021	2,143	1,512	1,282
Accrued and deferred liabilities	22	5,998	6,291	5,754	4,707	3,940
Other liabilities		5,870	7,065	8,966	4,491	4,197
Subordinated debt	24	11,283	11,071	12,292	12,541	20,000
Provisions	23	820	812	1,102	227	228
Deferred tax liabilities	9	65	1,663	1,494	1,395	1,186
Total liabilities		1,557,121	1,614,433	1,946,405	1,315,603	1,067,925
Shareholders' equity						
Share capital	25	20,000	20,000	20,000	20,000	20,000
Treasury shares		–788	–788	–197	–232	–1,086
Capital reserves		55	55	55	35	0
Retained earnings		40,533	39,050	31,845	40,675	30,403
Defined benefit obligation		–1,988	–2,190	–1,729	–155	0
Foreign exchange translation differences		–65	–57	–52	–79	–72
Unrealised income from financial assets available for sale		124	155	254	199	175
Shareholders' equity of the shareholders of Valartis Bank		57,871	56,225	50,176	60,443	49,420
Non-controlling interest		0	0	0	0	0
Total shareholders' equity (including non-controlling interests)		57,871	56,225	50,176	60,443	49,420
Total liabilities and shareholders' equity		1,614,992	1,670,658	1,996,581	1,376,046	1,117,345

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings	Net unrealised gains/losses on financial assets available for sale	Foreign exchange translation difference	Remeasurement of defined benefit pension plans	Total equity shareholders of the Bank	Total shareholders' equity (including non-controlling interests)
2013									
Opening balance at 1 January 2013 under Liechtenstein GAAP	20,000	0	0	28,691	0	0	0	48,691	48,691
Restatement of opening balance due to adoption of IFRS		–1,086	0	1,712	175	–72	0	729	729
Restated opening balance at 1 January 2013	20,000	–1,086	0	30,403	175	–72	0	49,420	49,420
Gains/losses from financial assets available for sale	0	0	0	0	25	0	0	25	25
Foreign exchange translation differences	0	0	0	0	0	–7	0	–7	–7
Remeasurement of defined benefit pension plans	0	0	0	0	0	0	–155	–155	–155
Other comprehensive Income	0	0	0	0	0	0		0	0
Net loss/profit	0	0	0	15,291	0	0	0	15,291	15,291
Comprehensive income	0	0	0	15,291	24	–7	–155	15,153	15,153
Dividend payments	0	0	0	–5,019	0	0	0	–5,019	–5,019
Change in treasury shares	0	854	35	0	0	0	0	889	889
Total shareholders' equity at 31 December 2013	20,000	–232	35	40,675	199	–79	–155	60,442	60,442

In CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings	Net unrealised gains/losses on financial assets available for sale	Foreign exchange translation difference	Remeasurement of defined benefit pension plans	Total equity shareholders of the Bank	Total shareholders' equity (including non-controlling interests)
2014									
Opening balance at 1 January 2014	20,000	–232	35	40,675	199	–79	–155	60,442	60,442
Gains/losses from financial assets available for sale	0	0	0	0	55	0	0	55	55
Foreign exchange translation differences	0	0	0	0	0	27	0	27	27
Remeasurement of defined benefit pension plans	0	0	0	0	0	0	–1,573	–1,573	–1,573
Other comprehensive Income	0	0	0	0	55	27	–1,573	–1,491	–1,491
Net loss/profit	0	0	0	17,945	0	0	0	17,945	17,945
Comprehensive income	0	0	0	17,945	55	27	–1,573	16,454	16,454
Dividend payments	0	0	0	–26,775	0	0	0	–26,775	–26,775
Change in treasury shares	0	35	20	0	0	0	0	55	55
Total shareholders' equity at 31 December 2014	20,000	–197	55	31,845	254	–52	–1,729	50,176	50,176

In CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings	Net unrealised gains/losses on financial assets available for sale	Foreign exchange translation difference	Remeasurement of defined benefit pension plans	Total equity shareholders of the Bank	Total shareholders' equity (including non-controlling interests)
2015									
Opening balance at 1 January 2015	20,000	–197	55	31,845	254	–52	–1,729	50,176	50,176
Gains/losses from financial assets available for sale	0	0	0	0	–99	0	0	–99	–99
Foreign exchange translation differences	0	0	0	0	0	–5	0	–5	–5
Remeasurement of defined benefit pension plans	0	0	0	0	0	0	–461	–461	–461
Other comprehensive Income	0	0	0	0	–99	–5	–461	–565	–565
Net loss/profit	0	0	0	7,205	0	0	0	7,205	7,205
Comprehensive income	0	0	0	7,205	–99	–5	–461	6,640	6,640
Dividend payments	0	0	0	0	0	0	0	0	0
Change in treasury shares	0	–591	0	0	0	0	0	–591	–591
Total shareholders' equity at 31 December 2015	20,000	–788	55	39,050	155	–57	–2,190	56,225	56,225

In CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings	Net unrealised gains/losses on financial assets available for sale	Foreign exchange translation difference	Remeasurement of defined benefit pension plans	Total equity shareholders of the Bank	Total shareholders' equity (including non-controlling interests)
2015									
Opening balance at 1 January 2015	20,000	–197	55	31,845	254	–52	–1,729	50,176	50,176
Gains/losses from financial assets available for sale	0	0	0	0	–53	0	0	–53	–53
Foreign exchange translation differences	0	0	0	0	0	–17	0	–17	–17
Remeasurement of defined benefit pension plans	0	0	0	0	0	0		0	0
Other comprehensive Income	0	0	0	0	–53	–17	–596	–666	–666
Net loss/profit				4,566				4,566	4,566
Comprehensive income	0	0	0	4,566	–53	–17	–596	3,900	3,900
Dividend payments	0	0	0	0	0	0	0	0	0
Change in treasury shares	0	0	0	0	0	0	0	0	0
Total shareholders' equity at 31 March 2015	20,000	–197	55	36,412	201	–69	–2,325	54,077	54,077

In CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings	Net unrealised gains/losses on financial assets available for sale	Foreign exchange translation difference	Remeasurement of defined benefit pension plans	Total equity shareholders of the Bank	Total shareholders' equity (including non-controlling interests)
2016									
Opening balance at 1 January 2016	20,000	–788	55	39,050	155	–57	–2,190	56,225	56,225
Gains/losses from financial assets available for sale	0	0	0	0	–31	0	0	–31	–31
Foreign exchange translation differences	0	0	0	0	0	–8	0	–8	–8
Remeasurement of defined benefit pension plans	0	0	0	0	0	0		0	0
Other comprehensive Income	0	0	0	0	–31	–8	202	163	163
Net loss/profit				1,483				1,483	1,483
Comprehensive income	0	0	0	1,483	–31	–8	202	1,646	1,646
Dividend payments	0	0	0	0	0	0	0	0	0
Change in treasury shares	0	0	0	0	0	0	0	0	0
Total shareholders' equity at 31 March 2016	20,000	–788	55	40,533	124	–65	–1,988	57,871	57,871

1 Includes legal reserve of kCHF 4,000 which cannot be paid to shareholders.

CONSOLIDATED CASH FLOW STATEMENT

In CHF 1,000	1.1.–31.3.2016	1.1.–31.3.2015 *unaudited*	2015	2014	2013
Net profit before tax	1,726	5,132	9,571	20,419	17,017
Net profit before taxes	1,726	5,132	9,571	20,419	17,017
Non-cash activities in the consolidated income statement					
Depreciation of property, plant and equipment and intangible assets	415	446	1,726	1,786	1,651
Change in valuation adjustments and provisions	8	–120	9,817	538	–506
Income from dividend	0	0	–20	–3	–2
Other non-cash activities	213	–1,536	–902	233	1,312
Change in defined benefit obligation	136	103	413	103	318
Other	0	0	–1	6	0
Net increase/decrease in assets and liabilities of the banking business					
Accrued and deferred assets	600	–390	540	–637	1,677
Accrued and deferred liabilities	–294	–1,017	537	1,047	767
Trading securities	1,654	2,033	3,851	–1,680	–2,505
Amounts due to clients	–56,821	–228,742	–326,877	624,054	262,700
Amounts due from clients	1,075	16,111	57,054	–67,027	–31,862
Amounts due to banks	1,029	4,622	–2,770	355	–8,743
Amounts due from banks	–43,690	520,741	613,375	–112,509	110,271
Derivative financial instruments (assets)	569	–1,364	–83	–493	–402
Derivative financial instruments (liabilities)	–520	898	–496	–486	–319
Other financial assets at fair value including financial assets available for sale	9,186	–163,864	–177,459	–4,354	–5,064
Other assets	278	771	352	–860	–513
Other liabilities	–1,100	–2,784	–321	54	–201
Taxes paid	0	0	–1,241	–1,534	–1,267
Cash flow from operating activities	–85,536	151,040	187,066	459,012	344,329

In CHF 1,000	1.1.–31.3.2016	1.1.–31.3.2015 *unaudited*	2015	2014	2013
Purchase of property, plant and equipment and intangible assets	–88	–218	–484	–952	–1,837
Sale of property, plant and equipment				–1	–1
Change of financial assets held to maturity, treasury notes and bills	63,553	–293,637	–254,688	–76,717	12,538
Dividend received	0	0	20	3	2
Cash flow from investment activities	63,465	–293,855	–255,152	–77,667	10,702
Dividend paid	0	0	–2,520	–24,256	–5,019
Change in treasury shares	0	0	–591	55	889
Payment of interest on subordinated liabilities	0	0	–319	–482	–1,039
Repayment of subordinated loan			0	0	–20,000
Issue of subordinated debt			0	0	12,268
Cash flow from financing activities	0	0	–3,430	–24,683	–12,901
Effect of foreign exchange translation differences	–9	–17	–5	27	–7
Net increase/decrease in cash and cash equivalents	–22,080	–142,832	–71,521	356,689	342,123
Cash and cash equivalents at 1 January	851,377	922,898	922,898	566,209	224,086
Cash and cash equivalents at 31 March/31 December	829,297	780,066	851,377	922,898	566,209
Cash and cash equivalents comprise the following assets:					
Cash	649,401	562,958	636,957	668,844	391,623
Due from banks at sight/callable	179,896	217,108	214,420	254,054	174,586
Total cash and cash equivalents	829,297	780,066	851,377	922,898	566,209
Dividends received	0	0	20	3	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

1. GENERAL INFORMATION

Valartis Bank (Liechtenstein) AG ("the Bank"), with its registered office in Gamprin-Bendern, Principality of Liechtenstein, was formed in 1998 and conducts all transactions associated with it being an asset management bank in Liechtenstein and abroad. Its principal activities include accepting client deposits and investing them on stock exchanges and in financial centers. The Bank also offers transaction banking services as well as granting loans as part of its asset management business. It is targeting markets outside the European Union – from Russia to Turkey, the Middle East and the Far East.

Valartis Bank (Liechtenstein) AG's ultimate parent is Valartis Group AG, domiciled in Baar, canton of Zug, Switzerland, which is listed on the SIX Swiss Exchange.

The Bank's share capital is CHF 20.0 million, divided up into CHF 13.6 million of voting share capital and CHF 6.4 million of participation capital. The voting capital is 89% owned by Valartis Finance Holding AG, Vaduz, and 11% owned by the Charyrups Foundation of Ruggell. In addition to Valartis Finance Holding AG, participation certificates are also held by the Bank as well as the Board of Directors, the management and the employees of the Bank.

These consolidated financial statements comprise the Bank and its subsidiaries (collectively the "Valarties Group").

At the end of March 2016, the Valartis Group employed in total 100.5 Full-time equivalent (101.2 FTE at the end of December 2015; 93.5 FTE at the end of December 2014).

2. ACCOUNTING PRINCIPLES

2.1 Basis of Preparation

The consolidated financial statements of Valartis Bank (Liechtenstein) AG are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

For all annual periods up to and including the year ended 31 December 2015, the Bank prepared its standalone financial statements in accordance with local generally accepted accounting principles ("Local GAAP").

The Bank prepared financial statements for the 3-month period ending 31 March 2016 with comparative information for the period ending 31 March 2015.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, and of financial assets and financial liabilities (including derivative instruments) at fair value.

The consolidated financial statements are presented in Swiss francs ("CHF") and all values are rounded to the nearest thousand ("CHF 000"), except if otherwise indicated.

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

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.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements will be amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply IAS 39 to all hedges, because the standard currently does not address accounting for macro hedging.

The Valartis Group has not performed a preliminary assessment on the impact of adopting IFRS 9.

IFRS 15 'Revenue from Contracts with Customers', published in May 2014, determines how and when revenue is recognised and replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Valartis Group will apply this new standard for the financial reporting period commencing on 1 January 2018.

The Valartis Group has not performed a preliminary assessment on the impact of adopting IFRS 15.

IFRS 16 'Leases', issued in January 2016 and effective for annual periods beginning on or after 1 January 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as the Valartis Group is required to recognise: a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Valartis Group has not performed a preliminary assessment on the impact of adopting IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Valartis Group.

2.2 Approval of the consolidated Financial Statements

The consolidated financial statements for the period ending 31 March 2016 were approved by the Executive Management of the Bank on 9 August 2016.

2.3 Summary of Major Accounting Principles

The following are the significant accounting policies applied by the Valartis Group in preparing its consolidated financial statements:

2.3.1 Consolidation principles of Subsidiaries

The consolidated financial statements comprise the accounts of Valartis Bank (Liechtenstein) AG, and its subsidiaries as at 31 December 2013, 2014 and 2015 and 31 March 2016. A controlling relationship is deemed to exist if the following conditions are met cumulatively: Valartis Group has power over the other company; it is exposed to variable returns from its involvement with the other company; and it has the ability to affect the amount of those returns through its power over the other company.

If the Valartis Group does not hold a majority of the voting rights of an investee, it takes into account all the relevant facts and circumstances in determining whether control exists. These include, among others, contractual arrangements with other parties holding voting rights or rights arising from other contractual arrangements. If the facts and circumstances indicate a change in one or more of the three control elements, the Valartis Group will reassess whether it has control over an investee.

Consolidation of a subsidiary begins at the date the Valartis Group obtains control over that subsidiary and ceases when the Valartis Group loses control over the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the reporting period are included on the balance sheet and in the statement of comprehensive income from the date the Valartis Group obtains control of the subsidiary until the date the Valartis Group ceases to control the subsidiary. If the Valartis Group loses control over a company, any retained interest is recognised as an investment in an associate or as a financial instrument under IAS 39.

2.3.1.1 Structured entities

The collective investment instruments of the Valartis Group are structured entities as defined under IFRS 12. If Valartis Group operates such an investment instrument acting as an agent primarily in the interests of investors, this structured entity is not consolidated. Investments in such investment instruments held by the Valartis Group are recognised as financial instruments. If the Valartis Group acts as principal primarily in its own interests, the investment instrument is consolidated.

2.3.1.2 Method of consolidation

All intercompany assets and liabilities, earnings and expenses, as well as off-balance-sheet transactions, are completely eliminated in the Valartis Group's financial statements. The equity of consolidated companies is initially recorded at the carrying amount of the participations at the parent company at the time of purchase or the time of establishment. After the initial consolidation, changes resulting from business operations that are included in the result for the reporting period are allocated to retained earnings. Non-controlling interests in equity and net profit are stated separately in the consolidated statement of financial position and consolidated income statement.

2.3.1.3 Changes in the scope of consolidation

The Valartis Group compromises of the following companies:

– Valartis Bank (Liechtenstein) AG, Gamprin-Bendem, Liechtenstein.

– Valartis Fund Management (Liechtenstein) AG, Gamprin-Bendern, Liechtenstein.

– HIB Investment Ltd., Tortola, British Virgin Islands.

– HIB Protector Ltd., Tortola, British Virgin Islands.

– VFM Mutual Fund AG, Gamprin-Bendem, Liechtenstein.

– Hypo Trust and Corporate Services (Brunei) Ltd., Brunei.

There were no changes in the scope of consolidation in the reporting period (from 1 January 2013 until 31 March 2016).

2.3.1.4 Consolidation period

The consolidation period for all Valartis Group companies is the calendar year. The closing date for the consolidated financial statements is 31 December normally and, for the disclosure of this consolidated financial statements only, 31 March as well.

2.3.2 *General principles*

2.3.2.1 Currency translation

The functional currency is the Swiss franc ("CHF"), the currency of the country in which Valartis Bank (Liechtenstein) AG is domiciled which is Liechtenstein. The assets and liabilities denominated in foreign currencies of foreign Valartis Group companies are translated into Swiss francs at the respective exchange rates on the balance sheet date. For the income statement and the cash flow statement, annual average exchange rates are used. Any exchange rate differences resulting from consolidation are reported as translation differences in equity. In the individual financial statements of the Valartis Group companies, transactions in foreign currencies are recognised at the corresponding daily exchange rates. Monetary assets 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.

Not realised foreign exchange differences of equity investment – available for sale are part of the change of its entire fair value and are recognised in the shareholders equity.

The following exchange rates are used for the major currencies:

	Q1 2016 Balance sheet date rate	Q1 2016 Annual average rate	Q1 2015 Balance sheet date rate	Q1 2015 Annual average rate	2015 Balance sheet date rate	2015 Annual average rate	2014 Balance sheet date rate	2014 Annual average rate	2013 Balance sheet date rate	2013 Annual average rate
EUR	1.09300	1.09581	1.04280	1.05976	1.0830	1.0679	1.2025	1.2145	1.2268	1.2309
USD	0.95880	0.99301	0.97040	0.97934	0.9931	0.9622	0.9891	0.9156	0.8903	0.9268
GBP	1.37870	1.42305	1.43980	1.46563	1.4699	1.4703	1.5407	1.5070	1.4726	1.4491

2.3.2.2 *Operating Segment Information*

For management purpose, Valartis Group has only one reportable operational business segment which is Private Clients. Since this is the only reportable operational segment of Valartis Group, no further operating segment analysis thereof is presented.

Geographical Information

The Valartis Group is substantially based in Gamprin-Bendern, Liechtenstein and part of revenues and non-current assets, excluding deferred tax assets, of the Valartis Group are located in Liechtenstein and Switzerland. The information on domestic and non-domestic assets and liabilities is included in Note 29.

2.3.2.3 *Cash and cash equivalents*

These items are shown in the balance sheet at their nominal value or at procurement value, less any individual value adjustments for claims at risk of default.

Cash and cash equivalents in the cash flow statement consist of liquid assets (petty cash, postal cheque balances, giro and sight deposits with the National Bank of Austria and Swiss National Bank) and amounts due from banks at sight/immediately callable.

2.3.2.4 *Accrual of earnings*

Income from services rendered over a specific period of time is recorded on a pro rata basis for the duration of the service. This includes asset management fees and custody fees. Profit-based income and performance-based income are not recorded until all of the relevant criteria have been met. This type of income may, for example, be generated in corporate finance and in the business with hedge funds. Interest income is accrued as earned. Dividends are recognized when payment is received.

2.3.2.5 Determination of fair value

The Valartis Group measures part of the financial instruments and the financial liabilities as well as individual non-financial assets 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 as follows below:

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 Valartis Group. Investment funds for which a binding 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 illiquid 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 Valartis Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period. The categorisation of the financial instruments and financial liabilities in the described fair value hierarchy is shown in Note 34. In the case of non-financial assets that are recorded at fair value or for which a fair value must be disclosed, the information on the determination of the fair value and the categorisation level can be found in the corresponding notes.

2.3.2.6 *Financial instruments*

Basic principle

Purchases and disposals of financial instruments are recognized in the balance sheet at 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. Valartis Group classifies financial instruments, which include traditional financial assets and liabilities and equity instruments, as follows:

– Trading securities and liabilities from trading

– Financial assets or financial liabilities measured at fair value through profit and loss ("Other financial assets/liabilities at fair value")

– Financial assets available for sale

– Financial assets held to maturity

– Loans that are neither held for trading nor designated as financial assets available-for-sale and that are not measured at fair value in the income statement

Trading securities and liabilities from trading

Trading securities include money market papers, other debt instruments including marketable loans and equity instruments (long positions). Liabilities from trading include obligations to deliver financial instruments such as money market papers, and other debt and equity instruments that the Valartis Group has sold to third parties but do not belong to the Valartis Group (short positions). A financial asset or liability is designated as held for trading if the asset was bought or if the liability was entered into mainly with the goal of a short-term sale or repurchase and if it is part of a clearly identifiable portfolio for which there are indications of short-term profit-taking in the recent past. Trading securities and liabilities from trading are reported at fair value. Profits and losses from sale or redemption and changes in fair value are recognised under "Income from trading". Interest and dividend income or interest and dividend expense from trading are recorded in "Income from interest and dividend business".

Financial assets available for sale

The category "Financial assets available for sale" consists of financial instruments that are held for an indefinite period. Their sale allows management to react to liquidity squeezes respectively movements in interest rates, exchange rates, or share prices. These financial instruments can comprise equity instruments, including specific private equity investments, and debt instruments. Financial assets available for sale are reported at fair value. Unrealised gains or losses from financial assets available for sale are recognised in shareholders' equity (after deferred taxes) under the position "Unrealised income from financial assets available for sale" until the financial assets are derecognised or impaired.

Financial assets held to maturity

Financial assets held to maturity are investments with fixed or determinable payments and a fixed maturity which the Valartis Group has the intention and capability of holding until maturity. Shares, participation certificates and fund units cannot be classified as financial assets held to maturity because they do not expire. Convertible bonds also do not qualify as financial assets held to maturity because the definition of this term does not correspond to their characteristics. 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 and dividend income are accrued according to the effective interest rate method and recognised in "Income from interest and dividend".

Other financial instruments at fair value (fair value option)

On initial recognition, a financial instrument may be assigned to the category "Other financial instruments at fair value" and recognized in the balance sheet under "Financial assets at fair value" or "Financial liabilities at fair value". Profits and losses from sale or redemption and changes in fair value are recognised under "Income from trading". In its issuing business, Valartis Group reports issued structured products that include a debt instrument and an embedded derivative under the position "Other financial liabilities at fair value". In accordance with the fair value option as defined in IAS 39, the requirement to split the structured products into the underlying contract and embedded derivative and report them separately does not apply.

Derivative financial instruments

All derivative financial instruments are reported as positive or negative replacement values. Derivatives that are embedded in underlying contracts count as hybrid instruments and originate from the issue of structured debt instruments. For these products, the Valartis Group applies the fair value option; accordingly, there is no need to separate the embedded derivative components for measurement purposes. Consequently, recognition takes place under the positions "Financial assets at fair value" or "Financial liabilities at fair value". The Valartis Group uses derivative financial instruments for trading purposes. Changes in the fair value of derivatives are recognized in the income statement under "Income from trading".

Due from clients

Due from clients include loans that the Valartis Group 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 recognised under trading assets and accordingly 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 credit risks. 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 credit risks are made on these impaired loans. Specific value adjustments for credit risks 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 under "Valuation adjustments, provisions and losses".

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. Interest more than 90 days overdue is subject to value adjustment, and is only recorded in the income statement when it is paid. Loans are fixed without interest when their collectability is so doubtful that an accrual can no longer be considered reasonable. 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 credit 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 unnecessary. Realised income from loans that are sold before their maturity or repaid early are recorded in the income statement under the position "Interest and discount income".

Securities borrowing and lending transactions

Securities borrowing and lending transactions are backed by collateral. In such transactions, the Valartis Group lends or borrows securities against securities or cash deposits as collateral. The Valartis Group also borrows securities from the securities portfolios of individual clients. Shares and debt instruments are used for securities borrowing and lending operations. Securities received or delivered within the scope of securities borrowing or lending transactions are recognised or derecognized in the balance sheet only if control over the contractual rights connected with the securities is transferred. In securities lending operations, the cash deposit received is recognized under "Cash" in the balance sheet and a corresponding liability is recognised under "Cash deposits for loaned securities". In securities borrowing transactions, the cash deposit made is eliminated from the balance sheet and a corresponding receivable is recognised under "Cash deposits for borrowed securities".

Repurchase and reverse repurchase transactions

Any repurchase transactions or reverse repurchase transactions are treated as secured financing transactions. As a rule, these include debt securities such as bonds or money market papers. The transactions are settled on the financial markets by means of standardised contracts. In reverse repurchase transactions, securities are purchased and simultaneously resold at a fixed or open date. The purchased securities are not recorded in the Valartis Group's balance sheet as long as the transferring party retains the economic rights associated with the securities (assumption of price and credit risk, entitlement to current income and other property rights). The cash deposit paid in reverse repurchase operations is eliminated from "Cash" and recognised in the balance sheet as a receivable under "Reverse repurchase transactions". This receivable reflects the Valartis Group's right to recover the cash deposit. Securities that the Valartis Group has received in a reverse repurchase transaction are recognized as off-balance-sheet transactions if the Valartis Group has a right to resell or repledge the securities. Conversely, the resale of the purchased securities is recognised under "Cash" and under the balance sheet position "Trading portfolio liabilities" (short sale). The position "Trading portfolio liabilities" is measured at fair value. In addition to cash deposits, securities and guarantees can also be provided as collateral. Interest income from reverse repurchase transactions is accrued over the term of the corresponding transaction. In repurchase transactions, securities are sold and simultaneously repurchased at a fixed or open date. The cash deposit received in a repurchase transaction is recognised under "Cash", while the corresponding liability to return the securities is recognised in the balance sheet under "Cash deposits for repurchase transactions". The sold securities are kept on the Valartis Group's balance sheet according to their original classification as long as the economic rights are not transferred. Securities that the Valartis Group has transferred from its own portfolio to third parties and for which it has granted the recipient a right to resell or repledge are reclassified from the trading portfolio to the position "Loaned securities or securities deposited as collateral". In addition to cash deposits, securities and guarantees can also be accepted as collateral. Interest expense for repurchase transactions is accrued over the term of the corresponding transaction.

2.3.2.7 Financial guarantee contracts

Financial guarantee contracts issued by the Valartis Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

2.3.2.8 Property, plant, and equipment

Property, plant, and equipment include properties, undeveloped land and fixtures in third-party properties, IT and telecommunications equipment and other fixed assets. Acquisition and production costs are carried as an asset if future economic income is likely to flow from them to the Valartis Group and the costs can be identified and reliably determined.

Property, plant, and equipment is depreciated on a straight-line basis over the estimated useful life as follows:

Property	50 years
Fixtures in third-party properties	13 years
IT and telecommunications equipment	3 years
Software	3 years
Other fixed assets	5 years

Impairment tests are performed on property, plant, 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.

2.3.2.9 Intangible assets

Intangible assets with finite useful lives

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 up to ten years. Where necessary, a valuation adjustment is recognised in the income statement in addition to the amortisation.

2.3.2.10 Provisions

A provision is recognised if as a result of past events the Valartis Group has a current liability on the balance sheet date that is likely to result in the outflow of resources, and the amount of which can be reliably estimated. If the liability cannot be sufficiently reliably estimated, it is shown as a contingent liability.

2.3.2.11 Taxes and deferred taxes

Income taxes are based on the tax laws of each tax authority and are expensed in the period in which the related profits are made. Capital taxes are included in office and business expense. 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 consolidated 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 Valartis Group 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 taxes. Deferred taxes related to changes that are recognised directly in shareholders' equity are directly charged or credited to shareholders' equity.

2.3.2.12 Operating leases

In the case of operating leases, the Valartis Group 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 expense" on a straight-line basis over the contractual period.

2.3.2.13 Treasury shares and derivatives on treasury shares

Shares in Valartis Bank (Liechtenstein) AG held by the Valartis Group ("treasury shares") are deducted from equity at weighted average acquisition cost. Changes in fair value are not recorded. The difference between the sales proceeds from treasury shares and the corresponding acquisition cost is recognised under "Capital reserves". Derivatives on treasury shares that must be settled physically by exchanging a fixed amount of cash for a fixed number of shares qualify as equity instruments and are recognised under "Capital reserves" in shareholders' equity. Changes in fair value are not recognised. When a contract is settled, the sales proceeds after costs are recognised under "Capital reserves" or the purchase price is recognized under "Treasury shares".

2.3.2.14 Client assets

Client assets 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 Valartis Group. 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 a Valartis Group company. 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.

2.3.2.15 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 Valartis Group 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 years of insurance, age, and 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 with a corresponding debit or credit to retained earnings. All expenses related to defined benefit plans are recorded through profit and loss as employee benefits.

Valartis Bank (Liechtenstein) AG does not exercise the option to recognise contributions from employees or third parties as a reduction in the service cost in the period in which the related service is rendered.

2.3.2.16 Issued debt instruments

The issued debt instruments are initially recorded at acquisition cost, i. e., at the fair value of the consideration received minus transaction costs. The difference between the acquisition cost and the repayment value (nominal value) will be recorded in the income statement under interest expense over the term of the instrument using the effective interest method.

2.3.2.17 Share-based payment

The Valartis Group does not have any share-based payments.

