

Kina Securities Limited Company No.1-10989 | ARBN 606 168 594

Prospectus

Prospectus for initial public offering
of 97 million shares in Kina Securities
Limited at \$1.00/K2.08 per share

Underwriter
Morgans Corporate Ltd



IMPORTANT NOTICES

Offer

The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares in Kina Securities Limited (**Kina or Company**) (**Shares**). This Prospectus is issued by the Company and Fu Shan Investment Limited (**Fu Shan**).

Lodgement, Original Prospectus and Listing

This Prospectus is dated 2 July 2015 and was lodged with ASIC and submitted to the Registrar for registration under the PNG Securities Act on that date. This is a replacement prospectus which replaces the prospectus dated 22 June 2015 (**Original Prospectus**) and lodged with ASIC on that date (**Prospectus Date**). The Company applied within seven days of the Prospectus Date to ASX and POMS0X for its admission to the official lists, and quotation of its Shares by, ASX and POMS0X.

This Prospectus differs from the Original Prospectus. Key differences relate to descriptions relating to the anticipated dividend for FY15 and the effective annualised dividend yield in the Key Offer statistics and Section 1.3 and the inclusion of statements in relation to the FY15 operations of the Company in Sections 1.3 and 5. Section 4 of this Prospectus also includes a summary of the number of Performance Rights the CEO and other senior executives will receive in FY15 under relevant incentive plans. Sections 3.3 and 9.4 include additional disclosure in relation to the Company's shareholding in POMS0X. In addition, the lodgement of this replacement Prospectus has also required certain references to the 'Prospectus' to be amended to refer to the 'Original Prospectus' and to reflect the fact that application has been made to ASX and POMS0X for admission and for quotation of the Shares.

None of ASIC, ASX, the Registrar, the PNG Securities Commission, Investment Promotion Authority of PNG or POMS0X nor their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

If permission is not granted for the official quotation of Shares on ASX and POMS0X within six weeks after the Prospectus Date (or any later date permitted by law), all Application Payments will be refunded without interest as soon as practicable.

Expiry Date

No Shares will be issued or sold on the basis of this Prospectus after the Expiry Date.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in Kina. In considering the prospects of Kina, you should consider the risk factors that could affect the financial performance of Kina. You should carefully consider these factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest. Some of the risk factors that should be considered by prospective investors are set out in Section 6. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of Kina, the repayment of capital by Kina or the payment of a return on the Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Kina, Fu Shan, their respective directors or any other person in connection with the Offer. You should only rely on information in this Prospectus.

Exposure Period

The Australian Corporations Act prohibits Kina and Fu Shan from processing applications to subscribe for, or acquire, Shares under this Prospectus (Applications) in the seven day period after the date of lodgement of the Original Prospectus (Exposure Period). This period may be extended by ASIC by up to a further seven days. The Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. Applications received during the Exposure Period will not be processed until after the expiry of that period.

Obtaining a Copy of this Prospectus

This Prospectus is available to PNG and Australian investors in electronic form at www.kina.com.pg. The Offer constituted by this Prospectus in electronic form at www.kina.com.pg is available only to persons accessing and downloading or printing the electronic copy of the Prospectus within PNG or Australia. It is not available to persons in other jurisdictions (including the United States). If you access this Prospectus electronically, you must download the entire Prospectus.

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus. By making an Application you represent and warrant that you were given access to the Prospectus together with an Application Form.

The Australian Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

No Cooling-Off Rights

Cooling-off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Statements of Past Performance

This Prospectus includes information regarding the past performance of Kina and the Kina business. Investors should be aware that past performance is not indicative of future performance.

Financial Performance

Section 5 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of the financial information is set out in Section 5.2.

All references to FY12, FY13, FY14, FY15 and FY16 appearing in this Prospectus are to the financial years ended or ending 31 December 2012, 31 December 2013, 31 December 2014, 31 December 2015 and 31 December 2016, respectively, unless otherwise indicated.

The financial information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by IFRS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the PNG Companies Act.

All financial amounts contained in this Prospectus, other than amounts in Section 4, are expressed in PGK, unless otherwise stated. Financial amounts contained in Section 4 of this Prospectus are in AUD, unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding. Unless otherwise stated, AUD amounts expressed in PGK, and PGK amounts expressed in AUD, have been calculated using a foreign exchange rate of 2.076 PGK to 1 AUD.

Forward Looking Statements

This Prospectus contains forward looking statements which are identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may", and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements.

Any forward looking statements are subject to various known and unknown risk factors, uncertainties, assumptions and other important factors, many of which are beyond the control of Kina, the Directors of Kina, Fu Shan, the directors of Fu Shan and management of Kina, that could cause Kina's actual results to differ materially from the results expressed or anticipated in

these statements. Forward looking statements should be read in conjunction with, and are qualified by reference to, risk factors as set out in Section 6, general assumptions as set out in Section 5.7.1, specific assumptions as set out in Section 5.7.2, the sensitivity analysis as set out in Section 5.9, and other information in this Prospectus.

Kina and Fu Shan cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements. Kina has no intention of updating or revising forward looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information, contained in this Prospectus, except where required by law.

This Prospectus, including the overview of Kina in Section 3 and the industry overview in Section 2, uses market data, industry forecasts and projections. Kina and Fu Shan have based some of this information on market research prepared by third parties. You should note that the such information is inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. There is no assurance that any of the forecasts contained in the reports, surveys and any research of third parties which are referred to in this Prospectus, will be achieved. Neither Kina nor Fu Shan have independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 6.

Photographs and Diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Kina or Fu Shan. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Company Website

Any references to documents included on Kina's website at www.kina.com.pg are for convenience only, and none of the documents or other information available on Kina's website is incorporated herein by reference.

Defined Terms and Time

Defined terms and abbreviations used in this Prospectus have the meanings given in the Glossary. Unless otherwise stated or implied, references to times in this Prospectus are to PNG time.

Disclaimer

Except as required by law, and only to the extent so required, none of Kina, Fu Shan, the Underwriter (or any of their respective related bodies corporate or affiliates, officers, directors, employees, agents or advisers, and/or their respective related bodies corporate and/or affiliates) nor any other person involved in the Offer warrants or guarantees the future performance of Kina, or any return on any investment made pursuant to this Prospectus.

As set out in Section 7.10.1, it is expected that the Shares will be quoted on ASX and POMSx initially. Kina, Fu Shan, Kina's service provider Link Market Services Limited (ABN 54 083 214 537) (**Share Registry**) the Underwriter and the Existing Shareholders disclaim all liability, to the extent permitted by law, whether in negligence or otherwise, to persons who trade Shares before receiving their Holding Statements.

Selling Restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside PNG or Australia. The distribution of this Prospectus (including in electronic form) outside PNG or Australia may be restricted by law and persons who come into possession of this Prospectus outside PNG or Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed in the United States and does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares offered under the Offer have not been, and will not be, registered under the US Securities Act of 1933 and will not be offered or sold in the United States.

See Section 9.9 for more detail on selling restrictions that apply to the offer and sale of Shares in jurisdictions outside PNG or Australia.

Privacy

By filling out the Application Form to apply for Shares, you are providing personal information to Kina and Fu Shan through the Share Registry, which is contracted by Kina to manage Applications. Kina, Fu Shan and the Share Registry on their behalf, may collect, hold, use and disclose that personal information for the purpose of processing your Application, service your needs as a Shareholder, provide facilities and services that you need or request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, Kina, Fu Shan and the Share Registry may not be able to process or accept your Application. Your personal information may also be used from time to time to inform you about other products and services offered by Kina, which it considers may be of interest to you.

Your personal information may also be provided to Kina's agents and service providers on the basis that they deal with such information in accordance with Kina's privacy policy. The agents and service providers of Kina may be located outside PNG or Australia where your personal information may not receive the same level of protection as that afforded under PNG or Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- > the Share Registry for ongoing administration of the register of members;
- > printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- > market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- > legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the PNG Companies Act and the PNG taxation legislation requires Kina to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. The information contained in Kina's register of members must remain there even if that person ceases to be a Shareholder. Information contained in Kina's register of members is also used to facilitate dividend payments and corporate communications (including Kina's financial results, annual reports and other information that Kina may wish to communicate to its Shareholders) and compliance by Kina with legal and regulatory requirements.

An Applicant has a right to gain access to his or her personal information that Kina, Fu Shan and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by a telephone call to Kina's registered office or the Share Registry's office, details of which are disclosed in the corporate directory on the final page of this Prospectus. Applicants can obtain a copy of Kina's privacy policy by visiting the Kina website (www.kina.com.pg).

Questions

If you are considering applying for Shares under the Offer, this document is important and should be read in its entirety.

If you have any questions in relation to the Offer, please call the Kina Offer Information Line on 1800 072 766 (within Australia), (675) 321 6377 (within PNG) or +61 1800 072 766 (international) (Monday to Friday from 8.30am to 5.30pm (PNG time)) or contact your syndicate broker or other professional adviser.

Our vision is for prosperous customers and communities, underpinned by progressive, accessible financial services.

Our purpose is to improve our customers' individual circumstances, by giving them choice and financial control.

Our people are passionate about making a difference and empowering customers to effect positive life change.

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Together it's possible



KEY DATES

Original Prospectus lodgement date	22 June 2015
Offer opens	7 July 2015
Broker Firm Offer to PNG resident investors closes	10 July 2015
Offer closes	21 July 2015
Settlement of the Offer	22 July 2015
Issue and transfer of Shares under the Offer	23 July 2015
Despatch of Holding Statements	27 July 2015
Shares expected to commence trading	30 July 2015

Dates may change

The key dates above are indicative only and may change without notice.

Kina and the Underwriter may agree to vary the timetable, including extending the Closing Date, closing the Offer early without notice, accepting late Applications either generally or in particular cases or withdrawing the Offer at any time before Shares are issued or transferred, as the case may be.

If the Offer is withdrawn before the issue or transfer of the Shares, as the case may be, all Application Payments received by Kina will be refunded (without interest) to Applicants as soon as possible after the withdrawal.

Furthermore, ASIC may extend the Exposure Period by up to seven days in which case the Opening Date and other dates may be varied accordingly without notice.

If you wish to apply for Shares, you are encouraged to do so as soon as possible after the Opening Date.

KEY OFFER STATISTICS

The following table highlights key Offer statistics and should be read in conjunction with the financial information contained in Section 5.

	AUD	PGK
Offer Price	\$1.00	K2.08
Gross proceeds of the Offer ¹	\$97 million	K202 million
Total number of Shares available under the Offer	97 million	
Total number of Shares following the Offer	164 million	
Market capitalisation at the Offer Price ¹	\$164 million	K341 million
Price to book ratio ^{2,6}	1.47	
Price to net tangible assets ^{3,6}	2.47	
Capital adequacy (T1+T2) ^{4,6}	28%	
Offer Price/2015 forecast NPAT per Share ^{5,6}	7.5x	
Anticipated dividend for the year ending 31 December 2015 per share ⁷	\$0.032	K0.066
Effective annualised dividend yield ⁸	9.7%	

1. These amounts have been calculated using a foreign exchange rate of 2.076 PGK to 1 AUD.
2. Price to book ratio is calculated as the Offer Price divided by the total assets as at 31 December 2014 (on a pro forma basis) minus liabilities (per Share) (see Section 5).
3. Price to net tangible assets ratio is calculated as the Offer Price divided by the total assets as at 31 December 2014 (on a pro forma basis) minus intangible assets and liabilities (per Share) (see Section 5).
4. Capital adequacy is calculated as the sum of the forecast tier one capital and the tier two capital as at 31 December 2015 (on a pro forma basis) divided by the risk weighted assets (see Section 5).
5. This ratio is commonly referred to as a price to earnings or PE ratio. The PE ratio is calculated as the Offer Price divided by forecast net profit after tax ('NPAT') for the year ending 31 December 2015 (on a pro forma basis) (per Share) (see Section 5).
6. The 'pro forma basis' of the financial information is a reference to indicate that this information has been prepared on a basis adjusted for certain significant items and pro forma adjustments, including to present the Kina Group and the Maybank PNG Group on a combined basis as if the Acquisition had already completed. More detailed financial information and further information in relation to the pro forma adjustments can be found in Section 5.
7. The anticipated dividend for the year ending 31 December 2015 is the forecast dividend payable for the year ending 31 December 2015 (per Share), based on the anticipated dates of the Offer and the Acquisition (an approximated four month period). For more information on Kina's dividend policy, see Section 5.11.
8. The effective annualised dividend yield is the anticipated dividend for the year ending 31 December 2015 annualised to reflect the period to which the dividend relates based on the anticipated dates of the Offer and the Acquisition (an approximated four month period) divided by the Offer Price. For more information on Kina's dividend policy, see Section 5.11.

CHAIRMAN'S LETTER

Dear Investor

On behalf of the Directors, it is my pleasure to offer you an opportunity to invest in Kina Group. Kina Group will bring together two of the leading financial institutions in Papua New Guinea (**PNG**), Maybank PNG and Kina. The combined organisations will form a leading diversified financial services provider in PNG.

Kina Group provides investors with exposure to PNG's growing economy and the resulting growing demand for financial services in PNG. Importantly, PNG's financial services sector is supported by strong prudential and regulatory standards.

Kina entered into an agreement to acquire the Maybank PNG Group in May 2015. The Acquisition will enhance Kina Group's position as a leading diversified financial services provider in PNG and facilitate the next phase of the Group's growth. Maybank PNG was identified as an attractive acquisition due to its established infrastructure, conservative capital structure and strong client base. It is anticipated that the Acquisition will be completed by September 2015.

Following the acquisition of the Maybank PNG Group, Kina Group will operate:

- > the fourth largest bank in PNG, with over 11,000 clients and seven branches
- > the largest wealth management business in PNG, with over K5.2 billion of FUM as at March 2015
- > the leading stockbroking company in PNG, transacting 62% of trades on the Port Moresby Stock Exchange (POMSoX) in 2014
- > one of the largest fund administrators in PNG, managing funds on behalf of over 155,000 beneficiaries

Following the Acquisition, Kina Group will continue to offer the following services: secured and unsecured loans, foreign exchange, personal and business financial services, stockbroking, funds management and administration, trustee and custodial services. The Acquisition will provide Kina Group with future growth potential through new product development and significant cross-selling opportunities.

The Offer comprises a Broker Firm Offer, the Institutional Offer and an Employee Gift Offer to Eligible Employees to raise a total of K202 million (\$97 million) via the issue of 75.6 million New Shares and the sale of 21.6 million Existing Shares. On completion of the Offer, the Company will have a market capitalisation of approximately K341 million. The Offer is fully underwritten by Morgans.

This Prospectus contains detailed information regarding Kina Group's operations, financial performance, its financial position and management. A detailed summary of the key risks associated with an investment in Kina and the operation of Kina Group's business is set out in Section 6. I encourage you to read this Prospectus carefully and in its entirety before making an investment decision.

On behalf of the Board and management, I look forward to welcoming you as a Shareholder.

Yours faithfully



**Sir Rabbie Namaliu, GL CSM KCMG
Chairman**

SECTION 1: INVESTMENT OVERVIEW

This Section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. Particular attention is drawn to the risk factors described in Section 6.