2.4 Estimates, assumption, and exercise of discretion by management

Basic principle

In applying the accounting principles, management is required to make numerous estimates and assumptions which can influence the disclosures made in the consolidated income statement, consolidated statements of financial positions and notes to the consolidated financial statements. The actual results can deviate from these estimates. The Valartis Group is confident that the consolidated financial statements present a true and fair view of the assets, financial, 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 consolidated financial statements including the following:

Fair value of financial instruments

If the determination of the fair value of financial assets and liabilities is not based on quoted market prices or price quotes by brokers, the fair value is calculated by means of valuation methods, e. g., discounted cash flow models. As far as possible, input parameters for modelling are based on observable market data. If there are no observable market data available, discretionary decisions and estimates are used taking into account parameters such as liquidity risk, default risk, and volatility risk. Changes in these estimates may have an effect on the fair value of such financial instruments. For further details see "General principles, Determination of fair value".

Value adjustments on credit positions

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.

Provisions

Valartis Group recognises provisions for imminent threats 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.

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 authorities. 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 goodwill or intangible assets can have a significant effect on the income statement.

STRUCTURE OF RISK MANAGEMENT

Overview

Accepting specific risks and managing them professionally is the basis for the value-driven success of the Valartis Group. Accordingly, the return for accepting risks is central to risk management and risk control.

Valartis Bank (Liechtenstein) AG and its subsidiaries are an integral part of the group-wide risk governance of the Valartis Group AG. Risk monitoring takes place centrally and decentrally to ensure compliance with risk limits both Group-wide and locally. The bank and its subsidiaries control 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. In particular, it includes a breakdown of products by market liquidity, as well as assumptions about the distribution of their market price fluctuations and the rating classification.

As part of the group-wide risk governance, risk indicators are reported as economic risk capital ("ERC"), which reflects the product-specific loss potential in a stress scenario. The structure is therefore similar to the regulatory capital concept and allows various risks across different assets classes to be directly compared, so that an overall risk landscape – which is essential for the Valartis Group risk management concept – can be presented. The ERC method has some advantages over other risk measurement methods that are based on a statistical analysis of the markets. For example, factors that affect the loss potential are included in the calculations in a transparent way. This makes it possible to interpret the results of the risk analysis, enabling an efficient optimising of the risks assumed with respect to the expected return.

Risk management organisation and risk reporting

In its role as the ultimate supervisory body, the Board of Directors of the Bank is responsible for all risks of the Valartis Group. By means of the risk policy, the Board of Directors defines all risk activities of the Valartis Group: It is responsible for defining additional limits and the maximum risk tolerance (quantitatively and qualitatively) in respect of the risk capacity of the Valartis Group. 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.

The reporting obligations with regard to content, responsibility, recipients, and frequency are defined in the risk policy. The regular reporting is submitted to the Board of Directors of the Bank. The reports contain a structured presentation of the risk indicators – risk limits and utilisation – for the various business activities. The risk measurement and risk reporting can be hierarchically structured and remain very concise, as the underlying ERC concept enables the risks of different business activities to be added despite their – in some cases very different – market characteristics. This can be done without forfeiting the necessary accuracy or violating the applicability of the risk measurement methods. 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.

Valartis Group conducts risk control activities of its own within defined overall limits that are separate from the risk control activities of the risk-taking units. Valartis Group AG risk controlling monitors the risk controls and risk exposure of its subsidiaries in Liechtenstein and ensures that Valartis' Board of Directors receives integrated risk reports that include Valartis Bank (Liechtenstein) AG.

RISK BEARING CAPACITY

Risk bearing capacity is the capacity of a group to absorb losses from realised risks without endangering its continued existence. The risk bearing capacity depends on the capital adequacy and the actual earning strength of the group.

Risk appetite means the extent to which the Board of Directors of the Bank is inclined to take risks yet to stay consistent with the risk capacity and the strategic objectives of the Valartis Group. As a part of the annual risk budgeting process the Board of Directors determines the risk appetite by the risk capital derives from the available equity capital as an overall limit, which is below the maximum acceptable loss potential.

The target of the risk cover potential calculation is to ensure the existence also in a very negative stress 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, but retained part of it as a risk buffer. This is to ensure that the risk-bearing capacity is also not at risk if, inter alia, unquantifiable risks incur which are neither covered by the regulatory nor the economical capital, as for example business risks.

Business risks result inter alia 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, as well as derivative positions.

Market risks

Valartis Group's trading positions are managed by the various subsidiaries. Risk monitoring takes place centrally and decentrally to ensure compliance with risk limits both Group-wide and locally. Trading activities are focused on fixed income portfolios and monitored by means of reports, set limits and regular meetings.

Equities

As a rule, these products are highly liquid. This means that market risks can be managed promptly, and can be reduced quickly and efficiently if necessary. The risk measurement method used takes this product characteristic into account. The choice of parameters is monitored with a high level of frequency on the basis of the market conditions observed, and adjusted as required.

Less liquid products may have a longer holding period, for instance because market liquidity does not allow positions to be built up or reduced quickly. For this reason a risk assessment is carried out by conducting a stress scenario analysis, taking into account a significant reduction in price at the same time as a change in other market parameters, such as volatility or an abrupt slump in the trading volume of the product. Correspondingly, the risk factor used in determining the economically required capital is significantly higher than for equities that have a high level of market liquidity or for a market for traded derivatives.

Interest rate instruments

For purpose of reporting to Valartis Group AG, the market risks of interest rate instruments are calculated by applying to the market value of the instrument a stress factor for the general interest rate risk and for the specific interest rate risk. In the case of bonds not denominated in CHF, the risk contribution of forex volatility is also determined as part of determining the forex risk. The stress factor is determined by means of a rating classification, based on ratings from different agencies as well as internal valuation methods. This ERC used internally results in a more conservative risk assessment than is required from the regulatory perspective.

Since client funds entrusted to Valartis Bank (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.

Table 1 shows the market price risk of equities and interest rate instruments in the trading book.

Table 1: Value at risk (99 per cent, 1 day) of Valartis Group's trading portfolio assets

In CHF 1,000	**Q1 2016**	**2015**	**2014**
Volume trading interest rate instruments	769	2,945	6,872
Interest rate instrument price risk	12	54	48
Volume trading equities	456	456	449
Equity price risk	12	9	6
Total	24	63	54

In CHF 1,000	**2013**	**2012**
Volume trading interest rate instruments	4,889	2,616
Interest rate instrument price risk	47	32
Volume trading equities	437	404
Equity price risk	7	7
Total	54	39

The price risk of interest rate instruments decreased from kCHF 139 (31.3.2015) to kCHF 11 mainly due to a reduction of the portfolio from kCHF 4'672 to kCHF 769. The VAR for the equity price risk did not change. The price risk of interest rate instruments increased in the 2015 from kCHF 48 to kCHF 54. This development is due to higher volatility of interests in general and in the financial industry sector in particular. A major part of the bonds in the trading portfolio is affliliated with the financial industry sector.

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 of the various Valartis Group companies, and are managed and monitored locally within the framework of limits set out in guidelines.

Interest rate risks

The interest rate sensitivity is shown in table 2. The table shows the change in market value for the main currencies, both for trading book and banking book positions, given a parallel interest rate movement of +/− 100 basis points across all maturities.

Table 2: Market risks – significant interest rate risks in the trading and banking books

In CHF 1,000	**31.3.2016**		**31.12.2015**		**31.12.2014**	
	+1%	-1%	+1%	-1%	+1%	-1%
CHF	-207	-141	-217	-115	-310	-2
EUR	99	7	27	22	-722	77
USD	-1,309	948	-1,498	1,130	-4,060	2,470
Others	-72	38	-70	34	-126	84

In CHF 1,000	31.12.2013		31.12.2012	
	+1%	-1%	+1%	-1%
CHF	-182	69	367	-12
EUR	-609	-48	-1,550	562
USD	-2,197	1,007	-1,798	1,130
Others	-120	70	-27	18

The interest rate risks decreased across all currencies compared with 2014 due to bond purchases with short duration and increased deposits at national banks. An interest rate increase of 100 basis points across all currencies would entail a market value loss of around CHF 1.76 million as at 31 December 2015 and loss of around CHF 1.5 million as at 31 March 2016.

Currency risks

The currency risks arising from trading book positions and financial investments are monitored and managed on a local and on an aggregated basis. The sensitivity to a 1 per cent move in exchange rates is shown for all currency risks in table 3. In principle, currency risks are kept low.

Table 3: Significant currency risks in the trading and banking books

In CHF 1,000 +/–1%	31.3.2016 Currency sensitivity	31.12.2015 Currency sensitivity	31.12.2014 Currency sensitivity	31.12.2013 Currency sensitivity	31.12.2012 Currency sensitivity
EUR	6	10	2	26	1,288
USD	11	3	22	228	891
Others	12	8	79	21	134

The greatest currency sensitivity as at 31 December 2015 is in Euro at kCHF 10, followed by the currency sensitivity in other currencies at kCHF 8. The greatest currency sensitivity as at 31 March 2016 is in USD at kCHF 11, followed by the currency sensitivity in other currencies at kCHF 12. Compared with prior years these values are considerably lower as currency exposure has deliberately kept low.

LIQUIDITY RISK

Liquidity risk is the risk of the Valartis Group 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, to be interpreted as the result of the economic stress test. As of the end of 2015, a minimum LCR of 60 per cent applies on a European level. The LCR amounted to 239 per cent as at 31 December 2015. The LCR amounted to 278.8 per cent as at 31 March 2016. 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 future a so-called Net Stable Funding Ratio ("NSFR") will need to be complied with, in addition to the Liquidity Coverage Ratio. 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. As of the end of 2015, concrete details as of the manner in which it is to be structured are not yet available, so that no assertions can yet be made as to compliance with the future required ratio by the Bank.

The Bank's liquidity risk management includes the continual monitoring of liquidity, the analysis and simulation of possibilities for generating additional liquidity. Valartis Bank (Liechten-stein) AG's liquidity risks are 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.

The table "Maturity structure of assets and liabilities" (Note 28) shows future cash flows based on the earliest contractual maturity, disregarding assumptions about the probability of individual cash flows. In particular, the held-to-maturity portfolio shows the multi-level liquidity management system that includes cash, staggered maturities on due from banks, and liquid debt instruments.

CREDIT RISK

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

Management of credit risks

Loans to clients are preferably granted as part of the securities business. The Bank offers loans in various currencies and maturities in order to cover short-, medium- or long-term liquidity requirements (Lombard Loans). In rare isolated cases mortgage loans are also granted by the Bank. In order to provide collateral for external obligations or for the issuance of credit cards by a credit card company, the Bank offers its clients bank guarantees which are collateralised by customer's safekeeping deposit account. 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. In the case of interbank transactions, which are carried out only with first-rate counterparties, limits are set.

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 CHF 108.9 million as of 31 December 2015 (31 December 2014: CHF 161.5 million and 31 December 2013: CHF 110.6 million). These exposures relate mainly to Lombard loans which are covered with collateral in the form of securities as well as mortgage loans.

The ten largest single exposures encompass CHF 105.9 million as of 31 March 2016. These exposures relate mainly to Lombard loans which are covered with collateral in the form of securities as well as mortgage loans.

Financial instruments in table A to E include financial assets held to maturity and available for sale instruments, as well as the other financial assets at fair value. 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 CHF 1,000	AAA to AA-	A+ to BBB-	BB+ or lower	No external rating	Book value of impaired loans net	Total
Quality of assets as of 31.3.2016						
Due from banks	87,000	170,074	0	4,563	31	261,668
Due from clients	0	0	0	129,658	29,280	158,938
Financial instruments	493,025	24,439	0	1,764	0	519,228
Other assets	0	5	0	1,954	0	1,959
Derivative financial instruments	266	5	0	213	0	484
Subtotal	580,291	194,523	0	138,152	29,311	942,277
Contingent liabilities	0	1,779	0	7,600	0	9,379
Total at 31 March 2016	580,291	196,302	0	145,752	29,311	951,656
Quality of assets 2015						
Due from banks	72,473	173,535	0	6,461	33	252,502
Due from clients		0		130,733	29,280	160,013
Financial instruments	562,258	27,980	0	3,417	0	593,655
Other assets	1	3		2,233		2,237
Derivative financial instruments	141	20		892		1,053
Subtotal	634,873	201,538	0	143,736	29,313	1,009,460
Contingent liabilities		1,894		7,453		9,347
Total at 31 December 2015	634,873	203,432	0	151,189	29,313	1,018,807
Quality of assets 2014						
Due from banks	246,917	576,682	0	81,869	43	905,511
Due from clients				187,858	39,316	227,174
Financial instruments	119,909	38,295	0	7,268	0	165,472
Other assets	1	5	0	2,583	0	2,589
Derivative financial instruments	158	46		766		970
Subtotal	366,985	615,028	0	280,344	39,359	1,301,716
Contingent liabilities		2,229		7,373		9,602
Total at 31 December 2014	366,985	617,257	0	287,717	39,359	1,311,318

In CHF 1,000	AAA to AA-	A+ to BBB-	BB+ or lower	No external rating	Book value of impaired loans net	Total
Quality of assets 2013						
Due from banks	178,762	475,478	0	59,201	93	713,534
Due from clients				159,453	357	159,810
Financial instruments	33,468	42,354	1,241	5,589	0	82,652
Other assets	1	5	0	1,723	0	1,729
Derivative financial instruments	246			232		478
Subtotal	212,477	517,837	1,241	226,198	450	958,203
Contingent liabilities		1,837		7,024		8,861
Total at 31 December 2013	212,477	519,674	1,241	233,222	450	967,064
Quality of assets 1 January 2013						
Due from banks	114,519	410,801	0	308,804	278	834,402
Due from clients				124,324	3,119	127,443
Financial instruments	34,192	46,861	3,458	3,083	0	87,594
Other assets	0	8	0	1,208	0	1,216
Derivative financial instruments	49			27		75
Subtotal	148,760	457,669	3,458	437,446	3,396	1,050,730
Contingent liabilities		1,399		8,669		10,068
Total at 1 January 2013	148,760	459,069	3,458	446,115	3,396	1,060,798

Table A shows the quality of assets according to the external ratings available. Financial instruments without a rating are mainly instruments for which there is no external rating available. Amounts due from clients are allocated to the category "no external rating".

Table B – Credit risk-overview collateral

In CHF 1,000	Mortgage-backed	Other collateral	No collateral	Total
Loans as of 31.3.2016				
Due from clients	21,183	133,469	4,286	158,938
of which mortgage loans	21,183	0	0	21,183
– Residential property	17,720	0	0	17,720
– Office and business property	1,202	0	0	1,202
– Commercial and industrial property	1,520	0	0	1,520
– Other	741			741
Financial instruments – available for sale and held to maturity	0	0	519,228	519,228
Derivative financial instruments	0	0	484	484
Total loans at 31 March 2016	21,183	133,469	523,998	678,650
Loans 2015				
Due from clients	21,233	134,566	4,214	160,013
of which mortgage loans	20,478	5		20,483
– Residential property	17,767	5		17,772
– Office and business property	1,197			1,197
– Commercial and industrial property	1,514			1,514
Financial instruments – available for sale and held to maturity			593,655	593,655
Derivative financial instruments			1,053	1,053
Total loans at 31 December 2015	21,233	134,566	598,922	754,721
Loans 2014				
Due from clients	15,146	201,628	10,400	227,174
of which mortgage loans	13,757	104	30	13,891
– Residential property	10,825	94	30	10,949
– Office and business property	1,344	7	0	1,351
– Commercial and industrial property	1,588	3	0	1,591
Financial instruments – available for sale and held to maturity			165,472	165,472
Derivative financial instruments			970	970
Total loans at 31 December 2014	15,146	201,628	176,842	393,616
Loans 2013				
Due from clients	6,832	140,437	12,541	159,810
of which mortgage loans	4,496	13	203	4,712
– Residential property	2,101	9	203	2,313
– Office and business property	790			790
– Commercial and industrial property	1,604	4		1,608
Financial instruments – available for sale and held to maturity			82,652	82,652
Derivative financial instruments			477	477
Total loans at 31 December 2013	6,832	140,437	95,670	242,939

In CHF 1,000	Mortgage-backed	Other collateral	No collateral	Total
Loans 1 January 2013				
Due from clients	3,377	118,543	5,523	127,443
of which mortgage loans	2,038		563	2,601
– Residential property	1,198		563	1,761
– Office and business property	840			840
– Commercial and industrial property				0
Financial instruments – available for sale and held to maturity			87,594	87,594
Derivative financial instruments			75	75
Total loans at 1 January 2013	3,377	118,543	93,192	215,112
Off-balance-sheet items 2016				
Contingent liabilities	0	9,379	0	9,379
Total off balance sheet items at 31 March 2016	0	9,379	0	9,379
Off-balance-sheet items 2015				
Contingent liabilities	0	9,347	0	9,347
Total off balance sheet items at 31 December 2015	0	9,347	0	9,347
Off-balance-sheet items 2014				
Contingent liabilities	20	8,860	722	9,602
Total off balance sheet items at 31 December 2014	20	8,860	722	9,602
Off-balance-sheet items 2013				
Contingent liabilities	18	8,842	1	8,861
Total off balance sheet items at 31 December 2013	18	8,842	1	8,861
Off-balance-sheet items 1 Janaury 2013				
Contingent liabilities		9,971	97	10,068
Total off balance sheet items at 1 January 2013	0	9,971	97	10,068

Table B shows that secured lending represents constantly more than 90 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 CHF 1,000	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 March 2016					
Due from clients					0
of which loans and advances					0
Accrued and deferred assets					0
Total at 31 March 2016	0	0	0	0	0
Overdue positions without valuation adjustment by maturity 31 December 2015					
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
Overdue positions without valuation adjustment by maturity 31 December 2014					
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 31 December 2013					
Due from clients					0
of which loans and advances					0
Accrued and deferred assets					0
Total at 31 December 2013	0	0	0	0	0
Overdue positions without valuation adjustment by maturity 1 January 2013					
Due from clients					0
of which loans and advances					0
Accrued and deferred assets					0
Total at 1 January 2013	0	0	0	0	0

As a general rule, a loan is classified as impaired when it is more than 90 days overdue. The Bank has typically already recovered these loans or formed provisions for such positions and therefore such loans are not listed in table C. Loans with a provision are disclosed in note 23. As of 31 March 2016, 31 December 2015 and 31 December 2014, there were no rescheduled loans and repossessed assets.

Table D – Credit risk: total credit risk/geographical credit risk

In CHF 1,000	Switzerland and Liechtenstein	Abroad	Total
Geographical credit risk as of 31 March 2016			
Cash	54,592	594,808	649,401
Due from banks	88,602	173,067	261,668
Due from clients	46,640	112,298	158,938
Financial instruments	0	519,228	519,228
Other assets	1,959	0	1,959
Derivative financial instruments	296	188	484
Subtotal	192,089	1,399,589	1,591,678
Contingent liabilities	7,251	2,128	9,379
Total at 31 March 2016	199,340	1,401,717	1,601,057
Geographical credit risk 2015			
Cash	81,131	555,827	636,957
Due from banks	65,587	186,915	252,502
Due from clients	76,357	83,656	160,013
Financial instruments	0	593,655	593,655
Other assets	2,237	0	2,237
Derivative financial instruments	442	611	1,053
Subtotal	225,753	1,420,664	1,646,417
Contingent liabilities	6,405	2,942	9,347
Total at 31 December 2015	232,158	1,423,606	1,655,764
Geographical credit risk 2014			
Cash	115,327	553,517	668,844
Due from banks	208,243	697,268	905,511
Due from clients	63,354	163,820	227,174
Financial instruments	30	165,442	165,472
Other assets	0	2,589	2,589
Derivative financial instruments	312	658	970
Subtotal	387,266	1,583,294	1,970,560
Contingent liabilities	6,694	2,908	9,602
Total at 31 December 2014	393,960	1,586,202	1,980,162

In CHF 1,000	Switzerland and Liechtenstein	Abroad	Total
Geographical credit risk 2013			
Cash	114,786	276,837	391,623
Due from banks	142,297	571,237	713,534
Due from clients	42,348	117,462	159,810
Financial instruments	29	82,623	82,652
Other assets	54	1,675	1,729
Derivative financial instruments	281	196	477
Subtotal	299,795	1,050,030	1,349,825
Contingent liabilities	5,276	3,584	8,861
Total at 31 December 2013	305,071	1,053,614	1,358,686
Geographical credit risk 1 January 2013			
Cash	36,664	2,239	38,903
Due from banks	372,832	461,570	834,402
Due from clients	43,347	84,096	127,443
Financial instruments	0	87,594	87,594
Other assets	0	1,216	1,216
Derivative financial instruments	0	75	75
Subtotal	452,843	636,790	1,089,633
Contingent liabilities	4,389	5,679	10,068
Total at 1 January 2013	457,232	642,470	1,099,701

Table D shows a concentration in foreign due from banks and clients as well as financial instruments. As at 31 December 2015, foreign commitments amounted to CHF 1.4 billion, or 86 percent of the total lending volume. As at 31 March 2016,foreign commitments amounted to CHF 1.4 billion, or 87 percent of the total lending volume.

Table E – Credit risk: total credit risk/breakdown by counterparty

In CHF 1,000	Central banks	Banks	Public sector entities	Private and institutional investment clients	Other	Total
Breakdown by counterparty as of 31 March 2016						
Due from banks	0	261,668	0	0	0	261,668
Due from clients	0	29,279	0	129,659	0	158,938
Financial instruments	0	52,568	442,156	24,504	0	519,228
Other assets	0	3	0	1,955	1	1,959
Derivative financial instruments	0	296	0	188		484
Subtotal	0	343,814	442,156	156,306	1	942,277
Contingent liabilities		1,978		7,401		9,379
Total at 31 March 2016	0	345,792	442,156	163,707	1	951,656
Breakdown by counterparty 2015						
Due from banks	0	252,502	0	0	0	252,502
Due from clients		29,279		130,734		160,013
Financial instruments	0	75,332	493,718	24,605	0	593,655
Other assets	0	3	0	2,233	1	2,237
Derivative financial instruments		185		868	0	1,053
Subtotal	0	357,301	493,718	158,440	1	1,009,460
Contingent liabilities		1,836		7,511		9,347
Total at 31 December 2015	0	359,137	493,718	165,951	1	1,018,807
Breakdown by counterparty 2014						
Due from banks	0	905,511	0	0	0	905,511
Due from clients		44,000		183,174		227,174
Financial instruments	0	102,848	29,393	33,231	0	165,472
Other assets	0	3	0	2,584	2	2,589
Derivative financial instruments		234		736	0	970
Subtotal	0	1,052,596	29,393	219,725	2	1,301,716
Contingent liabilities		2,527		7,075		9,602
Total at 31 December 2014	0	1,055,123	29,393	226,800	2	1,311,318

In CHF 1,000	Central banks	Banks	Public sector entities	Private and institutional investment clients	Other	Total
Breakdown by counterparty 2013						
Due from banks		713,534	0	0		713,534
Due from clients		22,257		137,553		159,810
Financial instruments	0	44,303	11,051	27,297	0	82,652
Other assets	0	3	0	1,724	2	1,729
Derivative financial instruments		245		232	0	477
Subtotal	0	780,342	11,051	166,806	2	958,202
Contingent liabilities		3,603		5,258		8,861
Total at 31 December 2013	0	783,945	11,051	172,064	2	967,063
Breakdown by counterparty 1 Janaury 2013						
Due from banks		834,402	0	0		834,402
Due from clients		22,880		104,563		127,443
Financial instruments	0	52,208	3,488	31,898	0	87,594
Other assets	0	4	1	1,210	2	1,216
Derivative financial instruments		49		27	0	75
Subtotal	0	909,542	3,489	137,698	2	1,050,730
Contingent liabilities		2,539		7,529		10,068
Total at 1 January 2013	0	912,082	3,489	145,227	2	1,060,799

Table E shows a concentration of bank counterparties, which is managed by a limit system. This process ensures the diversification of the counterparties themselves as well as the counterparty domiciles. Financial instruments issued by corporate entities are allocated to the category "private an institutional investment clients".

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 all legal risks as well as reputational risks. However, it excludes strategic risks.

Management of operational risk

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

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 within the prescribed framework. 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. External consultants are sometimes used to limit legal risks.

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 anactive and focused manner in compliance with legal stipulations and 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 risks as well as available equity to support sustained Valartis Group 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. Using an internal process to assess the adequacy of capital resources (Internal Capital Adequacy Assessment Process), the possible adverse effect on the equity basis in stress situations are simulated and analysed.

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, Valartis 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.

All results are based on the full application of the final CRR and CRD 4 framework in the European Union and thus without consideration of applicable transitional rules. The Bank has complied with all externally imposed capital requirements as at 31 December 2015 and 31 March 2016.

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

Capital-adequacy computation (Basel III)

in CHF 1,000	**31.12.2015**
Own Funds	42,310
Tier 1 capital	36,991
Common equity tier 1 (CET1)	36,991
Capital instruments eligible as CET1 Capital	19,212
Paid-in capital	20,000
Direct holdings of CET1 instruments (treasury shares)	–788
Retained earnings	28,555
Funds for general banking risk	5,000
Other intangible assets	–497
Additional deductions of CET1 Capital due to Article 28 CRR	–15,279
Additional tier capital (AT1)	0
Tier 2 capital (T2)	5,319
Capital instruments and subordinated loans eligible as T2 Capital	5,319
Total required equity	24,294
Credit risk (in accordance with standard approach)	16,166
Market risk (in accordance with standard approach)	181
Operational risk (in accordance with basic indicator approach)	7,933
Credit Value Adjustment (in accordance with standardised method)	14
CET1 capital ratio	15.99%
Tier 1 capital ratio	15.99%
Total capital ratio	18.29%
Total risk-weighted assets	**231,373**

Disclosure in Accordance with Article 27 of the Capital Adequacy Ordinance (CAO) under Basel II

in CHF 1,000	31.12.2014	31.12.2013	1.01.2013
Statement of eligible capital			
Core capital (prior to adjustment)	49,624	48,475	41,947
less other elements to be deducted from core capital	–1,602	–1,401	–1,471
= eligible core capital (adjusted core capital)	48,022	47,074	40,475
plus lower supplementary capital	7,215	9,814	12,000
less other deductions from supplementary capital, additional capital and total capital	–843	–843	–843
= Eligible capital	54,394	56,045	51,632

Statement of required capital	Method used	Equity requirement		
Credit risk	Standard approach	32,717	24,539	24,003
Non-counterparty-related risks	Standard approach	1,596	1,676	1,839
Market risk	De minimis approach	316	372	536
of which on foreign exchange and precious metals		313	364	536
of which on commodities		2	9	0
Operational risk	Basic indicator approach	5,314	4,386	3,681
Required capital		39,942	30,973	30,059
Ratio of eligible to required capital		1.36	1.81	1.72
BIS tier 1 capital ratio, in per cent		9.79%	12.38%	11.00%
Total capital ratio, in per cent		10.89%	14.48%	13.74%

The disclosure report of Valartis Bank (Liechtenstein) AG in accordance with Part 8, Art. 431–455 of Regulation (EU) No. 575/2013 can be found on the Bank's website at www.valartisbank.li.

MANAGEMENT OF EQUITY CAPITAL

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. Using an internal process to assess the adequacy of capital resources (Internal Capital Adequacy Assessment Process), the possible adverse effect on the equity basis in stress situations are simulated and analysed.

The regulatory capital adequacy requirements and equity capital are calculated and managed at bank level and – within the parent group – at Valartis Bank (Liechtenstein) AG.

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

1. INCOME FROM INTEREST AND DIVIDENDS

In CHF 1,000	1.1.–31.3.2016	1.1.–31.3.2015 unaudited	2015	2014	2013
Interest income – due from banks	236	289	807	2,665	2,922
Interest income – due from banks related parties	0	0	0	8	309
Interest income – due from clients	730	959	3,358	3,192	2,398
Interest income – due from clients related parties	0	241	682	463	205
Interest income from the trading portfolio	9	5	46	117	120
Interest income from mortgage loans	77	50	272	180	60
Interest income from financial assets available for sale	226	48	341	206	189
Interest income from financial assets held to maturity	221	214	1,292	1,399	1,498
Interest income from money market papers	107	0	21	0	0
Negative interest expense on due to clients	466	26	1,377	0	0
Dividend income	1	14	20	3	2
Total interest and dividend income	2,073	1,846	8,216	8,233	7,703
Interest expense on due to banks	–8	–11	–34	–215	–1,008
Interest expense on due to clients	–287	–1	–1,178	–895	–730
Interest expense for issued debt instruments	–113	–69	–391	–482	–272
Negative interest income on due from bank and clients	–473	–310	–1,299	0	0
Total interest expense	–881	–391	–2,902	–1,592	–2,010
Net interest income	1,192	1,455	5,314	6,641	5,693

2. INCOME FROM COMMISSION AND SERVICE FEES

In CHF 1,000	1.1.–31.3.2016	1.1.–31.3.2015 unaudited	2015	2014	2013
Commission income from loans	71	80	422	486	564
Brokerage fees	1,277	2,361	8,588	7,307	5,652
Custody account fees	1,063	1,223	4,866	4,670	3,585
Commission on investment advice and asset management	2,502	2,134	9,553	8,441	8,076
Commission income from service fees	2,692	3,113	13,274	13,181	11,485
Commission income from fiduciary fees	48	66	244	396	346
Commission income from retrocession	130	178	717	598	528
Other commission income	2,067	2,308	9,230	7,774	5,704
Total income from commission and service fee business	9,850	11,463	46,894	42,853	35,940
Brokerage expense	–186	–976	–1,716	–817	–766
Asset management/fund management by third parties	–1,051	–856	–4,079	–3,536	–3,844
Commission expense to client intermediaries and representatives	0	0	0	0	0
Other securities trading expense	0	0	0	0	0
Commission expense on retrocession to third parties	–562	–1,031	–6,295	–5,843	–4,780
Other commission expenses third parties	–131	–88	–451	–353	–276
Custodian fee expenses	–109	–110	–521	–394	–351
Other commission expense	0	0	–488	–378	–140
Total expense from commission and service fee business	–2,039	–3,061	–13,550	–11,321	–10,157
Net commission income	7,811	8,402	33,344	31,532	25,783

3. INCOME FROM TRADING

In CHF 1,000	1.1.–31.3.2016	1.1.–31.3.2015 unaudited	2015	2014	2013
Trading income debt instruments	40	417	511	746	294
Securities	0	1	4	0	3
Forex & and precious metals	2,112	1,728	8,315	6,321	5,172
Funds	–54	53	32	–46	41
Total	2,098	2,199	8,862	7,021	5,510

4. NET OTHER ORDINARY INCOME

In CHF 1,000	1.1.–31.3.2016	1.1.–31.3.2015 unaudited	2015	2014	2013
Income from the sale of tangible and intangible assets	1	2	3	4	19
Income from the sale of financial assets available for sale	0	0	0	0	0
Net income from rental	2	0	0	65	381
Release of provisions	0	0	200	27	0
Other ordinary income third parties	34	4	12	8	93
Other ordinary income related parties	19	18	18	22	50
Other ordinary expense third parties	–18	0	–6	–6	–6
Other ordinary expense related parties	–58	–101	–340	–465	–494
Total	–20	–77	–113	–345	43

5. PERSONNEL EXPENSE

In CHF 1,000	1.1.–31.3.2016	1.1.–31.3.2015 unaudited	2015	2014	2013
Salaries and bonuses	–5,049	–3,224	–12,836	–11,968	–10,060
Social security benefits	–396	–240	–1,221	–1,130	–924
Contributions to occupational pension plans	–458	–414	–1,681	–1,151	–1,048
Other personnel expense	–92	–73	–547	–427	–375
Total	–5,995	–3,951	–16,285	–14,676	–12,407

6. GENERAL EXPENSE

In CHF 1,000	1.1.–31.3.2016	1.1.–31.3.2015 unaudited	2015	2014	2013
Occupancy expense	–240	–317	–942	–1,018	–1,004
IT and information expense	–830	–691	–2,414	–2,374	–2,037
Furniture and fixtures	–39	–107	–196	–166	–150
External consultancy services and external project	–770	–250	–2,025	–597	–483
Travel and representation fees	–251	–257	–686	–763	–597
PR marketing corporate communications	–253	–288	–659	–746	–540
Other general expense	–518	–517	–1,970	–1,305	–1,091
Other expenses	0	0	0	0	–50
Total	–2,901	–2,427	–8,892	–6,969	–5,952

7. DEPRECIATION AND AMORTISATION

In CHF 1,000	1.1.–31.3.2016	1.1.–31.3.2015 unaudited	2015	2014	2013
Depreciation of property, plant and equipment	–328	–327	–1,306	–1,346	–1,300
Amortisation of intangible assets	–87	–119	–420	–440	–351
Total	–415	–446	–1,726	–1,786	–1,651

8. VALUATION ADJUSTMENTS, PROVISIONS AND LOSSES

In CHF 1,000	1.1.–31.3.2016	1.1.–31.3.2015 unaudited	2015	2014	2013
Impairment on due from clients	0	0	–10,206	–270	–120
Impairment reversals	0	59	108	400	536
Losses	–44	–49	–802	–214	–391
Change in provisions	0	–33	–33	–915	–27
Total	–44	–23	–10,933	–999	–2

9. INCOME TAXES

In CHF 1,000	1.1.–31.3.2016	1.1.–31.3.2015 unaudited	2015	2014	2013
Current income taxes	–1,866	–511	–2,118	–2,165	–1,497
Change in deferred taxes	1,623	–55	–248	–309	–229
Total	–243	–566	–2,366	–2,474	–1,726
Net profit from continued operations before tax	1,726	5,132	9,571	20,419	17,017
Net profit from continued operations before taxes	1,726	5,132	9,571	20,419	17,017
Expected income tax rate[1)]	12.5%	12.5%	12.5%	12.5%	12.5%
Expected income taxes	–216	–641	–1,196	–2,552	–2,127
Difference between expected and actual tax rate	–27	75	–1,170	78	401
Tax-notional interest deduction	0	0	0	0	187
Non-tax-deductible expenses	0	0	–1,250	0	0
Other effects	0	75	80	78	214
Effective income taxes	–243	–566	–2,366	–2,474	–1,726
Income tax as disclosed in the consolidated income statement	–243	–566	–2,366	–2,474	–1,726

1) The expected income tax rate is based on the ordinary income tax rate at the domicile of the parent company.

Deferred tax **In CHF 1,000**	**1.1.–31.3.2016**	**2015**	**2014**	**2013**
Development of deferred tax liabilities (net)				
Position at 1 January	1,663	1,494	1,395	1,186
Changes affecting the income statement	–1,623	248	309	229
Changes not affecting the income statement	25	–80	–210	–20
Position at 31 December (net)/ 31 March	65	1,663	1,494	1,395
Expiry of non-capitalised tax allowances for losses				
Within 1 year	0	0	0	0
From 1 to 5 years	0	0	0	0
After 5 years	0	0	0	0
Total	0	0	0	0
Reconciliation deferred taxes				
Deferred tax assets				
Retirement benefit obligations	638	650	533	295
Total deferred tax assets	638	650	533	295
Deferred tax liabilities				
Financial Instruments	18	22	36	22
Others	685	2,291	1,991	1,668
Total deferred tax liabilities	703	2,313	2,027	1,690

10. CASH

In CHF 1,000	**31.3.2016**	**31.12.2015**	**31.12.2014**	**31.12.2013**	**1.1.2013**
Cash balance	2,145	1,424	2,171	1,606	2,082
Sight deposits with central banks	647,256	635,533	666,673	390,017	36,664
Sight deposits with post offices	0	0	0	0	157
Total	649,401	636,957	668,844	391,623	38,903

11. DUE FROM BANKS AND CLIENTS

In CHF 1,000	31.3.2016	31.12.2015	31.12.2014	31.12.2013	1.1.2013
Due from banks on a daily basis	101,410	92,606	224,110	171,705	413,522
Due from banks other claims	160,289	159,929	681,444	541,922	421,158
Valuation allowances for credit risk	–31	–33	–43	–93	–278
Total due from banks	261,668	252,502	905,511	713,534	834,402
Due from clients – mortgage loans	20,442	20,484	13,891	4,710	2,601
Due from clients – other	150,063	151,097	214,742	156,897	127,144
Subtotal	170,505	171,581	228,633	161,607	129,745
Valuation adjustments for default risk	–11,567	–11,567	–1,460	–1,797	–2,302
Total due from clients	158,938	160,013	227,174	159,810	127,443

12. IMPAIRED LOANS

In CHF 1,000	1.1.–31.3.2016	2015	2014	2013
Valuation adjustments for default risks				
Position at 1 January	–11,600	–1,503	–1,890	–2,580
Newly formed valuation adjustments for default risks	0	–10,206	–270	–120
Release of valuation adjustments for default risks	0	108	400	536
Foreign currency translation	0	–1	6	–4
Other adjustments	2	2	–11	45
Position at 31 December/March	–11,598	–11,600	–1,503	–1,890
of which on amounts due from banks	–31	–33	–43	–93
of which on amounts due from clients	–11,567	–11,567	–1,460	–1,797
Impaired loans				
Impaired loans (gross)	40,878	40,880	40,819	2,247
Estimated realisation proceeds from collateral	29,280	29,280	39,316	357
Impaired loans (net)	11,598	11,600	1,503	1,890
Specific valuation adjustments on impaired loans	–11,598	–11,600	–1,503	–1,890
Non-performing loans				
Non-performing loans (gross)	40,878	40,880	40,819	2,247
Specific valuation adjustments on non-performing loans	11,598	11,600	1,503	1,890
Net receivables	29,280	29,280	39,316	357

The impaired loan (gross) at 31 December 2015 and 31 March 2016 includes a claim in the amount of CHF 39.3 million in respect of a loan granted by Valartis Bank (Liechtenstein) AG to its majority shareholder Valartis Finance Holding AG. This claim was subject to an individual value adjustment in the amount of CHF 10 million during the year 2015. Furthermore, no more interest was posted from 30 September 2015 onwards as it had become evident by this point that the debtor was unlikely to be able to fulfil its future obligations in full. On 18 September 2015, the debtor Valartis Finance Holding AG applied to the Princely Court of Justice in Liechtenstein for a stay of insolvency proceedings. The court approved the application on 28 October 2015 and granted a four-month stay. The stay of insolvency proceedings has now been extended until 28 October 2016. The individual value adjustment is based on the difference between the book value of the claim and the probable recoverable amount, taking into account the counterparty risk and the net proceeds from the realisation of collateral, some of which is under the control of an affiliated company. Realising this collateral would involve an element of uncertainty as the process would be partly cross-border and would be subject to approval by third parties. In light of these circumstances, there are significant doubts surrounding the valuation of the outstanding net amount due of CHF 29.3 million as it was not known whether the claim on Valartis Finance Holding AG would be fully recoverable when the 2015 annual financial statements were prepared. As stated in the Note 38, Valartis Finance Holding AG has signed an agreement with Citychamp Watch and Jewellery Group Ltd. to sell its majority stake in Valartis Bank (Liechtenstein) AG under which its claim arising from the loan is to be settled with the payment of the sales proceeds. It would therefore be possible to reverse the individual value adjustment in the amount of CHF 10 million charged to the bank's 2015 income statement.

The interest income impact from non-performing loans was kCHF 682 for the year ended 2015 (2014: kCHF 316). The Valartis Group did not recognize any interest on impaired loans in Q1 2016.

13. TRADING ASSETS

In CHF 1,000	31.3.2016	31.12.2015	31.12.2014	31.12.2013	1.1.2013
Debt instruments					
Debt instruments of public sector entities	0	0	0	0	48
Debt instruments of financial institutions	507	2,655	3,980	4,317	1,866
Debt instruments of companies	194	194	746	740	676
Total debt instruments	701	2,849	4,726	5,057	2,590
of which listed	410	408	493	479	444
of which unlisted	290	2,441	4,233	4,578	2,146
Investment fund units					
Listed investment fund units	466	469	2,491	451	494
Unlisted investment fund units	596	98	51	79	0
Investment fund units	1,602	567	2,542	530	494
Total trading portfolio assets	1,763	3,417	7,268	5,588	3,083
of which lent out trading portfolio assets	0	0	0	0	0
of which eligible for repo transactions at a central bank (SNB/ECB)	317	314	885	646	874

14. FINANCIAL ASSETS

In CHF 1,000	31.3.2016	31.12.2015	31.12.2014	31.12.2013	1.1.2013
Debt instruments of public sector entities	172,726	179,477	607	7,718	2,231
Debt instruments of financial institutions	18,378	20,545	22,572	11,361	12,810
Debt instruments of companies	2,555	2,858	2,355	2,032	979
Total debt instruments	193,659	202,880	25,534	21,111	16,020
of which listed	193,659	202,880	25,534	21,111	16,020
of which unlisted	0	0	0	0	0
Total financial assets available for sale	193,659	202,880	25,534	21,111	16,020
Debt instruments					
Debt instruments of public sector entities	13,426	133,316	28,786	3,332	1,209
Debt instruments of financial institutions	34,190	52,132	76,296	28,625	39,309
Debt instruments of companies	20,185	20,985	27,587	23,996	27,973
Total debt instruments	67,801	206,433	132,670	55,953	68,491
of which listed	67,801	206,433	132,670	55,953	68,491
of which unlisted	0	0	0	0	0
Treasury notes & bills					
of which listed	256,004	180,925	0	0	0
of which unlisted	0	0	0	0	0
Total Treasury notes & bills	256,004	180,925	0	0	0
Total financial assets held to maturity	323,805	387,358	132,670	55,953	68,491
of which lent out	0	0	0	0	0
of which eligible for repo transactions at a central bank (SNB/ECB)	19,484	36,112	47,496	44,977	53,663

15. PROPERTY, PLANT AND EQUIPMENT

In CHF 1,000	Real Estate Bank Buildings	Office furnitures, machines & other objects	Vehicles	Other tangible fixed assets	Server & data storage systems & Other IT systems	Total
Acquisition costs						
Carrying amount at 01 January 2013	15,900	3,832	396	6,473	2,423	29,023
Investments	0	152	206	0	1,221	1,578
Divestments	0	–5	–194	0	–314	–514
Foreign exchange translation differences	0	0	0	0	0	0
Carrying amount at 31 December 2013	15,900	3,978	408	6,473	3,330	30,088
Carrying amount at 01 January 2014	15,900	3,978	408	6,473	3,330	30,088
Investments		7	40	23	252	322
Divestments		–35	–73	–19	–1,110	–1,237
Foreign exchange translation differences		0	0	0		0
Carrying amount at 31 December 2014	15,900	3,950	375	6,477	2,472	29,173
Carrying amount at 01 January 2015	15,900	3,950	375	6,476	2,472	29,172
Investments		154	0	32	140	327
Divestments		–2,306	–31		–193	–2,529
Foreign exchange translation differences		0	0	0	0	0
Carrying amount at 31 December 2015	15,900	1,797	344	6,508	2,420	26,968
Carrying amount at 01 January 2016	15,900	1,796	344	6,508	2,420	26,968
Investments					63	63
Foreign exchange translation differences						
Carrying amount at 31 March 2016	15,900	1,796	344	6,508	2,483	27,031
Carrying amount at 01 January 2013	–561	–3,380	–358	–1,909	–2,117	–8,325
Depreciation	–127	–321	–56	–499	–297	–1,300
Divestments	0	5	194	0	314	514
Foreign exchange translation differences	0	0	0	0	0	0
Carrying amount at 31 December 2013	–689	–3,696	–219	–2,408	–2,100	–9,112
Carrying amount at 01 January 2014	–689	–3,696	–219	–2,408	–2,100	–9,112
Depreciation	–127	–89	–58	–498	–572	–1,344
Divestments		35	73	19	1,110	1,236
Foreign exchange translation differences		0	0	0	0	0
Carrying amount at 31 December 2014	–816	–3,750	–205	–2,887	–1,562	–9,220
Carrying amount at 01 January 2015	–816	–3,750	–205	–2,887	–1,564	–9,222
Depreciation	–127	–90	–54	–502	–533	–1,306
Divestments		2,307	31		193	2,531
Foreign exchange translation differences		0	0	0	0	0
Carrying amount at 31 December 2015	–943	–1,533	–227	–3,388	–1,904	–7,996

In CHF 1,000	Real Estate Bank Buildings	Office furnitures, machines & other objects	Vehicles	Other tangible fixed assets	Server & data storage systems & Other IT systems	Total
Carrying amount at 01 January 2016	–943	–1,533	–227	–3,388	–1,904	–7,996
Depreciation	–32	–24	–13	–126	–134	–328
Foreign exchange translation differences						
Carrying amount at 31 March 2016	–975	–1,557	–240	–3,514	–2,038	–8,324
Net carrying amount at 31 March 2016	14,924	240	104	2,994	445	18,707
Net carrying amount at 31 December 2015	14,956	264	117	3,120	516	18,972
Net carrying amount at 31 December 2014	15,084	200	170	3,589	909	19,952
Net carrying amount at 31 December 2013	15,211	282	189	4,065	1,230	20,976
Net carrying amount at 01 January 2013	15,338	451	39	4,564	306	20,698

Future liabilities from operating leases **In CHF 1,000**	**31.03.2016**	**31.12.2015**	**31.12.2014**
Future liabilities from operating leases			
Remaining term up to 1 year	269	268	122
Remaining term from 1 to 5 years	179	412	137
Remaining term over 5 years	1,053	1,088	1,125
Total	1,501	1,769	1,385
Future receivables from operating leases			
Remaining term up to 1 year	2	2	2
Remaining term from 1 to 5 years	10	10	10
Remaining term over 5 years	126	126	129
Total	138	138	141

16. ACCRUED AND DEFERRED ASSETS

In CHF 1,000	31.3.2016	31.12.2015	31.12.2014	31.12.2013	1.1.2013
Management and performance fees	1,841	1,938	1,642	1,564	1,630
Accrued interest	1,240	1,965	2,755	2,567	3,840
Other accrued and deferred assets	1,091	869	914	545	884
Total	4,172	4,772	5,311	4,676	6,354

17. OPEN DERIVATIVE FINANCIAL INSTRUMENTS (TRADING INSTRUMENTS)

In CHF 1,000	Positive replacement values	Negative replacement values	Contract volume
Debt instruments			
Forward contracts	0	0	0
Swaps	0	0	0
Options (OTC)	0	0	0
Total at 31 March 2016	0	0	0
Debt instruments			
Forward contracts	0	0	0
Swaps	0	0	0
Options (OTC)	0	0	0
Total at 31 December 2015	0	0	0
Forward contracts	0	0	0
Swaps	0	547	14,430
Options (OTC)	0	0	0
Total at 31 December 2014	0	547	14,430
Forward contracts	0	0	0
Swaps	0	1,518	39,258
Options (OTC)	0	0	0
Total at 31 December 2013	0	1,518	39,258
Forward contracts			
Swaps	0	2,226	45,877
Options (OTC)	0	0	0
Total at 01 January 2013	0	2,226	45,877
Currencies/precious metals			
Forward contracts	454	441	58,986
Options (OTC)	0	0	0
Total at 31 March 2016	454	441	58,986
Forward contracts	1,008	946	83,898
Options (OTC)	0	0	0
Total at 31 December 2015	1,008	946	83,898
Forward contracts	894	864	77,103
Options (OTC)	0	0	0
Total at 31 December 2014	894	864	77,103
Forward contracts	433	411	42,490
Options (OTC)	44	44	2,393
Total at 31 December 2013	477	455	44,883
Forward contracts	75	66	13,239
Options (OTC)	0	0	0
Total at 01 January 2013	75	66	13,239

In CHF 1,000	Positive replacement values	Negative replacement values	Contract volume
Equity instruments/indices			
Forward contracts	0	0	0
Options (OTC)	30	30	1,794
Total at 31 March 2016	30	30	1,794
Forward contracts	0	0	0
Options (OTC)	45	45	1,764
Total at 31 December 2015	45	45	1,764
Forward contracts			
Options (OTC)	76	76	1,212
Total at 31 December 2014	76	76	1,212
Forward contracts	0	0	0
Options (OTC)	0	0	0
Total at 31 December 2013	0	0	0
Forward contracts	0	0	0
Options (OTC)	0	0	0
Total at 01 January 2013	0	0	0
Others			
Forward contracts	0	0	0
Options (OTC)	0	0	0
Total at 31 March 2016	0	0	0
Forward contracts	0	0	0
Options (OTC)	0	0	0
Total at 31 December 2015	0	0	0
Forward contracts	0	0	0
Options (OTC)	0	0	0
Total at 31 December 2014	0	0	0

In CHF 1,000	Positive replacement values	Negative replacement values	Contract volume
Forward contracts		0	0
Options (OTC)	0	0	0
Total at 31 December 2013	0	0	0
Forward contracts	0	0	0
Options (OTC)	0	0	0
Total at 01 January 2013	0	0	0
Total open derivative financial instruments at 31 March 2016	484	471	60,780
Total open derivative financial instruments at 31 December 2015	1,053	991	85,662
Total open derivative financial instruments at 31 December 2014	970	1,487	92,745
Total open derivative financial instruments at 31 December 2013	477	1,973	84,141
Total open derivative financial instruments at 01 January 2013	75	2,292	59,116

18. OTHER ASSETS

In CHF 1,000	31.3.2016	31.12.2015	31.12.2014	31.12.2013	1.1.2013
Value added tax and other indirect taxes	85	52	52	64	39
Other receivables, including accounts receivable	195	157	584	64	44
Settlement and clearing account	1,679	2,028	1,953	1,601	1,133
Total	1,959	2,237	2,589	1,729	1,216

19. INTANGIBLE ASSETS

In CHF 1,000	Purchased software	Total
Acquisition costs		
Carrying amount at 01 January 2013	4,454	4,454
Investments	259	259
Divestments	–423	–423
Foreign exchange translation differences	0	0
Carrying amount at 31 December 2013	4,290	4,290
Investments	630	630
Divestments	–648	–648
Foreign exchange translation differences	0	0
Carrying amount at 31 December 2014	4,272	4,272
Investments	158	158
Divestments	0	0
Foreign exchange translation differences	0	0
Carrying amount at 31 December 2015	4,430	4,430
Carrying amount at 01 January 2016	4,431	4,431
Investments	25	25
Divestments	0	0
Foreign exchange translation differences	0	0
Carrying amount at 31 March 2016	4,456	4,456
Carrying amount at 1 January 2013	–3,793	–3,793
Amortisation	–351	–351
Losses from impairment	0	0
Divestments	423	423
Foreign exchange translation differences	0	0
Carrying amount at 31 December 2013	–3,721	–3,721

In CHF 1,000	Purchased software	Total
Amortisation	–440	–440
Losses from impairment	0	0
Divestments	648	648
Foreign exchange translation differences	0	0
Carrying amount at 31 December 2014	–3,513	–3,513
Amortisation	–420	–420
Losses from impairment	0	0
Divestments	0	0
Foreign exchange translation differences	0	0
Carrying amount at 31 December 2015	–3,933	–3,933
Carrying amount at 01 January 2016	–3,934	–3,934
Amortisation	–87	–87
Losses from impairment	0	0
Divestments	0	0
Foreign exchange translation differences	0	0
Carrying amount at 31 March 2016	–4,021	–4,021
Net carrying amount at 31 March 2016	435	435
Net carrying amount at 31 December 2015	497	497
Net carrying amount at 31 December 2014	759	759
Net carrying amount at 31 December 2013	569	569
Net carrying amount at 01 January 2013	661	661

20. NETTING

The Valartis Group has no netting agreements in place.

21. DUE TO CLIENTS

In CHF 1,000	31.3.2016	31.12.2015	31.12.2014	31.12.2013	1.1.2013
Due to clients precious metals	3,456	3,238	1,372	1,465	0
Other amounts due to clients	1,522,626	1,579,664	1,907,691	1,284,294	1,023,059
Other amounts due to clients – related parties	33	34	750	0	0
Total	1,526,115	1,582,936	1,909,813	1,285,759	1,023,059

22. ACCRUED AND DEFERRED LIABILITIES

In CHF 1,000	31.3.2016	31.12.2015	31.12.2014	31.12.2013	1.1.2013
Accrued commission	1,687	2,527	2,695	2,385	1,823
Accrued salaries, bonuses and social security benefits	1,431	1,378	1,899	1,568	1,391
Accrued interests	689	472	320	167	107
Other accrued and deferred liabilities	2,191	1,914	840	587	619
Total	5,998	6,291	5,754	4,707	3,940

23. PROVISIONS

2015 In CHF 1,000	Provision for other business risks	Provision for litigation and tax risks	Total according to balance sheet 2015
Position at 1 January	0	1,102	1,102
Utilised/released in accordance with designated purpose	–33	0	–33
Newly formed and charged to income statement	33	0	33
Released and credited to income statement	0	–200	–200
Other Movements	0	–90	–90
Foreign exchange translation differences	0	0	0
Position at 31 December	0	812	812
Foreign exchange translation differences	0	0	0
Maturity of the provisions			
Within one year	0	812	812
More than one year	0	0	0

2016 In CHF 1,000	Provision for other business risks	Provision for litigation and tax risks	Total according to balance sheet 2016
Position at 1 January	0	812	812
Utilised/released in accordance with designated purpose	0	0	0
Newly formed and charged to income statement	0	0	0
Released and credited to income statement	0	0	0
Other Movements	0	0	0
Foreign exchange translation differences	0	8	8
Position at 31 March	0	820	820
Foreign exchange translation differences	0	0	0
Maturity of the provisions			
Within one year			820
More than one year			0

As part of its normal business activities, Valartis Group is exposed to a wide range of legal risks. These include in particular risks relating to litigation and tax law. Valartis Group recognizes provisions for such litigation and tax risks if the Valartis Group's management and its legal advisers are of the opinion that an outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount. The amount of the provisions and their timing are by their nature subject to uncertainty. However, these uncertainties are evaluated as being low since it was possible to reliably estimate the individual amounts and the majority of the recognised provisions will probably become due within one year.

In 2015 and as of 31 March 2016 there were no contingent liabilities as set down in IAS 37 (2014 and 2013: nil).

24. ISSUED DEBT INSTRUMENTS

In CHF 1,000	31.03.2016	31.12.2015	31.12.2014	31.12.2013	01.01.2013
Private placements	11,283	11,071	12,292	12,541	20,000
Total issued debt instruments	11,283	11,071	12,292	12,541	20,000
of which subordinated	11,283	11,071	12,292	12,541	20,000

Detailed overview of long-term debt instruments issued

31 March 2016 In 1,000	Year of issue	Interest rate nominal	Interest rate effective	Maturity	Currency	Nominal amount in 1,000
Subordinated Bond 1	2013	4.00%	4.00%	14.06.2018	EUR	10,000

1 Valartis Bank (Liechtenstein) AG issued a subordinated debt instrument in the amount of EUR 10 million via a private placement in 2013. In respect of the issued debt securities, there were no late payments or breaches of contract in the years under review.

2015 In 1,000	Year of issue	Interest rate nominal	Interest rate effective	Maturity	Currency	Nominal amount in 1,000
Subordinated Bond[1]	2013	4.00%	4.00%	14.06.2018	EUR	10,000
Subordinated Loan (20.12.2006 –14.6.2013)	2006	Libor +5.00%	Libor +5.00%	14.06.2013	CHF	20,000

1 Valartis Bank (Liechtenstein) AG issued a subordinated debt instrument in the amount of EUR 10 million via a private placement in 2013. In respect of the issued debt securities, there were no late payments or breaches of contract in the years under review.

In June 2013, a subordinated bond for EUR 10 million was issued and placed in full. This capital serves as lower tier 2 capital. As at the end of December 2013, EUR 8 million was still eligible (Article 18 Liechtenstein Ordinance on Capital Adequacy). The subordinated loan of CHF 20 million taken out in 2006 from Vorarlberger Landes-und hypothekenbank Aktiengesellschaft was repaid early in June 2013.

Private placement of a bond for EUR 10,000,000, with the partial debentures – each with a nominal amount of EUR 100,000 – becoming irrevocably subordinate to the non-subordinated claims of all other creditors in the event of liquidation, bankruptcy, a composition agreement or reorganization proceedings. When insolvency is imminent, the debentures contribute towards the reorganisation of the issuer by means of full claim reduction.

The bond creditors expressly and irrevocably waive all privileging in relation to share capital when insolvency is imminent. In this case, the claims of the bond creditors must be written off completely. There is no possibility of offsetting the debentures against claims of the Bank in relation to the bond creditors.

25. SHARE CAPITAL

In CHF 1,000	31.3.2016 Total Nominal value	31.3.2016 Quantity	31.12.2015 Total Nominal value	31.12.2015 Quantity	31.12.2014 Total Nominal value	31.12.2014 Quantity
Share capital	13,600	136,000	13,600	136,000	136,000	136,000
Participation certificate capital	6,400	64,000	6,400	64,000	64,000	64,000
Total share capital	20,000	200,000	20,000	200,000	200,000	200,000

In CHF 1,000	31.12.2013 Total Nominal value	31.12.2013 Quantity	1.1.2013 Total Nominal value	1.1.2013 Quantity
Share capital	13,600	136,000	13,600	136,000
Participation certificate capital	6,400	64,000	6,400	64,000
Total share capital	20,000	200,000	20,000	200,000

Valartis Bank (Liechtenstein) AG closed the 2015 financial year with a net profit of CHF 7.6 million, down significantly on the previous year (CHF 18 million). As a result, no dividend will be paid out, with the retained profit of CHF 7.6 million going towards further improving capital adequacy.

In accordance with the resolutions of the Shareholders' Meetings on 10 December 2014, an interim dividend of CHF 13,392,000 was agreed (of which CHF 10,872,000 was distributed on 12 December 2014 and CHF 2,520,000 on 5 January 2015).