1.1 Offer overview

Topic	Summary	Where to find more information																																							
What is the Offer?	<p>The Offer is an offering of up to \$97 million / K202 million worth of Shares which will in part be issued by Kina and in part sold by major Existing Shareholder, Fu Shan.</p> <p>The Offer is fully underwritten by the Underwriter.</p>	Section 7																																							
What is the Offer Price?	<p>The Offer Price is:</p> <ul style="list-style-type: none"> > \$1.00 per Share for Australian resident investors under the Broker Firm Offer and under the Institutional Offer; and > K2.08 per Share for PNG resident investors under the Broker Firm Offer. <p>No cash consideration is payable under the Employee Gift Offer.</p>	Section 7.5																																							
What is the purpose of the Offer?	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> > fund, in part, the acquisition of Maybank PNG Group; > facilitate the partial sell-down of Shares held by major shareholder Fu Shan in order to satisfy regulatory requirements; > provide the Company with working capital and funding for growth initiatives; > facilitate a listing on the ASX and POMSx; and > improve the Company's access to capital markets. 	Section 7.3																																							
Who will receive the Offer proceeds?	<p>The proceeds from the Offer will be used as follows:</p> <ul style="list-style-type: none"> > K156.9 million will be paid to Kina to fund the Acquisition, provide working capital and pay the costs associated with the Offer; and > K44.8 million will be paid to the major Existing Shareholder, Fu Shan, in respect of Shares sold by Fu Shan under the Offer. 	Section 7.3																																							
Who are the Existing Shareholders and what will their interest in Kina be at Completion of the Offer?	<p>The ownership structure of Kina before and after Completion of the Offer is shown by the following:</p> <table border="1"> <thead> <tr> <th rowspan="2">Shares</th> <th colspan="2">Ownership of the Company prior to Completion of the Offer</th> <th colspan="2">Ownership of the Company following Completion of the Offer</th> </tr> <tr> <th>Quantity</th> <th>Percentage</th> <th>Quantity</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Fu Shan</td> <td>78,869,132</td> <td>89.5%</td> <td>57,295,900</td> <td>35.0%</td> </tr> <tr> <td>Wayne Golding</td> <td>4,846,706</td> <td>5.5%</td> <td>4,846,706</td> <td>3.0%</td> </tr> <tr> <td>Columbus Investments Ltd</td> <td>4,406,097</td> <td>5.0%</td> <td>4,406,097</td> <td>2.7%</td> </tr> <tr> <td>New Shares to be issued under the Offer</td> <td></td> <td></td> <td>75,671,318</td> <td>46.2%</td> </tr> <tr> <td>Existing Shares to be sold under the Offer</td> <td></td> <td></td> <td>21,573,232</td> <td>13.2%</td> </tr> <tr> <td>Total</td> <td>88,121,935</td> <td>100%</td> <td>163,793,252</td> <td>100%</td> </tr> </tbody> </table> <p>Following the Completion of the Offer, Fu Shan will remain a substantial shareholder of Kina, holding approximately 35% of the issued share capital in Kina. At Listing, Shares held by Fu Shan (in respect of part of its holding), Wayne Golding and Columbus Investments Ltd will be subject to voluntary escrow arrangements. See Section 9.12.6 for further details.</p> <p>Columbus Investments Ltd is an entity controlled by Syd Yates, the CEO of Kina.</p>	Shares	Ownership of the Company prior to Completion of the Offer		Ownership of the Company following Completion of the Offer		Quantity	Percentage	Quantity	Percentage	Fu Shan	78,869,132	89.5%	57,295,900	35.0%	Wayne Golding	4,846,706	5.5%	4,846,706	3.0%	Columbus Investments Ltd	4,406,097	5.0%	4,406,097	2.7%	New Shares to be issued under the Offer			75,671,318	46.2%	Existing Shares to be sold under the Offer			21,573,232	13.2%	Total	88,121,935	100%	163,793,252	100%	Section 7.4.3
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Topic	Summary	Where to find more information
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	<p>Certain Shares retained by Fu Shan and all Shares retained by Management Shareholders following Completion of the Offer will be subject to voluntary escrow arrangements. Employee Gift Offer Shares will be subject to a 12 month trading restriction.</p> <p>Fu Shan escrow arrangements</p> <p>To comply with the conditions imposed by BPNG in relation to the Acquisition, Shares retained by Fu Shan following Completion of the Offer equal to (but not more than) 20% of the total number of Shares on issue immediately after settlement of the Offer will be subject to voluntary escrow arrangements.</p> <p>Under the terms of the voluntary escrow arrangements, subject to certain customary exceptions, Escrowed Shares held by Fu Shan may not be sold within 12 months from Completion of the Acquisition or admission of Kina to the official lists of ASX and POMSx, whichever is earlier.</p> <p>In addition, for the duration of the Escrow Period, Fu Shan must direct Kina to pay any dividends, returns of capital or other distributions attaching to the Fu Shan Escrowed Shares into an account approved by BPNG. Fu Shan may not distribute or dispose of those amounts without the prior written consent of BPNG.</p> <p>Management Shareholders escrow arrangements</p> <p>Shares retained by the Management Shareholders will also be subject to voluntary escrow arrangements. Under the terms of those escrow arrangements, subject to certain customary exceptions, Escrowed Shares held by Management Shareholders may not be sold until a date which is two Business Days after the date on which Kina's half year financial results for the period ending 30 June 2016 are released to ASX and POMSx by Kina.</p>	Sections 7.6.3 and 9.12.6
How is the offer structured?	<p>The Offer is fully Underwritten and comprises:</p> <ul style="list-style-type: none"> > the Broker Firm Offer, which is open to Australian resident investors and PNG resident investors who are not Institutional Investors and who receive a firm allocation of Shares from their Broker; > the Institutional Offer, which consisted of an invitation to bid for Shares made to certain Institutional Investors in PNG, Australia and a number of other eligible jurisdictions; and > the Employee Gift Offer, which is open to Eligible Employees. <p>There is no general public offer.</p>	Section 7
What is the minimum Application Amount under the Broker Firm Offer and the Employee Gift Offer?	<p>Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum Application Amount.</p> <p>Eligible Employees are invited to apply for up to 100 Shares for each year of employment at no cost under the Employee Gift Offer.</p> <p>Kina and the Underwriter reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for, in their absolute discretion.</p>	Section 7.5
How do I apply for Shares?	<p>If you are applying under the Broker Firm Offer, you may apply for Shares by completing the Australian Broker Firm Application Form (if you are an Australian resident investor) or the PNG Broker Firm Application Form (if you are a PNG resident investor), each of which is attached to or accompanying this Prospectus. Applicants under the Broker Firm Offer must lodge their completed Application Form and Application Payment with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Registry.</p> <p>If you are an Eligible Employee, you should have received an email detailing the terms of the Employee Gift Offer and the number of Shares that you are invited to apply for, together with a copy of this Prospectus. Eligible Employees are invited to apply for Shares online and must comply with the instructions on the website, www.kina.com.pg.</p>	Section 7.6
What is the allocation policy?	<p>The allocation of Shares between the Institutional Offer and the Broker Firm Offer will be determined by the Underwriter in consultation with the Company.</p>	Sections 7.5 and 7.6

SECTION 1: INVESTMENT OVERVIEW

Topic	Summary	Where to find more information
Is the Offer underwritten?	Yes, the Offer is underwritten by Morgans in accordance with the terms of the Underwriting Agreement.	Section 7.7
Will the Shares be quoted on the ASX and POMS0X?	<p>The Company applied, within seven days of the Prospectus Date, for admission to the official lists of ASX and POMS0X, and quotation of its Shares by ASX (which is expected to be under the code 'KSL') and POMS0X (which is expected to be under the code 'KSL').</p> <p>Completion of the Offer is conditional on ASX and POMS0X approving these applications. If approval is not given within six weeks of the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Payments received will be refunded without interest, as soon as practicable.</p>	Section 7.10
What is the dividend policy and when will I receive dividends?	<p>Directors forecast a dividend of \$0.032 / K0.066 per Share for the full year ending 31 December 2015 (which forecast reflects the anticipated dates of the Offer and Acquisition).</p> <p>Beyond the 2015 financial year it is the Board's intention to distribute dividends of between 65% and 80% of cash NPAT to be paid in respect of each half year and full year. It is expected that dividends will be paid in PGK (or paid in AUD to shareholders with holdings quoted on ASX at the current exchange rate on the dividend payment date) subject to available profits, and the financial position of the Company.</p>	Section 5.11
What are the costs of the Offer?	<p>The costs of the Offer are estimated to be approximately \$9.0 million / K18.7 million.</p> <p>The costs of the Offer relate to fees payable by the Company as follows:</p> <ul style="list-style-type: none"> > underwriting fees payable pursuant to the Underwriting Agreement – \$4.1 million / K8.6 million; > aggregate commitment fees payable under the Subscription Agreements – \$2.0 million / K4.1 million; > professional advice fees payable pursuant to engagements with advisers – \$2.0 million / K4.1 million; and > other costs – \$0.9 million / K 1.9 million. <p>These costs will be paid by Kina.</p>	Sections 4.3.1 and 9.12.5
Is there any brokerage or commission payable by Applicants?	No brokerage or commission is payable by Applicants on the acquisition of Shares under the Offer.	Section 7.12
What are the tax implications of investing in the Company?	<p>Summaries of certain Australian and PNG tax implications of participating in the Offer and investing in the Shares are set out at Section 9.7.</p> <p>The tax implications for investors will differ depending on their individual circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p>	Section 9.7
When will I receive confirmation that my Application has been successful?	Holding Statements confirming allocations under the Offer are expected to be despatched to Shareholders on 27 July 2015.	Refer to 'Key Dates' and Section 7.10
How can further information be obtained?	Further information can be obtained by reading this Prospectus in its entirety, by speaking to your accountant, stockbroker or other professional adviser, by calling the Kina Offer Information Line on 1800 072 766 (within Australia), (675) 321 6377 (within PNG) or +61 1800 072 766 (international) (Monday to Friday from 8.30am to 5.30pm (PNG time)), or by visiting the Company website at www.kina.com.pg .	Section 7.13
Can the Offer be withdrawn?	<p>The Company reserves the right not to proceed with the Offer at any time before the issue or transfer of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Payments will be refunded.</p> <p>No interest will be paid on any Application Payments refunded as a result of the withdrawal of the Offer.</p>	Section 7

Topic	Summary	Where to find more information
Dual listing on ASX and POMS0X	<p>On admission to the official lists of ASX and POMS0X, Kina will be dual-listed, meaning that its Shares may be traded on both ASX and POMS0X and that it will need to comply with the ASX Listing Rules and the POMS0X Listing Rules.</p> <p>Kina is a company incorporated in PNG and is principally governed by PNG law, rather than Australian law. As Kina is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are regulated by PNG law. A comparison of how companies are regulated under PNG law as opposed to Australian law is set out in Section 9.1.3.</p>	Section 9

1.2 Kina overview

Topic	Summary	Where to find more information
Who is Kina?	<p>Kina is the ultimate holding company of the Kina Group. The Kina Group is currently a diversified financial services provider in PNG.</p> <p>Following Completion of the Acquisition, the Kina Group will be one of the largest diversified financial service providers and the fourth largest bank in PNG, with in excess of 14,000 customers and over 250 staff.</p> <p>Following the Acquisition, the Kina Group will operate under two business divisions: Kina Wealth Management and Kina Bank.</p> <p>Kina Bank will offer a variety of services including:</p> <ul style="list-style-type: none"> > loans and advances (such as housing loans, term loans, overdrafts, revolving credit, syndicated loans and festival loans); > trade financing (such as letters of credit, documentary collection, bank guarantees and export bill purchases and negotiations); > retail banking, including deposits and funding; > remittance; > foreign exchange transactions; > insurance premium funding; > novated and operating leases; and > general insurance on an agency basis. <p>Kina Wealth Management will offer services including:</p> <ul style="list-style-type: none"> > funds management and advisory; > funds administration; > custodian and trustee services; > financial planning; and > stockbroking and corporate advisory. 	Section 3
Who are Maybank PNG and Mayban Property and what is the Maybank PNG Group?	<p>Maybank PNG is a wholly-owned subsidiary of Malayan Banking Berhad. It holds a banking licence under the PNG BFI Act to undertake commercial activities in PNG.</p> <p>The Maybank PNG Group is comprised of Maybank PNG and Mayban Property, a special purpose company that owns the premises at which Maybank PNG's Port Moresby branch is located.</p> <p>Following Completion of the Acquisition, Maybank PNG and Mayban Property will be wholly-owned subsidiaries of Kina.</p>	Section 3.4
Why is Kina acquiring the Maybank PNG Group?	<p>Maybank PNG was identified as an attractive acquisition for Kina due to its established infrastructure, conservative capital structure and strong client base.</p> <p>Following the Acquisition, Kina Group will become one of the largest diversified financial services providers in PNG.</p>	Section 3.4

SECTION 1: INVESTMENT OVERVIEW

Topic	Summary	Where to find more information
What support will Malayan Banking Berhad provide to Kina post Acquisition?	Malayan Banking Berhad will provide certain key existing expatriate senior executives to Kina on a secondment basis for up to 12 months post Acquisition. The seconded executives cover a range of senior executive, operational, business development, IT and compliance functions, and will deliver training and knowledge transfer programs to Kina staff to ensure business continuity.	Section 3.4
Who is Fu Shan?	<p>Fu Shan currently holds 89.5% of the Shares in Kina. A portion of the funds raised by the Offer will be used to facilitate the partial sell-down of Fu Shan. Following the Offer, Fu Shan will remain a substantial shareholder of Kina, holding approximately 35% of the Shares.</p> <p>Fu Shan is an investment company incorporated in Hong Kong. It is controlled by Madam Ho Lay Puay, a Singaporean national resident in Hong Kong. Madam Ho is a private investor with investments principally in the property, mining and resources sectors.</p>	Section 7.4.3
What are Kina Group's key strengths?	<p>Following Completion of the Acquisition, Kina's key strengths will include the following:</p> <ul style="list-style-type: none"> > Kina will be a leading PNG financial services provider with a recognised and respected brand in the region established for over 30 years; > Kina will continue to adopt a conservative approach to loan book management; > many cross-selling opportunities will exist across Kina Group's business lines; > Kina will be attractively leveraged to the PNG economy which is expected to experience strong growth over the medium to long term; > Kina will have significant scope for earnings growth based on realisation of synergies; > Kina is expected to generate strong profits and dividends; > Kina will have a strong balance sheet with high levels of capital adequacy and conservative provisioning policies; > the Kina Group's experienced senior management team with a proven track record of growing financial services business in PNG and strong business engagement throughout the region; and > Kina will continue as the largest licensed investment manager and will become one of the largest superannuation administrators in PNG. 	Section 3
What are the key risks associated with an investment in Kina?	<ul style="list-style-type: none"> > Dependence on the PNG economy: Kina conducts the majority of its business in PNG and its financial performance is influenced by the level and cyclical nature of business activity in PNG. Events which affect the PNG economy, including changes in economic or business conditions in other countries, may negatively impact customers and investments of the Kina Group and may have an adverse effect on Kina Group's businesses, financial performance, condition and prospects. > Acquisition risk: While Kina has entered into an unconditional agreement in relation to the Acquisition, there is a risk that the Acquisition may be delayed, achieved only in part or not proceed altogether. If Completion of the Acquisition does not occur, the Board will need to consider the appropriate course of action at the relevant time. > Integration risk associated with the Acquisition: On Completion of the Acquisition, there will be risks associated with the integration of the Maybank PNG Group into Kina's existing corporate structure. There is a risk that Kina's future profitability and prospects could be adversely affected if integration is not completely successful. 	Section 6

Topic	Summary	Where to find more information
<p>What are the key risks associated with an investment in Kina? (continued)</p>	<p>Areas of particular risk include:</p> <ul style="list-style-type: none"> • difficulties or unexpected costs relating to the integration of information technology platforms, financial and accounting systems and management systems of the two organisations; • difficulties or unexpected costs in realising synergies from the consolidation of the head office and back office functions; • higher than expected levels of customer attrition, including borrowers and depositors; • unexpected losses of key personnel during or following integration; • possible conflict of culture and a decrease in employee morale caused by uncertainty arising from the Acquisition; and • timing of integration benefits realisation. <p>Kina has developed a coherent strategy for integrating people, processes, technologies and risk management frameworks during the transitional period.</p> <p>> Competitive environment: The financial services industry is highly competitive and, as a result, Kina faces competition in all aspects of its business. This competitive environment requires Kina to respond to changing circumstances by introducing new products and services and adapting to changes in customer needs.</p> <p>If Kina is unable to compete effectively, it may lose market share to other industry participants. Aggressive competition by other industry participants may also exert pressure on Kina to reduce prices in order to be able to compete effectively. If Kina does not respond adequately to the competitive environment, this may have an adverse effect on Kina's businesses, financial performance, finance condition and prospects.</p> <p>> Foreign currency and exchange rate fluctuation risk: Revenue generation and profitability in respect of foreign exchange transactions are dependent on volumes and margins, which are subject to volatility and regulatory intervention by BPNG. There is a risk that continued volatility, and further changes in applicable regulations or policy, may adversely impact future Kina Group revenue and profitability.</p> <p>Kina's revenues and assets are denominated in PGK. However:</p> <ul style="list-style-type: none"> • a portion of the Kina Group's expenditures are denominated in foreign currency; • certain Applicants will tender AUD for Shares; • Kina intends to pay dividends in AUD to Shareholders that hold Shares quoted on ASX; and • the Kina Group will be required to pay consideration in respect of the Acquisition in US dollars. <p>Movements of the PGK against the AUD, and of the AUD and the PGK against the US dollar, particularly during the period between the date of this Prospectus and anticipated Completion of the Acquisition, could have an adverse effect on the Group's future financial performance and position. There is also a risk that foreign currency availability will be limited in PNG when it is required by the Kina Group, in respect of both the payment of consideration for the Acquisition and on an ongoing basis. This is particularly the case for US dollars.</p>	Section 6

SECTION 1: INVESTMENT OVERVIEW

Topic	Summary	Where to find more information
<p>What are the key risks associated with an investment in Kina? (continued)</p>	<ul style="list-style-type: none"> <li data-bbox="355 353 1220 1041"> <p>> Compliance with existing and future laws, regulations and regulatory policy: Kina is subject to extensive laws, regulations, policies and codes of practice in PNG.</p> <p>Regulatory and other governmental agencies (including courts, revenue and tax authorities) frequently review banking and tax laws, regulations, codes of practice and policies. Changes to laws, regulations, codes of practice or policies, including changes in interpretation or implementation of laws, regulations, codes of practices or policies could affect Kina in substantial and unpredictable ways. For instance, a portion of Kina's current revenue is derived from its EsiLoan business. However, if short term loan products were to be regulated more extensively in the future, this may adversely affect the financial performance of the EsiLoan business and Kina more generally.</p> <li data-bbox="355 721 1220 891"> <p>> Credit risk associated with Kina's lending activities: There is a risk that some customers and counterparties will be unable to honour their obligations to Kina, including the repayment of loans and interest. A deterioration in economic conditions, or a failure by Kina to adequately provision or manage credit risk, could diminish the capital available to Kina and adversely affect Kina's businesses, financial performance, liquidity, resources and financial condition.</p> <li data-bbox="355 902 1220 1279"> <p>> Funding and liquidity risk: Kina is subject to global credit and capital market conditions which experienced extreme volatility, disruption and decreased liquidity following the global financial crisis. A deterioration in these conditions may adversely affect Kina's funding costs, liquidity and its ability to fund lending activities.</p> <p>If Kina's current sources of funding prove to be insufficient, it may be forced to seek alternative funding. Kina's ability to obtain funding from alternative sources is subject to prevailing market conditions, credit availability, Kina's credit rating and credit market capacity. If funding is available, the cost or terms on which it is offered may adversely affect Kina's businesses, liquidity, capital resources, financial performance and financial condition. There is no assurance that Kina will be able to obtain adequate funding at acceptable prices or at all.</p> <li data-bbox="355 1290 1220 1666"> <p>> Capital base and capital ratios: BPNG requires Authorised Institutions within the Kina Group to maintain adequate regulatory capital. Under current regulatory requirements, as a counterparty's risk grade worsens, Kina's risk-weighted assets and loan provisions increase. Additional regulatory capital requirements arising as a consequence of increased loan provisions may be exacerbated during times of financial stress, particularly if there are lower profit levels. As a result, greater volatility in capital ratios may arise and may require Kina to raise additional capital. There is no assurance that any additional capital required would be available or could be raised on reasonable terms.</p> <p>Kina's capital ratios may be impacted by a number of factors, including lower profitability, higher asset growth and changes in business strategy (including acquisitions or an increase in capital intensive businesses).</p> <li data-bbox="355 1677 1220 1854"> <p>> Retention of key management personnel: Kina's future success depends, in part, on its ability to retain and motivate existing management personnel and attract high quality new management personnel. The loss of key management personnel may disrupt Kina's business and operations in the short to medium term and may have an adverse impact on the financial performance and prospects of Kina.</p> 	<p>Section 6</p>
<p>How does Kina fund its lending business?</p>	<p>Kina's lending business is primarily funded by depositors and retained earnings. It offers a number of deposit products to customers, including traditional cash accounts, cheque accounts and fixed term deposits.</p> <p>This will remain the case following Completion of the Acquisition.</p>	<p>Section 3.5.1.3.2</p>

Topic	Summary	Where to find more information
What are the key drivers of Kina's future growth?	<p>Kina believes the key drivers of future growth for its business include:</p> <ul style="list-style-type: none"> > Growth from existing clients – including cross selling opportunities; > Network expansion – following the Acquisition, Kina Group will have seven branches (five cash free branches and two full service branches) and will look to roll out additional branches in the medium term; > Acquisitions – including the integration of Maybank PNG and future acquisitions of both complementary businesses and lending and deposit portfolios with the aim of growing market share; > Growth in FUM and FUA – FUM has increased from approximately K95.3 million in 1997 to approximately K5.2 billion in March 2015 and FUA has increased from K476.0 million in 2002 to K4.7 billion in April 2015; and > Margin improvement – driven by a substantial reduction in cost of funds as a result of the Acquisition as well as investments of surplus capital and operating expense synergies in FY16 onwards. 	Section 3
Who are Kina's target clients or customers?	<p>Kina's target customers include the growing middle class in PNG, the associated small and medium-sized enterprise businesses and high net worth individuals.</p>	Section 3.6
Who are Kina's competitors?	<p>In the banking sector, Kina's main competitors are, Bank South Pacific Limited, Westpac Bank PNG Limited and Australia & New Zealand Banking Group (PNG) Ltd.</p> <p>In the wealth management sector, Kina's main competitors include Bank South Pacific Limited, PacWealth Capital Limited, Niugini Capital Limited and Frontier Equities Ltd. Kina's only significant competitor in the funds administration subsector is AON Hewitt (PNG) Limited.</p>	Section 3.7
Who are Kina's Board of Directors?	<p>Kina's Board of Directors has been structured to ensure it has a high level of public market and PNG experience, coupled with financial and corporate governance capabilities.</p> <p>The Directors of Kina are:</p> <ul style="list-style-type: none"> > Sir Rabbie Namaliu, GL CSM KCMG, Chairman; > Syd Yates, OBE, Chief Executive Officer; > Peter Choong Joo Ng, Non-Executive Director; > Don Manoa, Non-Executive Director; > Hilary Wong, MBE, Non-Executive Director; > Wayne Golding, OBE, Non-Executive Director; > Jim Yap, Non-Executive Director; and > David Foster, Non-Executive Director. 	Section 4.1
Who are Kina's key members of senior management?	<p>The Kina team is led by the CEO, Syd Yates. He is supported by an experienced senior management team that includes:</p> <ul style="list-style-type: none"> > Michael Van Dorssen, General Manager – Kina Finance; > Kong Wong, Group Financial Controller and Company Secretary; > Victor Shubin, General Manager – Kina Funds Management; > Adam Fenech, General Manager – Kina Wealth Management; > Aaron Bird, Chief Information Officer; > Veronica Weiang, Group Manager – Legal; and > Saima Sapias Kalis, Group Manager – Human Capital. <p>Further information in relation to the senior management team (including details in relation to their remuneration and applicable equity based incentive plans) is set out in Section 4.</p>	Section 4

SECTION 1: INVESTMENT OVERVIEW

1.3 Key financial information

The table below is a summary of the Kina Group's historical pro forma financial information for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 and forecast pro forma financial information for the financial year ending 31 December 2015 (in each case, on a pro forma basis).

This pro forma financial information is intended as a summary only. The pro forma financial information summarised below has been prepared on a basis adjusted for certain significant items and pro forma adjustments, including to present the Kina Group and the Maybank PNG Group on a combined basis as if the Acquisition had already completed. More detailed financial information can be found in Section 5.

The Directors hold the view that the best estimate assumptions, when taken as a whole, used in preparing the forecast pro forma financial information for the financial year ending 31 December 2015 are reasonable at the date of this Prospectus, having regard to the year to date operations of the Kina Group.

The amounts in this table are presented in AUD and have been calculated using a foreign exchange rate of 2.076 PGK to 1 AUD. The financial year end of the Kina Group is 31 December. 'FY' is a reference to the financial year ended 31 December in the relevant year.

AUD	FY12 (pro forma) \$'000	FY13 (pro forma) \$'000	FY14 (pro forma) \$'000	FY15 (pro forma) \$'000
Net interest income	26,369	29,554	34,279	36,584
Net fee and commission income	9,611	9,885	11,454	12,134
Operating income	47,284	51,475	57,687	60,037
Net profit after tax	16,576	18,507	21,274	21,827
Earnings per Share (cents)				13.3
Market capitalisation at Offer Price				\$164 million
Offer Price/2015 forecast NPAT per Share ^a				7.5x
Anticipated dividend for the year ending 31 December 2015 per Share (cents) ^b				3.2
Effective annualised dividend yield ^c				9.7%

- This ratio is commonly referred to as a price to earnings or PE ratio. The PE ratio is calculated as the Offer Price divided by forecast net profit after tax ('NPAT') for the year ending 31 December 2015 (on a pro forma basis) (per Share). The 'pro forma basis' of the financial information is a reference to indicate that this information has been prepared on a basis adjusted for certain significant items and pro forma adjustments, including to present the Kina Group and the Maybank PNG Group on a combined basis as if the Acquisition had already completed. More detailed financial information and further information in relation to the pro forma adjustments can be found in Section 5.
- The anticipated dividend for the year ending 31 December 2015 is the forecast dividend payable for the year ending 31 December 2015 (per Share), based on anticipated dates of the Offer and the Acquisition (an approximated four month period). For more information on Kina's dividend policy, see Section 5.11.
- The effective annualised dividend yield is the anticipated dividend for the year ending 31 December 2015 annualised to reflect the period to which the dividend relates based on the anticipated dates of the Offer and the Acquisition (an approximated four month period) divided by the Offer Price. For more information on Kina's dividend policy, see Section 5.11.

SECTION 2: INDUSTRY OVERVIEW

2.1 Introduction

PNG is viewed as a highly attractive region for foreign direct investment.¹

This view is driven by economic growth in PNG which is underpinned by factors, including:

- > PNG's significant natural resource endowment with a number of near term resource projects under development and planned;
- > increasing urbanisation, population and wealth in PNG;
- > PNG Government policies that are designed to facilitate economic growth; and
- > PNG's strategic geographic positioning to take advantage of growth in Asian markets.

These factors have led to PNG's longest period of economic growth since its independence in 1975, with GDP forecast to grow by 15.0% in 2015 (with longer term growth forecast to be consistent with historical growth levels illustrated in Figure 1).²

FIGURE 1: REAL GDP GROWTH % FOR PNG

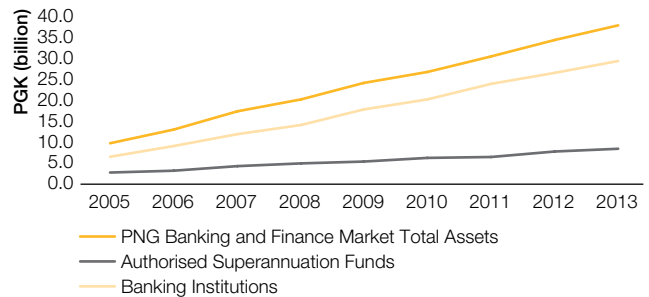


Source: The World Bank Databank for PNG (current as at 12 June 2015)

Kina operates in the banking and financial services industry in PNG, which underpins the country's economic growth.

There has been strong growth in PNG's banking and financial services industry, which has been driven by large resource and infrastructure projects, a growing small to medium enterprises (SMEs) sector and a growing middle class. This growth is expected to continue as financial services customers become more sophisticated in their financial needs.

FIGURE 2: PNG BANKING AND FINANCIAL SERVICES INDUSTRY – TOTAL ASSETS (IN PGK BILLIONS)



Source: BPNG Annual Reports, 2005 to 2013

2.2 PNG economy

2.2.1 Energy and natural resources

PNG has benefitted from the continued growth of emerging markets and the associated increased demand for resources globally. This global theme, combined with the country's strong endowment of natural resources, has led to the development of a number of significant projects, including:

- > LNG projects, such as the ExxonMobil PNG Limited-led US\$19 billion PNG LNG Project (now in production) and the Elk Antelope Project (in advanced exploration), a joint venture between Total S.A., InterOil Corporation and Oil Search Limited; and
- > mining projects, such as the Ok-Tedi Mining Copper Project, the Porgera Gold Project, the Ramu Nickel/Cobalt Project and the Hidden Valley Gold Project, and the anticipated development of the Wafi-Golpu Project and the Frieda River Project.

Such projects have been a key driver of the PNG economy.

2.2.1.1 PNG LNG Project

The PNG LNG Project is a 6.9 million tonne per annum integrated liquefied natural gas project operated by ExxonMobil PNG Limited. The project has two production trains, with gas being sourced from Hides and other adjacent gas fields, and then transported via gas pipeline to an LNG plant north-west of Port Moresby, PNG.

Over nine trillion cubic feet of gas and 200 million barrels of associated liquids are expected to be produced over the project's 30-year life.

1 PNG Vision 2050, published by the National Strategic Plan Taskforce, PNG Government (2009)

2 Asian Development Bank – Asian Development Outlook 2015 – PNG publication

SECTION 2: INDUSTRY OVERVIEW

The PNG LNG Project commenced production in May 2014 and cost approximately US\$19 billion to develop. Approximately 95% of production is already contracted to buyers including Tokyo Electric Power Company, Inc., Osaka Gas Company Ltd, CPC Corporation and China Petroleum and Chemical Corporation (also known as Sinopec).

2.2.1.2 Elk-Antelope Project

The other significant LNG project being planned in PNG is the Elk-Antelope joint venture between major French oil company, Total, S.A., InterOil Corporation and Oil Search Limited (which also participates in the PNG LNG Project).

According to InterOil Corporation, the Elk-Antelope gas fields have the potential to be the lowest cost newly built facility in the world, with cost estimates for the development at \$2,051 per metric tonne of LNG capacity (considerably lower than the cost of the newly completed PNG LNG Project facility).

2.2.1.3 Mining projects

Currently PNG has seven significant producing mines and a further six that are scheduled to begin production by 2018.

Table 1 shows a break-down of selected PNG mines, including ownership and anticipated remaining mine-life. Lihir is considered a global top 10 gold mine. Frieda River is considered a global top 10 undeveloped open pit copper mine.³

TABLE 1: PNG MINES – OWNERSHIP, YEAR PRODUCTION BEGAN AND ANTICIPATED REMAINING MINE LIFE

No	Mine	Commodity	Ownership	Year production began	Anticipated remaining mine life (years)
1	Ok-Tedi	Gold/Silver/Copper	100% PNG Government	1981	10
2	Lihir	Gold	100% Newcrest Mining Limited	1997	50
3	Porgera	Gold/Silver	95% Barrick Gold Corporation, 5% PNG Government	1990	9
4	Hidden Valley	Gold/Silver	50% Harmony Gold Mining Company Limited, 50% Newcrest Mining Limited	2010	10+
5	Ramu	Nickel/Cobalt	8.56% Highlands Gold Limited, 6.44% PNG Government & Landowners and 85% MCC Ramu Nico Limited	2012	20+
6	Yandera	Copper	100% Marengo Mining Limited	–	20+
7	Frieda River	Gold/Copper	80% PanAust Limited, 20% Highlands Pacific Limited	–	20+
8	Wafi-Golpu	Gold/Copper	50% Newcrest Mining Limited, 50% Harmony Gold Mining Company Limited	–	27+

- Producing mines
- Scheduled projects

Sources: Company annual reports

³ The Kina Group is not a participant in or a financier to any of the selected mine projects (which projects are presented for the purposes of illustrating their size and significance in the context of the PNG economy)

2.2.1.4 Economic impact of energy and resources

Development in the energy and resources sector has contributed significantly to activity and growth across the broader economy. The energy and resources sector has created significant wealth and benefits for the wider PNG economy, including:

- > earnings by the PNG Government in royalties and taxes. Significant growth in royalties is forecast to arise from the PNG LNG Project;
- > significant flow-on impacts throughout the economy, particularly in job creation, training and development, infrastructure projects and the broader development of supporting industries across the economy;
- > an increasingly skilled workforce, driven by skill transference from expatriate staff and PNG's education sector;
- > an increased focus on infrastructure development, such as development expected to be driven by investments by the proposed Sovereign Wealth Fund; and
- > continued investment by multinational organisations looking to lay appropriate foundations for their expanding PNG operations.