135,900 shares out of the share capital have double dividend rights. 64,000 of the participation certificates are non-voting.

26. TREASURY SHARES

Number	31.3.2016	2015	2014	2013
Position at 1 January	3,400	1,100	1,300	6,300
Purchases	0	2,300	0	1,000
Sales	0	0	–200	–6,000
Position at 31 December/ 31 March	3,400	3,400	1,100	1,300

The treasury shares relate to participation certificates issued by Valartis Bank (Liechtenstein) AG.

The Bank held no own shares either in the year under review (including interim figures as of 31 March 2016) or the previous years (2013 – 2014).

27. CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS BY CURRENCY

31.12.2013 In CHF 1,000	CHF	EUR	USD	Others	Total Currencies
Assets					
Cash	114,831	276,689	86	17	391,623
Due from banks	3,029	172,633	474,688	63,184	713,534
Due from clients	25,190	26,191	72,536	35,893	159,810
Trading portfolio assets	29	5,477	53	28	5,588
Financial assets available for sale	1,622	10,511	8,978	0	21,111
Financial assets held to maturity	6,251	42,639	7,063	0	55,953
Property, plant and equipment	20,976	0	0	0	20,976
Accrued and deferred assets	3,621	303	698	55	4,676
Derivative financial instruments	9	161	169	137	477
Other assets	133	1,596	0	0	1,729
Intangible assets	569	0			569
On-balance-sheet assets	176,260	536,200	564,271	99,314	1,376,046
Claims arising from forex spot and forward transactions	3,523	7,205	16,542	15,221	42,490
Total at 31 December 2013	179,783	543,405	580,813	114,535	1,418,536
Liabilities and shareholders' equity					
Due to banks	768	73		2,157	2,998
Due to clients	107,895	518,574	564,273	95,016	1,285,759
Derivative financial instruments	16	1,523	101	333	1,973
Taxes	1,511	0			1,511
Accrued and deferred liabilities	4,553	75	66	13	4,707
Other liabilities	3,280	1,159	52	0	4,491
Issued debt instruments		12,541	0	0	12,541
Provisions	200	0	27	0	227
Deferred tax liabilities	1,376	11	9	0	1,396
On-balance-sheet liabilities	119,599	533,956	564,528	97,519	1,315,603
Obligations arising from forex spot and forward transaction	3,520	7,202	16,527	15,219	42,468
Total at 31 December 2013	123,119	541,158	581,055	112,738	1,358,071
Net position per currency 31 December 2013	56,664	2,247	–242	1,797	

31.12.2014 **In CHF 1,000**	**CHF**	**EUR**	**USD**	**Others**	**Total Currencies**
Assets					
Cash	115,382	553,215	183	64	668,844
Due from banks	11,351	185,870	603,493	104,797	905,511
Due from clients	70,861	33,873	83,340	39,100	227,174
Trading portfolio assets	30	6,159	1,051	29	7,268
Financial assets available for sale	1,621	10,307	13,606	0	25,534
Financial assets held to maturity	10,504	31,730	89,211	1,225	132,670
Property, plant and equipment	19,951	0	0	0	19,951
Accrued and deferred assets	3,777	273	1,196	65	5,311
Derivative financial instruments	22	52	867	29	970
Other assets	1,888	579	99	23	2,589
Intangible assets	759	0	0	0	759
On-balance-sheet assets	236,146	822,058	793,046	145,332	1,996,581
Claims arising from forex spot and forward transactions	14,924	20,021	32,401	9,758	77,103
Total at 31 December 2014	251,070	842,079	825,447	155,090	2,073,684
Liabilities and shareholders' equity					
Due to banks	827	217	2,309	0	3,353
Due to clients	169,175	808,160	796,337	136,140	1,909,813
Derivative financial instruments	21	592	844	30	1,487
Taxes	2,142	0	0	0	2,142
Accrued and deferred liabilities	5,437	0	315	2	5,754
Other liabilities	8,883	40	44	0	8,967
Issued debt instruments	0	12,292	0	0	12,292
Provisions	200	902	0	0	1,102
Deferred tax liabilities	1,460	15	19	0	1,494
On-balance-sheet liabilities	188,145	822,218	799,868	136,172	1,946,404
Obligations arising from forex spot and forward transaction	14,908	20,018	32,388	9,758	77,072
Total at 31 December 2014	203,053	842,236	832,256	145,930	2,023,476
Net position per currency 31 December 2014	48,017	–158	–6,810	9,160	

31.12.2015 **In CHF 1,000**	**CHF**	**EUR**	**USD**	**Others**	**Total Currencies**
Assets					
Cash	80,007	556,675	254	22	636,957
Due from banks	2,148	23,601	111,610	115,143	252,502
Due from clients	44,442	34,549	76,073	4,948	160,013
Trading portfolio assets	0	3,332	59	25	3,417
Financial assets available for sale	1,004	9,454	192,422	0	202,880
Financial assets held to maturity and treasury notes and bills	8,003	18,223	361,132	0	387,358
Property, plant and equipment	18,972	0	0	0	18,972
Accrued and deferred assets	2,862	118	1,768	24	4,772
Derivative financial instruments	250	33	48	721	1,053
Other assets	2,132	6	99	0	2,237
Intangible assets	497	0	0	0	497
On-balance-sheet assets	160,317	645,991	743,465	120,883	1,670,658
Claims arising from forex spot and forward transactions	25,724	21,776	20,036	16,362	83,898
Total at 31 December 2015	186,041	667,767	763,501	137,245	1,754,556
Liabilities and shareholders' equity					
Due to banks	578	5		0	583
Due to clients	87,617	632,365	742,926	120,028	1,582,936
Derivative financial instruments	117	455	394	27	993
Taxes	3,020	0	0	0	3,020
Accrued and deferred liabilities	5,822	2	467	0	6,291
Other liabilities	6,986	35	44	0	7,065
Issued debt instruments	0	11,071	0	0	11,071
Provisions	0	812	0	0	812
Deferred tax liabilities	1,641	1	21	0	1,663
On-balance-sheet liabilities	105,781	644,746	743,852	120,055	1,614,434
Obligations arising from forex spot and forward transaction	25,700	21,776	20,013	16,348	83,837
Total at 31 December 2015	131,481	666,522	763,865	136,403	1,698,271
Net position per currency 31 December 2015	54,559	1,245	–364	842	

1.1.2013 In CHF 1,000	CHF	EUR	USD	Others	Total Currencies
Assets					
Cash	37,281	1,494	116	13	38,903
Due from banks	55,476	299,136	420,299	59,492	834,402
Due from clients	22,955	32,895	38,642	32,951	127,443
Trading portfolio assets	23	2,990	46	24	3,083
Financial assets available for sale	506	9,540	5,973	0	16,020
Financial assets held to maturity	12,753	54,136	1,602	0	68,491
Property, plant and equipment	20,697	0	0	0	20,697
Accrued and deferred assets	4,084	985	1,182	104	6,354
Derivative financial instruments	10	0	20	45	75
Other assets	1,115	100	0	0	1,216
Intangible assets	661	0	0	0	661
On-balance-sheet assets	155,561	401,276	467,879	92,629	1,117,345
Claims arising from forex spot and forward transactions	4,550	4,847	1,791	2,051	13,239
Total at 1 January 2013	160,111	406,123	469,670	94,680	1,130,584
Liabilities and shareholders' equity					
Due to banks	806	10,935	0	0	11,741
Due to clients	79,099	387,010	465,408	91,542	1,023,059
Derivative financial instruments	6	2,226	19	41	2,292
Taxes	1,281	0	0	0	1,281
Accrued and deferred liabilities	3,868	55	4	13	3,940
Other liabilities	2,773	1,381	43	0	4,197
Issued debt instruments	20,000	0	0	0	20,000
Provisions	200	28	0	0	228
Deferred tax liabilities	1,168	7	12	0	1,186
On-balance-sheet liabilities	109,202	401,642	465,486	91,596	1,067,926
Obligations arising from forex spot and forward transaction	4,550	4,842	1,786	2,051	13,229
Total at 1 January 2013	113,752	406,484	467,272	93,647	1,081,155
Net position per currency 1 January 2013	46,359	–361	2,398	1,033	

31.3.2016 **In CHF 1,000**	**CHF**	**EUR**	**USD**	**Others**	**Total Currencies**
Assets					
Cash	52,761	596,479	136	24	649,401
Due from banks	18,052	21,704	134,993	86,920	261,668
Due from clients	44,356	34,654	75,471	4,458	158,938
Trading portfolio assets	0	1,187	550	26	1,763
Financial assets available for sale	1,003	7,143	185,514	0	193,660
Financial assets held to maturity and treasury notes and bills	7,003	13,598	47,200	0	67,801
Treasury notes and bills	0	1,073	254,931	0	256,004
Property, plant and equipment	18,707	0	0	0	18,707
Accrued and deferred assets	2,970	81	1,112	9	4,172
Derivative financial instruments	148	128	1	207	484
Other assets	1,819	41	99	0	1,959
Intangible assets	435	0	0	0	435
On-balance-sheet assets	147,254	676,088	700,006	91,644	1,614,992
Claims arising from forex spot and forward transactions	16,131	12,567	16,229	14,588	59,515
Total at 31 March 2016	163,385	688,655	716,235	106,232	1,674,507
Liabilities and shareholders' equity					
Due to banks	564	174		874	1,612
Due to clients	74,902	662,759	698,168	90,286	1,526,115
Derivative financial instruments	154	121	0	196	471
Taxes	4,887	0	0	0	4,887
Accrued and deferred liabilities	4,962	364	672	0	5,998
Other liabilities	5,702	117	51	0	5,870
Issued debt instruments	0	11,283	0	0	11,283
Provisions	0	820	0	0	820
Deferred tax liabilities	47	1	17	0	65
On-balance-sheet liabilities	91,218	675,639	698,908	91,356	1,557,121
Obligations arising from forex spot and forward transaction	16,196	12,534	16,217	14,572	59,520
Total at 31 March 2016	107,414	688,173	715,125	105,928	1,616,641
Net position per currency 31 March 2016	55,971	482	1,110	304	

28. MATURITY STRUCTURE OF ASSETS, LIABILITIES, AND OFF-BALANCE-SHEET ITEMS

31.12.2016 In CHF 1,000	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
Assets							
Cash	649,401	0	0	0		0	649,401
Due from banks	101,379	78,816	47,734	33,739			261,668
Due from clients	101,347		4,076	215	37,110	16,190	158,938
Trading portfolio assets	1,062	0	26	180	495		1,763
Financial assets available for sale	0	0	1,550	180,492	11,617	0	193,660
Treasury notes and bills	0	76,689	160,037	19,278	0	0	256,004
Financial assets held to maturity	0	0	7,464	19,382	40,955		67,801
Property, plant and equipment	0	0	0	0	1,217	17,490	18,707
Accrued and deferred assets	2,878		1,290	1	3		4,172
Derivative financial instruments	0	0	475	4	5	0	484
Other assets	1,959		0	0	0		1,959
Intangible assets						435	435
Total at 31 March 2016	858,026	155,505	222,652	253,291	91,402	34,115	1,614,992
Liabilities							
Due to banks	1,052			180	380	0	1,612
Due to clients	1,494,094	485	3,963	0	26,839	734	1,526,115
Derivative financial instruments			464	3	5		471
Taxes	4,887		0	0			4,887
Accrued and deferred liabilities	5,998	0	0	0	0	0	5,998
Other liabilities	763		0	0	0	5,107	5,870
Issued debt instruments					11,283		11,283
Provisions	820						820
Deferred tax liabilities	47		0	17	1	0	65
Total at 31 March 2016	1,507,661	485	4,427	200	38,508	5,841	1,557,121
Contingent liabilities	0	7,544	44	0	508	1,283	9,379
Irrevocable commitments	0	0	0	0	0	0	0
Total at 31 March 2016	1,507,661	8,029	4,471	200	39,016	7,124	1,566,500

31.12.2015 In CHF 1,000	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
Assets							
Cash	636,957	0	0	0	0		636,957
Due from banks	92,312	122,108	25,490	12,592			252,502
Due from clients	99,782		1,707	4,313	38,134	16,077	160,013
Trading portfolio assets	568	0	25	55	2,769		3,417
Financial assets available for sale	0	0	2,622	187,798	12,460	0	202,880
Financial assets held to maturity and treasury notes and bills	0	180,925	137,054	25,406	43,973		387,358
Property, plant and equipment	0	0	0	0	1,386	17,585	18,971
Accrued and deferred assets	3,381		1,388	1	3		4,773
Derivative financial instruments	0	0	867	186	0	0	1,053
Other assets	2,237		0	0	0		2,237
Intangible assets						497	497
Total at 31 December 2015	835,237	303,033	169,153	230,351	98,725	34,159	1,670,658
Liabilities							
Due to banks	23			180	380	0	583
Due to clients	1,548,763	1,902	0	3,955	27,588	728	1,582,936
Derivative financial instruments			814	178			992
Taxes	3,021		0	0			3,021
Accrued and deferred liabilities	6,532	0	0	0	−241	0	6,291
Other liabilities	1,864		0	0	0	5,201	7,065
Issued debt instruments					11,071		11,071
Provisions	812						812
Deferred tax liabilities	2,291		0	21	1	−650	1,663
Total at 31 December 2015	1,563,305	1,902	814	4,334	38,799	5,279	1,614,434
Contingent liabilities	0	7,452	0	114	774	1,007	9,347
Irrevocable commitments	0	0	0	0	0	0	0
Total at 31 December 2015	1,563,305	9,354	814	4,448	39,573	6,286	1,623,781

31.12.2014 In CHF 1,000	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
Assets							
Cash	668,844	0	0	0	0	0	668,844
Due from banks	223,339	30,715	223,765	427,692	0	0	905,511
Due from clients	125,974	0	13,645	5,940	42,207	39,408	227,174
Trading portfolio assets	2,542	0	1,566	53	3,107		7,268
Financial assets available for sale	0	0	0	911	24,623	0	25,534
Financial assets held to maturity	0	0	16,220	30,043	86,407		132,670
Property, plant and equipment	0	0	0	0	2,031	17,920	19,951
Investment Property	0	0	0	0		0	0
Accrued and deferred assets	3,882	0	1,425	0	4	0	5,311
Derivative financial instruments	0	0	805	100	65	0	970
Other assets	2,589	0	0	0	0		2,589
Intangible assets	0	0	0	0	0	759	759
Total at 31 December 2014	1,027,170	30,715	257,426	464,739	158,444	58,087	1,996,581
Liabilities							
Due to banks	2,793	0	0	0	360	200	3,353
Due to clients	1,874,196	3,459	646	5,094	25,611	808	1,909,814
Derivative financial instruments	0	0	1,226	226	35	0	1,487
Taxes	2,142	0	0	0	0	0	2,142
Accrued and deferred liabilities	5,754	0	0	0	0	0	5,754
Other liabilities	2,185		2,520	0	0	4,261	8,966
Issued debt instruments	0	0	0	0	12,292	0	12,292
Provisions	1,102	0	0	0	0	0	1,102
Deferred tax liabilities	1,991		0	1	35	–533	1,494
Total at 31 December 2014	1,890,163	3,459	4,392	5,321	38,333	4,736	1,946,404
Contingent liabilities	0	7,121	159	495	445	1,383	9,603
Irrevocable commitments	0	0	0	0	0	0	0
Total at 31 December 2014	1,890,163	10,580	4,551	5,816	38,778	6,119	1,956,007

1.1.2013 In CHF 1,000	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
Assets							
Cash	38,903	0	0	0	0		38,903
Due from banks	183,565	1,618	398,655	250,564			834,402
Due from clients	75,017	0	10,421	7,979	27,933	6,092	127,442
Trading portfolio assets	494		73	101	1,849	566	3,083
Financial assets available for sale	0	0	1,870	1,289	12,861	0	16,020
Financial assets held to maturity	0		0	6,362	16,450	45,679	68,491
Property, plant and equipment	0	0	0	0	1,459	19,238	20,697
Accrued and deferred assets	6,347		2	2	2	1	6,354
Derivative financial instruments	0	0	72	4	0	0	76
Other assets	1,216		0	0	0		1,216
Intangible assets						661	661
Total at 1 January 2013	305,542	1,618	411,093	266,301	60,554	72,237	1,117,345
Liabilities							
Due to banks	135		10,866	0	360	380	11,741
Due to clients	1,002,161	2,588	15,144	3,166	0	0	1,023,059
Derivative financial instruments			63	3	2,226		2,292
Taxes	1,283	0	0	0	0	0	1,283
Accrued and deferred liabilities	3,939		0	0			3,939
Other liabilities	2,331		0	0	0	1,865	4,196
Issued debt instruments				20,000			20,000
Provisions	228	0	0	0	0	0	228
Deferred tax liabilities	1,400	0	2	2	16	–233	1,187
Total at 1 January 2013	1,011,477	2,588	26,075	29,975	2,602	2,012	1,067,926
Contingent liabilities	0	1,815	0	6,804	362	1,087	10,068
Irrevocable commitments	0	0	0	0	0	0	0
Total at 1 January 2013	1,011,477	4,403	26,075	29,975	2,964	3,099	1,077,994

31.12.2013 In CHF 1,000	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
Assets							
Cash	391,623	0	0	0	0		391,623
Due from banks	162,737	11,850	198,049	340,899			713,535
Due from clients	67,537	0	7,514	17,497	38,631	28,631	159,810
Trading portfolio assets	530	0	5	378	2,090	2,585	5,588
Financial assets available for sale	0	0	1,127	1,357	18,626	0	21,110
Financial assets held to maturity	0		4,918	18,705	32,330		55,953
Property, plant and equipment	0				2,269	18,707	20,976
Accrued and deferred assets	4,671		0	1	5		4,677
Derivative financial instruments	0	0	460	17	0	0	477
Other assets	1,729		0	0	0		1,729
Intangible assets						569	569
Total at 31 December 2013	628,827	11,850	212,073	378,854	93,951	50,492	1,376,046
Liabilities							
Due to banks	2,258			180	360	200	2,998
Due to clients	1,260,590	5,695	3,350	13,368	1,932	824	1,285,759
Derivative financial instruments			440	1,533			1,973
Taxes	1,513		0	0			1,513
Accrued and deferred liabilities	4,707		0	0			4,707
Other liabilities	2,130		0	0	0	2,360	4,490
Issued debt instruments					12,541		12,541
Provisions	227						227
Deferred tax liabilities	1,669		1	1	20	–295	1,396
Total at 31 December 2013	1,273,094	5,695	3,791	15,082	14,853	3,089	1,315,604
Contingent liabilities	0	5,636	900	368	454	1,503	8,861
Irrevocable commitments	0	0	0	0	0	0	0
Total at 31 December 2013	1,273,094	11,331	4,691	15,450	15,307	4,592	1,324,465

29. ASSETS AND LIABILITIES BY DOMESTIC AND NON-DOMESTIC POSITIONS

31.3.2016 **In CHF 1,000**	**Domestic**	**Non-domestic**	**Total**
Assets			
Cash	54,593	594,808	649,401
Due from banks	88,602	173,067	261,668
Due from clients	46,640	112,298	158,938
Trading portfolio assets	0	1,763	1,763
Financial assets available for sale	0	193,660	193,660
Treasury notes and bills	0	256,004	256,004
Financial assets held to maturity	0	67,801	67,801
Property, plant and equipment	18,707	0	18,707
Accrued and deferred assets	4,166	6	4,172
Derivative financial instruments	296	188	484
Other assets	1,959	0	1,959
Intangible assets	435	0	435
Total at 31 March 2016	**215,397**	**1,399,595**	**1,614,992**
Total assets at 31 March 2016	**215,397**	**1,399,594**	**1,614,992**
Liabilities			
Due to banks	195	1,417	1,612
Due to clients	198,125	1,327,990	1,526,115
Derivative financial instruments	300	171	471
Taxes	4,887	0	4,887
Accrued and deferred liabilities	5,994	4	5,998
Other liabilities	5,870	0	5,870
Issued debt instruments	0	11,283	11,283
Provisions	820	0	820
Deferred tax liabilities	47	18	65
Total at 31 March 2016	**216,238**	**1,340,883**	**1,557,121**
Total liabilities at 31 March 2016	**216,238**	**1,340,883**	**1,557,121**

31.12.2015 **In CHF 1,000**	**Domestic**	**Non-domestic**	**Total**
Assets			
Cash	81,131	555,827	636,958
Due from banks	65,587	186,915	252,502
Due from clients	76,357	83,656	160,013
Trading portfolio assets	0	3,417	3,417
Financial assets available for sale	0	202,880	202,880
Treasury notes and bills	0	180,925	180,925
Financial assets held to maturity	0	206,433	206,433
Property, plant and equipment	18,972	0	18,972
Accrued and deferred assets	4,768	4	4,772
Derivative financial instruments	442	611	1,053
Other assets	2,237	0	2,237
Intangible assets	497	0	497
Total at 31 December 2015	249,991	1,420,668	1,670,659
Total assets at 31 December 2015	249,991	1,420,668	1,670,659
Liabilities			
Due to banks	18	565	583
Due to clients	251,151	1,331,785	1,582,936
Derivative financial instruments	889	102	991
Taxes	3,021	0	3,021
Accrued and deferred liabilities	6,287	4	6,291
Other liabilities	7,065	0	7,065
Issued debt instruments	0	11,071	11,071
Provisions	812	0	812
Deferred tax liabilities	1,641	22	1,663
Total at 31 December 2015	270,884	1,343,549	1,614,433
Total liabilities at 31 December 2015	270,884	1,343,549	1,614,433

31.12.2014 **In CHF 1,000**	**Domestic**	**Non-domestic**	**Total**
Assets			
Cash	115,327	553,517	668,844
Due from banks	208,243	697,268	905,511
Due from clients	63,354	163,820	227,174
Trading portfolio assets	30	7,238	7,268
Financial assets available for sale	0	25,534	25,534
Financial assets held to maturity	0	132,670	132,670
Property, plant and equipment	0	19,951	19,951
Accrued and deferred assets	315	4,996	5,311
Derivative financial instruments	312	658	970
Other assets	0	2,589	2,589
Intangible assets	0	759	759
Total at 31 December 2014	387,581	1,609,000	1,996,581
Total assets at 31 December 2014	387,581	1,609,000	1,996,581
Liabilities			
Due to banks	2,788	565	3,353
Due to clients	72,896	1,836,917	1,909,813
Derivative financial instruments	1,247	239	1,486
Taxes	0	2,143	2,143
Accrued and deferred liabilities	0	5,754	5,754
Other liabilities	6,781	2,185	8,966
Issued debt instruments	0	12,292	12,292
Provisions	0	1,102	1,102
Deferred tax liabilities	–533	2,027	1,494
Total at 31 December 2014	83,179	1,863,224	1,946,403
Total liabilities at 31 December 2014	83,179	1,863,224	1,946,403

31.12.2013 **In CHF 1,000**	**Domestic**	**Non-domestic**	**Total**
Assets			
Cash	114,786	276,837	391,623
Due from banks	142,297	571,237	713,534
Due from clients	42,348	117,462	159,810
Trading portfolio assets	29	5,559	5,588
Financial assets available for sale	0	21,110	21,110
Financial assets held to maturity	0	55,953	55,953
Property, plant and equipment	35	20,941	20,976
Accrued and deferred assets	178	4,498	4,676
Derivative financial instruments	281	196	477
Other assets	54	1,675	1,729
Intangible assets	0	569	569
Total at 31 December 2013	300,008	1,076,037	1,376,045
Total assets at 31 December 2013	300,008	1,076,037	1,376,045
Liabilities			
Due to banks	111	2,887	2,998
Due to clients	35,417	1,250,342	1,285,759
Derivative financial instruments	1,697	276	1,973
Taxes	1	1,511	1,512
Accrued and deferred liabilities	–38	4,744	4,706
Other liabilities	2,662	1,829	4,491
Issued debt instruments	0	12,541	12,541
Provisions	0	227	227
Deferred tax liabilities	–295	1,691	1,396
Total at 31 December 2013	39,555	1,276,048	1,315,603
Total liabilities at 31 December 2013	39,555	1,276,048	1,315,603

1.1.2013 **In CHF 1,000**	**Domestic**	**Non-domestic**	**Total**
Assets			
Cash	36,664	2,239	38,903
Due from banks	372,832	461,570	834,402
Due from clients	43,347	84,096	127,443
Trading portfolio assets	0	3,083	3,083
Financial assets available for sale	0	16,020	16,020
Financial assets held to maturity	0	68,491	68,491
Property, plant and equipment	0	20,697	20,697
Accrued and deferred assets	368	5,986	6,354
Derivative financial instruments	0	75	75
Other assets	0	1,216	1,216
Intangible assets	0	661	661
Total at 1 January 2013	453,211	664,134	1,117,345
Total assets at 1 January 2013	453,211	664,134	1,117,345
Liabilities			
Due to banks	0	11,741	11,741
Due to clients	31,498	991,561	1,023,059
Derivative financial instruments	2,226	66	2,292
Taxes	0	1,283	1,283
Accrued and deferred liabilities	0	3,940	3,940
Other liabilities	1,865	2,332	4,197
Issued debt instruments	0	20,000	20,000
Provisions	0	228	228
Deferred tax liabilities	–233	1,418	1,185
Total at 1 January 2013	35,356	1,032,569	1,067,925
Total liabilities at 1 January 2013	35,356	1,032,569	1,067,925

30. SHAREHOLDER STRUCTURE

In per cent	31.3.2016 % Share of votes	31.3.2016 % Share of capital	31.12.2015 % Share of votes	31.12.2015 % Share of capital	31.12.2014 % Share of votes	31.12.2014 % Share of capital
Valartis Finance Holding AG, Vaduz, Liechtenstein[1]	88.97	68.85	88.97	68.85	88.97	68.85
Charyrups Foundation, Ruggell, Liechtenstein	11.03	7.50	11.03	7.50	11.03	7.50
Management and employees	0	20.53	0	21.95	0	23.10
Valartis Bank (Liechtenstein) AG	0	1.70	0	1.70	0	0.55
Other		1.42				
Total	100.00	100.00	100.00	100.00	100.00	100.00

In per cent	31.12.2013 % Share of votes	31.12.2013 % Share of capital	1.1.2013 % Share of votes	1.1.2013 % Share of capital
Valartis Group AG, Baar	88.97	68.85[1]	88.97	68.85[1]
Charyrups Foundation, Ruggell, Liechtenstein	11.03	7.50	11.03	7.50
Management and employees	0	23.00	0	20.50
Valartis Bank (Liechtenstein) AG	0	0.65	0	3.15
Total	100.00	100.00	100.00	100.00

1 After deduction of own participation certifications, Valartis Finance Holding AG, Vaduz, Liechtenstein holds 70.04% of share capital at 31.3.2016 and at 31.12.2015.

On 27 June 2014, Valartis Finance Holding AG was formed with its registered office in the Principality of Liechtenstein. The aim was to establish a Liechtenstein financial holding company, since the Valartis Group wished to concentrate its private banking activities on Liechtenstein and Austria in future. Consequently, the stake in the Valartis Bank (Liechtenstein) AG (89% share of voting rights; 68.9% share of capital) was transferred to the new financial holding company in June 2014. As this company is domiciled in Liechtenstein, it is subject to consolidated supervision by the Liechtenstein Financial Market Authority.

The Valartis Group AG has the right to buy back the employees' participation certificate at any time (option call long).

Subsidiaries

In per cent	31.3.2016	31.12.2015	31.12.2014	31.12.2013	1.1.2013
Valartis Fund Management (Liechtenstein) AG, Gamprin-Bendern, Liechtenstein	100%	100%	100%	100%	100%
VFM Mutual Fund AG	100%	100%	100%	100%	100%
HIB Investment Ltd, Tortola, British Virgin Islands	100%	100%	100%	100%	100%
HIB Protector Ltd, Tortola, British Virgin Islands	100%	100%	100%	100%	100%
Hypo Trust and Corporate Services (Brunei) Ltd, Bandar Seri Begawan, Brunei Darussalam	100%	100%	100%	100%	100%

31. RELATED PARTY TRANSACTIONS

A related party is a person or entity that has the ability to control the Valartis Group or can exert a significant influence on operational and financial decisions. As part of its regular business activities, the Valartis Group 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 group's employee terms. Transactions with the parent company are made under the same terms and conditions as applicable to third parties.

The following table provides an overview of transactions with related parties (persons and entities).