2.2.2 Increasing population, urbanisation and wealth

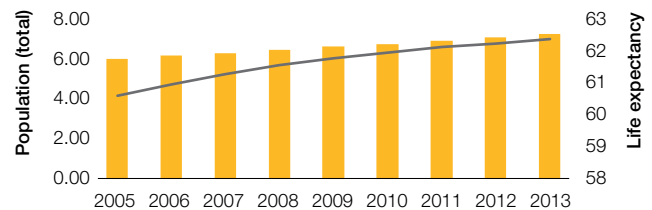
The significant development within the energy and resources sector has driven and been accompanied by a modernisation of PNG's economy. This growth is supported by a number of key macroeconomic and demographic themes, such as:

- > population growth;
- > an increasing urbanised skilled workforce; and
- > increasing wealth per capita.

2.2.2.1 Population growth

In 2013, PNG had a population of approximately 7.3 million with an average annual population growth rate of 2.3% over the period from 2005 to 2013. In addition, life expectancy has also been gradually increasing.⁴

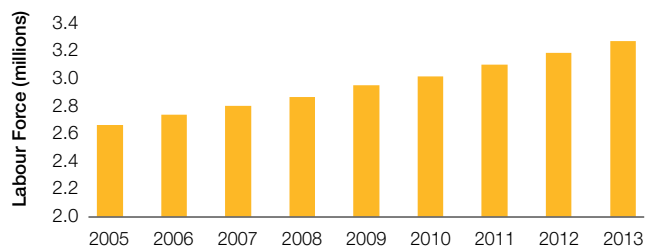
FIGURE 3: TOTAL POPULATION AND AVERAGE LIFE EXPECTANCY IN PNG (IN MILLIONS AND YEARS RESPECTIVELY)



Source: The World Bank Databank for PNG (current as at 12 June 2015)

The increase in population and life expectancy, in combination with net migration to Port Moresby has driven significant growth in the country's labour force, which has increased from 2.6 million in 2004 to 3.3 million in 2013.⁵

FIGURE 4: TOTAL PNG LABOUR FORCE (IN MILLIONS)



Source: The World Bank Databank for PNG (current as at 12 June 2015)

2.2.2.2 Urbanised skilled workforce

Foreign investments in the energy and resources sector created demand for skilled employment which was initially filled with overseas workers. Significant progress has been made to develop a local skilled workforce including through the development of locally operated training facilities. This enables the local workforce to acquire a transferable skill set which provides them with new employment opportunities.

2.2.2.3 Increasing wealth per capita

PNG's strong economic performance and the proactive policymaking of the PNG Government has contributed to an increase in the national wealth of PNG. Over the period of 2008 to 2013, the GDP per capita has on average grown annually by 12%.⁶

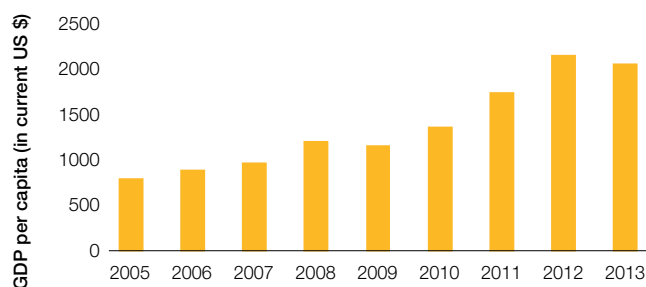
4 World Bank – World Development Indicators

5 World Bank – World Development Indicators

6 World Bank – World Development Indicators

SECTION 2: INDUSTRY OVERVIEW

**FIGURE 5: GDP PER CAPITA
(IN CURRENT US \$)**



Source: The World Bank Databank for PNG (current as at 12 June 2015)

2.2.3 PNG Government policies

2.2.3.1 Papua New Guinea Vision 2050

In an effort to capitalise on the positive macroeconomic and demographic themes driving growth in PNG, the PNG Government has developed a framework called, 'the Papua New Guinea Vision 2050', which outlines long term growth plans.

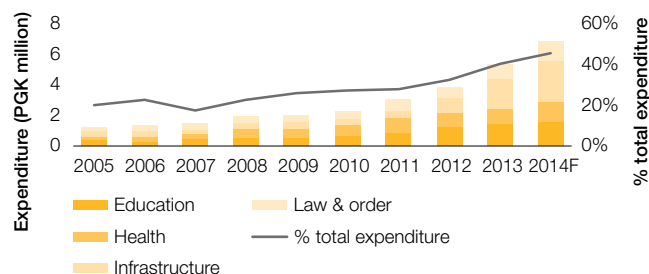
The PNG Government is attempting to foster tangible improvement in four key focus areas. These focus areas, being education, health, infrastructure and law and order, are viewed as critical to translate the country's strong macroeconomic performance into sustainable, diversified growth, and ultimately a broad improvement in living standards for its population.

The PNG Government has had considerable success to date with its goals. Key examples of this include:

- > providing free education and free basic health services; and
- > supported by the Asian Development Bank, the construction of major highways in various parts of the country, as well as undertaking major infrastructure projects to improve power generation and port capacity.

In addition, the PNG Government is undertaking developments to address corruption, crime and other factors which have historically acted as an impediment to growth in the country.

**FIGURE 6: PNG GOVERNMENT EXPENDITURE
BY FOCUS AREA (IN PGK BILLIONS) AND AS
TOTAL EXPENDITURE (IN %)**



Source: PNG Department of Treasury, National Budget, various years; ADB estimates.

These factors are expected to build on the country's current success, establishing a more robust, diversified and modern economy.

2.2.3.2 Sovereign Wealth Fund

The PNG Government is expected to establish the Sovereign Wealth Fund (SWF), after recently unanimously voting for its development.

It is anticipated that the SWF will be used to:

- > appropriately manage the financial assets accrued from natural resource revenue; and
- > build up wealth for future generations ensuring intergenerational equality and long-term fiscal sustainability.

The SWF is not presently operational.

2.3 PNG banking and financial services industry

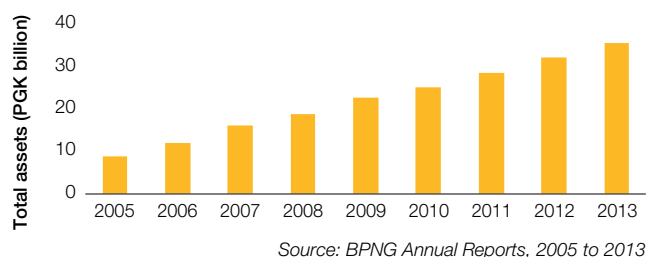
The banking and financial services industry is considered to be an attractive part of PNG's economy, given its leveraged exposure to multinational corporates, a growing sector of small to medium enterprises, and the growing middle class in PNG. This growth is expected to continue as financial services customers become more sophisticated in their financial needs.

The banking and financial services industry is regulated by BPNG and comprises:

- > a banking sector including four commercial banks and 11 licensed financial institutions;
- > a wealth management sector including four Authorised Superannuation Funds (ASFs), four trustees of the ASFs, three investment managers, two funds administrators and 21 saving and loan societies; and
- > a life insurance sector including five life insurance companies and four life insurance brokers.

The PNG banking and finance market has grown over the past decade with total assets increasing from approximately K5 billion at the end of 2004 to approximately K37.5 billion as at 31 December 2013. This growth has been largely driven by the banking and superannuation sectors, representing approximately 77% and 22% of total assets in 2013, respectively.

FIGURE 7: PNG BANKING AND FINANCE SECTOR – TOTAL ASSETS (IN PGK BILLIONS)



2.3.1 Banking sector

The major participants in the banking sector are the commercial banks, holding approximately 93.8% of total deposits in 2013. The four commercial banks include:

- > Bank South Pacific Limited (**BSP**), which is the largest PNG bank with net assets of K1,800 million and total assets of K15,877 million. BSP operates 42 branches throughout the country;
- > ANZ Banking Group PNG Ltd (**ANZ**), which is the second largest participant in the PNG banking sector. It has net assets of K1,222 million and total assets of K6,603 million. ANZ operates 12 branches located throughout the country;
- > Westpac Bank PNG Limited (**Westpac**), which is the third largest participant in the PNG banking sector. Westpac has net assets of K785 million and total assets of K3,953 million and operates 15 branches across PNG; and
- > Maybank PNG, which is the fourth largest bank in PNG. Maybank PNG has net assets of K226 million and total assets of K697 million and operates two branches across PNG.

The commercial banks are conservatively managed and show strong capital levels as well as strong profitability.

TABLE 2: KEY FINANCIAL INFORMATION FOR THE FOUR COMMERCIAL BANKS IN PNG AS AT 31 DECEMBER 2014

		BSP	ANZ	Westpac	Kina Group ¹
Net operating profit after tax	PGK million	507.3	337.6	210.3	44.2
Total assets	PGK million	15,876.9	6,603.1	3,952.5	953.9
Capital adequacy ratio	%	24.0	39.6	37.4	23.3
Tier 1 capital	PGK million	1,412.8	1,136.4	838.0	86.3
Tier 1 capital to total assets	%	9.0	17.2	21.2	9.0
Tier 1 capital to risk weighted assets	%	19.4	29.7	49.8	23.3

Source: Key Disclosures Statement Summary to BPNG, IMF and company disclosure statements.

Relevant amounts have been normalised to ensure consistency in foreign exchange margins following regulatory change and other adjustments.

1. In this analysis, the reference to 'Kina Group' is to the Kina Group as that will exist following Completion of the Acquisition (being the merged banking operations of the Kina Group and Maybank PNG). See the Kina Group financial statements for the year ended 31 December 2014 (on a pro forma basis) in Section 5.

The International Monetary Fund has noted a number of factors contributing to the stability of the PNG banking and finance sector, including:

- > high liquidity ratios and structurally low levels of gearing. Over 50% of the assets of banks in PNG are held in government securities or cash;
- > low non-performing loan ratios. In 2014, non-performing loans comprised approximately 1.6% of total loans, and past due loans comprised approximately 2.8% of total loans;
- > strong capital adequacy, allowing banks in PNG to sustain their growth with minimal pressure from prudential regulators; and

- > the tier 1 capital to risk-weighted assets of the banking system as a whole, which is estimated to be 20.5%. This reflects strong levels of regulatory capital.⁷

Further factors contributing to the stability of the banking and finance sector include the following:

- > the banking sector in PNG is largely funded by deposits. This has reduced the reliance of the sector on international funding during periods of financial distress; and
- > domestic subsidiaries of international banking institutions are required to hold prudential capital within PNG.

Liquidity in the financial sector has remained high over the last decade, with the liquid asset ratio above 50% since 2005.

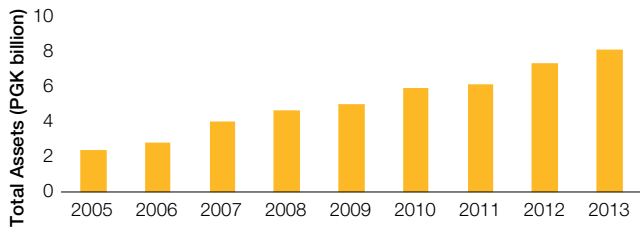
SECTION 2: INDUSTRY OVERVIEW

2.3.2 Wealth management sector

The wealth management sector has experienced significant growth since 2005. For example, superannuation assets increased from K2.4 billion in 2005 to K7.4 billion in 2012, at an approximate CAGR of 15.1%.

FIGURE 8: AUTHORISED SUPERANNUATION FUNDS – TOTAL ASSETS (IN PGK BILLIONS)

The two major authorised superannuation funds,



Source: BPNG Annual Reports, 2005 to 2013

National Superannuation Fund Limited (**NASFUND**) and Nambawan Super Limited (**NSL**), experienced strong growth over the past decade both in terms of net assets and membership.

TABLE 3: AUTHORISED SUPERANNUATION FUNDS – ILLUSTRATION OF GROWTH

	NSL		NASFUND	
	2002	2013	2002	2013
Net Assets (K million)	719	4,268	326	3,357
NPAT (K million)	46	411	34	332
Number of Members	73,000	139,075	65,199	173,941

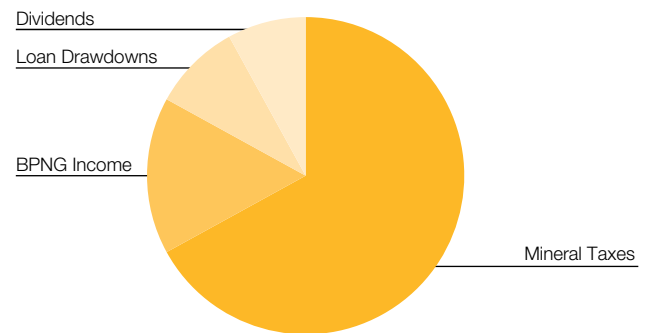
Source: NSL and NASFUND Annual Reports

2.4 PNG foreign exchange

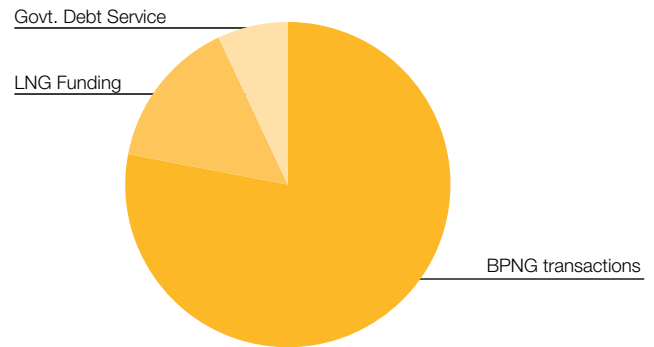
Foreign exchange transactions represent a significant component of banking transactions in PNG, driven by trade flows and remittances by individuals. Foreign exchange transactions are facilitated by commercial banks in PNG and are highly regulated by BPNG (including as to margins on US dollar denominated transactions).

FIGURE 9: FOREIGN EXCHANGE INFLOWS AND OUTFLOWS IN 2013

FX INFLOWS (%) 2013



FX OUTFLOWS (%) IN 2013

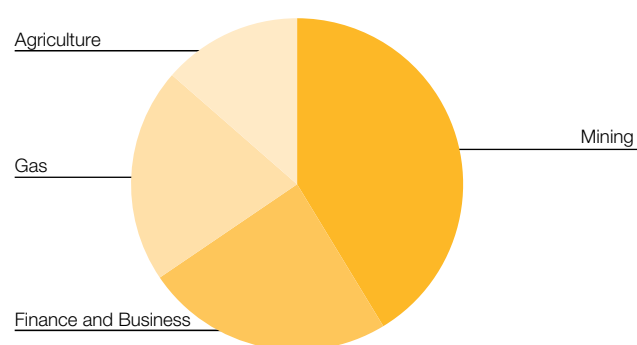


Source: BPNG Annual Report 2013

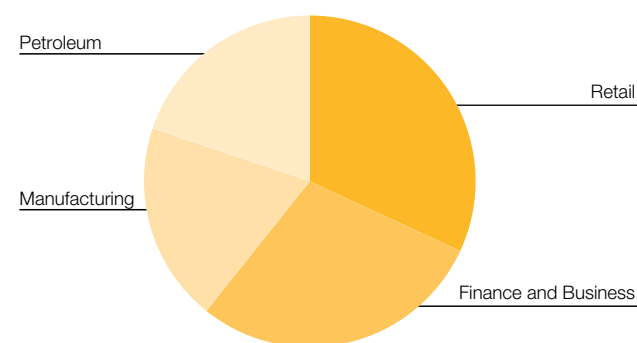
Foreign exchange inflows during 2013 totalled US\$432.7 million, compared to outflows of US\$1,397.4 million. Inflows mainly comprised mineral taxes of US\$291.8 million and income from foreign investments totalling US\$68.6 million. Outflows mainly comprised of US\$1,084.6 million in foreign exchange intervention and government payment of US\$204 million for LNG equity stake.

FIGURE 10: CONTRIBUTION TO FOREIGN EXCHANGE INFLOWS AND OUTFLOWS BY SECTOR

CONTRIBUTIONS TO FX INFLOWS (%) 2013



CONTRIBUTIONS TO FX OUTFLOWS (%) 2013



Source: BPNG Annual Report 2013

The Kina depreciated by 13% against the US dollar during the period January to December 2013. Over the same period, foreign currency inflows increased by 6%, which was more than offset by the 16% increase in outflows. The increase in outflows was attributed to demand for imported goods and services, including forward covers taken by importers.

2.5 Regulatory framework

2.5.1 Prudential standards

The banking industry in PNG is regulated and supervised by BPNG. Authorised Institutions must comply with applicable prudential standards issued by BPNG. Prudential standards issued by BPNG under the PNG BFI Act cover a range of banking matters, including:

- > foreign currency exposure limits;
- > transactions with related parties;
- > external audits;
- > fit and proper requirements;
- > single borrower and large exposure limits;
- > capital adequacy;
- > business continuity management; and
- > customer due diligence standards.

Guided by BPNG's Strategic Plan 2012 – 2015, progress in further developing these standards and banking system regulations more generally continues to be made. Key recent developments include:

- > the Kina Automated Transfer System, an electronic inter-bank funds transfer system implemented by BPNG commenced operations in 2013;
- > the introduction of the Central Bank Bill Tap facility, which supports small investor participation in government debt markets; and
- > early developments in regulations and standards on mobile phone banking.

SECTION 2: INDUSTRY OVERVIEW

2.5.2 Foreign exchange

BPNG regulates authorised foreign exchange dealers and considers that management of foreign exchange reserves is crucial to achieving its price stability objective. BPNG's policies on foreign exchange reserves have been broadly guided by the analysis of the main factors that influence the achievement of:

- > price stability;
- > servicing the PNG Government's foreign debt obligations; and
- > protecting the domestic economy from external shocks.

To counter volatility in PNG's foreign exchange market, on 4 June 2014 BPNG imposed a 150 basis point band on foreign exchange buy-sell spreads around the official (inter-bank) rate applicable to all authorized dealers.

2.5.3 Superannuation

BPNG also regulates the country's superannuation industry. BPNG's prudential standards in this area cover:

- > authorised superannuation fund investments;
- > good governance – management expenses ratio;
- > financial statements format disclosure requirements;
- > provisioning for bad and doubtful debts;
- > external audits;
- > fit and proper requirements;
- > superannuation prudential standard corporate governance; and
- > superannuation prudential standard risk management.

2.5.4 PNG Personal Property Security Act

In 2011, the Personal Property Security Act 2011 (PNG) (**PPSA**) was passed into law in PNG. It is expected that the PPSA will come into effect towards the end of 2015, when the PPS registry becomes operational.

After it has commenced, the PPSA will reform the law in PNG relating to security over almost all property, except land and interests in mining and oil and gas tenements.

When the PPSA commences operation, parties will have six months to register existing security interests, or risk losing priority. Security interests arising from the date of commencement of the PPSA will have to be registered immediately to protect the priority position of that interest.

SECTION 3: COMPANY OVERVIEW

3.1 Overview

Kina is a diversified financial services provider in PNG offering its customers end-to-end financial solutions, from savings accounts to small business loans, investments to mortgages, stockbroking and financial advice, investment management and fund administration.

Kina was established in October 1985. Kina’s vision is for prosperous customers and communities, underpinned by progressive, accessible financial services. Kina’s objective is to partner with its customers and provide them with opportunity and financial independence to help build the life they choose for themselves and their families. Kina aims to become the leading diversified financial service provider in PNG.

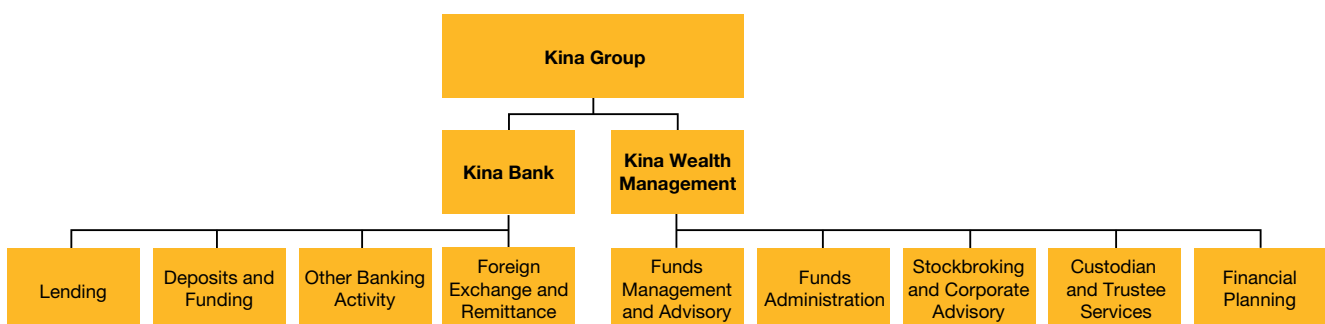
Consistent with Kina’s vision, objective and aim, in May 2015, Kina agreed to acquire the Maybank PNG Group, the PNG banking operations of Malayan Banking Berhad (the **Acquisition**).

Following Completion of the Acquisition, the Kina Group will be one of the largest diversified financial service providers and the fourth largest bank in PNG, with in excess of 14,000 customers and over 250 staff.

Kina will conduct its operations through two business divisions following the Acquisition, Kina Wealth Management and Kina Bank.

Section 3.2 sets out a brief history of Kina’s operations. Section 3.3 contains an overview of arrangements relating to the Acquisition. The balance of this Section 3 describes the operations of the Kina Group following Completion of the Acquisition.

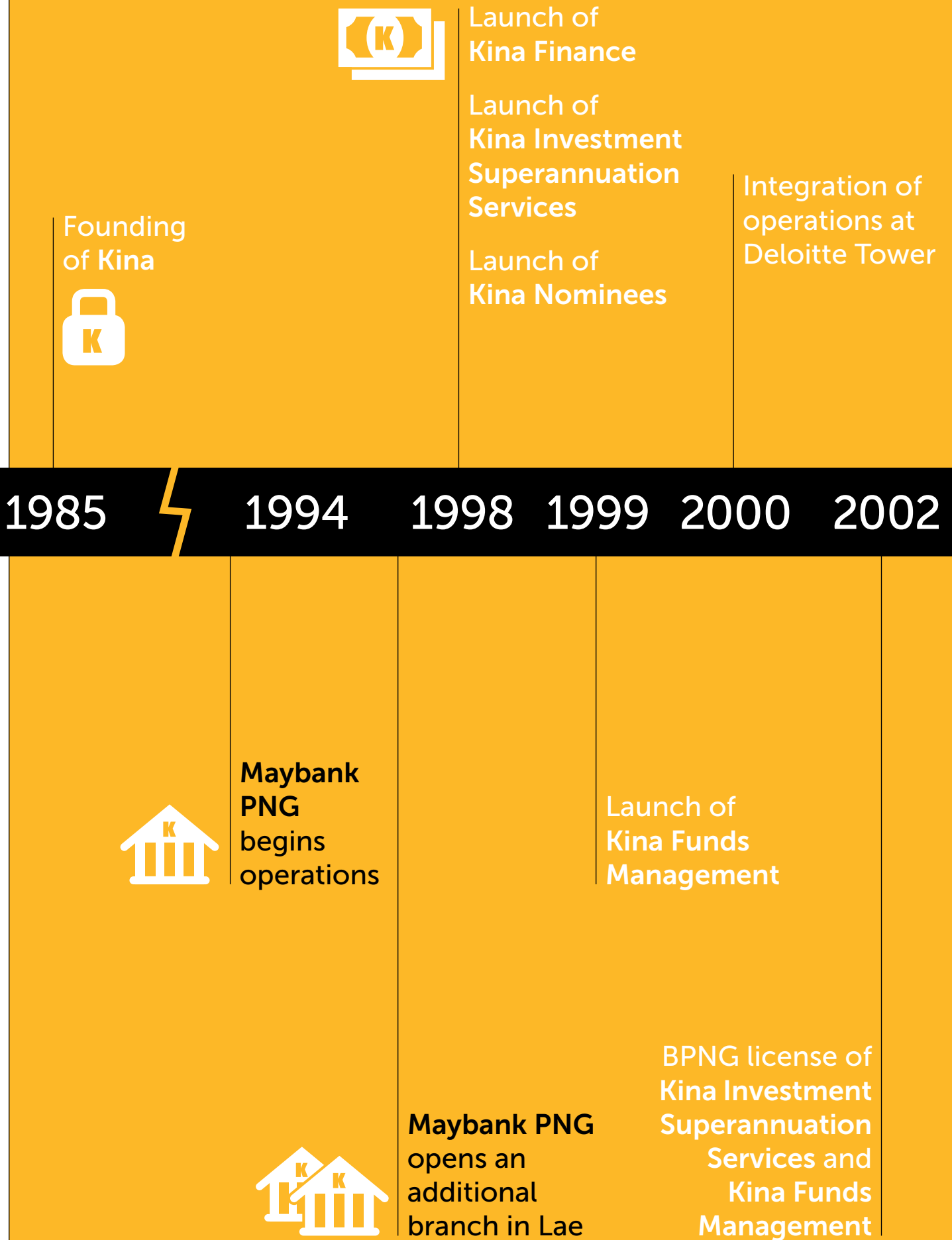
FIGURE 11: KINA GROUP – BUSINESS DIVISIONS FOLLOWING THE ACQUISITION



3.2 Kina’s history

Kina was established in 1985 as a funds administrator and stockbroker based in Port Moresby, PNG. In 1998, Kina established Kina Finance Limited (**KFL**) to undertake lending activities, Kina Investment Superannuation Services Ltd (**KISS**) to undertake the Group’s fund administration function and Kina Nominees Limited (**KNL**) to undertake trustee and custodial services. In 1999, Kina established Kina Funds Management Limited (**KFM**) to provide corporate and investment management advice. In 2002, BPNG granted licences for KISS and KFM to operate as an investment manager and fund administrator, respectively. Kina acquired a home lending business, PNG Home Finance in 2005 in order to expand its client base and product offering.

FIGURE 12: KINA'S HISTORY



Acquisition of PNG Home Finance



Establishment of Kina Wealth Management

Cash card introduction

Establishment of extensive research capabilities with Kina Funds Management

2005

2008

2012

2013

2015

Shareholder and founder of PNG Credit Bureau

Establishment of first listed investment company (KAML)

Introduction of technology modelling of Financial Services



Maybank PNG introduces internet banking

Maybank PNG introduces electronic banking (ATM services)



Kina enters into an agreement to acquire **Maybank PNG**

SECTION 3: COMPANY OVERVIEW

3.3 Kina Group corporate entities

Kina is the ultimate holding company of the Kina Group. The Kina Group is currently comprised of the following entities.

Name	Nature of business	Kina's percentage holding
Kina Securities Limited (Kina)	Holding company of the Kina Group and operational functions of the Kina Group	–
Kina Finance Limited (KFL)	Licensed financial institution offering lending and deposit taking facilities	100%
Kina Funds Management Limited (KFM)	Corporate and investment management advice provider	100%
Kina Investment & Superannuation Services Ltd (KISS)	Funds administrator	100%
Kina Nominees Limited (KNL)	Financial assets management services	100%
Kina Ventures Limited (KVL)	Acquirer of Maybank PNG Group	100%
Kina Wealth Management Limited (KWML)	Stockbroking services	100%
PNG Home Finance Company Limited (PNG Home Finance)	Housing, mortgage and finance services	100%

As at the date of this Prospectus, Kina also holds approximately 35% of the issued share capital in POMSoX. Kina does not consider that its shareholding in POMSoX will have any effect on the manner in which it is regulated as an entity admitted to the official list of POMSoX (should it be admitted). See Section 9.4 for further information.

3.4 Acquisition of the Maybank PNG Group

In May 2015, Kina entered into the Share Sale Agreement with Malayan Banking Berhad under which it agreed to acquire Maybank PNG and Mayban Property. Maybank PNG and Mayban Property are currently wholly-owned subsidiaries of Malayan Banking Berhad. Completion of the Acquisition is expected to occur by 30 September 2015.

Maybank PNG holds approval to undertake commercial banking activities in PNG. In 1994, it opened its first branch in Port Moresby. In 1996, it established its second branch in Lae, the second largest city in PNG.

Maybank PNG was identified by Kina as an attractive acquisition target due to its established infrastructure, conservative capital structure and existing client base, which offers exposure to the small to medium enterprise sector and high net worth individuals in PNG.

Mayban Property is a special purpose company that owns the premises at which Maybank PNG's Port Moresby branch is located.

The Share Sale Agreement contains obligations on the parties to cooperate with each other in relation to the sale and orderly transition of essential information technology and operational services, such as IT and banking, reporting, treasury and call centre services, with a view of minimising service disruption to the bank's customers. These transitional arrangements are supplemented by a secondment agreement under which Malayan Banking Berhad will provide certain key executives on a secondment basis for up to 12 months. The seconded executives cover a range of senior executive, operational, business development, IT and compliance functions and will deliver training and knowledge transfer programs to permanent staff to ensure business continuity.

The Share Sale Agreement contains warranties customary for a transaction of this nature, including warranties relating to the integrity of the loan and deposit book.

BPNG has been consulted on the transaction and transitional arrangements and, in response to a formal application for approval of the overall transaction, has issued a notice of no objection under section 20 of the PNG BFI Act.

For further information on the Acquisition, see Section 5 (Financial Information) and Section 9.12 (Material Contracts).

3.5 Kina Group's operating divisions

The information provided in the remainder of this Section 3 describes the operations of the Kina Group following Completion of the Acquisition.

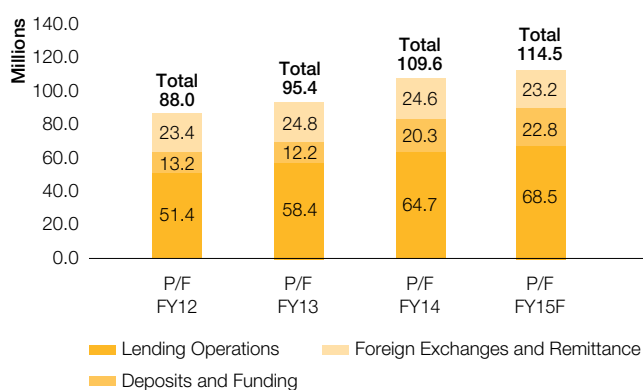
Following Completion of the Acquisition, the Kina Group will have two operating divisions, Kina Bank and Kina Wealth Management.

3.5.1 Kina Bank division

Kina will operate the fourth largest bank in PNG with over 11,000 clients and seven branches covering the major industrial and growth centres in PNG.

The respective contributions of Kina Bank operations to revenue (on a pro forma basis) for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014, together with a forecast for the financial year ending 31 December 2015, are illustrated below.

FIGURE 13: BREAKDOWN OF KINA BANK'S OPERATING REVENUE FROM 2012 TO 2015 (IN PGK MILLION)



3.5.1.1 Kina Bank offices

Kina's head office and branch is located in the central business district of Port Moresby, PNG. It has additional bank branches in Waigani (one located in the central business district and one in the Vision City retail centre), Lae and Kokopo and a sales office in Mount Hagen.