In CHF 1,000	31.3.2016	31.12.2015	31.12.2014	31.12.2013	1.1.2013
Assets					
Key management and relatives	2,176	2,178	2,232	1,790	1,926
Valarties Group entities	29,580	29,496	45,044	31,133	252,925
Other related entities	0	0	0	0	0
Total	31,756	31,674	47,276	32,924	254,851
Liabilities					
Key management and relatives	1,200	1,036	863	853	888
Own pension fund	0	0	0	0	0
Valarties Group entities	75	401	750	1,578	2,292
Total	1,275	1,437	1,613	2,431	3,180
Expenses					
Key management and relatives	0	29	31	30	30
Own pension fund	0	0	0	0	0
Valarties Group entities	58	828	1,572	2,369	2,425
Total	58	857	1,603	2,400	2,455
Income					
Key management and relatives	3	44	44	44	40
Own pension fund	0	0	0	0	0
Valarties Group entities	19	693	1,010	1,593	3,552
Other related entities	0	0	0	0	0
Total	22	737	1,053	1,637	3,592

32. LOANS AND EQUITY HOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND GROUP EXECUTIVE MANAGEMENT AT YEAR END

31 March 2016 Members of the Board of Directors	Dr. Erek Nuener, Vice-Chairman	Dr. Martin Wenz	Total
Numbers of shares	1,000	500	1,500
Loans and advances in CHF	95	765,690	765,785
Loans and advances in CHF to related parties	–	–	–

Group Executive Management	Dr. Andreas Insam, CEO	Dr. Gerhard Lackinger, Member	
Numbers of shares	27,000	4,000	31,000
Numbers of shares (allotted)	–	–	–
Loans and advances in CHF	1,410,648	–	1,410,648
Loans and advances in CHF to related parties			

2015 Members of the Board of Directors	Urs Maurer-Lambrou, Chairman [1)]	Dr. Erek Nuener, Vice-Chairman	Dr. Martin Wenz	Christoph N. Meister [2)]	Rolf Müller [3)]	Total
Numbers of shares	–	1,000	500	1,000	1,000	3,500
Loans and advances in CHF	–	–	763,440	–	–	763,440
Loans and advances in CHF to related parties	–	–	–	–	–	–

Group Executive Management	Dr. Andreas Insam, CEO	Dr. Gerhard Lackinger, Member				
Numbers of shares	27,000	4,000				31,000
Numbers of shares (allotted)	–	–	–			–
Loans and advances in CHF	1,403,146	–	–			1,403,146
Loans and advances in CHF to related parties	–	–	–			–

1) Chairman and member of the board of directors until 21 August 2015.

2) Member of the board of directors until 3 December 2015.

3) Member of the board of directors until 2 December 2015.

2014 Members of the Board of Directors	Urs Maurer-Lambrou, Chairman	Dr. Erek Nuener, Vice-Chairman	Dr. Martin Wenz	Christoph N. Meister	Rolf Müller	Total
Numbers of shares	1,000	1,000	500	1,000	1,000	4,500
Loans and advances in CHF	–	–	614,456	–	–	614,456
Loans and advances in CHF to related parties	–	–	–	–	–	–

Group Executive Management	Dr. Andreas Insam, CEO	Dr. Gerhard Lackinger, Member	Total
Numbers of shares	27,000	4,000	31,000
Numbers of shares (allotted)	–	–	–
Loans and advances in CHF	1,519,606	–	1,519,606
Loans and advances in CHF to related parties	98,003	–	98,003

2013 Members of the Board of Directors	Urs Maurer-Lambrou, Chairman	Dr. Erek Nuener, Vice-Chairman	Dr. Martin Wenz	Christoph N. Meister	Rolf Müller	Dr. Erwin Heri, Chairman	Total
Numbers of shares	1,000	1,000	500	1,000	1,000	–	4,500
Loans and advances in CHF	–	–	–	–	–	–	–
Loans and advances in CHF to related parties	–	–	–	–	–	–	–

Group Executive Management	Dr. Andreas Insam, CEO	Dr. Gerhard Lackinger, Member	Total
Numbers of shares	27,000	4,000	31,000
Numbers of shares (allotted)	–	–	–
Loans and advances in CHF	1,575,152	164,553	1,739,705
Loans and advances in CHF to related parties	47,358	–	47,358

1 January 2013 Members of the Board of Directors	Dr. Erwin Heri, Chairman	Dr. Erek Nuener, Vice-Chairman	Dr. Martin Wenz	Christoph N. Meister	Rolf Müller	Total
Numbers of shares	1,000	1,000	500	1,000	1,000	4,500
Loans and advances in CHF	–	–	–	–	–	–
Loans and advances in CHF to related parties	–	–	–	–	–	–

Group Executive Management	Dr. Andreas Insam, CEO	Dr. Gerhard Lackinger, Member	Total
Numbers of shares	27,000	4,000	31,000
Numbers of shares (allotted)	–	–	–
Loans and advances in CHF	1,564,380	235,497	1,799,877
Loans and advances in CHF to related parties	94,318	–	94,318

33. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE MANAGEMENT

In CHF 1,000	2015	2014	2013	2012	1.1–31.3.2016	1.1–31.3.2015 unaudited
Members of the Board of Directors – compensation						
Salaries and bonuses	245	232	239	254	51	61
Social security benefits	35	33	34	37	4	9
Total	280	264	273	291	55	70
Group Executive Management – compensation						
Salaries and bonuses	940	760	760	760	324	414
Social security benefits	77	61	61	60	27	33
Contributions to occupational pension plans	102	85	67	47	25	26
Total	1,119	906	888	868	376	472

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below shows the carrying amounts and fair values of financial assets and liabilities.

	31.03.2016	
In CHF 1,000	**Book value**	**Fair value**
Assets		
Cash	649,401	649,401
Due from banks	261,668	261,668
Due from clients	158,938	158,938
Financial assets held to maturity	67,801	68,110
Treasury notes and bills	256,004	256,063
Accrued and deferred assets	4,172	4,172
Other assets	1,959	1,959
Financial assets at amortised costs	1,399,943	1,400,311
Trading portfolio assets	1,763	1,763
Financial assets available for sale	193,660	193,659
Derivative financial instruments	484	484
Financial assets at fair value	195,907	195,906
Liabilities		
Due to banks	1,612	1,612
Due to clients	1,526,115	1,526,115
Current income taxes	4,887	4,887
Accrued and deferred liabilities	5,998	5,998
Other liabilities	5,870	5,870
Issued debt instruments	11,283	11,283
Financial liabilities at amortised costs	1,555,765	1,555,765
Derivative financial instruments	471	471
Financial liabilities at fair value	471	471

In CHF 1,000	31.12.2015		31.12.2014	
	Book value	Fair value	Book value	Fair value
Assets				
Cash	636,957	636,957	668,844	668,844
Due from banks	252,502	252,502	905,511	905,511
Due from clients	160,013	160,013	227,174	227,174
Financial assets held to maturity	387,358	387,435	132,670	133,169
Accrued and deferred assets	4,773	4,773	5,311	5,311
Other assets	2,237	2,237	2,589	2,589
Financial assets at amortised costs	1,443,840	1,443,917	1,942,099	1,942,598
Trading portfolio assets	3,417	3,417	7,268	7,268
Financial assets available for sale	202,880	202,880	25,534	25,534
Derivative financial instruments	1,053	1,053	970	970
Financial assets at fair value	207,350	207,350	33,772	33,772
Liabilities				
Due to banks	583	583	3,353	3,353
Due to clients	1,582,936	1,582,936	1,909,813	1,909,813
Current income taxes	3,021	3,021	2,143	2,143
Accrued and deferred liabilities	6,291	6,291	5,754	5,754
Other liabilities	7,065	7,065	8,966	8,966
Issued debt instruments	11,071	11,071	12,292	12,292
Financial liabilities at amortised costs	1,610,967	1,610,967	1,942,321	1,942,321
Derivative financial instruments	991	991	1,487	1,487
Financial liabilities at fair value	991	991	1,487	1,487

In CHF 1,000	31.12.2013		1.1.2013	
	Book value	Fair value	Book value	Fair value
Assets				
Cash	391,623	391,623	38,903	38,903
Due from banks	713,534	713,534	834,402	834,402
Due from clients	159,810	159,810	127,443	127,443
Financial assets held to maturity	55,953	56,676	68,491	70,019
Accrued and deferred assets	4,676	4,676	6,354	6,354
Other assets	1,729	1,729	1,216	1,216
Financial assets at amortised costs	1,327,325	1,328,048	1,076,809	1,078,337
Trading portfolio assets	5,588	5,588	3,083	3,083
Financial assets available for sale	21,111	21,111	16,020	16,020
Derivative financial instruments	477	477	75	75
Financial assets at fair value	27,176	27,176	19,178	19,178
Liabilities				
Due to banks	2,998	2,998	11,741	11,741
Due to clients	1,285,759	1,285,759	1,023,059	1,023,059
Current income taxes	1,512	1,512	1,282	1,282
Accrued and deferred liabilities	4,707	4,707	3,940	3,940
Other liabilities	4,491	4,491	4,197	4,197
Issued debt instruments	12,541	12,541	20,000	20,000
Financial liabilities at amortised costs	1,312,008	1,312,008	1,064,219	1,064,219
Derivative financial instruments	1,973	1,973	2,292	2,292
Financial liabilities at fair value	1,973	1,973	2,292	2,292

2015 **In CHF 1,000**	**Quoted market prices (Level 1)**	**Valuation method based on market data (Level 2)**	**Valuation method not based on market data (Level 3)**	**31.12.2015**
Assets				
Cash	636,957	0	0	636,957
Due from banks	0	252,502	0	252,502
Due from clients	0	160,013	0	160,013
Financial assets held to maturity	385,192	2,166	0	387,358
Financial assets at amortised costs	1,022,149	414,681	0	1,436,830
Trading portfolio assets	409	3,008	0	3,417
Financial assets available for sale	201,877	1,002	0	202,880
Other financial assets at fair value	0	0	0	0
Derivative financial instruments	0	1,053	0	1,053
Financial assets at fair value	202,286	5,064	0	207,350
Total financial assets	1,224,435	419,745	0	1,644,180
Liabilities				
Due to banks	0	583	0	583
Due to clients	0	1,582,936	0	1,582,936
Accrued and deferred liabilities	0	0	6,291	6,291
Other liabilities	0	0	7,065	7,065
Issued debt instruments	0	0	11,071	11,071
Financial liabilities at amortised costs	0	1,583,519	24,427	1,607,946
Derivative financial instruments	0	991	0	991
Total financial liabilities at fair value	0	991	0	991
Total financial liabilities	0	1,584,510	24,427	1,608,938

2014 In CHF 1,000	Quoted market prices (Level 1)	Valuation method based on market data (Level 2)	Valuation method not based on market data (Level 3)	31.12.2014
Assets				
Cash	668,844	0	0	668,844
Due from banks	0	905,511	0	905,511
Due from clients	0	227,174	0	227,174
Financial assets held to maturity	129,575	3,095	0	132,670
Financial assets at amortised costs	798,419	1,135,780	0	1,934,199
Trading portfolio assets	493	6,775	0	7,268
Financial assets available for sale	24,531	1,002	0	25,534
Other financial assets at fair value	0	0	0	0
Derivative financial instruments	0	970	0	970
Financial assets at fair value	25,024	8,748	0	33,772
Total financial assets	823,443	1,144,528	0	1,967,971
Liabilities				
Due to banks	0	3,353	0	3,353
Due to clients	0	1,909,813	0	1,909,813
Accrued and deferred liabilities	0	0	5,754	5,754
Other liabilities	0	0	8,966	8,966
Issued debt instruments	0	0	12,292	12,292
Financial liabilities at amortised costs	0	1,913,166	27,012	1,940,178
Derivative financial instruments	0	1,487	0	1,487
Total financial liabilities at fair value	0	1,487	0	1,487
Total financial liabilities	0	1,914,653	27,012	1,941,665

2013 **In CHF 1,000**	**Quoted market prices (Level 1)**	**Valuation method based on market data (Level 2)**	**Valuation method not based on market data (Level 3)**	**31.12.2013**
Assets				
Cash	391,623	0	0	391,623
Due from banks	0	713,534	0	713,534
Due from clients	0	159,810	0	159,810
Financial assets held to maturity	55,953	0	0	55,953
Financial assets at amortised costs	447,576	873,344	0	1,320,920
Trading portfolio assets	479	5,108	0	5,588
Financial assets available for sale	21,110	0	0	21,110
Other financial assets at fair value	0	0	0	0
Derivative financial instruments	0	477	0	477
Financial assets at fair value	21,590	5,585	0	27,175
Total financial assets	469,166	878,929	0	1,348,095
Liabilities				
Due to banks	0	2,998	0	2,998
Due to clients	0	1,285,759	0	1,285,759
Accrued and deferred liabilities	0	0	4,707	4,707
Other liabilities	0	0	4,491	4,491
Issued debt instruments	0	0	12,541	12,541
Financial liabilities at amortised costs	0	1,288,757	21,739	1,310,496
Derivative financial instruments		1,973		1,973
Total financial liabilities at fair value	0	1,973	0	1,973
Total financial liabilities	0	1,290,730	21,739	1,312,470

2012 In CHF 1,000	Quoted market prices (Level 1)	Valuation method based on market data (Level 2)	Valuation method not based on market data (Level 3)	1.1.2013
Assets				
Cash	38,903			38,903
Due from banks	0	834,402	0	834,402
Due from clients	0	127,443	0	127,443
Financial assets held to maturity	68,491	0	0	68,491
Financial assets at amortised costs	107,394	961,845	0	1,069,239
Trading portfolio assets	1,037	2,046	0	3,083
Financial assets available for sale	16,020	0	0	16,020
Other financial assets at fair value	0	0	0	0
Derivative financial instruments	75	0	0	75
Financial assets at fair value	17,133	2,046	0	19,179
Total financial assets	124,527	963,891	0	1,088,418
Liabilities				
Due to banks	0	11,741	0	11,741
Due to clients	0	1,023,059	0	1,023,059
Accrued and deferred liabilities	0	0	3,940	3,940
Other liabilities	0	0	4,197	4,197
Issued debt instruments	0	0	20,000	20,000
Financial liabilities at amortised costs	0	1,034,800	28,137	1,062,937
Derivative financial instruments	66	2,226		2,292
Total financial liabilities at fair value	66	2,226	0	2,292
Total financial liabilities	66	1,037,026	28,137	1,065,229

2016 **In CHF 1,000**	**Quoted market prices (Level 1)**	**Valuation method based on market data (Level 2)**	**Valuation method not based on market data (Level 3)**	**31.1.2016**
Assets				
Cash	649,401	0	0	649,401
Due from banks	0	261,668	0	261,668
Due from clients	0	158,938	0	158,938
Financial assets held to maturity	323,805	0	0	323,805
Financial assets at amortised costs	973,206	420,606	0	1,393,812
Trading portfolio assets	410	1,353	0	1,763
Financial assets available for sale	192,657	1,003	0	193,660
Other financial assets at fair value	0	0	0	0
Derivative financial instruments	0	484	0	484
Financial assets at fair value	193,067	2,840	0	195,907
Total financial assets	1,166,273	423,446	0	1,589,719
Liabilities				
Due to banks	0	1,612	0	1,612
Due to clients	0	1,526,115	0	1,526,115
Accrued and deferred liabilities	0	0	5,998	5,998
Other liabilities	0	0	5,870	5,870
Issued debt instruments	0	0	11,283	11,283
Financial liabilities at amortised costs	0	1,527,727	23,151	1,550,878
Derivative financial instruments	0	471	0	471
Total financial liabilities at fair value	0	471	0	471
Total financial liabilities	0	1,528,198	23,151	1,551,349

2016 In CHF 1,000	1.1.2016	Recognised in the income statement	Net income recognised in shareholders' equity	Transfer from level 1 and level 2	Purchase	Sales	31.3.2016
Trading portfolio assets	0	0	0	0	0	0	0
Financial assets available for sale continued operations	0	0	0	0	0	0	0
Other financial assets at fair value	0	0	0	0	0	0	0

2015 In CHF 1,000	1.1.2015	Recognised in the income statement	Net income recognised in shareholders' equity	Transfer from level 1 and level 2	Purchase	Sales	31.12.2015
Trading portfolio assets	0	0	0	0	0	0	0
Financial assets available for sale continued operations	0	0	0	0	0	0	0
Other financial assets at fair value	0	0	0	0	0	0	0

2014 In CHF 1,000	1.1.2014	Recognised in the income statement	Net income recognised in shareholders' equity	Transfer from level 1 and level 2	Purchase	Sales	31.12.2014
Trading portfolio assets	0	0	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0	0
Financial assets available for sale	0	0	0	0	0	0	0
Less discontinued operations	0	0	0	0	0	0	0
Financial assets available for sale continued operations[3)]	0	0	0	0	0	0	0
Other financial assets at fair value	0	0	0	0	0	0	0

2013 In CHF 1,000	1.1.2013	Recognised in the income statement	Net income recognised in shareholders' equity	Transfer from level 1 and level 2	Purchase	Sales	31.12.2013
Trading portfolio assets	0	0	0	0	0	0	0
Financial assets available for sale continued operations	0	0	0	0	0	0	0
Other financial assets at fair value	0	0	0	0	0	0	0

35. ASSETS UNDER MANAGEMENT

Net new asset inflow (outflow) includes all deposits and withdrawals plus incoming and outgoing deliveries of non-monetary assets. In particular, performance-related changes in value and interest and dividend payments do not constitute inflows or outflows.

In CHF 1,000	31.03.2016	31.12.2015	31.12.2014	31.12.2013	01.01.2013
Assets in self-managed funds	452,664	466,166	385,632	316,922	310,851
Assets with management mandates	148,543	147,761	163,902	136,756	104,959
Other client assets	3,038,557	3,256,831	3,779,068	3,035,424	2,182,463
Total assets under management	3,639,758	3,870,758	4,328,602	3,489,102	2,598,273
of which double counts	8,910	9,561	11,767	27,737	2,138
Net new money inflow [1) 2)]	–150,217	–280,849	733,379	874,442	694,325
Custody assets	0	0	209,303	117,923	54,870
Total assets under management (incl. custody assets)	3,639,758	3,870,758	4,537,905	3,607,025	2,653,143

1) With effect from 28 December 2015, the assets with an equivalent value of CHF 253.3 million that were held by the Bank in its capacity as custodian or depositary for investment funds and that were not shown as client assets up to that date were reported as such. Included are CHF 65.2 million as net new money inflow of the financial year. It was decided not to restate the figures from the previous year.

2) Net new assets inflow/outflow includes all deposits and withdrawals plus inward and outward deliveries of non-monetary assets. In particular, performance related changes in value and interest and dividend payments do not constitute inflows or outflows.

Client assets deposited with third parties are also shown here if they are managed by the Valartis Group. Pure custody assets (strict clearing accounts), on the other hand, are not included in the calculation of client assets.

Double counts show those assets that are included more than once, i.e. in multiple categories of assets under management requiring disclosure.

36. OFF-BALANCE-SHEET ITEMS

In CHF 1,000	31.3.2016	31.12.2015	31.12.2014	31.12.2013	1.1.2013
Credit guarantees	9,379	9,347	9,603	8,861	10,068
Warranties	0	0	0	0	0
Other contingent liabilities	0	0	0	0	0
Total contingent liabilities	9,379	9,347	9,603	8,861	10,068
Irrevocable commitments	0	0	0	0	0
Loan commitments	0	0	0	0	0
Call commitments and additional funding obligations	0	0	0	0	0
Total credit risk	0	0	0	0	0
Derivative financial instruments					
Derivative financial instruments (assets)	484	1,053	970	477	75
Derivative financial instruments (liabilities)	471	991	1,487	1,973	2,292
Contract volume	60,780	85,662	92,745	84,141	59,116
Fiduciary transactions with third-party banks	247,857	248,602	372,894	285,622	177,828
Fiduciary transactions with affiliated banks	5,186	5,139	7,299	1,645	20,718
Fiduciary transactions	253,043	253,741	380,193	287,267	198,546

37. ABILITY TO CONTINUE AS A GOING CONCERN

These consolidated financial statements were prepared under the assumption that the Valartis Group continues as going concern in the foreseeable future, i.e. in the period of at least 12 months following the reporting date. As of the date of approving these statements, the Bank has not identified any events that could indicate that the continuation of the operations by the Valartis Group is endangered.

38. SALE OF MAJORITY STAKE IN VALARIS BANK (LIECHTENSTEIN) AG

The strategic decision by Valartis Group AG taken in autumn 2015 to withdraw from the banking business triggered the sale process for our bank in Liechtenstein.

In its media release of 29 March 2016, Valartis Group AG announced that its subsidiary Valartis Finance Holding AG had sold its majority stake in Valartis Bank (Liechtenstein) AG to Citychamp Watch and Jewellery Group Ltd. The transaction is still subject to corresponding resolutions being passed by the relevant executive bodies, to official approval by the Financial Market Authority Liechtenstein and to other customary conditions for transactions of this kind. When the transaction is closed out, which is set for the third quarter of 2016 the claim held by Valartis Bank (Liechtenstein) AG on Valartis Finance Holding AG in the amount of CHF 39.3 million as at 31 March 2016 is to be settled against the sales proceeds, thus settling the claim. It would therefore be possible to reverse the individual value adjustment in the amount of CHF 10 million charged to the bank's 2015 income statement.

39. EVENTS AFTER BALANCE SHEET DATE

After 31 March 2016, Valartis Group has been confronted with a potential claim of several investors having invested into an investment fund that currently is in liquidation. Bank acts as custodians and Valartis Fund Management AG acts as fund management company whereas the asset management function has been outsourced to external asset manager. While the respective legal proceedings are still in early stage, Valartis Group, together with its legal advisers, concluded at the possibility of an outflow of economic resources is not probable.

40. ASSETS PLEDGED OR ASSIGNED TO SECURE OWN LIABILITIES AND ASSETS UNDER RESERVATION OF OWNERSHIP

	31.3.2016		31.12.2015		31.12.2014		31.12.2013		1.1.2013	
In CHF 1,000	Market value	Effective commitment	Market value	Effective commitment	Market value	Effective commitment	Market value	Effective commitment	Market value	Effective commitment
Amounts due from banks and clients	17,813	17,813	14,105	14,105	5,124	5,124	8,222	8,222	5,815	5,815
Financial instruments	9,609	9,609	9,962	9,962	9,938	9,938	5,790	5,790	9,570	9,570
Other assets	0	0	0	0	0	0	0	0	0	0
Total	27,422	27,422	24,067	24,067	15,062	15,062	14,012	14,012	15,385	15,385

41. DEFINED BENEFIT OBLIGATIONS

In CHF 1,000	**31.3.2016**	**31.12.2015**	**31.12.2014**	**31.12.2013**
Balance sheet items				
Present value of pension liabilities	14,686	14,637	12,630	8,771
Market value of plan assets	9,579	9,436	8,369	6,410
Pension liabilities (+)/pension assets (–)	5,107	5,201	4,261	2,361
Impact of the limitation as per IAS 19.64 b)	0	0	0	0
Total pension liabilities (+)/ pension assets (–)	5,107	5,201	4,261	2,361
whereof disclosed as other assets	0	0	0	0
whereof disclosed as other liabilities	5,107	5,201	4,261	2,361

In CHF 1,000	**31.3.2016**	**31.3.2015** *unaudited*	**2015**	**2014**	**2013**
Change in net defined benefit liabilities/assets on the balance					
Net liabilities/(asset) at 1 January	5,201	4,261	4,261	2,361	1,865
Defined benefit cost recognised in personnel expense	462	417	1,666	1,215	1,114
Defined benefit cost recognised in other comprehensive income	–231	681	527	1,798	178
Employer contributions	–325	–314	–1,253	–1,113	–796
Paid out benefits					
Foreign exchange (gain)/loss					
Net defined benefit liabilities/(assets) at 31 December	n/a	n/a	5,201	4,261	2,361
Net defined benefit liabilities/(assets) at 31 March	5,107	5,045	n/a	n/a	n/a

In CHF 1,000	31.3.2016	31.3.2015 *unaudited*	2015	2014	2013
Components of pension costs in personnel expense					
Annual pension costs	448	402	1,607	1,156	606
Plan amendments	0	0	0	0	471
Net interest expense/(income)	12	13	53	55	34
Pension costs for defined benefit plans	460	415	1,660	1,211	1,111
Employer's pension expense for defined contribution plans	2	2	6	4	3
Total pensions costs recognised in personnel expense	462	417	1,666	1,215	1,114
Defined benefit cost recognised in other comprehensive income					
Actuarial loss/(gain) on liabilities	–345	572	92	1,309	–223
Actuarial loss/(gain) on assets	114	109	435	489	401
Total defnied benefit cost recognised in other comprehensive	–231	681	527	1,798	178

In CHF 1,000	31.3.2016	31.3.2015 *unaudited*	2015	2014	2013
Change in pension liabilities					
Present value of pension liabilities at 1 January	14,637	12,630	12,630	8,771	6,852
Annual pension costs	448	402	1,607	1,156	606
Employee contributions	217	209	835	742	626
Interest on pension liabilities	33	41	162	228	145
Paid in/(out benefits and vested benefits)	–304	–173	–689	424	294
Actuarial loss/(gains)	–345	572	92	1,309	–223
of which from adjustment to financial assumptions	777	572	505	1,379	–363
of which from adjustment to demographic assumptions	–990	0	0	0	0
of which from adjustment to experience-based assumptions	–132	0	–413	–70	140
Plan amendments			0	0	471
Present value of pension liabilities at 31 December	n/a	n/a	14,637	12,630	8,771
Present value of pension liabilities at 31 March	14,686	13,681	n/a	n/a	n/a

In CHF 1,000	31.3.2016	31.3.2015 *unaudited*	2015	2014	2013
Change in plan assets					
Market value of plan assets at 1 January	9,436	8,369	8,369	6,410	4,987
Employee contributions	217	209	835	742	626
Employer contributions	326	313	1,253	1,113	796
Paid in/(out) benefits and vested benefits	–307	–174	–695	420	291
Expected return on plan assets	21	27	109	173	111
Actuarial (gain)/loss	–114	–109	–435	–489	–401
Market value of plan assets at 31 December	n/a	n/a	9,436	8,369	6,410
Market value of plan assets at 31 March	9,579	8,635	n/a	n/a	n/a

Per cent	31.3.2016	31.3.2015 *unaudited*	31.12.2015	31.12.2014	31.12.2013
Main groups of the pension fund assets					
Liquidity					
Bonds					
Shares [1)]					
Others	100.0	100.0	100.0	100.0	100.0

1) There are no treasury shares of Valartis Group AG in the pension fund assets.

In per cent	31.3.2016	31.3.2015 *unaudited*	31.12.2015	31.12.2014	31.12.2013
Actuarial assumptions					
Discount rate	0.50	0.80	0.90	1.20	2.30
Expected return on plan assets	0.50	0.80	0.90	1.20	2.30
Expected rate of salary increases	1.00	1.00	1.00	1.00	1.00
Return on retirement assets	0.50	0.80	0.90	1.20	2.30
Pension adjustments	0.00	0.00	0.00	0.00	0.00

In CHF 1,000	31.3.2016	31.3.2015 *unaudited*	2015	2014	2013
Estimate of contributions for the following year					
Employee contributions	861	803	868	803	681
Employer contributions	1,292	1,204	1,302	1,204	1,021

	31.3.2016	Proportion in per cent
Current actuarial calculation of the pension liability	14,686	100
Discount rate		
Increase of 50 basis points	13,390	91.2
Reduction of 50 basis points	16,228	110.5
Salary trend		
Increase of 50 basis points	15,186	103.4
Reduction of 50 basis points	14,352	97.7

	31.12.2015	Proportion in per cent
Current actuarial calculation of the pension liability	14,637	100
Discount rate		
Increase of 50 basis points	13,382	91.4
Reduction of 50 basis points	16,126	110.2
Salary trend		
Increase of 50 basis points	14,987	102.4
Reduction of 50 basis points	14,312	97.43

42. MOVEMENT IN FINANCIAL INSTRUMENTS – HTM AND AFS

In CHF 1,000	Financial Assets Held to Maturity (HTM)	Financial Assets Available for sale (AFS)
Cost	392,010	202,809
Accumulated depreciation/write-ups	–4,652	71
Book value 1 January 2016	387,358	202,880
Investments	256,004	–
Disinvestments	–317,980	–2,619
Reclassifications	–	–
Write ups	–	–
Changes in amortized cost and valuation	–1,577	–6,601
Book value at 31 March 2016	323,805	193,660
Cost	70,251	15,911
Accumulated depreciation/write-ups	–1,760	109
Book value 1 January 2013	68,491	16,020
Investments	18,991	8,964
Disinvestments	–30,757	–3,855
Reclassifications	0	
Write ups	41	
Changes in amortized cost and valuation	–813	–18
Book value at 31 December 2013	55,953	21,111

In CHF 1,000	Financial Assets Held to Maturity (HTM)	Financial Assets Available for sale (AFS)
Cost	58,485	21,020
Accumulated depreciation/write-ups	–2,532	90
Book value 31 December 2013	55,953	21,111
Investments	108,153	6,862
Disinvestments	–32,095	–2,449
Reclassifications		0
Write ups	1,384	10
Changes in amortized cost and valuation	–725	0
Book value at 31 December 2014	132,670	25,534
Cost	134,543	25,433
Accumulated depreciation/write-ups	–1,873	101
Book value 31 December 2014	132,670	25,534
Investments	300,749	178,235
Disinvestments	–43,282	–859
Reclassifications	0	0
Write ups	153	0
Changes in amortized cost and valuation	–2,932	–30
Book value at 31 December 2015	387,358	202,880

43. STATUTORY AUDITORS

Unaudited supplementary financial information	**Statutory auditors**
	From 01.01.2013 until 31.03.2016
Valartis Bank (Liechtenstein) AG, Gamprin-Bendern, Liechtenstein	Ernst & Young Ltd., Switzerland
Valartis Fund Management (Liechtenstein) AG, Gamprin-Bendern, Liechtenstein	Ernst & Young Ltd., Switzerland
VFM Mutual Fund AG , Gamprin-Bendern, Liechtenstein	Ernst & Young Ltd., Switzerland
HIB Investment Ltd, Tortola, British Virgin Islands	not required
HIB Protector Ltd, Tortola, British Virgin Islands	not required
Hypo Trust and Corporate Services (Brunei) Ltd, Bandar Seri Begawan, Brunei Darussalam	Lee Corporatehouse Associates, Brunei

44. INTERIM FINANCIAL STATEMENTS

Unaudited supplementary financial information

Neither Valartis Bank (Liechtenstein) Group nor any of its subsidiaries (Note 42) have published audited interim financial statements subsequent to 30 June 2016.

45. UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

Starting February 1, 2015, the calculation of regulatory capital incorporates the capital requirements following the Capital Requirements Regulation No. 575/2013 (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, Valartis 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.

All results are based on the full application of the final CRR and CRD 4 framework in the European Union and thus without consideration of applicable transitional rules.

The Bank has complied with all externally imposed capital requirements as at 31 March 2016.

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

in CHF 1,000	**31.3.2016**
Own Funds	45,890
Tier 1 capital	41,069
Common equity tier 1 (CET1)	41,069
Capital instruments eligible as CET1 Capital	19,212
Paid-in capital	20,000
Direct holdings of CET1 instruments (treasury shares)	–788
Retained earnings	34,571
Funds for general banking risk	5,000
Other intangible assets	–435
Additional deductions of CET1 Capital due to Article 28 CRR	–17,279
Additional tier capital (AT1)	0
Tier 2 capital (T2)	4,821
Capital instruments and subordinated loans eligible as T2 Capital	4,821
Total required equity	23,731
Credit risk (in accordance with standard approach)	15,637
Market risk (in accordance with standard approach)	150
Operational risk (in accordance with basic indicator approach)	7,933
Credit Value Adjustment (in accordance with standardised method)	11
CET1 capital ratio	18.17%
Tier 1 capital ratio	18.17%
Total capital ratio	20.30%
Total risk-weighted assets	226,013

II. MANAGEMENT DISCUSSION AND ANALYSIS OF THE BANK GROUP

Set out below is the management discussion and analysis of the Bank Group for the years ended 31 December 2013, 2014, 2015 and three months ended 31 March 2016.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE BANK GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

Business review

The Bank Group's principal activities included accepting client deposits and investing them on stock exchanges and in financial centres. It also offered transaction banking services as well as granting loans.

In terms of volume and profit, the Bank Group was ranked sixth among the 17 Liechtenstein banks. For the year ended 31 December 2013, the result of ordinary business activity of the Bank Group before income taxes was around approximately CHF17.0 million (equivalent to approximately HK$137.7 million), representing an increase of approximately 41.7% from approximately CHF12.0 million (equivalent to approximately HK$97.2 million) for the year ended 31 December 2012.

The increases were primarily attributable to commission and service business as well as financial transactions. Commission and service business rose by approximately CHF9.0 million (equivalent to approximately HK$72.9 million) or approximately 53.6% to approximately CHF25.8 million (equivalent to approximately HK$209.0 million) in 2013 as compared to 2012. The growth in commission and service business resulted from higher levels of trading activity by the Bank Group's clients and the increasing of other services.

The income from financial transactions of the Bank Group increased by approximately CHF1.6 million (equivalently to approximately HK$13.0 million) to approximately CHF5.5 million (equivalently to approximately HK$44.6 million) in 2013 as compared to 2012. This was attributable to exchange rate gains, which were mainly client-driven.

For the year ended 31 December 2013, the net interest income of the Bank Group totalled around approximately CHF5.7 million (equivalent to approximately HK$46.2 million) (31 December 2012: approximately CHF7.8 million, equivalent to approximately HK$63.2 million). This was the result of a permanent diminution of interest rate level.

The most significant source of income of the Bank Group was the commissions and service business, which accounted for approximately 69.6% of total earnings. The second most significant source of income was income from interest-related business of approximately 15.4% of total earnings, followed by income from financial transactions, which accounted for approximately 14.9% of total earnings.

The after-tax profit of the Bank Group was approximately CHF15.3 million (equivalent to approximately HK$123.9 million) in 2013, increased by approximately 43.0% as compared to approximately CHF10.7 million (equivalent to approximately HK$86.7 million) in 2012.

The cost-to-income ratio was reduced from approximately 53.2% in 2012 to approximately 49.6% in 2013.

Financial review

Liquidity, Financial Resources and Funding

Liquidity risks were monitored and controlled under statutory banking provisions. The Bank Group always held an amount of liquid funds that was above the minimum required by banking legislation. As at 31 December 2013, the Bank Group's eligible capital and required capital in accordance with Article 27 of the Capital Adequacy Ordinance under Basel II were approximately CHF56.0 million (equivalent to approximately HK$453.6 million) and approximately CHF31.0 million (equivalent to approximately HK$251.1 million), respectively. As at 31 December 2013, the Bank Group's ratio of eligible to required capital, the Bank for International Settlements ("**BIS**") tier 1 capital ratio and total capital ratio were approximately 1.8, 12.4% and 14.5%, respectively.

As at 31 December 2013, the total liabilities of the Bank Group amounted to approximately CHF1,315.6 million (equivalent to approximately HK$10,656.4 million) (31 December 2012: approximately CHF1,067.9 million, equivalent to approximately HK$ 8,650.0 million). As at 31 December 2013, the Bank Group's total borrowings (mainly denominated in EUR and USD) amounted to approximately CHF1,301.3 million (equivalent to approximately HK$10,540.5 million), consisting of bank borrowings of approximately CHF3.0 million (equivalent to approximately HK$24.3 million), subordinated debt of approximately CHF12.5 million (equivalent to approximately HK$101.3 million) with interest bearing at 4% per annum and amount due to clients of approximately CHF1,285.8 million (equivalent to approximately HK$10,415.0 million). In order to increase the Bank Group's eligible equity, a subordinated bond for EUR10.0 million (equivalent to approximately HK$88.0 million) was issued and placed in full in June 2013. The shareholders' equity of the Bank Group was approximately CHF60.4 million (equivalent to approximately HK$489.2 million). The Bank Group's gearing ratio, calculated on the basis of total borrowings divided by shareholders' equity, was approximately 2,154.5% as at 31 December 2013. For the year ended 31 December 2013, the return on shareholders' equity of the Bank Group stood at approximately 25.3% as compared to approximately 21.6% in 2012.

As at 31 December 2013, the total assets of the Bank Group amounted to approximately CHF1,376.0 million (equivalent to approximately HK$11,145.6 million), representing an increase of approximately 23.2% as compared to approximately CHF1,117.3 million (equivalent to approximately HK$9,050.1 million) as at 31 December 2012. This was primarily attributable to the net effect of (i) the increase of approximately CHF352.7 million (equivalent to approximately HK$2,856.9 million) in cash; and (ii) the decrease of approximately CHF120.9 million (equivalent to approximately HK$979.3 million) in amounts due from banks. Client assets managed by the Bank Group amounted to approximately CHF3.5 billion (equivalent to approximately HK$28.4 billion) as at 31 December 2013.

As at 31 December 2013, the Bank Group had cash of approximately CHF391.6 million (equivalent to approximately HK$3,172.0 million) (31 December 2012: approximately CHF38.9 million, equivalent to approximately HK$315.1 million), mainly denominated in EUR and CHF.

Treasury Policies

The Bank Group 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. These policies have been monitored on a regular basis during the year.

Foreign Currency Management

The Bank Group held foreign currency positions in EUR and USD. Debt claims and obligations in foreign currencies were valued at the mean rate of exchange on the balance sheet date. In the case of income and expenditure, the exchange rates applicable on the date of transaction were used. It constantly monitored approved position limits. In addition, profits and losses are reviewed periodically.

The Bank Group has implemented a low risk profile foreign currency policy and hedging is done on a natural basis during the year.

Pledge of Assets

As at 31 December 2013, the Bank Group had pledged and assigned assets at a market value of approximately CHF14.0 million (equivalent to approximately HK$113.4 million), which were transferred as collateral (31 December 2012: approximately CHF15.4 million, equivalent to approximately HK$124.7 million).

Contingent Liabilities

As at 31 December 2013, the Bank Group had contingent liabilities of approximately CHF8.9 million (equivalent to approximately HK$72.1 million), which were entirely comprised of loan security guarantees (31 December 2012: approximately CHF10.1 million, equivalent to approximately HK$81.8 million).

Capital Commitment

As at 31 December 2013, the Bank Group did not have any material capital commitment (31 December 2012: nil).

Major Acquisition and Disposal

For the year ended 31 December 2013, the Bank Group had no material acquisitions and disposals of subsidiaries and associated companies.

Employees and remuneration policies

As at 31 December 2013, the Bank Group employed 76 (31 December 2012: 66) highly qualified and dedicated members of staff. Retaining staff was one of the Bank Group's major objectives. The Bank Group deliberately refrained from poaching entire teams from competitors and employed no head hunters. The team concept was paramount: there were no individual bonuses. If the management received 100% of the incentive payment that was stipulated in the employment contract, the same applied to the rest of the workforce.

Changes in share capital and capital structure

For the year ended 31 December 2013, the Bank Group had no changes in share capital and capital structure.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE BANK GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

Business review

The Bank Group's principal activities included accepting client deposits and investing them on stock exchanges and in financial centres. It also offered transaction banking services as well as granting loans.

In terms of profit for the year, the Bank Group was ranked fourth among the 16 Liechtenstein banks. For the year ended 31 December 2014, the result of the ordinary business activity of the Bank Group before income taxes was approximately CHF20.4 million (equivalent to approximately HK$165.2 million) (31 December 2013: approximately CHF17.0 million, equivalent to approximately HK$137.7 million).

The increase was largely attributable to commission and service business. Commission and service business rose by approximately 22.1% to approximately CHF31.5 million (equivalent to approximately HK$255.2 million) in 2014 as compared to 2013. The growth in commission and service business resulted from higher levels of trading activity by the Bank Group's clients.

The income from financial transactions increased by approximately CHF1.5 million (equivalent to approximately HK$12.2 million) to approximately CHF7.0 million (equivalent to approximately HK$56.7 million) in 2014 as compared to 2013. This was attributable to exchange rate gains, which were mainly client-driven. For the year ended 31 December 2014, the net interest income of the Bank Group amounted to approximately CHF6.6 million (equivalent to approximately HK$53.5 million) (31 December 2013: approximately CHF5.7 million, equivalent to approximately HK$46.2 million). The growth was largely the result of the increase in client deposits accompanied by persistently very low interest margins.

The most significant source of income was the commission and service business, which accounted for approximately 70.3% of total earnings. The second most significant source of income was income from financial transactions, which accounted for approximately 15.7% of total earnings, followed by income from interest-related business that accounted for 14.8% of total earnings.

The after-tax profit of the Bank Group was approximately CHF17.9 million (equivalent to approximately HK$145.0 million) in 2014, which increased by approximately 17.0% as compared to approximately CHF15.3 million (equivalent to approximately HK$123.9 million) in 2013.

The cost-to-income ratio of the Bank Group was reduced from approximately 49.6% in 2013 to approximately 48.3% in 2014.

Financial review

Liquidity, Financial Resources and Funding

Liquidity risks were monitored and controlled under statutory banking provisions. The Bank Group always held an amount of liquid funds that was above the minimum required by banking legislation. As at 31 December 2014, the Bank Group's eligible capital and required capital in accordance with Article 27 of the Capital Adequacy Ordinance under Basel II were approximately CHF54.4 million (equivalent to approximately HK$440.6 million) and approximately CHF39.9 million (equivalent to approximately HK$323.2 million), respectively. As at 31 December 2014, the Bank Group's ratio of eligible to required capital, BIS tier 1 capital ratio and total capital ratio were approximately 1.4%, 9.8% and 10.9%, respectively.

As at 31 December 2014, the total liabilities of the Bank Group amounted to approximately CHF1,946.4 million (equivalent to approximately HK$15,765.8 million) (31 December 2013: approximately CHF1,315.6 million, equivalent to approximately HK$10,656.4 million). As at 31 December 2014, the Bank Group's total borrowing (mainly denominated in EUR and USD) amounted to approximately CHF1,925.5 million (equivalent to approximately HK$15,596.6 million), consisting of bank borrowings of approximately CHF3.4 million (equivalent to approximately HK$27.5 million), subordinated debt of approximately CHF12.3 million (equivalent to approximately HK$99.6 million) with interest bearing at 4% per annum and amount due to clients of approximately CHF1,909.8 million (equivalent to approximately HK$15,469.4 million). In order to increase the Bank Group's eligible equity, a subordinated bond for EUR10.0 million was issued and placed in full in

June 2013. As at 31 December 2014, EUR6.0 million was still eligible. The shareholders' equity of the Bank Group was approximately CHF50.2 million (equivalent to approximately HK$406.6 million). The gearing ratio, calculated on the basis of total borrowings divided by shareholders' equity, was approximately 3,835.7% as at 31 December 2014. The return on shareholders' equity stood at 35.8% compared with 25.3% in 2013.

As at 31 December 2014, the total assets of the Bank Group amounted to approximately CHF1,996.6 million (equivalent to approximately HK$16,172.5 million), representing an increase of 45.1% as compared to approximately CHF1,376.0 million (equivalent to approximately HK$11,145.6 million) as at 31 December 2013. This was primarily attributable to the combined effect of (i) the increase of approximately CHF277.2 million (equivalent to approximately HK$2,245.3 million) in cash; (ii) the increase of approximately CHF192.0 million (equivalent to approximately HK$1,555.2 million) in amounts due from banks; (iii) the increase of approximately CHF76.7 million (equivalent to approximately HK$621.3 million) in financial assets held to maturity; and (iv) the increase of approximately CHF67.4 million (equivalent to approximately HK$545.9 million) in amounts due from clients. As at 31 December 2014, the client assets managed by the Bank Group increased to approximately CHF4.3 billion (equivalent to approximately HK$34.8 billion) from approximately CHF3.5 billion (equivalent to approximately HK$28.4 billion) as at 31 December 2013.

As at 31 December 2014, the Bank Group had cash of approximately CHF668.8 million (equivalent to approximately HK$5,417.3 million) (31 December 2013: approximately CHF391.6 million, equivalent to approximately HK$3,172.0 million), mainly denominated in EUR and CHF.

Treasury Policies

The Bank Group 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. These policies have been monitored on a regular basis during the year.

Foreign Currency Management

The Bank Group held foreign currency positions in EUR and USD. Debt claims and obligations in foreign currencies were valued at the mean rate of exchange on the balance sheet date. In the case of income and expenditure, the exchange rates applicable on the date of transaction were used. It constantly monitored approved position limits. In addition, profits and losses are reviewed periodically.

The Bank Group has implemented a low risk profile foreign currency policy and hedging is done on a natural basis during the year.

Pledge of Assets

As at 31 December 2014, the Bank Group had pledged and assigned assets at a market value of approximately CHF15.1 million (equivalent to approximately HK$122.3 million), which were transferred as collateral (31 December 2013: approximately CHF14.0 million, equivalent to approximately HK$113.4 million).

Contingent Liabilities

As at 31 December 2014, the Bank Group had contingent liabilities of approximately CHF9.6 million (equivalent to approximately HK$77.8 million), which were entirely comprised of loan security guarantees (31 December 2013: approximately CHF8.9 million, equivalent to approximately HK$72.1 million).

Capital Commitment

As at 31 December 2014, the Bank Group did not have any material capital commitment (31 December 2013: nil).

Major Acquisition and Disposal

For the year ended 31 December 2014, the Bank Group had no material acquisitions and disposals of subsidiaries and associated companies.

Employees and remuneration policies

As at 31 December 2014, the Bank Group employed 85 (31 December 2013: 76) highly qualified and dedicated members of staff. Retaining staff was one of the Bank Group's major objectives. The Bank Group deliberately refrained from poaching entire teams from competitors and employed no headhunters. The team concept was paramount: there were no individual bonuses. If, for example, the management received 100% of the bonus payment that was stipulated in the employment contract, the same applied for the entire workforce.

Changes in share capital and capital structure

For the year ended 31 December 2014, the Bank Group had no changes in share capital and capital structure.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE BANK GROUP FOR THE YEAR ENDED 31 DECEMBER 2015

Business review

The Bank Group's principal activities included accepting client deposits and investing them on stock exchanges and in financial centres. It also offered transaction banking services as well as granting loans.

In terms of managed client volume, the Bank Group was ranked fifth among the 14 Liechtenstein banks. For the year ended 31 December 2015, the result of ordinary business activity of the Bank Group before income taxes was approximately CHF9.6 million (equivalent to approximately HK$77.8 million), representing a decrease of approximately 52.9% from approximately CHF20.4 million (equivalent to approximately HK$165.2 million) for 2014. The financial result of the Bank Group for the year ended 31 December 2015 was materially affected by an impairment on a loan due from a client, i.e. the IC-Loan, which is an intragroup loan from the Bank to Seller 1. The net profit of the Bank Group excluding the impairment on due from clients (without taking into account the income taxes effect thereof) would be approximately CHF17.4 million (equivalent to approximately HK$140.9 million) for the three years ended 31 December 2015.

In operational terms, the Bank Group succeeded in increasing earnings from both its commission and service business and its financial transactions. Commission and service business rose by approximately CHF1.8 million (equivalent to approximately HK$14.6 million) or approximately 5.7% to approximately CHF33.3 million (equivalent to approximately HK$269.7 million) in 2015 as compared to 2014. The growth in net commission and fee income resulted from higher levels of trading activity by the clients of the Bank Group, and reflected their readiness to generate income in the securities sector.

The income from financial transactions of the Bank Group increased by approximately CHF1.9 million (equivalent to approximately HK$15.4 million) or approximately 27.1% to approximately CHF8.9 million (equivalent to approximately HK$72.1 million) in 2015 as compared to 2014.

The net interest income fell from approximately CHF6.6 million (equivalent to approximately HK$53.5 million) in 2014, by approximately CHF1.3 million (equivalent to approximately HK$10.5 million), to approximately CHF5.3 million (equivalent to approximately HK$42.9 million) in 2015, which was attributable to the environment of persistently low interest rates in Europe.

The most significant source of income was the commission and service business, which accounted for approximately 70.3% of total earnings. The second most significant source of income was income from financial transactions that accounted for approximately 18.7% of total earnings, followed by income from interest-related business, which accounted for approximately 11.2% of total earnings.

The cost-to-income ratio increased from approximately 48.3% in 2014 to approximately 53.1% in 2015.

Financial review

Liquidity, Financial Resources and Funding

Liquidity risks were monitored and controlled under statutory banking provisions. The Bank Group always held an amount of liquid funds that was above the minimum required by banking legislation. Starting 1 February 2015, the calculation of regulatory capital incorporates the capital requirements following the Capital Requirements Regulation (EU) No. 575/2013 and the Capital Requirements Directive No. 2013/36/EU 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 capital, 1.5% additional tier 1 capital and 2% tier 2 capital. In addition, the Bank Group has to fulfill 2.5% buffer requirements (capital conservation buffer). The buffer requirement must be fulfilled with common equity tier 1 capital. As at 31 December 2015, the Bank Group's common equity tier 1 capital, tier 2 capital and total risk-weighted assets were approximately CHF37.0 million (equivalent to approximately HK$299.7 million), approximately CHF5.3 million (equivalent to approximately HK$42.9 million) and approximately CHF231.4 million (equivalent to approximately HK$1,874.3 million), respectively. As at 31 December 2015, the Bank Group's common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio were approximately 16.0%, 16.0% and 18.3%, respectively. The Bank Group has complied with all externally imposed capital requirements as at 31 December 2015.

As at 31 December 2015, the total liabilities of the Bank Group amounted to approximately CHF1,614.4 million (equivalent to approximately HK$13,076.6 million) (31 December 2014: approximately CHF1,946.4 million, equivalent to approximately HK$15,765.8 million). As at 31 December 2015, the Bank Group's total borrowing (mainly denominated in EUR and USD) amounted to approximately CHF1,594.6 million (equivalent to approximately HK$12,916.3 million), consisting of bank borrowings of approximately CHF0.6 million (equivalent to approximately HK$4.9 million), subordinated debt of approximately CHF11.1 million (equivalent to approximately HK$89.9 million) with interest bearing at 4% per annum and amount due to clients of approximately CHF1,582.9 million (equivalent to approximately HK$12,821.5 million). In order to increase the Bank Group's eligible equity, a subordinated bond for EUR10.0 million was issued and placed in full in June 2013. The shareholders' equity of the Bank Group was approximately CHF56.2 million (equivalent to approximately HK$455.2 million). The Bank Group's gearing ratio, calculated on the basis of total borrowings divided by shareholders' equity, was approximately 2,837.4% as at 31 December 2015. For the year ended 31 December 2015, the return on shareholders' equity reduced to approximately 12.8% as compared to approximately 35.8% in 2014.

As at 31 December 2015, the total assets of the Bank Group amounted to approximately CHF1,670.7 million (equivalent to approximately HK$13,532.7 million), representing a fall of approximately 16.3% from approximately CHF1,996.6 million (equivalent to approximately HK$16,172.5 million) as at 31 December 2014. This was primarily attributable to the net effect of (i) the decrease of approximately CHF653.0 million (equivalent to approximately HK$5,289.3 million) in amounts due from banks; (ii) the increase of approximately CHF180.9 million (equivalent to approximately HK$1,465.3 million) in treasury notes and bills; and (iii) the increase of approximately CHF177.3 million (equivalent to approximately HK$1,436.1 million) in financial assets available for sale. As at 31 December 2015, the client assets managed by the Bank Group amounted to approximately CHF3.9 billion (equivalent to approximately HK$31.6 billion), representing a fall of approximately 9.3% from approximately CHF4.3 billion (equivalent to approximately HK$34.8 billion) as at 31 December 2014. The lower figure could be attributed to the strong CHF and the need for restructuring at Seller 1 and at Valartis Group AG was announced in an ad hoc disclosure in autumn 2015, which unsettled a number of clients.

As at 31 December 2015, the Bank Group had cash of approximately CHF637.0 million (equivalent to approximately HK$5,159.7 million) (31 December 2014:

approximately CHF668.8 million, equivalent to approximately HK$5,417.3 million), mainly denominated in EUR and CHF.

Treasury Policies

The Bank Group 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. These policies have been monitored on a regular basis during the year.

Foreign Currency Management

The Bank Group held foreign currency positions in EUR and USD. Debt claims and obligations in foreign currencies were valued at the mean rate of exchange on the balance sheet date. In the case of income and expenditure, the exchange rates applicable on the date of transaction were used. It constantly monitored approved position limits. In addition, profits and losses are reviewed periodically.

The Bank Group has implemented a low risk profile foreign currency policy and hedging is done on a natural basis during the year.

Pledge of Assets

As at 31 December 2015, the Bank Group had pledged and assigned assets at a market value of approximately CHF24.1 million (equivalent to approximately HK$195.2 million), which were transferred as collateral (31 December 2014: approximately CHF15.1 million, equivalent to approximately HK$122.3 million).

Contingent Liabilities

As at 31 December 2015, the Bank Group had contingent liabilities of approximately CHF9.3 million (equivalent to approximately HK$75.3 million), which were entirely comprised of loan security guarantees (31 December 2014: approximately CHF9.6 million, equivalent to approximately HK$77.8 million).

Capital Commitment

As at 31 December 2015, the Bank Group did not have any material capital commitment (31 December 2014: nil).

Major Acquisition and Disposal

For the year ended 31 December 2015, the Bank Group had no material acquisitions and disposals of subsidiaries and associated companies.

Employees and remuneration policies

As at 31 December 2015, the Bank Group employed 93 (31 December 2014: 85) highly qualified and dedicated members of staff. Retaining staff was one of the Bank

Group's major objectives. The Bank Group deliberately refrained from poaching entire teams from competitors and employed no headhunters. The team concept was paramount: there were no individual bonuses. If, for example, the management received 100% of the bonus payment that was stipulated in the employment contract, the same applied for the entire workforce.

The management board and the employees were paid fixed annual salaries agreed in employment contracts plus a capped collective bonus, which has to be approved in the following year by the board of directors. There were no individual bonuses. Adequate time and financial resources were provided for employee training.

Changes in share capital and capital structure

For the year ended 31 December 2015, the Bank Group had no changes in share capital and capital structure.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE BANK GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2016

Business review

The Bank Group's principal activities included accepting client deposits and investing them on stock exchanges and in financial centres. It also offered transaction banking services as well as granting loans.

For the three months ended 31 March 2016, the result of ordinary business activity of the Bank Group before income taxes was around approximately CHF1.7 million (equivalent to approximately HK$13.8 million), representing a decrease of approximately 66.7% from approximately CHF5.1 million (equivalent to approximately HK$41.3 million) for the corresponding period in 2015. The decrease was primarily attributable to slight decline in commission and service business and increase in personnel expense.

Commission and service business decreased by approximately CHF0.6 million (equivalent to approximately HK$4.9 million) or approximately 7.1% to approximately CHF7.8 million (equivalent to approximately HK$63.2 million) for the three months ended 31 March 2016 as compared to the corresponding period in 2015. This was attributable to the decrease in brokerage fees and commission income from service fees.

For the three months ended 31 March 2016, the income from financial transactions of the Bank Group decreased by approximately CHF0.1 million (equivalent to approximately HK$0.8 million) to approximately CHF2.1 million (equivalent to approximately HK$17.0 million) as compared to the corresponding period in 2015.

For the three months ended 31 March 2016, the net interest income of the Bank Group was approximately CHF1.2 million (equivalent to approximately HK$9.7

million), representing a decrease of approximately CHF0.3 million (equivalent to approximately HK$2.4 million) as compared to the corresponding period in 2015. This was mainly due to the decrease in net income from interest-related business with clients.

The most significant source of income of the Bank Group was the commissions and service business, which accounted for approximately 70.5% of total earnings. The second most significant source of income was income from the financial transactions of approximately 18.9% of total earnings, followed by income from interest-related business, which accounted for approximately 10.8% of total earnings.

For the three months ended 31 March 2016, the after-tax profit of the Bank Group was approximately CHF1.5 million (equivalent to approximately HK$12.2 million), representing a decrease of approximately 67.4% or approximately CHF3.1 million (equivalent to approximately HK$25.1 million) as compared to the corresponding period in 2015.

The cost-to-income ratio increased from approximately 53.2% for the three months ended 31 March 2015 to approximately 80.3% for the three months ended 31 March 2016, mainly attributable to the increase in personnel expense.

Financial review

Liquidity, Financial Resources and Funding

Liquidity risks were monitored and controlled under statutory banking provisions. The Bank Group always held an amount of liquid funds that was above the minimum required by banking legislation. As at 31 March 2016, the Bank Group's common equity tier 1 capital, tier 2 capital and total risk-weighted assets were approximately CHF41.1 million (equivalent to approximately HK$332.9 million), approximately CHF4.8 million (equivalent to approximately HK$38.9 million) and approximately CHF226.0 million (equivalent to approximately HK$1,830.6 million, respectively. As at 31 March 2016, the Bank Group's common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio were approximately 18.2%, 18.2% and 20.3%, respectively. The Bank Group has complied with all externally imposed capital requirements as at 31 March 2016.

As at 31 March 2016, the total liabilities of the Bank Group amounted to approximately CHF1,557.1 million (equivalent to approximately HK$12,612.5 million) (31 December 2015: approximately CHF1,614.4 million, equivalent to approximately HK$13,076.6 million). As at 31 March 2016, the Bank Group's total borrowings (mainly denominated in EUR and USD) amounted to approximately CHF1,539.0 million (equivalent to approximately HK$12,465.9 million), consisting of bank borrowings of approximately CHF1.6 million (equivalent to approximately HK$13.0 million), subordinated debt of approximately CHF11.3 million (equivalent to approximately HK$91.5 million) with interest bearing at 4.0% per annum and amount due to clients of approximately CHF1,526.1 million (equivalent to approximately HK$12,361.4 million). The shareholders' equity of the Bank Group was approximately CHF57.9 million (equivalent to approximately HK$469.0 million). The Bank Group's gearing ratio, calculated on the basis of total borrowings divided by shareholders' equity, was approximately 2,658.0% as at 31 March 2016. For the three months ended 31 March 2016, the return on shareholders' equity of the Bank Group was approximately 2.6%.

As at 31 March 2016, the total assets of the Bank Group amounted to approximately CHF1,615.0 million (equivalent to approximately HK$13,081.5 million), representing a decrease of approximately 3.3% as compared to approximately CHF1,670.7 million as at 31 December 2015 (equivalent to approximately HK$13,532.7 million). This was primarily attributable to the net effect of (i) the decrease of approximately CHF138.6 million (equivalent to approximately HK$1,122.7 million) in financial assets held to maturity; and (ii) the increase of approximately CHF75.1 million (equivalent to approximately HK$608.3 million) in treasury notes and bills. Client assets managed by the Bank Group amounted to approximately CHF3.6 billion (equivalent to approximately HK$29.2 billion) as at 31 March 2016.

As at 31 March 2016, the Bank Group had cash of approximately CHF649.4 million (equivalent to approximately HK$5,260.1 million) (31 December 2015: approximately CHF637.0 million, equivalent to approximately HK$5,159.7 million), mainly denominated in EUR and CHF.

Treasury Policies

The Bank Group 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. These policies have been monitored on a regular basis during the year.

Foreign Currency Management

The Bank Group held foreign currency positions in EUR and USD. Debt claims and obligations in foreign currencies were valued at the mean rate of exchange on the balance sheet date. In the case of income and expenditure, the exchange rates applicable on the date of transaction were used. It constantly monitored approved position limits. In addition, profits and losses are reviewed periodically.

The Bank Group has implemented a low risk profile foreign currency policy and hedging is done on a natural basis during the year.

Pledge of Assets

As at 31 March 2016, the Bank Group had pledged and assigned assets at a market value of approximately CHF27.4 million (equivalent to approximately HK$221.9 million), which were transferred as collateral (31 December 2015: approximately CHF24.1 million, equivalent to approximately HK$195.2 million).

Contingent Liabilities

As at 31 March 2016, the Bank Group had contingent liabilities of approximately CHF9.4 million (equivalent to approximately HK$76.1 million), which were comprised of credit guarantees (31 December 2015: approximately CHF9.3 million, equivalent to approximately HK$75.3 million).

Capital Commitment

As at 31 March 2016, the Bank Group did not have any material capital commitment (31 March 2015: nil).

Major Acquisition and Disposal

For the three months ended 31 March 2016, the Bank Group had no material acquisitions and disposals of subsidiaries and associated companies.

Employees and remuneration policies

As at 31 March 2016, the Bank Group employed 103 (31 March 2015: 100) highly qualified and dedicated members of staff. Retaining staff was one of the Bank Group's major objectives. The Bank Group deliberately refrained from poaching entire teams from competitors and employed no headhunters. The team concept was paramount: there were no individual bonuses. If the management received 100% of the incentive payment that was stipulated in the employment contract, the same applied to the rest of the workforce.

Changes in share capital and capital structure

For the three months ended 31 March 2016, the Bank Group had no changes in share capital and capital structure.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(A) BASIS OF PREPARATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Enlarged Group, comprising the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2015, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2015, has been prepared by the Directors in accordance with paragraph 4.29 of The Listing Rules for the purpose of illustrating the effect as if the Acquisition had been completed on 31 December 2015 for the unaudited pro forma consolidated statement of financial position of the Enlarged Group and on 1 January 2015 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2015, which has been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2015 and the consolidated statement of financial position of the Bank Group as at 31 March 2016, which has been extracted from the accountants' report as set out in Appendix II to this circular, and adjusted in accordance with the unaudited pro forma adjustments described in the notes thereto, as if the Acquisition had been completed on 31 December 2015.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2015, which have been extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2015, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Bank Group for the year ended 31 December 2015, which have been extracted from the accountants' report as set out in Appendix II to this circular, and adjusted in accordance with the unaudited pro forma adjustments described in the notes thereto, as if the Acquisition had been completed on 1 January 2015.

A narrative description of the unaudited pro forma adjustments relating to the Acquisition that are directly attributable to the Acquisition and factually supportable is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon completion of the Acquisition. As the Unaudited Pro Forma Financial Information of the Enlarged Group is prepared for illustrative purpose only, and because of its hypothetical nature, it may not purport to describe the financial position, financial performance or cash flows of Enlarged Group had the Acquisition been completed as at 31 December 2015 or 1 January 2015 to which it is made up to or at any future date. Furthermore, the Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, financial performance or cash flows.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I and other financial information contained elsewhere in this circular.

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

Audited consolidated statement of financial position of the Group as at 31 December 2015 as extracted from the Group's audited consolidated financial statements for the year ended 31 December 2015		Reclassifications		Consolidated statement of financial position of the Group as at 31 December 2015 for the purpose of Unaudited Pro Forma Financial Information
	HK$'000	*HK$'000*	*HK$'000*	
		Note 1		
Non-current assets				**Assets**
Property, plant and equipment	730,799	–	730,799	Property, plant and equipment
Investment properties	111,676	–	111,676	Investment properties
Prepaid land lease payments	45,242	966	46,208	Prepaid land lease payments
Goodwill	741,636	–	741,636	Goodwill
Interests in associates	65,828	–	65,828	Interests in associates
Available-for-sale financial assets	317,250	–	317,250	Available-for-sale financial assets
Convertible bond investment	8,327	(6,083)	2,244	Derivative financial assets
Intangible assets	172,270	–	172,270	Intangible assets
Prepayments and deposits	21,887	(21,887)	–	
Deferred tax assets	7,641	–	7,641	Deferred tax assets
Total non-current assets	**2,222,556**			
Current assets				
Inventories	2,042,892	–	2,042,892	Inventories
Trade receivables	693,868	–	693,868	Trade receivables
Prepaid land lease payments	966	(966)	–	
Prepayments, deposits and other receivables	522,128	27,970	550,098	Other assets
Tax recoverable	9,248	–	9,248	Income tax recoverable
Equity investments held for trading	367,471	–	367,471	Trading portfolio assets
Short-term investments	143,362		143,362	Short-term investments
Cash and bank balances	836,065		836,065	Cash and deposits
Total current assets	**4,616,000**		**6,838,556**	**Total assets**

Audited consolidated statement of financial position of the Group as at 31 December 2015 as extracted from the Group's audited consolidated financial statements for the year ended 31 December 2015		**Reclassifications**		**Consolidated statement of financial position of the Group as at 31 December 2015 for the purpose of Unaudited Pro Forma Financial Information**
	HK$'000	*HK$'000*	*HK$'000*	
		Note 1		
Current liabilities				**Liabilities**
Trade payables	359,533	–	359,533	Trade payables
Other payables and accruals	431,407	60,212	491,619	Other liabilities
Dividend payables	1,482		1,482	Dividend payables
Tax payables	69,323	–	69,323	Income tax payable
Borrowings	766,654	171,878	938,532	Borrowings
Derivative financial liabilities	7,260	–	7,260	Derivative financial liabilities
Due to related companies	181	(181)	–	
Total current liabilities	**1,635,840**			
Net current assets	**2,980,160**			
Total assets less current liabilities	**5,202,716**			

Audited consolidated statement of financial position of the Group as at 31 December 2015 as extracted from the Group's audited consolidated financial statements for the year ended 31 December 2015		Reclassifications		Consolidated statement of financial position of the Group as at 31 December 2015 for the purpose of Unaudited Pro Forma Financial Information
	HK$'000	*HK$'000*	*HK$'000*	
		Note 1		
Non-current liabilities				
Other payables	60,031	(60,031)	–	
Borrowings	171,878	(171,878)	–	
Corporate bonds	708,834		708,834	Corporate bonds
Deferred tax liabilities	27,486	–	27,486	Deferred tax liabilities
Total non-current liabilities	**968,229**		**2,604,069**	**Total liabilities**
Net assets	**4,234,487**			
Equity				**Equity**
Equity attributable to owners of the Company				
Share capital	440,938	–	440,938	Share capital
Reserves	3,602,315		3,602,315	Reserves
	4,043,253			
Non-controlling interests	191,234	–	191,234	Non-controlling interests
Total equity	**4,234,487**		**4,234,487**	**Total equity**
			6,838,556	**Total liabilities and equity**

	Consolidated statement of financial position of the Group as at 31 December 2015	Consolidated statement of financial position of the Bank Group as at 31 March 2016	Consolidated statement of financial position of the Bank Group as at 31 March 2016	Notes	Pro forma adjustments	Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$'000	*CHF'000*	*HK$'000*		*HK$'000*	*HK$'000*
			Note 2			
Assets						
Cash and deposits	836,065	649,401	5,071,822	7	(730,594)	5,514,685
				6.1	337,392	
Due from clients	–	261,668	2,043,627	6.1	(337,392)	1,784,335
				6.3	78,100	
Due from banks	–	158,938	1,241,306			1,241,306
Trading portfolio assets	367,471	1,763	13,769			381,240
Income tax recoverable	9,248	–	–			9,248
Derivative financial assets	2,244	484	3,780			6,024
Trade receivables	693,868	–	–			693,868
Inventories	2,042,892	–	–			2,042,892
Available-for-sale financial assets	317,250	193,660	1,512,485			1,829,735
Treasury notes and bills	–	256,004	1,999,391			1,999,391
Held-to-maturity investments	–	67,801	529,526			529,526
Short-term investments	143,362	–	–			143,362
Interests in associates	65,828	–	–			65,828
Property, plant and equipment	730,799	18,707	146,102	4.1	79,475	956,376
Investment properties	111,676	–	–			111,676
Prepaid land lease payments	46,208	–	–			46,208
Intangible assets	172,270	435	3,397			175,667
Accrued and deferred assets	–	4,172	32,583			32,583
Goodwill	741,636	–	–	7	222,961	964,597
Deferred tax assets	7,641	–	–			7,641
Other assets	550,098	1,959	15,300			565,398
Total assets	**6,838,556**	**1,614,992**	**12,613,088**			**19,101,586**

	Consolidated statement of financial position of the Group as at 31 December 2015	Consolidated statement of financial position of the Bank Group as at 31 March 2016	Consolidated statement of financial position of the Bank Group as at 31 March 2016	Notes	Pro forma adjustments	Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$'000	*CHF'000*	*HK$'000* *Note 2*		*HK$'000*	*HK$'000*
Liabilities						
Due to banks	–	1,612	12,590			12,590
Due to clients	–	1,526,115	11,918,958			11,918,958
Derivative financial liabilities	7,260	471	3,679			10,939
Trade payables	359,533	–	–			359,533
Corporate bonds	708,834	–	–			708,834
Dividend payables	1,482	–	–			1,482
Income tax payable	69,323	4,887	38,167			107,490
Borrowings	938,532	–	–			938,532
Provisions	–	820	6,404			6,404
Accrued and deferred liabilities	–	5,998	46,844			46,844
Subordinated debt	–	11,283	88,120			88,120
Deferred tax liabilities	27,486	65	508	4.2	9,934	37,928
Other liabilities	491,619	5,870	45,845			537,464
Total liabilities	**2,604,069**	**1,557,121**	**12,161,115**			**14,775,118**
Equity						
Share capital	440,938	20,000	156,200	7	(156,200)	440,938
Treasury shares	–	(788)	(6,154)	7	6,154	–
Reserves	3,602,315	38,659	301,927	7	(301,927)	3,602,315
Non-controlling interests	191,234	–	–	7	91,981	283,215
Total equity	**4,234,487**	**57,871**	**451,973**			**4,326,468**
Total liabilities and equity	**6,838,556**	**1,614,992**	**12,613,088**			**19,101,586**

(C) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2015 as extracted from the Group's audited consolidated financial statements for the year ended 31 December 2015		Reclassifications		Consolidated statement of comprehensive income of the Group for the year ended 31 December 2015 for the purpose of Unaudited Pro Forma Financial Information
	HK$'000	*HK$'000*	*HK$'000*	
		Note 1		
Revenue	**3,476,354**	**(18,109)**	**3,458,245**	**Sales of goods**
	–	18,109	18,109	Rental income
	–		**3,476,354**	**Total revenue**
Cost of sales	(1,694,496)	–	(1,694,496)	Cost of sales
Gross profit	**1,781,858**			
Other income	204,608	52,937	257,545	Other ordinary income and other net gains or losses
Selling and distribution expenses	(883,152)	–	(883,152)	Selling and distribution expenses
Administrative expenses	(616,151)	–	(616,151)	Administrative expenses
Gain on fair value changes in equity investments held for trading, net	29,078	(29,078)	–	
Loss on fair value changes in contingent consideration payable	(969)	969	–	
Loss on fair value changes in the conversion option of the convertible bond investment	(1,749)	1,749	–	
Gain on fair value changes in derivative financial instruments	17,559	(17,559)	–	
Net deficit on revaluation of investment properties	(499)	499	–	
Gain on disposal of subsidiaries	9,517	(9,517)	–	
Share of profit of associates	9,685	–	9,685	Share of profit of associates
Finance costs	(77,075)	–	(77,075)	Finance costs
Profit before income tax	**472,710**		**472,710**	**Profit before income tax**
Income tax expense	(132,551)	–	(132,551)	Income tax expense
Profit for the year	**340,159**		**340,159**	**Profit for the year**
Other comprehensive income				**Other comprehensive income**
Item that will not be reclassified subsequently to profit or loss				Item that will not be reclassified subsequently to profit or loss
– Remeasurement of defined benefit obligations	9,485	–	9,485	– Remeasurement of defined benefit obligations

Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2015 as extracted from the Group's audited consolidated financial statements for the year ended 31 December 2015		Reclassifications		Consolidated statement of comprehensive income of the Group for the year ended 31 December 2015 for the purpose of Unaudited Pro Forma Financial Information
	HK$'000	*HK$'000* *Note 1*	*HK$'000*	
Items that may be reclassified subsequently to profit or loss				Items that may be reclassified subsequently to profit or loss
– Exchange differences on translation of foreign operations	(142,928)	–	(142,928)	– Exchange differences on translation of foreign operations
– Release of exchange fluctuation reserve to profit or loss upon disposal of subsidiaries	256	–	256	– Release of exchange fluctuation reserve to profit or loss upon disposal of subsidiaries
– Share of other comprehensive income of associates	133	–	133	– Share of other comprehensive income of associates
– Changes in fair value of available-for-sale financial assets	9,051	–	9,051	– Changes in fair value of available-for-sale financial assets
	(133,488)		(133,488)	
Other comprehensive income for the year	**(124,003)**		**(124,003)**	**Other comprehensive income for the year**
Total comprehensive income for the year	**216,156**		**216,156**	**Total comprehensive income for the year**
Profit for the year attributable to:				**Profit for the year attributable to:**
– Owners of the Company	307,675	–	307,675	– Owners of the Company
– Non-controlling interests	32,484	–	32,484	– Non-controlling interests
	340,159		340,159	
Total comprehensive income for the year attributable to:				**Total comprehensive income for the year attributable to:**
– Owners of the Company	196,583	–	196,583	– Owners of the Company
– Non-controlling interests	19,573	–	19,573	– Non-controlling interests
	216,156		216,156	

Audited consolidated statement of comprehensive income of the Bank Group for the year ended 31 December 2015 as extracted from the accountants' report as set out in Appendix II to this circular		Reclassifications		Consolidated statement of comprehensive income of the Bank Group for the year ended 31 December 2015 for the purpose of Unaudited Pro Forma Financial Information
	CHF'000	*CHF'000*	*CHF'000*	
		Note 1		
Interest and discount income	**8,196**	**20**	**8,216**	**Interest and dividend income**
Dividend income	20	(20)	–	–
Interest expense	(2,902)	–	(2,902)	Interest expense
Net income from interest and dividends	**5,314**		**5,314**	**Net interest and dividend income**
Commission income from loan business	422	46,472	46,894	Service fees and commission income
Commission income from securities and investment business	46,472	(46,472)	–	–
Commission expense	(13,550)	–	(13,550)	Service fees and commission expenses
Net income from commission and service fees	**33,344**		**33,344**	**Net service fee and commission income**
Income from trading	8,862		8,862	Income from trading
			47,520	**Total revenue**
Net other ordinary income	(113)	–	(113)	Other ordinary income and other net gains and losses
Total operating income	**47,407**			
Personnel expense	(16,285)	16,285	–	
General expense	(8,892)	8,892	–	
Administrative expense	(25,177)	(26,903)	(26,903)	Administrative expenses
Gross profit	**22,230**			
Depreciation/amortisation of property, plant and equipment and intangible assets	(1,726)	1,726	–	
Valuation adjustments, provisions and losses	(10,933)	–	(10,933)	Provision and impairment losses
Net profit from continued operations before taxes	9,571		9,571	Profit before income tax
Income taxes	(2,366)	–	(2,366)	Income tax expenses
Net profit from continued operations	**7,205**			
Net profit	**7,205**		**7,205**	**Profit for the year**

Audited consolidated statement of comprehensive income of the Bank Group for the year ended 31 December 2015 as extracted from the accountants' report as set out in Appendix II to this circular		Reclassifications		Consolidated statement of comprehensive income of the Bank Group for the year ended 31 December 2015 for the purpose of Unaudited Pro Forma Financial Information
	CHF'000	*CHF'000* *Note 1*	*CHF'000*	
Net profit in the income statement	**7,205**		**7,205**	**Profit for the year**
Unrealised losses from financial assets available for sale	(99)	–	(99)	Changes in fair value of available-for-sale financial assets
Foreign exchange translation differences	(5)	–	(5)	Exchange differences on translation of foreign operations
Other comprehensive income that will be reclassified to the income statement	(104)		(104)	
Remeasurement of defined benefit pension plans	(461)	–	(461)	Remeasurement of defined benefit obligations
Total other comprehensive income, after tax	**(565)**		**(565)**	**Other comprehensive income for the year**
Total comprehensive income	**6,640**		**6,640**	**Total comprehensive income for the year**
Allocation of net profit				**Profit for the year attributable to:**
Shareholders of Valartis Bank	7,205		7,205	– Owners of the Company
Non-controlling interests	–		–	– Non-controlling interests
	7,205		**7,205**	
Allocation of total comprehensive income				**Total comprehensive income for the year attributable to:**
Shareholders of Valartis Bank	6,640	–	6,640	– Owners of the Company
Non-controlling interests	–	–	–	– Non-controlling interests
	6,640		**6,640**	

	Consolidated statement of comprehensive income of the Group for the year ended 31 December 2015 *HK$'000*	Consolidated statement of comprehensive income of the Bank Group for the year ended 31 December 2015 *CHF'000*	Consolidated statement of comprehensive income of the Bank Group for the year ended 31 December 2015 *HK$'000* *Note 2*	Notes	Pro forma adjustments *HK$'000*	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group *HK$'000*
Interest and dividend income	–	8,216	66,221			66,221
Interest expenses	–	(2,902)	(23,390)			(23,390)
Net interest and dividend income	–	5,314	42,831			42,831
Service fees and commission income	–	46,894	377,966			377,966
Service fees and commission expenses	–	(13,550)	(109,213)			(109,213)
Net service fee and commission income	–	33,344	268,753			268,753
Sales of goods	3,458,245	–	–			3,458,245
Rental income	18,109	–	–			18,109
Income from trading	–	8,862	71,428			71,428
Total revenue	**3,476,354**	**47,520**	**383,012**			**3,859,366**
Cost of sales	(1,694,496)	–	–			(1,694,496)
Other ordinary income and other net gains or losses	257,545	(113)	(911)			256,634
Provision and impairment losses	–	(10,933)	(88,120)	6.4	80,600	(7,520)
Selling and distribution expenses	(883,152)	–	–			(883,152)
Administrative expenses	(616,151)	(26,903)	(216,839)	5	(2,482)	(838,972)
				9	(3,500)	
Share of profit of associates	9,685	–	–			9,685
Finance costs	(77,075)	–	–			(77,075)
Profit before income tax	**472,710**	**9,571**	**77,142**			**624,470**
Income tax expense	(132,551)	(2,366)	(19,070)	5	314	(151,307)
Profit for the year	**340,159**	**7,205**	**58,072**			**473,163**

	Consolidated statement of comprehensive income of the Group for the year ended 31 December 2015	Consolidated statement of comprehensive income of the Bank Group for the year ended 31 December 2015	Consolidated statement of comprehensive income of the Bank Group for the year ended 31 December 2015	Notes	Pro forma adjustments	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group
	HK$'000	*CHF'000*	*HK$'000* *Note 2*		*HK$'000*	*HK$'000*
Other comprehensive income						
Item that will not be reclassified subsequently to profit or loss						
– Remeasurement of defined benefit obligations	9,485	(461)	(3,716)			5,769
Items that may be reclassified subsequently to profit or loss						
– Exchange differences on translation of foreign operations	(142,928)	(5)	(40)	3	(1,660)	(144,628)
– Release of exchange fluctuation reserve to profit or loss upon disposal of subsidiaries	256	–	–			256
– Share of other comprehensive income of associates	133	–	–			133
– Changes in fair value of available-for-sale financial assets	9,051	(99)	(798)			8,253
	(133,488)	(104)	(838)			(135,986)
Other comprehensive income for the year	(124,003)	(565)	(4,554)			(130,217)
Total comprehensive income for the year	**216,156**	**6,640**	**53,518**			**342,946**

	Consolidated statement of comprehensive income of the Group for the year ended 31 December 2015	Consolidated statement of comprehensive income of the Bank Group for the year ended 31 December 2015	Consolidated statement of comprehensive income of the Bank Group for the year ended 31 December 2015	Notes	Pro forma adjustments	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group
	HK$'000	*CHF'000*	*HK$'000*		*HK$'000*	*HK$'000*
			Note 2			
Profit for the year attributable to:						
– Owners of the Company	307,675	7,205	58,072	3	57,492	419,739
				9	(3,500)	
– Non-controlling interests	32,484	–	–	3	20,940	53,424
	340,159	**7,205**	**58,072**			**473,163**
Total comprehensive income for the year attributable to:						
– Owners of the Company	196,583	6,640	53,518	3	56,786	303,387
				9	(3,500)	
– Non-controlling interests	19,573	–	–	3	19,986	39,559
	216,156	**6,640**	**53,518**			**342,946**

(D) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

Audited consolidated statement of cash flows of the Group for the year ended 31 December 2015 as extracted from the Group's audited consolidated financial statements for the year ended 31 December 2015		Reclassifications		Consolidated statement of cash flows of the Group for the year ended 31 December 2015 for the purpose of Unaudited Pro Forma Financial Information
	HK$'000	*HK$'000*	*HK$'000*	
		Note 1		
Cash flows from operating activities				**Cash flows from operating activities**
Profit before income tax	472,710		472,710	Profit before income tax
Interest income	(35,511)	–	(35,511)	Interest income
Finance costs	77,075	–	77,075	Finance costs
Dividend income from available-for-sale financial assets	(7,597)	(1,637)	(9,234)	Dividend income
Dividend income from equity investments held for trading	(1,637)	1,637	–	
Net deficit on revaluation of investment properties	499	–	499	Net deficit on investment properties
Depreciation	103,144	13,672	116,816	Depreciation and amortisation
Amortisation of prepaid land lease payments	1,015	(1,015)	–	
Amortisation of intangible assets	9,096	(9,096)	–	
Amortisation of issuance costs of corporate bonds	3,561	(3,561)	–	
Share of profit of associates	(9,685)	–	(9,685)	Share of profit of associates
Loss on fair value changes in contingent consideration payable	969	(15,810)	(14,841)	Net fair value change on financial assets and financial liabilities
Gain on fair value changes in derivative financial instruments	(17,559)	17,559	–	
Loss on fair value changes in conversion option component of convertible bond investment	1,749	(1,749)	–	
Gain on repurchase of corporate bonds	(6,872)	–	(6,872)	Gain on repurchase of corporate bonds
Gain on disposal of property, plant and equipment	(155)	(43,797)	(43,952)	Gain on disposal of property, plant and equipment, intangible assets, subsidiaries and brand name
Gain on disposal of intangible assets	(4,280)	4,280	–	
Gain on disposal of brand name	(30,000)	30,000	–	
Reversal of impairment loss on trade receivables	(9,864)	9,864	–	
Reversal of write-down of inventories	(37,696)	37,696	–	
Impairment loss on trade receivables	12,688	9,210	21,898	Provision and impairment losses
Write-down of inventories	56,770	(56,770)	–	
Gain on disposal of subsidiaries	(9,517)	9,517	–	

Audited consolidated statement of cash flows of the Group for the year ended 31 December 2015 as extracted from the Group's audited consolidated financial statements for the year ended 31 December 2015		Reclassifications		Consolidated statement of cash flows of the Group for the year ended 31 December 2015 for the purpose of Unaudited Pro Forma Financial Information
	HK$'000	*HK$'000*	*HK$'000*	
		Note 1		
Operating profit before working capital changes	**568,903**		**568,903**	**Operating profit before working capital changes**
Increase in inventories	(131,314)	–	(131,314)	Increase in inventories
Decrease in trade receivables	57,103	–	57,103	Decrease in trade receivables
Increase in prepayments, deposits and other receivables	(49,299)	–	(49,299)	Increase in other assets
Increase in equity investments held for trading	(95,919)	–	(95,919)	Increase in trading portfolio assets
Increase in trade payables	18,350	–	18,350	Increase in trade payables
	–	(10)	(10)	Decrease in dividend payables
Decrease in other payables and accruals	(51,869)	10	(51,859)	Decrease in other liabilities
Cash generated from operations	**315,955**		**315,955**	**Cash generated from operations**
Interest received	35,369	(35,369)	–	
Interest paid	(76,966)	76,966	–	
Income tax paid	(131,718)	–	(131,718)	Income tax paid
Net cash generated from operating activities	**142,640**		**184,237**	**Net cash generated from operating activities**
Cash flows from investing activities				**Cash flows from investing activities**
Dividends received from available-for-sale financial assets	7,597	1,637	9,234	Dividends received
Dividends received from equity investments held for trading	1,637	(1,637)	–	
Purchases of property, plant and equipment	(288,093)	(23,244)	(311,337)	Purchase of property, plant and equipment, intangible assets, prepaid land lease payments and convertible bond investment
Purchases of intangible assets	(698)	698	–	
Purchases of prepaid land lease payments	(12,546)	12,546	–	
Net cash inflow from disposal of subsidiaries	90,192	–	90,192	Net cash inflow from disposal of subsidiaries
Consideration payable for acquisition of subsidiaries	11,638	–	11,638	Consideration payable for acquisition of subsidiaries
Proceeds from disposal of property, plant and equipment	839	10,636	11,475	Proceeds from disposal of property, plant and equipment, intangible assets and brand name

Audited consolidated statement of cash flows of the Group for the year ended 31 December 2015 as extracted from the Group's audited consolidated financial statements for the year ended 31 December 2015		Reclassifications		Consolidated statement of cash flows of the Group for the year ended 31 December 2015 for the purpose of Unaudited Pro Forma Financial Information
	HK$'000	*HK$'000* *Note 1*	*HK$'000*	
Proceeds from disposal of intangible assets	5,636	(5,636)	–	
Proceeds from disposal of brand name	5,000	(5,000)	–	
	–	35,369	35,369	Interest received
Proceeds receivable from disposal of brand name	(25,000)	–	(25,000)	Increase in other assets
Purchases of convertible bond investment	(10,000)	10,000	–	
Increase in short-term investments	(3,155)	–	(3,155)	Increase in short-term investments
Net cash used in investing activities	**(216,953)**		**(181,584)**	**Net cash used in investing activities**
Cash flows from financing activities				**Cash flows from financing activities**
Dividends paid to non-controlling interests	(27,749)	–	(27,749)	Dividends paid
Proceeds from bank and other borrowings	612,139	–	612,139	Proceeds from bank and other borrowings
	–	(76,966)	(76,966)	Interest paid
Repayments of bank and other borrowings	(491,953)	–	(491,953)	Repayment of bank and other borrowings
Proceeds from shares issued under share option scheme	146	–	146	Proceeds from shares issued under share option scheme
Repurchase of corporate bonds	(51,262)	–	(51,262)	Repurchase of corporate bonds
Decrease in amounts due to related companies	(13,284)	–	(13,284)	Decrease in other liabilities
Net cash generated from financing activities	**28,037**		**(48,929)**	**Net cash used in financing activities**
Net decrease in cash and cash equivalents	**(46,276)**		**(46,276)**	**Net decrease in cash and cash equivalents**
Cash and cash equivalents at 1 January 2015	**878,253**		**878,253**	**Cash and cash equivalents at 1 January 2015**
Effect of foreign exchange rate changes	**4,088**		**4,088**	**Effect of exchange rate changes**
Cash and cash equivalents at 31 December 2015	**836,065**		**836,065**	**Cash and cash equivalents at 31 December 2015**