3.5.1.2 Branch network, ATM network and online banking

The Kina Bank branch network has been tailored to the specific requirements of the PNG retail and business banking markets.

Network	Overview
Cash-free branches	Kina operates five cash-free branches. The branches are located in Port Moresby, Waigani, Lae and Kokopo. In addition, there is a sales office in Mount Hagen. These branches cover the most populated areas of PNG.
Full-service bank branches	Kina operates two full-service bank branches, located in Port Moresby and Lae. The full-service branches provide traditional banking services including lending, deposit accounts and a variety of other services.
Automatic teller machines	Kina operates automatic teller machines offering a typical range of services, including withdrawals and account enquiries.
Online banking platform	Kina operates a modern online secure banking platform that caters for normal day-to-day online banking. Kina is working to expand its online client offering to include integrated loan origination, foreign exchange, wealth management, bill payment and account creation for existing customers.

3.5.1.3 Kina Bank product offering

3.5.1.3.1 Loans and advances

Kina offers a wide variety of lending products to a broad cross section of the retail, business and corporate markets within PNG. The Kina Group is authorised to provide the following services and holds requisite licences issued by BPNG where applicable:

Loans and advances	Trade financing	Retail banking	Remittance
Housing loans (consumer)	Letters of credit	Savings account	Telegraphic transfer
Term loans (consumer & commercial)	Documentary collection	Current account	Bank cheques
Overdrafts	Bank guarantees	Fixed term deposit	Demand draft
Revolving credit	Export bills purchases and negotiations		Bureau de exchange/ foreign exchange
Syndicated loans			
Festival loans			

SECTION 3: COMPANY OVERVIEW

The loans and advances, which are provided on a secured or unsecured basis, are primarily term loans and overdrafts in relation to commercial and retail business lending and property lending.

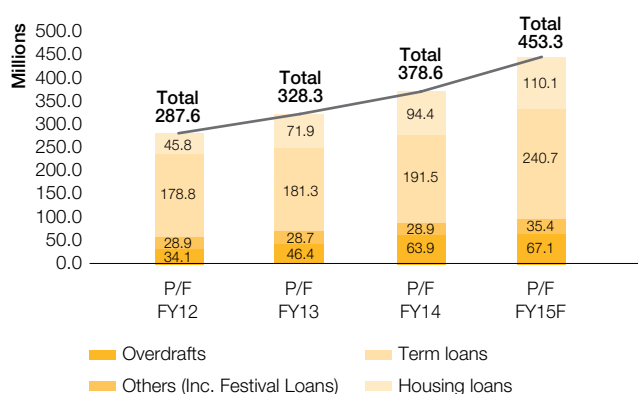
Kina also offers festival loans to eligible employees as part of its employee benefits scheme.

Product	Description
Secured lending	Finance and lending solutions including property lending, equipment finance and secured business overdraft accounts. It primarily targets sophisticated retail and business customers.
Unsecured lending	EsiLoan cash cards provide short term unsecured loans accessible via card, which can be used in either ATMs or EFTPOS facilities operated by a variety of financial institutions in PNG.

The majority of customers with outstanding loans are private companies, active in the property, wholesale, retail, transport, forestry and storage sectors. As at 31 December 2014, the total loan book value of Kina Bank amounted to approximately K378.6 million.⁸

A breakdown of loans by type on a pro forma basis is set out below for each of the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014, together with a forecast breakdown on a pro forma basis for the financial year ending 31 December 2015.

FIGURE 14: KINA GROSS LOAN BREAKDOWN (IN PGK MILLION)



3.5.1.3.2 Deposits and funding

Kina is primarily funded by depositors and retained earnings. It offers a number of deposit products to customers.

Product	Description
Traditional cash accounts	Traditional passbook style deposit accounts. Typically used by individuals. A low cost way for customers to protect and grow their savings.
Cheque and other accounts	A range of deposit account solutions for business customers, including online banking facilities and cheque accounts. These are typically used by small to medium enterprises and sophisticated retail customers.
Fixed term deposits	Deposit accounts with fixed terms and a fixed interest rate which is based on an annual percentage basis and is accrued daily and either paid on maturity or monthly. The majority of Kina customers with fixed term deposits are individuals seeking tailored savings solutions.

As at 31 December 2014, the balance of customer deposits of Kina Bank was K631.3 million.⁹

3.5.1.3.3 Additional products and services

Kina offers a broad range of financial products and services in addition to deposits and traditional lending. Kina's key additional product offerings are outlined in the table below.

Foreign exchange transactions	Spot foreign exchange transactions on behalf of a range of retail and commercial clients.
Insurance premium funding	Short term business financing for insurance premium payments.
Novated leases	Vehicle financing for consumers on a novated lease basis, restricted to Kina approved employers.
Operating leases	Operating lease arrangements for businesses with fleet management requirements.
Insurance	General insurance on an agency basis offered to consumers.

⁸ The total loan book value is calculated on a pro forma basis as if the Acquisition had completed on 31 December 2014.

⁹ The balance of customer deposits is calculated on a pro forma basis as if the Acquisition had completed on 31 December 2014.

3.5.1.3.4 Applicable regulatory framework

The Kina Group takes a variety of liquidity risk related measures into consideration to manage its liquidity such as market conditions, prevailing interest rates, liquidity needs and desired maturity profile of its assets and liabilities. In addition, Kina Bank is operated with reference to a wide range of investment policies and guidelines to manage risk exposure.

Kina actively monitors its large credit exposures to ensure compliance with prudential standards relating to concentration risk.

The liquidity and investment exposures are overseen by the Assets & Liability Committee whose role is to identify and monitor liquidity issues, monitor and recommend policies, oversee adherence and maintain policy.

3.5.2 Kina Wealth Management division

Kina Wealth Management division is the largest wealth management business in PNG. The key operations are:

- > funds management and advisory;
- > funds administration;
- > custodian and trustee services;
- > financial planning; and
- > stockbroking and corporate advisory.

3.5.2.1 Funds management and advisory

KFM manages investment funds for several major superannuation funds, landowner groups, corporate and private investment clients. It manages funds (**FUM**) in excess of K5.2 billion as at March 2015. KFM is a licensed Investment Manager under the PNG SGP Act. It has an in-depth understanding of the investment climate in PNG and the Asia Pacific region.

KFM provides investment management services across all major asset classes, both in PNG and internationally, to a diverse set of institutional clients, including portfolio management and financial advisory primarily catered to institutional clients such as investment funds, corporations and financial institutions.

KFM manages assets including cash investments, fixed income investments (government and corporate debt), listed equities, private equities and property investment (real estate and property trusts). In addition to its investment management services, KFM also provides strategic advisory services, risk management, debt and equity investments, public offerings and private placements.

Figure 15 depicts the growth in KFM's funds under management from January 2012 to March 2015.

FIGURE 15: KFM'S FUNDS UNDER MANAGEMENT (IN PGK MILLION)

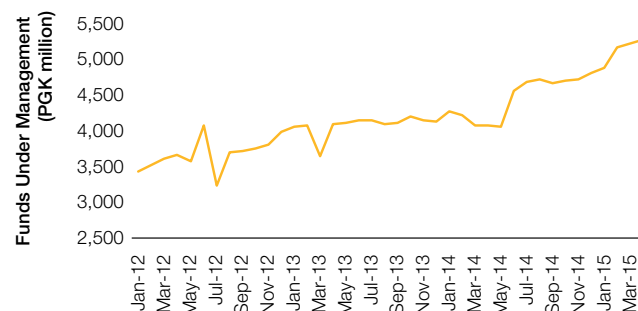
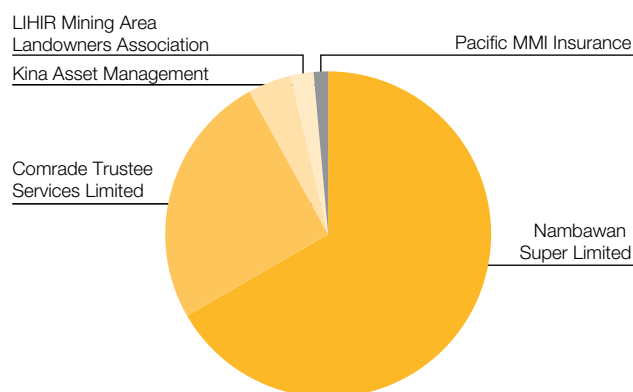


Figure 16 illustrates the contribution to investment management fees earned by KFM by client.

FIGURE 16: INVESTMENT MANAGEMENT FEES BY CLIENT (IN PGK MILLION) FOR THE YEAR ENDED 31 DECEMBER 2014



NSL contributes approximately 67% of the investment management fees generated by KFM. NSL will be a substantial shareholder in Kina at the completion of the Offer. See Section 9.12 (Material Contracts) for further details.

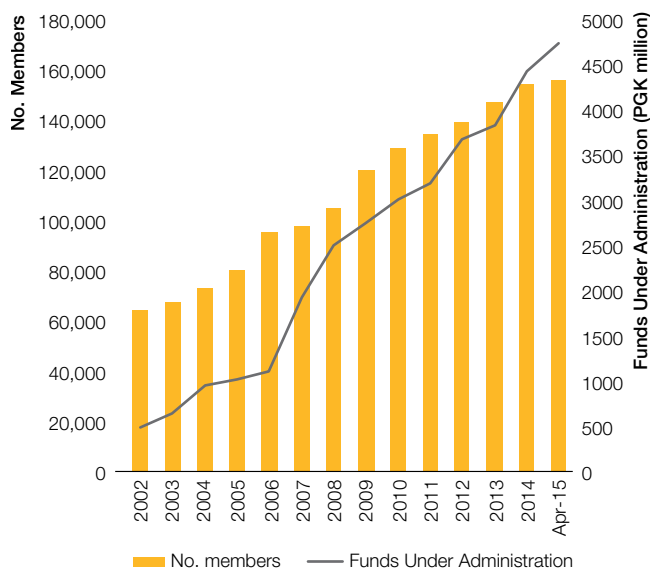
3.5.2.2 Funds administration

KISS acts as a fund administrator for a number of superannuation funds and private investment clients. KISS administers K4.7 billion in funds for (**FUA**) as of April 2015, for over 155,000 beneficiaries. KISS is licensed by BPNG to operate as a fund administrator under the PNG SGP Act.

The chart below illustrates growth in FUA and the number beneficiaries on whose behalf KISS administers funds.

SECTION 3: COMPANY OVERVIEW

FIGURE 17: FUNDS UNDER ADMINISTRATION



3.5.2.3 Custodian and trustee services

KNL is a company within the Kina Group responsible for safeguarding the financial assets of individuals and organisations. It is licenced by the PNG Securities Commission under the PNG Securities Act to accept appointment or act as a trustee of unit trusts and in respect of other debt securities and holds investments in trust on a nominee basis.

KNL is the custodian of various investments such as equities, bonds and commodities. It also arranges settlements of investments and reports related withholding tax implications.

3.5.2.4 Financial planning

Due to increasing demand, Kina Wealth Management has recently commenced providing clients with information on money management, investments, retirement planning, insurance, estate planning and philanthropy.

3.5.2.5 Stockbroking and corporate advisory

Kina provides a full service stockbroking offering to clients. The stockbroking area of Kina Wealth Management has over 3,000 clients, employs over 10 staff and is PNG's longest established stockbroker. It is the leading stockbroking company in PNG by volume, having transacted approximately 62% of the trades on POMSoX in 2014. Kina clients are able to trade securities on the ASX platform and POMSoX. Clients of Kina are offered access to ASX company research reports through its association with Morgans Financial Limited.

Kina is an experienced corporate finance advisor and has a history of advising on major mergers and acquisitions as well as capital transactions in PNG.

3.6 Kina Group's business strategy

Kina Group's historic performance has been driven by its aim to become the leading diversified financial services institution in PNG. Its strategy is to:

- > provide superior customer service;
- > be innovative and proactive in marketing; and
- > achieve targeted returns and thereby creating long term value for stakeholders.

The Kina Group has developed strategies for organic and inorganic growth to realise its broader aim.

3.6.1 Organic growth strategy

The Kina Group has developed a multi-tiered organic growth strategy which involves leveraging its expertise and existing and newly acquired client relationships.

The three key areas of Kina Group's focus are:

1. **Targeting new customers** – The Kina Group aims to target new clients via a number of channels including the expansion of its retail banking offering, the expansion of the EsiLoan loan book, Kina Wealth Management products and services, sales and marketing.
2. **Cross sell to existing customers** – The Kina Group has identified significant cross-selling opportunities, including foreign exchange, wealth management and deposit products.
3. **Retaining existing customers and increasing customer satisfaction** – The Kina Group is focussed on providing clients with an exceptional level of service and the provision of products that meet their needs at attractive pricing levels.

The Kina Group views this personalised service as a key competitive advantage. The Kina Group will have dedicated relationship managers assigned to larger clients.

The Kina Group will also aim to deliver operational business improvements initiatives including:

- > delivering faster decision times on loans;
- > improvements in customer service and training; and
- > expand its ATM and EFTPOS network and improve its electronic platform for internet, phone and mobile banking.

3.6.2 Inorganic growth strategy

The Kina Group will also seek to grow its business through purchases of loan books from other lending institutions, the acquisition of other finance companies in the region and, in the longer term, expanding to other Pacific nations.

3.6.3 Kina Group's marketing strategy

Due to the demographic of its customer base, the Kina Group's marketing strategy centres around engaging digitally with its customers through television advertising, social media channels, email and in-branch advertising.

The Kina website is primarily used for promoting products and services to its customers. It is envisaged that the website will be upgraded following the Offer to incorporate online banking.

3.7 Kina Group's competitors

3.7.1 Existing competitors

Kina Group's key competitors in the banking sector in PNG include BSP, Westpac and ANZ.

Kina Group's estimated share of the loans and advances market is 3.8% post-Acquisition.¹⁰

Table 4 contains an overview of the services offered by Kina's key competitors is set out below (as compared with Kina).

In the wealth management sector, Kina's main competitors include BSP, PacWealth Capital Limited, Niugini Capital Limited and Frontier Equities Ltd. Kina's only significant competitor in the funds administration subsector is AON Hewitt (PNG) Limited.

TABLE 4: OVERVIEW OF SERVICES OFFERED BY KINA'S KEY COMPETITORS

	KINA	BSP	ANZ	WESTPAC
Traditional cash accounts	✓	✓	✓	✓
Cheque and other accounts	✓	✓	✓	✓
Secured lending	✓	✓	✓	✓
Unsecured lending	✓	✓	✓	✓
Funds management	✓	✓		
Credit cards / EFTPOS	✓	✓	✓	✓
Online Banking	✓	✓	✓	✓
ATM	✓	✓	✓	✓
Branches	✓	✓	✓	✓
Foreign exchange	✓	✓	✓	✓
Funds administration	✓			
Stockbroking	✓	✓		
Insurance	✓	✓	✓	✓
Trustee Services	✓			
Custodian Services	✓			

¹⁰ Source: Key Disclosures Statement Summary to BPNG, IMF and company disclosure statements. The Kina figure is calculated on a pro forma basis as if the Acquisition had completed on 31 December 2014.

SECTION 3: COMPANY OVERVIEW

3.7.2 Barriers to entry for potential competitors

The barriers to entry for establishing a diversified financial institution in PNG are high and the costs involved would be significant. For entities to operate a financial institution or bank in PNG they must obtain a licence from the BPNG and demonstrate a required level of capital and experience. Kina has been operating in PNG since 1985. Kina considers that for a new entrant to establish the brand recognition and reputation that Kina has established, it would likely take significant time. Kina has invested heavily in its employees, IT and infrastructure. Kina considers that replicating its operations would likely require significant time and cost.

3.8 Kina Group operational matters

3.8.1 Kina employees

Following Completion of the Acquisition, Kina will have approximately 250 staff across the group, with approximately 130 of these in the Kina Wealth Management division and 120 in the Kina Bank division.

The vast majority of functions across the Group other than client facing sales (incorporating new loans) are centralised out of the head office in Port Moresby where services such as HR, customer support, marketing, legal services and IT infrastructure are located.

For details in relation to members of Kina's senior management, see Section 4.2 (Senior Executive Team).

3.8.2 Regulatory compliance

Kina Group continues to review and update its internal policies as necessary to ensure compliance with applicable prudential standards, including changes necessary in connection with the Acquisition and the implementation of a number of draft prudential standards recently circulated by BPNG.

3.8.3 Safety and security

Kina has in place security systems, policies and protocols for dealing with cash within its premises to safeguard its customers, employees and assets.

3.8.4 Key IT systems

Prior to the Acquisition, Maybank PNG primarily operated as a stand-alone operation from Malayan Banking Berhad with its own independent banking system, InfoPro. Under the terms of the Acquisition, Malayan Banking Berhad is providing assistance with the transitioning of the InfoPro ATM and internet banking modules.

The Kina Group will use InfoPro's integrated core banking system (ICBA Version 9i) and other third party software programs to manage its retail banking, commercial and personal lending, leasing, treasury, foreign exchange and trade finance.

3.8.5 Online capabilities

As at the date of this Prospectus, Maybank PNG uses InfoPro's integrated core banking system (ICBA Version 9i) for retail banking and Maybank2U for internet retail banking.

On Completion of the Acquisition, the Kina Group will transition to InfoPro's integrated core banking system and other third party software programs to manage its retail banking, commercial and personal lending, leasing, treasury, foreign exchange and trade finance. This will allow Kina to provide modern online and mobile banking for both commercial and personal banking, ATM and EFTPOS networks. On completion of the transition, the system will be a secure, current core banking system available for use throughout PNG.

3.8.6 Electronic banking

Following Completion of the Acquisition, Kina will operate a small ATM network. The establishment of its own EFTPOS and future ATMs will enable Kina's customers access to retail and banking channels throughout PNG.

SECTION 4: KEY INDIVIDUALS, INTERESTS AND BENEFITS

4.1 Board of Directors

Each of the Directors brings to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.



Sir Rabbie Namaliu **Non-Executive Chairman**

Sir Rabbie Namaliu is a distinguished statesman with more than six years of board experience in the financial services and mining and petroleum industries in PNG. Sir Rabbie has been the Chairman of Kina since 2009.

Sir Rabbie is the former Prime Minister of PNG and former Speaker of the PNG National Parliament. Furthermore, Sir Rabbie has ministerial experience in Foreign Affairs & Trade, Treasury, Primary Industry, Petroleum and Energy and other areas of government responsibility.

Sir Rabbie is chairman of Kramer Ausenco Ltd (appointed 2010), Kina Asset Management Ltd (appointed 2008), Kina Investment & Superannuation Services Ltd (appointed 2012) and Rimbunan Hijau Foundation (appointed 2010). In addition, Sir Rabbie holds directorships at Marengo Mining Limited (appointed 2008), Bougainville Copper Limited (appointed 2011), InterOil Corporation (appointed 2012) and South Pacific Post Ltd (appointed 2013).

In 2011, Sir Rabbie was appointed the chairman of the 2012 PNG Games Host Organising Committee by the East New Britain Provincial Government to plan and coordinate preparations for the PNG Games in Kokopo, PNG.

Sir Rabbie is a member of the PNG Institute of Directors.

Sir Rabbie holds a Bachelor of Arts (BA) degree from the University of PNG and received an Honorary Doctorate of Laws (Hon.LLD) and Master's degree from the University of Victoria, British Columbia, Canada.



Syd Yates **Chief Executive Officer**

Mr Syd Yates joined Kina in 1997 and has extensive experience in the banking, finance and investment industries, with a career spanning more than 30 years. He is currently serving as the CEO of Kina Group.

Within Kina Group, Syd is also a director of KVL and Kina Ventures (appointed 2012).

Syd is also currently serving as a director of KAML (appointed 2007), POMSoX (appointed 1998), Media Niugini Limited and the Commonwealth Games Association of PNG and is the Chairman for the National Olympic Fundraising Committee of the PNG Sports Federation.

Syd has previously been a director of Air Niugini Ltd and Bmobile Ltd.

Syd is a fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Financial Services Institute of Australasia. Syd is also a member of the PNG Institute of Directors.



Peter Ng Choong Joo **Non-Executive Director**

Mr Peter Ng has extensive experience in the banking, finance and investment industries, with a career spanning more than 35 years. Peter is currently a Director of Kina (appointed 2012).

Peter has previously worked in senior executive roles at Bank Negara Malaysia (from 1967 to 1977) and Bank Utama (Malaysia) Berhad (from 1977 to 2002). He was also a director of Kewangan Utama Berhad, a wholly-owned subsidiary of Utama Banking Group Berhad from 1995 to 1998. He was also a former director of Utama Merchant Bank Berhad (formerly Utama Wardley Berhad) from 1997 to 2001.

Peter is the executive chairman and a director of RH Mining Resources Ltd (appointed 2012), and holds directorships at RH Petrogas Limited (appointed 2012), Rimbunan Petrogas Limited (appointed 2012), RH Insurance Ltd (appointed 2005), Lubuk Tiara Sdn. Bhd (appointed 2011) and Qinzhou Development (Malaysia) Consortium Sdn. Bhd (appointed 2012).

Peter graduated with an MBA from Heriot-Watt University, Edinburgh, UK and is also an Associate of The Chartered Institute of Bankers (ACIB), London, UK.

SECTION 4: KEY INDIVIDUALS, INTERESTS AND BENEFITS



Don Manoa **Non-Executive Director**

Mr Don Manoa has been a Director of Kina since March 2013 and has more than 20 years of experience as a board member in PNG's banking, finance and investment industries.

Don is also a director of KFL (appointed 2013) and KFM (appointed 2003).

Don currently serves as the chairman of the NGIP/AGMARK Group of Companies (appointed 2003) and as a director of PNG Sustainable Development Program Ltd (appointed 2002).

Don has previously held management roles in both the PNG Electricity Commission (from 1986 to 1989) and Shell Company Limited PNG (from 1990 to 1997). In addition, Don has previously served as chairman of Shell Company (PNG) Limited (from 2000 to 2002) and the Gazelle Restoration Authority (from 2002 to 2004) and as a director of ANZ Banking Group PNG Ltd (from 1992 to 1996), Barclay Brothers (PNG) Ltd (from 1994 to 1997), Air Niugini Ltd (from 1997 to 1999) and Shorncliffe PNG Ltd (from 1989 to 2001). Don was also Honorary Consul for the Netherlands from 1998 to 2000.

Don has served on the boards of a number of charity and community service organisations in PNG and as a Commissioner in the Commissions of Enquiry into the National Provident Fund and the Government Department of Finance.

Don is a member of the PNG Institute of Directors.



Hilary Wong **Non-Executive Director**

Mr Hilary Wong has been a Director of Kina since 2001 and has over 14 years of experience in PNG's banking and finance industries.

Within Kina Group, Hilary currently serves as a director of KFL (appointed 2001), KISS (appointed 2012), KNL (appointed 2001) and PNGHF (appointed 2005).

In addition, Hilary is currently serving as a director of WN Investments (appointed 1991) and Wu-Tung Development Limited (appointed 1991).

Hilary is the chairman and co-founder of City Mission PNG and has received an international award from World City Mission in recognition of this involvement in charity and community service organisations in PNG.

Hilary is also the president of PNG's Tennis Association and a past member of the Organising Committee of the South Pacific Games.

Hilary is a member of the PNG Institute of Directors.



Wayne Golding **Non-Executive Director**

Wayne Golding has over 25 years of board experience and has an extensive range of experience and skills in PNG's trade, investment and finance industries. Wayne is a former chairman of Kina.

Wayne is currently a Director of Kina (appointed 1996). Wayne is also currently serving as a director of Matching Investments Limited (appointed 1995), New Town Trading Ltd (appointed 1999), Ratung Ltd (appointed 1999), Tanubada Dairy Products Ltd (appointed 1988), 2G Developments Ltd (appointed 2012), and 2G Housing Ltd (appointed 2013).

Wayne is a former director of International Air Radio Limited, a subsidiary of British Airways (from 1992 to 1996) and was a member of the negotiating team acting for PNG regarding PNG's entry into a trade and investment agreement with the European Union.

Wayne was also a member of the committee that formed the APEC Business Advisory Council and has held various co-chair positions in their committees, including as co-chair of the Economic and Finance Committee.

Wayne is also the founding chairman of the Manufacturers' Council of PNG, a representative of the PNG/Queensland Business Council Group and advisor to the PNG National Fisheries Authority.

Wayne is a member of the PNG Institute of Directors and holds accounting and commerce qualifications from University of Technology, Sydney, Australia (formerly Sydney Technical College).



Jim Yap **Non-Executive Director**

Mr Jim Yap has been a Director of Kina since 2012. Jim has significant experience in the banking industry in Australia, PNG and Taiwan. Within Kina Group, Jim is also a director of KFL (appointed 2012).

Jim also currently serves as a director of Niule No.1 Ltd (appointed 2009) and Raintree Development Ltd (appointed 2012).

Jim's previous experience includes senior management roles at ANZ Banking Group (PNG) Ltd, including roles as head of commercial banking and head of regional sales and origination. In addition, Jim has held a number of other roles within ANZ spanning over 37 years in retail banking, import and export, credit, corporate and institutional banking.

Jim holds a Bachelor of Science degree and Graduate Diploma in Education from Monash University, Melbourne, Australia, a Graduate Diploma in Management from the Royal Melbourne Institute of Technology, Melbourne, Australia, and is a member of the PNG Institute of Directors.



David Foster **Non-Executive Director**

Mr David Foster is an experienced non-executive director with a diverse portfolio of directorships and advisory roles. David has 25 years of experience in financial services. David was appointed a Director of Kina in 2015.

David is currently a non-executive director for Thorn Group Limited and is Chair of its Audit, Risk and Compliance Committee. He also has a number of advisory roles including Senior Advisor, Banking and Capital Markets for Ernst and Young and a variety of advisory boards in engineering and construction, education and local government.

David's prior experience includes a number of senior executive roles within Suncorp Group Limited, most recently as chief executive officer of Suncorp Bank, where David led it through a highly volatile period during the global financial crisis. This included the turnaround of its retail, small and medium enterprise and agricultural businesses and managing down \$18 billion in problem and non-core assets to maximise shareholder capital outcomes. David was also the Group Executive, Strategy during the acquisition of Promina Limited one of Australia's largest financial services transactions.

Prior to Suncorp, David had over 14 years at Westpac Banking Corporation in a number of senior roles in Sydney and Queensland.

David has an MBA, a Bachelor of Applied Science and is a Senior Fellow with Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.

The composition of the Board's committees and a summary of Kina's key corporate governance policies are set out in Section 4.5.

SECTION 4: KEY INDIVIDUALS, INTERESTS AND BENEFITS

4.2 Senior Executive Team



Michael Van Dorssen
General Manager – KFL and PNGHF

Mr Michael Van Dorssen joined Kina in 2009 and is currently the General Manager for KFL and PNG Home Finance. Michael has extensive experience in the banking industry in both Australia and PNG, with a career spanning more than 30 years.

Michael is responsible for the ongoing management and improvement of KFL and its subsidiaries.

Prior to joining Kina, Michael worked for Suncorp Limited as the District Manager for the bank's agribusiness division (from 2004 to 2008) and Westpac Bank PNG Limited (from 1999 to 2002).



Kong Wong
Group Financial Controller and Company Secretary

Mr Kong Wong re-joined Kina Group in 2014 as Group Financial Controller. Kong was previously Group Financial Controller and head of Kina Group's funds management division (from 1999 to 2010).

Kong has more than 15 years of experience in banking and finance, investment management, audit and financial control.

Prior to joining Kina, Kong worked for Public Bank Berhad (formerly, Hock Hua Bank Berhad) in its compliance division (from 1991 to 1999). Kong also joined Bmobile PNG for a short period as its acting chief financial officer (from 2012 to 2013).

Kong has a Bachelor of Economics, majoring in Accounting, from La Trobe University.

Kong is a member of Certified Practising Accountants Australia and PNG.



Victor Shubin
General Manager – KFM

Mr Victor Shubin joined Kina in 2014 and is the General Manager of KFM.

Victor has more than 13 years of corporate finance advisory and investment banking experience across a wide range of industries, working as a mergers and acquisitions manager in Ernst & Young across North America, Europe and Oceania and as an investment banker in Dragon Capital, a boutique investment bank with a focus on emerging markets minority-owned by Goldman Sachs.

Victor holds a Bachelor of Computing Science from the University of Alberta, Canada and an MBA from HEC Montréal, Canada. He is a member of the CFA Institute, and is a Graduate of the Canadian Investment Funds Course of the IFIC Institute of Canada.



Adam Fenech
General Manager – KISS, KWML and KNL

Mr Adam Fenech joined Kina Group in 2013 to lead KISS, KWML and KNL.

Adam has over 15 years of experience in the financial services industry and has held senior roles with organisations in both PNG and Australia, including the Commonwealth Bank of Australia, Colonial First State Investments, and Bankers Trust.

Prior to joining Kina, Adam was a director in PwC PNG's business advisory services division in Port Moresby.

Adam holds a Bachelor in Commerce from the University of New England and a Masters of Project Management, majoring in Business Administration, from the University of Southern Queensland. Adam is a member of the Australian Institute of Management and the Chartered Wealth Manager Institute.



Aaron Bird
Chief Information Officer

Mr Aaron Bird joined Kina in 2011 and is responsible for the IT and Operations Departments. Aaron has extensive experience in the IT industry, with a career spanning more than 18 years.

Prior to joining Kina, Aaron was the IT Manager at Calder Stewart March (from 2006 to 2011) and the Asia/Pacific IT Infrastructure Supervisor at Rayonier August (from 2000 to 2006).

Aaron is a former board member of the Permanent External Advisory Committee for IT at Otago Polytechnic (from 2009 to 2011).

Aaron holds a Bachelor of Applied & Strategic Management from Otago Polytechnic, New Zealand. Aaron is also a Fellow Member of the PNG Computer Society and a member of the Institute of IT Professionals of New Zealand.



Veronica Weiang
Group Manager – Legal

Ms Veronica Weiang joined Kina in 2014 and is responsible for legal, corporate governance and Board related matters for Kina Group. Veronica has over 15 years of commercial and corporate law experience in both private legal practice (working at Gadens Lawyers) and working for corporate government entities.

Prior to joining Kina, Veronica held the roles of Contracts Manager and Company Secretary at Air Niugini Ltd for 10 years and also worked at Petromin (PNG) Holdings Ltd.

Veronica has a Bachelor of Law Degree from the University of PNG and is a member of the PNG Law Society.



Saima Sapias Kalis
Group Manager – Human Capital

Mrs Saima Sapias Kalis joined Kina in 2014 and is the Group Manager, Human Capital. Saima has over 15 years of experience in human resources management from working with Shell Papua New Guinea Ltd for 10 years before joining ANZ Banking Group (PNG) Ltd, PNG for 6 years as a Senior Human Resources Business Partner.

Saima holds a Bachelor of Business Management, majoring in Human Resources Management, from Charles Sturt University, Australia.

SECTION 4: KEY INDIVIDUALS, INTERESTS AND BENEFITS

4.3 Interests and benefits

This Section 4.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in the Prospectus, no:

- > Director or proposed Director;
- > person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- > promoter of Kina; or
- > underwriter to the Offer or financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of this Prospectus with ASIC and the Registrar, or has held in the two years before lodgement of this Prospectus with ASIC and the Registrar, an interest in:

- > the formation or promotion of Kina;
- > property acquired or proposed to be acquired by Kina in connection with its formation or promotion, or in connection with the Offer; or
- > the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of Kina or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

All amounts in this Section 4.3 are expressed in AUD. The majority of remuneration and benefits payable by the Kina Group are payable in AUD. In certain cases, the Kina Group is required to pay amounts in PGK. In this Section 4.3, amounts payable in PGK have been presented in AUD, converted at a rate of 2.076 PGK to 1 AUD.