	Consolidated statement of cash flows of the Group for the year ended 31 December 2015 *HK$'000*	Consolidated statement of cash flows of the Bank Group for the year ended 31 December 2015 *CHF'000*	Consolidated statement of cash flows of the Bank Group for the year ended 31 December 2015 *HK$'000* *Note 2*	Notes	Pro forma adjustments *HK$'000*	Unaudited pro forma consolidated statement of cash flow of the Enlarged Group *HK$'000*
Cash flows from operating activities						
Profit before income tax	472,710	9,571	77,142	5	(2,482)	624,470
				6.4	80,600	
				9	(3,500)	
Adjustments for:						
– Depreciation and amortisation	116,816	1,726	13,912	5	2,482	133,210
– Provision and impairment losses	21,898	9,817	79,125	6.4	(80,600)	20,423
– Net deficit on investment properties	499	–	–			499
– Share of profits of associates	(9,685)	–	–			(9,685)
– Interest income	(35,511)	–	–			(35,511)
– Finance costs	77,075	–	–			77,075
– Fair value change on financial assets and financial liabilities	(14,841)	–	–			(14,841)
– Gain on disposal property, plant and equipment, intangible assets, subsidiaries and brand name	(43,952)	–	–			(43,952)
– Gain on repurchase of corporate bonds	(6,872)	–	–			(6,872)
– Dividend income	(9,234)	(20)	(161)			(9,395)
– Other non-cash activities	–	(902)	(7,270)			(7,270)
– Change in defined benefit obligation	–	413	3,329			3,329
– Other	–	(1)	(8)			(8)
Operating profit before working capital changes	**568,903**	**20,604**	**166,069**			**731,472**
Amounts due to clients	–	(326,877)	(2,634,629)			(2,634,629)
Amounts due from clients	–	57,054	459,855	6.2	348,192	808,047
Amounts due to banks	–	(2,770)	(22,326)			(22,326)
Amounts due from banks	–	613,375	4,943,803			4,943,803
Increase in trade receivables	57,103	–	–			57,103
Increase in inventories	(131,314)	–	–			(131,314)
Increase in other operating assets	(49,299)	352	2,837			(46,462)
Derivative financial assets	–	(83)	(669)			(669)
Derivative financial liabilities	–	(496)	(3,998)			(3,998)

	Consolidated statement of cash flows of the Group for the year ended 31 December 2015 *HK$'000*	Consolidated statement of cash flows of the Bank Group for the year ended 31 December 2015 *CHF'000*	Consolidated statement of cash flows of the Bank Group for the year ended 31 December 2015 *HK$'000* *Note 2*	Notes	Pro forma adjustments *HK$'000*	Unaudited pro forma consolidated statement of cash flow of the Enlarged Group *HK$'000*
Other financial assets at fair value including financial assets available for sale	–	(177,459)	(1,430,320)			(1,430,320)
Accrued and deferred assets	–	540	4,352			4,352
Accrued and deferred liabilities	–	537	4,328			4,328
Increase in trade payables	18,350	–	–			18,350
Increase in trading portfolio assets	(95,919)	3,851	31,039			(64,880)
Decrease in dividend payables	(10)	–	–			(10)
Decrease in other liabilities	(51,859)	(321)	(2,587)	9	3,500	(50,946)
Cash generated from operations	**315,955**	**188,307**	**1,517,754**			**2,181,901**
Income tax paid	(131,718)	(1,241)	(10,002)			(141,720)
Net cash generated from operating activities	**184,237**	**187,066**	**1,507,752**			**2,040,181**
Cash flows from investing activities						
Proceeds from disposal of property, plant and equipment, intangible assets and brand name	11,475	–	–			11,475
Net cash inflow from disposal of subsidiaries	90,192	–	–			90,192
Dividends received	9,234	20	161			9,395
Increase in held-to-maturity investments, treasury notes and bills	–	(254,688)	(2,052,785)			(2,052,785)
Purchase of property, plant and equipment intangible assets, prepaid land lease payments and convertible bond investment	(311,337)	(484)	(3,901)			(315,238)
Consideration payable for acquisition of subsidiaries	11,638	–	–			11,638
Interest received	35,369	–	–			35,369
Increase in other assets	(25,000)	–	–			(25,000)
Increase in short-term investments	(3,155)	–	–			(3,155)

	Consolidated statement of cash flows of the Group for the year ended 31 December 2015 *HK$'000*	Consolidated statement of cash flows of the Bank Group for the year ended 31 December 2015 *CHF'000*	Consolidated statement of cash flows of the Bank Group for the year ended 31 December 2015 *HK$'000* *Note 2*	Notes	Pro forma adjustments *HK$'000*	Unaudited pro forma consolidated statement of cash flow of the Enlarged Group *HK$'000*
Net cash inflow from acquisition of subsidiaries	–	–	–	7	6,684,577	6,684,577
Net cash (used in)/generated from investing activities	**(181,584)**	**(255,152)**	**(2,056,525)**			**4,446,468**
Cash flows from financing activities						
Proceeds from bank and other borrowings	612,139	–	–			612,139
Proceeds from shares issued under share option scheme	146	–	–			146
Change in treasury shares	–	(591)	(4,763)			(4,763)
Interest paid	(76,966)	(319)	(2,571)			(79,537)
Repayment of bank and other borrowings	(491,953)	–	–			(491,953)
Dividends paid	(27,749)	(2,520)	(20,311)			(48,060)
Repurchase of corporate bonds	(51,262)	–	–			(51,262)
Decrease in other liabilities	(13,284)	–	–			(13,284)
Net cash used in financing activities	**(48,929)**	**(3,430)**	**(27,645)**			**(76,574)**
Net (decrease)/increase in cash and cash equivalents	**(46,276)**	**(71,516)**	**(576,418)**			**6,410,075**
Cash and cash equivalents at 1 January 2015	**878,253**	**922,898**	**7,438,558**	**7**	**(7,438,558)**	**878,253**
Effect of exchange rate changes	**4,088**	**(5)**	**(41)**			**4,047**
Cash and cash equivalents at 31 December 2015	**836,065**	**851,377**	**6,862,099**			**7,292,375**

(E) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. To align with the presentation of the financial information of the Enlarged Group in this Unaudited Pro Forma Financial Information, reclassification adjustments are made to the audited consolidated financial statements of the Group for the year ended 31 December 2015 and the audited consolidated financial information included in the accountants' report of the Bank Group for the year ended 31 December 2015 as set out in Appendix II to this circular.

2. For the purpose of this Unaudited Pro Forma Financial Information, the amounts in the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Bank Group for the year ended 31 December 2015 are converted into Hong Kong dollars using an exchange rate of CHF1 to HK$8.06, being the average exchange rate adopted by the Company for the year ended 31 March 2016, and the amounts in the consolidated statement of financial position of the Bank Group as at 31 December 2015 are converted into Hong Kong dollars using an exchange rate of CHF1 to HK$7.81, being the closing exchange rate adopted by the Company as at 31 December 2015.

3. Pursuant to the Share Purchase Agreement, the Company agreed to acquire 68.85% interest in the Bank from Seller 1 with the cash consideration of approximately CHF77,395,000 (equivalent to approximately HK$604,455,000), including the amount of IC-Loan of approximately CHF43,200,000 (equivalent to approximately HK$337,392,000) to be paid by the Company on behalf of Seller 1, and to acquire up to 29.45% interest in the Bank from the Minority Investors with the aggregate cash consideration up to approximately CHF33,105,000 (equivalent to approximately HK$258,550,000). The total consideration would be no more than approximately CHF110,500,000 (equivalent to approximately HK$890,005,000). The remaining 1.7% interest in the Bank is held by the Bank itself as treasury stock.

   Upon the closing of the Minority Investor Election Period, 33 Minority Investors acceded to the Share Purchase Agreement to sell an aggregate of 28,735 number of their respective Minority Investor Sale Shares, representing an aggregate of approximately 14.37% interest in the Bank, to the Group with the cash consideration of approximately CHF16,151,000 (equivalent to approximately HK$126,139,000).

For the purpose of preparation of the Unaudited Pro Forma Financial Information, as if the Acquisition had been completed on 31 December 2015, the Consideration is determined as follows:

	HK$'000
Cash consideration for Seller 1 (being approximately CHF77,395,000 at the rate of CHF1:HK$7.81)	604,455
Cash consideration for Minority Investors (being approximately CHF16,151,000 at the rate of CHF1:HK$7.81)	126,139
Total purchase consideration (being approximately CHF93,546,000 at the rate of CHF1:HK$7.81)	730,594

In summary, the Company totally acquire 83.22% interest in the Bank with the cash consideration of approximately CHF93,546,000 (equivalent to approximately HK$730,594,000). Considering with the effective interest in the aforesaid treasury stock of 1.7%, the Company effectively acquired 84.66% interest in the Bank.

The Bank has 100 registered Class A shares, 135,900 registered Class B shares and 64,000 bearer participation certificates in issue. Holders of Class B shares have the right to receive double dividends, i.e. double the amount of dividend paid to the holders of Class A shares and the participation certificates. There are no differences in the voting rights between Class A shares and Class B shares. Participation certificates do not give any right to the holders to vote at the shareholders' meeting. In the opinion of the Directors, the differences on the dividend paid and voting right between each category of interest in the Bank would not have effect on the consolidation, as if the Acquisition has been taken place on either 1 January 2015 or 31 December 2015.

4. Upon completion of the Acquisition, the identifiable assets and liabilities of the Bank Group are recognised in the unaudited pro forma consolidated statement of finance position of the Enlarged Group at their fair value under the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations".

   The following pro forma adjustments are to reflect the effect of the Acquisition on the unaudited pro forma consolidated statement of finance position of the Enlarged Group as if the Acquisition had been take place on 31 December 2015.

   4.1 The fair value of property, plant and equipment of the Bank Group as at 31 March 2016 are determined by the Directors based on the valuation carried out by Asset Appraisal Limited. Pursuant to the valuation performed by Asset Appraisal Limited, the fair value of property, plant and equipment of the Bank Group as at 31 March 2016, which mainly comprised land and buildings, office furniture and fixture and equipments, is approximately CHF28,883,000 (equivalent to approximately HK$225,576,000). The differences between fair values and carrying amount of property, plant and equipment as at 31 March 2016 are attributable to the fair value revaluation of the land and building. Accordingly, a pro forma adjustment of approximately CHF10,176,000 (equivalent to approximately HK$79,475,000) has been made to adjust the property, plant and equipment of the Bank Group to their fair value as at 31 March 2016.

Fair value of the property, plant and equipment of the Bank Group shall be reassessed on the completion date with reference to the valuation to be carried out by an independent valuer on that date and is therefore subject to change upon completion of the Acquisition.

4.2 As mentioned in note 4.1, the fair value of the property, plant and equipment of the Bank Group as at 31 March 2016 has been revalued to approximately CHF28,883,000 (equivalent to approximately HK$225,576,000) and there was surplus in the fair value over the carrying amounts amounted to approximately CHF10,176,000 (equivalent to approximately HK$79,475,000). In this regard, a temporary difference arises as the carrying amount of the property, plant and equipment increased but the tax base remains unchanged. Thus, the deferred tax liabilities of the Bank Group were increased by approximately CHF1,272,000 (equivalent to approximately HK$9,934,000) in respect of the temporary difference at the income tax rate of 12.5% prevailing in Liechtenstein.

4.3 In the opinion of the Directors, the fair value of contingent liabilities of the Bank Group would be insignificant for the recognition on this Unaudited Pro Forma Financial Information.

5. The pro forma adjustment represents the additional depreciation on the revalued portion of land and building with the amount of approximately CHF308,000 (equivalent to approximately HK$2,482,000), as if the Acquisition had been completed on 1 January 2015. The adjustment is expected to have a continuing financial effect on the Enlarged Group. The depreciation on the revalued portion of land and building is provided on a straight-line basis over the remaining estimated useful life of land and building. As the abovementioned depreciation will have an effect of decreasing the carrying amount of land and building, the deferred tax liabilities associated with the land and building of approximately CHF39,000 (equivalent to approximately HK$314,000).

6. As mentioned in note 3, IC-Loan of approximately CHF43,200,000 (equivalent to approximately HK$337,392,000) shall be paid by the Company on behalf of Seller 1.

   6.1 The pro forma adjustment was made to reflect the repayment of IC-Loan of approximately CHF43,200,000 (equivalent to approximately HK$337,392,000) by the Company on behalf of Seller 1, as if Acquisition had been completed on 31 December 2015.

   6.2 The pro forma adjustment was made to reflect the repayment of IC-Loan of approximately CHF43,200,000 (equivalent to approximately HK$348,192,000) by the Company on behalf of Seller 1, as if Acquisition had been completed on 1 January 2015.

   6.3 The pro forma adjustment was made to reflect the reversal of the impairment loss of approximately CHF10,000,000 (equivalent to approximately HK$78,100,000) on IC-Loan to Seller 1, as if Acquisition had been completed on 31 December 2015.

   6.4 The pro forma adjustment was made to reflect the reversal of the impairment loss of approximately CHF10,000,000 (equivalent to approximately HK$80,600,000) on IC-Loan to Seller 1, as if Acquisition had been completed on 1 January 2015.

7. The calculations of the identifiable net assets of the Bank Group and the goodwill arising from the Acquisition are as follows:

	HK$'000
Net assets as at 31 March 2016 (being approximately CHF57,871,000 at the rate of CHF1:HK$7.81)	451,973
Add: Reversal of the impairment loss on IC-Loan to Seller 1 *(note 6.3)*	78,100
Add: Fair value adjustment on property, plant and equipment *(note 4.1)*	79,475
Less: Fair value adjustment on deferred tax liabilities *(note 4.2)*	(9,934)
Fair value of identifiable net assets	599,614

	HK$'000
Purchase consideration *(note 3)*	730,594
Less: Fair value of identifiable net assets	(599,614)
Add: Non-controlling interests *(note 3)*	91,981
Goodwill	222,961

Net cash inflow from the Acquisition:

	HK$'000
Purchase consideration settled in cash *(note 3)* (being approximately CHF93,546,000 at the rate of CHF1:HK$8.06)	(753,981)
Cash and cash equivalents acquired	7,438,558
Net cash inflow from acquisition of subsidiaries	6,684,577

For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, in the opinion of the Directors, the fair values of the assets and liabilities of the Bank Group being acquired is subject to changes upon completion of the Acquisition because the fair value of the assets and liabilities being acquired shall be assessed on the date of completion.

Since the Unaudited Pro Forma Financial Information of the Enlarged Group is prepared solely for illustrative purposes, the Directors had used the carrying values of all identifiable assets and liabilities of the Bank Group as at 31 March 2016, extracted from the accountants' report on the Bank Group as set out in Appendix II of this circular in the calculation of the estimated goodwill arising from the Acquisition. The subsequent changes from 31 March 2016 to the date of completion and the possible changes to fair values of the assets and liabilities of the Bank Group being acquired were not reflected in the Unaudited Pro Forma Financial Information of the Enlarged Group.

Upon the completion, the fair values of all identifiable assets and liabilities of the Bank Group as at the date of completion of the Acquisition may be different from their respective fair values used in the preparation of the above unaudited pro forma consolidated statement of financial position of the Enlarged Group, the actual amount of goodwill may be materially different from that in the calculation above. The recognition of the estimated goodwill of approximately HK$222,961,000 arising from the Acquisition on the basis that no impairment charges concerning the above estimated goodwill is considered necessary.

For the purpose of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors consider that no impairment is required in respect of the goodwill taking into account the business potential of the. After the completion of the Acquisition, the Group will perform an annual impairment test on goodwill in accordance with Hong Kong Accounting Standard 36 ''Impairment of Assets".

8. Pursuant to the terms of the Share Purchase Agreement, the consideration shall be subject to adjustment as per Completion based on the difference between the total shareholders' equity of the Bank of approximately CHF59,571,000 (equivalent to approximately HK$465,249,000) as at 31 December 2015 (the "2015 Equity Portion") and the total shareholders' equity of the Bank as at Completion (the "Recalculated Equity Portion"). If the Recalculated Equity Portion is higher than the 2015 Equity Portion, the Company shall pay to the Sellers, including Seller 1 and Minority Investors the difference between the Recalculated Equity Portion and the 2015 Equity Portion on a dollar-for-dollar basis. If the Recalculated Equity Portion is lower than the 2015 Equity Portion, the Sellers shall pay to the Company the difference between the Recalculated Equity Portion and the 2015 Equity Portion on a dollar-for-dollar basis.

   Furthermore, if the assets under the management of the Bank at the date of Completion are higher than approximately CHF3,370,711,000 (equivalent to approximately HK$26,325,253,000), the Company will pay 1.225% of the difference between the assets under management of the Bank at the date of the Completion and the aforesaid amount, up to a maximum of approximately CHF1,500,000 (equivalent to approximately HK$11,715,000).

   Aforesaid consideration adjustments shall be determined by reference to the final account prepared in Liechtenstein GAAP. In the opinion of the Directors, no adjustments on the consideration would be considered as necessary, as if the Acquisition has been take place on 31 December 2015.

9. The pro forma adjustment represents the estimated legal and professional fees and other direct costs of the Acquisition of approximately HK$3,500,000. The adjustment is not expected to have a continuing financial effect on the Enlarged Group.

10. Apart from the above, no other adjustments had been made to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 31 December 2015. Unless other stated, the adjustment above are not expected to have a continuing effect on the Enlarged Group.

The following is the text of a report from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant, in respect of the unaudited pro forma financial information as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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TO THE DIRECTORS OF CITYCHAMP WATCH & JEWELLERY GROUP LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Citychamp Watch and Jewellery Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2015, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2015 and related notes as set out on pages 3 to 26 in Appendix III to the circular of the Company dated 26 August 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page 1 to 2 in Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 83.22% interest in the Valartis Bank (Liechtenstein) AG (the "Acquisition") on the Group's financial position as at 31 December 2015 and the Group's financial performance and cash flows for the year ended 31 December 2015 as if the Acquisition had taken place at 31 December 2015 and 1 January 2015, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the consolidated financial statements of the Company for the year ended 31 December 2015, on which an independent auditor's report has been published.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the unaudited 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").

OUR 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 behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains 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 ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited 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 unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the date 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 unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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 unaudited 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 unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 events or transactions at 31 December 2015 or 1 January 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 unaudited 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 unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited 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 unaudited 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 unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong,
26 August 2016

I. 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, 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.

II. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

(i) Long positions in Shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which: (i) were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares held	Approximate percentage of the issued share capital of the Company *(%)*
Hon Kwok Lung	Corporate interests *(Note 1)*	3,217,389,515	74.03
	Beneficial owner	3,500,000	0.08
	Family interest *(Note 2)*	1,374,000	0.03
		3,222,263,515	74.14
Shang Jianguang	Beneficial owner	5,300,000	0.12
Shi Tao	Beneficial owner	5,000,000	0.12
Tao Li	Beneficial owner	5,000,000	0.12
Lam Toi Man	Beneficial owner	2,400,000	0.06
Hon Hau Wong	Beneficial owner	1,750,000	0.04
Fung Tze Wa	Beneficial owner	1,600,000	0.04

Notes:

1. The 3,217,389,515 Shares comprise of 1,840,128,000 Shares held by Full Day and 1,377,261,515 Shares held by Sincere View.

2. 1,374,000 Shares were held by Mr. Hon Kwok Lung's wife, Ms. Lam Suk Ying.

(ii) Long positions in share options of the Company

Name of Director	Date of grant	Number of share options outstanding as at the Latest Practicable Date	Exercisable period	Exercise price per Share
				HK$
Li Qiang	9/12/2008	3,500,000	9/12/2009–7/1/2019	0.325

*(iii) Long position in Zhuhai Rossini Watch Industry Limited ("**Rossini**") (Note 1)*

Name of Director	Nature of interest	Percentage of shareholding
Sit Lai Hei	Corporate *(Note 2)*	9%
Hon Hau Wong	Corporate *(Note 2)*	9%

Notes:

1. Rossini is owned as to 91% indirectly by the Company and 9% by Fujian Fengrong Investment Company Limited ("**Fujian Fengrong**"). Rossini is an associated corporation of the Company within the meaning of Part XV of the SFO.

2. The interest in Rossini was held by Fujian Fengrong, which is owned as to approximately 68.5% by Ms. Sit Lai Hei, executive Director, and 31.5% by Ms. Lu Xiaojun. Both Ms. Sit Lai Hei and Ms. Lu Xiaojun are daughters-in-law of Mr. Hon Kwok Lung, an executive Director. Mr. Hon Hau Wong, the executive Director, being the husband of Ms. Lu Xiaojun, is also deemed to be interested in the 31.5% interest in Fujian Fengrong.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the Share, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which: (i) were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

III. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

On 19 February 2016, Global Wealthy Link Limited, a wholly-owned subsidiary of the Company, and Mr. Hon Kwok Lung, who is an executive Director and the controlling Shareholder entered into an agreement, pursuant to which the Global Wealthy Link Limited has agreed to acquire the entire issued share capital of Shun Heng Securities Limited from Mr. Hon Kwok Lung at a cash consideration of HK$24,800,000. Further details of the transaction is set out in the Company's announcement dated 19 February 2016.

As at the Latest Practicable Date, save as disclosed in this circular:

(i) none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Enlarged Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up, and

(ii) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

IV. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

V. LITIGATION

In June and July 2016, respectively, the Bank Group was served with two separate claims (the "**Claims**") filed by certain investors (the "**Plaintiffs**") of a Liechtenstein investment undertaking (the "**Fund**") with the Princely Liechtenstein Court, Vaduz, against the Bank and VFM AG (a member of the Bank Group). The Plaintiffs had invested an aggregate of approximately US$16.4 million in the Fund, which is an externally managed investment undertaking for qualified investors established on the basis of the Liechtenstein Law on Investment Undertakings. The Fund was managed by VFM AG with the asset management function outsourced to an external asset manager, and the Bank acted as the Fund's custodian bank. As at the Latest Practicable Date, the Fund was in the process of being liquidated.

The Plaintiffs alleged that the Bank and VFM AG have breached their respective duties to ensure that the investment made under the Fund should be in compliance with the Fund's investment guidelines, and sought through the Claims for declaratory judgments that the Bank and VFM AG should be jointly and severally liable for any damages suffered by the Plaintiffs as a result of the breach by the Bank and VFM AG of their respective duties. As the Claims are in the preliminary stage of the litigation process, the Bank Group is still in the process of collecting and reviewing the relevant information relating to the Claims. Both the Bank and VFM AG are required to file a response to one of the Claims by 23 September 2016, and subject to the relevant court process, expect to file their responses to the other Claim in October/November 2016. In this regard, the

Company has been informed by the Bank that, based on the information available to the Bank Group as at the Latest Practicable Date and after consultation with its external legal advisers, the Bank is of the view that it has complied with its obligations as the Fund's custodian bank to the extent required by law and thus payment obligations of the Bank arising from the Claims are not probable. With respect to the Claims against VFM AG as the Fund's management company, as the relevant litigation process is at the preliminary stage, the Bank is of the view that it would not be practical to assess the relevant potential impact of the Claims on VFM AG as at the Latest Practicable Date.

The Company has been further informed by the Bank that the Bank Group's maximum possible exposure expected by the Bank with respect to the Claims will not be significantly higher than the approximately USD16.4 million (equivalent to approximately HK$127.9 million). Of the aforesaid, the Bank has been advised by its external legal adviser that the Bank's maximum possible exposure as the Fund's custodian bank is expected to be limited at approximately USD1 million (equivalent to approximately HK$7.8 million), and the Bank is of the view that it would have sufficient funds to absorb the loss even if the Claims against the Bank as the Fund's custodian bank were to materialise, without materially affecting the Bank's business operation.

Furthermore, as the Claims against the Bank and VFM AG are merely for declaratory judgments, no specific amount was claimed against the Bank and VFM AG. The Bank has been advised by its external legal advisers that even if the Plaintiffs were to succeed in the Claims, this would not lead to immediate payment obligations on the part of the Bank Group as it would be necessary for the exact damages suffered by the Plaintiffs to be determined in further court proceedings. The Company has thus been informed by the Bank that, given the preliminary nature of the Claims and the information available to the Bank as at the Latest Practicable Date, there is no reason for the Bank to believe that the Claims will have any material adverse impact on the business operation of the Bank Group.

Based on the information provided by the Bank, the Directors are of the view that the Claims will not have any material adverse impact on the business operation of the Enlarged Group, as the Enlarged Group would have sufficient funds to absorb the loss arising from the Claims without materially affecting the Enlarged Group's business operation, even if the maximum exposure of the Bank Group under the Claims were to materialise.

Save as otherwise disclosed, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

VI. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(i) On 20 April 2015, Actor Investments Limited ("**Actor**"), a wholly-owned subsidiary of the Company, 北京坤泰恒時商貿有限公司 (Beijing Kuntai Hengshi Trading Company Limited*) ("**Kuntai Hengshi**"), Ms. Wang Renfeng, Mr. Wang Zhijun and Mr. Yang Feng (the "**PRC Partners**") entered into a settlement agreement, pursuant to which all parties agreed to terminate all the joint venture agreements and Kuntai Hengshi and the PRC Partners agreed to refund to Actor all the investments that Actor had been invested in 北京海納天時鐘錶有限公司 (Beijing Haina Tianshi Watch Company Limited*) ("**Beijing Haina**") and Actor agreed to transfer its 51% equity interest in Beijing Haina to Kuntai Hengshi;

(ii) On 5 February 2015, the Group entered into an agreement with Codex Swiss AG, a subsidiary of Fair Future Industrial Limited, in respect of the disposal of a brand name CodeX to Codex Swiss AG at the consideration of HK$30,000,000;

(iii) On 19 February 2016, Global Wealthy Link Limited, a wholly-owned subsidiary of the Company, and Mr. Hon Kwok Lung, who is an executive Director and the controlling Shareholder entered into an agreement, pursuant to which the Global Wealthy Link Limited has agreed to acquire the entire issued share capital of Shun Heng Securities Limited from Mr. Hon Kwok Lung at a cash consideration of HK$24,800,000;

(iv) the Original Share Purchase Agreement; and

(v) the Amendment Agreement.

VII. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or Substantial Shareholder or any of their respective associates had any interest in business which competes with or may compete with the businesses of the Enlarged Group or had any other conflict of interests which any person has or may have with the Group.

VIII. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants
Ernst & Young Limited, Switzerland	Registered and licensed audit company
Niederer Kraft & Frey Ltd.	Swiss legal advisers

As at the Latest Practicable Date, none of the experts named above had any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, each of the above experts was not interested beneficially or non-beneficially in any shares in the Company or any of its subsidiaries or any 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.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or reference to its name in the form and context in which it respectively appears.

IX. MISCELLANEOUS

(i) The registered office of the Company is at P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands and the principal place of business of the Company in Hong Kong is at Units 1902–04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

(ii) The share registrar and transfer office of the Company is Tricor Secretaries Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(iii) The company secretary and qualified accountant of the Company is Mr. Fong Chi Wah, who is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of Certified Practising Accountant (Australia), a Chartered Financial Analyst and a member of the Hong Kong Institute of Directors.

(iv) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

X. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Units 1902–04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong during normal office hours on any weekday, except Saturdays and public holidays, from the date of this circular up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the material contracts referred to in the section headed "Material contracts" in this Appendix;

(iii) the annual reports of the Company for each of the two financial years ended 31 December 2014 and 2015;

(iv) the accountants' report of the Bank Group, the text of which is set out in Appendix II to this circular;

(v) the report from BDO Limited on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(vi) the written consents of experts referred to in the sub-section headed "Qualifications and consents of experts" in this Appendix; and

(vii) this circular.

CITYCHAMP WATCH & JEWELLERY GROUP LIMITED
冠 城 鐘 錶 珠 寶 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Citychamp Watch & Jewellery Group Limited (the "**Company**") will be held at Units 1902–04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, on Tuesday, 13 September 2016 at 11:00 a.m. (and any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) (i) the share purchase agreement (the "**Share Purchase Agreement**") dated 24 March 2016 entered into between the Company and Valartis Finance Holding AG ("**Seller 1**") and acceded to by certain minority shareholders (together with Seller 1, the "**Sellers**") of Valartis Bank (Liechtenstein) AG (the "**Bank**"), and (ii) the amended agreement dated 3 May 2016 entered into between the Company and Seller 1, and acceded to by certain minority investors of the Bank (the "**Amendment Agreement**"), copies of which are tabled at the meeting and marked A and B respectively, and initialed by the chairman of the meeting for identification purposes, pursuant to which the Company conditionally agreed to acquire and the Sellers conditionally agree to sell, an aggregate of 100 registered Class A shares, 120,900 registered Class B shares and 45,435 participation certificates of the Bank, be and is hereby approved, confirmed and ratified; and

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal of the Company is necessary, be and is hereby authorised to execute all instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for the purpose of and in connection with the implementation of and/or giving effect to the Share Purchase Agreement, the Amendment Agreement and the transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."

By order of the Board of
Citychamp Watch & Jewellery Group Limited
Fong Chi Wah
Chief Financial Officer & Company Secretary

Hong Kong, 26 August 2016

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of such member. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of authority must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or adjourned meeting as the case may be).

3. Completion and return of the form of proxy shall not preclude a member of the Company 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 share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he/she was solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share of the Company stands shall for this purpose be deemed joint holders thereof.