4.3.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- > Morgans has acted as lead manager and underwriter to the Offer and the fees payable to the manager pursuant to the Underwriting Agreement are described in Section 9.12.1;

- > Allens has acted as PNG and Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$780,000 (excluding disbursements and GST) for legal services up to the date of this Prospectus. Further amounts may be paid to Allens in accordance with its normal time-based charges;
- > PwCS has acted as the Investigating Accountant on, and has performed work in relation to due diligence enquiries in respect of, the financial information in relation to the Offer and has performed work in relation to its Investigating Accountant's Report in Section 8. The Company has paid, or agreed to pay, approximately \$280,000 (excluding disbursements and GST) for these services up to the date of this Prospectus. Further amounts may be paid to PwCS under time-based charges;
- > PwCS has also acted as the financial adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$750,000 (excluding disbursements and GST) for these services up to the date of this Prospectus. Further amounts may be paid to PwCS under time-based charges; and
- > PwC PNG has acted as tax adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$60,000 (excluding disbursements and GST) for these services up to the date of this Prospectus. Further amounts may be paid to PwC under time-based charges.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash.

4.3.2 CEO remuneration

Kina has entered into an employment contract with Syd Yates to govern his employment with Kina. Syd is employed in the position of CEO of Kina.

Syd Yates will, upon Completion of the Offer, be entitled to receive total fixed remuneration (comprising base salary of \$400,000, and other non-cash benefits, but excluding superannuation) of \$632,948 per annum. Syd Yates will also be eligible under Kina's short term incentive plan (**STI Plan**) to receive an annual short term incentive representing up to 50% of annual base salary at on-target performance and a maximum of 75% of his annual base salary at stretch performance.

Payment of the STI in respect of FY15 will depend on satisfaction of performance measures that are to be determined by the Board following Listing, in its discretion and encapsulated in an STI Plan (see Section 4.4.2 for further details). It is also proposed that 35% of any annual incentive awarded to Syd Yates under the STI Plan will be deferred for a period of 24 months in the form of performance rights, subject to obtaining Shareholder approval (if required) and the award of Shares being permitted under applicable law. Vesting of the deferred component will be conditional on Syd Yates remaining employed by Kina Group at the time of vesting, except in certain circumstances where his employment is terminated without cause, in which case, the deferred component will vest immediately.

Syd Yates will also be eligible to participate in Kina's long term incentive plan (**LTI Plan**) (see Section 4.4.3 for further details). Kina will grant up to \$200,000 worth of Performance Rights under the LTI Plan to Syd Yates on or around Completion of the Offer. The actual number of Performance Rights that Syd Yates will receive will be determined in accordance with the method described in Section 4.4.3.1. Subject to satisfaction of the vesting conditions and / or performance hurdles, the Performance Rights will vest on the third anniversary of admission of Kina to the official lists of ASX and POMS0X. The key terms and conditions (including the exercise price and vesting conditions) applicable to the Performance Rights granted to Syd Yates under the LTI Plan are set out in Section 4.4.3.1. It is intended that future grants of Shares and Performance Rights under the LTI Plan will be made annually and that these will vest three years from issue or grant, subject to the satisfaction of the vesting conditions and / or performance hurdles set by the Company.

Syd Yates' employment agreement may be terminated by Kina or Syd Yates by giving at least three months' notice in writing of such termination or, alternatively, in Kina's case, payment in lieu of notice. Kina may terminate Syd Yates' employment without notice or payment in lieu of notice in circumstances where Syd:

- > is bankrupt or has made any arrangement or composition with his creditors or taken advantage of any legislation for relief of an insolvent debtor; or
- > is convicted of any criminal offence, other than an offence which in the reasonable opinion of the Board does not affect his position as CEO of Kina.

Upon termination of Syd Yates' employment agreement, Syd will be subject to a restraint of trade period of 12 months. The enforceability of the restraint clause is subject to all usual legal requirements.

Details of Syd Yates' voluntary escrow arrangements are set out in Section 9.12.6.

4.3.3 Other Senior Executive Team remuneration

Other members of Kina's Senior Executive Team are employed under individual agreements (each, a **Senior Executive**). These establish:

- > variable notice and termination provisions, including:
 - termination by Kina or the Senior Executive by three months' written notice or payment in lieu of notice in the case of Kina; and
 - immediate termination by Kina in the case of serious and wilful misconduct;
- > restraint of trade provisions for three months after termination of employment. The enforceability of the restraint clauses are subject to all usual legal requirements;
- > eligibility to participate in the STI Plan for up to 30% of annual base salary at on-target performance and a maximum of 45% of their annual salary at stretch performance. Payment of the STI in respect of FY15 will depend on satisfaction of performance measures that are to be determined by the Board following Listing, in its discretion and encapsulated in an STI Plan. See Section 4.4.2 for further details about the STI Plan;
- > eligibility to participate in the LTI Plan. Other Senior Executives (excluding Syd Yates) will together receive approximately \$412,518 worth of Performance Rights on or around Completion of the Offer under the terms of the LTI Plan (see Section 4.4.3.1 for further details); and
- > leave entitlements in accordance with applicable legislation.

SECTION 4: KEY INDIVIDUALS, INTERESTS AND BENEFITS

4.3.4 Non-Executive Director remuneration

Under the Constitution, the Board decides the total amount paid to each Non-Executive Director as remuneration for their services as a Director of the Company. However, the total amount of fees (including statutory superannuation entitlements, if any) paid to the Directors for their services (excluding, for these purposes, the remuneration of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting.

This amount has been fixed by the Company at \$1.28 million per annum. Any change to that aggregate annual sum needs to be approved by Shareholders. The aggregate sum includes any special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board.

Annual Directors' fees currently agreed to be paid by the Company are \$135,000 plus any superannuation entitlements to the Chairman and \$75,000 plus any superannuation entitlements to each other Non-Executive Director.

Fees between \$5,000 and \$15,000 per annum will be paid to Directors who participate in any Committee, noting however that committee chairman fees will not be duplicated for those Directors who are appointed to chair meetings of more than one committee or the Board.

In addition to reflect the considerable additional time required of the existing Directors to prepare the Company for Listing, the Board has agreed to pay a once off additional fee to the following directors:

- > Sir Rabbie Namaliu – \$80,000;
- > Jim Yap – \$55,000;
- > David Foster – \$30,000;
- > Wayne Golding – \$30,000; and
- > Peter Ng – \$20,000.

The Non-Executive Directors are not entitled to participate in any Kina Group employee incentive scheme.

4.3.5 Other remuneration arrangements

Directors may be reimbursed for travel and other expenses incurred in attending and returning from any Board, Board committee or general meeting of the Company, or otherwise in connection with the business or affairs of Kina Group.

Directors may be paid such special or additional remuneration as the Board determines for performing extra services or making any special exertions for the benefit of the Company which, in the Board's opinion, are outside the scope of ordinary duties of a Director.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

4.3.6 Deeds of access, indemnity and insurance

Kina has entered into a deed of access, indemnity and insurance (**Deed**) with each Director which confirms that Director's right of access to Company records and Board papers for a period of seven years after the Director ceases to hold office as a director of Kina or its subsidiaries. This period may also be extended where certain proceedings or investigations commence before that period expires. The Deed also requires the Company to indemnify the Director, to the extent permitted by law, against all liability incurred as a director of the Company and its subsidiaries.

Under each Deed, the Company must arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law.

4.3.7 Director's interests in Shares

Directors are not required under the Constitution to hold any shares in the Company.

The Directors are entitled to apply for Shares under the Offer.

As at the date of this Prospectus, the Directors have the following interests in the Shares in the Company (either directly or through beneficial interests or entities associated with the Director), and on Completion of the Offer, the Directors will hold the following interests in the Shares in the Company, unless further Shares are applied for under the Offer.

Director	Number of Shares	Shareholding as at the date of this Prospectus (%)	Number of Shares	Shareholding on Completion of the Offer (%)
Syd Yates	4,406,097	5.0%	4,406,097	2.7%
Wayne Golding	4,846,706	5.5%	4,846,706	3.0%
Other Directors	Nil	–	Nil	–

To facilitate the Offer, on 19 June 2015, each Existing Shareholder, including Columbus Investments Ltd (an entity controlled by Syd Yates) and Wayne Golding, were issued a proportionate number of additional Shares such that the total number of Shares on issue was 88,121,935 as at the date of this Prospectus.

4.4 Incentive plans

4.4.1 Overview of incentive plans

Kina has established various incentive arrangements to assist in the attraction, motivation and retention of management and employees of Kina as set out below.

Briefly, the Board has determined that to align the interests of Kina's Senior Executive Team and the goals of Kina, the remuneration packages of the CEO and the other Senior Executives of Kina should comprise the following components:

- > a long term incentive plan that will provide an opportunity for employees to receive an equity interest in the Company through the granting of Performance Rights; and
- > a short term incentive plan that is to be established shortly after Offer.

Payments under the STI Plan and the award of equity under the LTI Plan will be subject to the achievement of performance criteria or hurdles set by the Board.

The remuneration package of the CEO is determined by the Remuneration Committee and reported to the Board for approval. The remuneration of the other Senior Executives will be reviewed annually by the CEO. With the approval of the Chairman of the Board, the Remuneration Committee may seek external advice on the appropriate level and structure of the remuneration packages of the Senior Executive Team from time to time.

Investors should be aware of the potential dilutive effects of the equity based components of the incentive plans described in this Section 4.4 (noting that relevant equity awards are subject to performance criteria or hurdles set by the Board which are related to the performance of the Company).

4.4.2 STI Plan

The Board has determined that Kina's current remuneration policy for the CEO and other members of the Senior Executive Team is to comprise a short term incentive component, which will be encapsulated in an STI Plan. STI Plan participants will have an opportunity to receive an incentive payment calculated as a percentage of their salary each year, conditional upon achievement of financial and, if applicable, non-financial performance measures. The performance measures against which each participant's short term incentive is assessed and their relative weightings will be tailored to a participant's role and set by the Board each year.

Under the STI plan 65% of the award will be paid as a cash bonus, with the 35% balance awarded as a grant of Performance Rights. The number of Performance Rights to be granted will be determined by dividing the award value by the 10 day volume weighted average price per Share following the release of the Company's audited financial statements for the year ending 31 December 2015.

The granted Performance Rights will be restricted from exercise until the second anniversary after the grant date and subject to the Company's clawback policy. Under the clawback policy the rights may be forfeited if the Board determines that adverse events or outcomes arise that should impact on the participants' STI award.

Shortly after Listing, the Board intends to determine the financial and non-financial measures to be used under the STI Plan, including:

- > determining for the relative weighting of financial and non-financial components of the incentive when finalising those components as part of the FY15 grant to the Senior Executive Team and other participants in the STI Plan; and
- > who will be responsible for determining the key performance indicators to be adopted as non-financial performance measures for each participant in the STI Plan and the frequency that these measures will be retested.

It is proposed that payments under the STI Plan will be made in March of each year after the release of full year financial results to ASX and POMSoX.

SECTION 4: KEY INDIVIDUALS, INTERESTS AND BENEFITS

For FY15, the target and maximum incentive (**Target STI, Maximum STI**) that may be awarded to members of the Senior Executive Team has been set as follows, expressed as a percentage of annual salary:

Position	Target and Maximum STI	Performance measures
CEO	50% at on-target 75% at maximum	One or more key performance indicators as determined by the Board in its absolute discretion are met or exceeded. For FY15 no STI will be paid unless the FY15 NPAT forecast is met. Provided that the FY15 NPAT forecast is met and that each of the key performance measures are achieved for a financial year, the participant is eligible to receive an STI of up to a proportion of the Maximum STI (as determined in the absolute discretion of the Board). Under the STI Plan only 65% of any STI award can be paid as a cash bonus. The remaining 35% will be awarded as a grant of Performance Rights, which will be restricted from exercise until the second anniversary of the grant date and which will also be subject to potential forfeiture under the Company's clawback policy (and will otherwise be subject to terms consistent with Performance Rights issued under the LTI Plan, as described in Section 4.4.3).
Other Senior Executives	30% at on-target 45% at maximum	As above for the CEO

4.4.3 LTI Plan

Kina has adopted an equity-based performance rights plan (**LTI Plan**) to assist in the motivation, retention and reward of certain employees. The LTI Plan will be designed to align the interests of employees with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company through the granting of Performance Rights. Under the LTI Plan, Eligible employees may be offered Performance Rights which may be subject to vesting conditions set by the Board.

The key terms of the LTI Plan are as set out below. Further details of the grants of Performance Rights made under the LTI Plan on or around Completion are also set out below:

Eligibility	Participants must be a permanent full-time or part-time employee or Executive Director of Kina or any of its subsidiaries (Employee). The Board will determine which Employees are eligible to participate in the LTI Plan (Eligible PR Employees).
Offers	Under the rules of the LTI Plan, Performance Rights may be offered to Eligible PR Employees from time to time. The number of Performance Rights the subject of an offer under the LTI Plan will be determined by the Board (acting on the advice of the Remuneration Committee).
Terms and conditions	The Board has the absolute discretion to determine the terms and conditions applicable to an offer under the LTI Plan, including: <ul style="list-style-type: none"> > any conditions required to be satisfied before Performance Rights will be granted; > any performance, vesting or other conditions required to be satisfied before Performance Rights vest and may be exercised (Vesting Conditions); > any period during which Vesting Conditions must be satisfied before Performance Rights vest (Vesting Period); > the exercise period during which Performance Rights may be exercised, subject to the terms of the LTI Plan and the offer (Exercise Period); > any applicable issue price and/or exercise price; > any disposal restrictions on Shares to be issued or transferred upon the exercise of Performance Rights; and > any other specific terms and conditions applicable to the offer. The specific terms and conditions applicable to an offer must be set out in the offer invitation.
Performance Rights	Each Performance Right confers on its holder the entitlement to receive one Share (by way of issue or transfer) at the exercise price (if any) upon the exercise of the Performance Right.
Ranking of Shares	Shares issued upon vesting and/or exercise of Performance Rights under the LTI Plan will rank equally in all respects with Existing Shares.

Forfeiture of Performance Rights	<p>Performance Rights which are subject to Vesting Conditions (Unvested Performance Rights) may be forfeited:</p> <ul style="list-style-type: none"> > if the Board determines that any Vesting Condition applicable to the Performance Right has not been satisfied in accordance with its terms or is not capable of being satisfied; > in certain circumstances if the participant's employment is terminated (Cessation of Employment); or > in other circumstances specified in the LTI Plan rules (e.g., where the Board determines that the participant has committed an act of fraud or gross misconduct in relation to the affairs of Kina).
Rights attaching to Performance Rights	The Performance Rights do not carry rights to dividends or voting rights prior to exercise.
Capital reconstructions	In the event of a capital reconstruction, subject to the ASX Listing Rules, the Board may determine the manner in which any or all of the Performance Rights will be dealt with.
Vesting and exercise of Performance Rights	<p>If Performance Rights are offered subject to Vesting Conditions, Kina must give the participant a vesting notice upon such conditions having been satisfied or waived by the Board.</p> <p>Subject to any Vesting Conditions having been satisfied or waived, a Performance Right may be exercised in accordance with the relevant Eligible PR Employee's invitation and paying the exercise price (if any).</p>
Lapse of Performance Rights	<p>Unless otherwise specified in the Vesting Conditions or otherwise determined by the Board, a Performance Right will lapse on the earliest of:</p> <ul style="list-style-type: none"> > if the Board determines that any Vesting Condition applicable to the Performance Right has not been satisfied in accordance with its terms or is not capable of being satisfied; > the expiry of the exercise period (if any); > in circumstances of Cessation of Employment; > in other circumstances specified in the LTI Plan rules (e.g. where the Board determines that the participant has committed an act of fraud or gross misconduct in relation to the affairs of Kina); or > if the participant purports to deal in the Performance Right in breach of any disposal or hedging restrictions in respect of the Performance Right.
Restrictions on Performance Right	<p>Except as permitted by the Board, Performance Rights must not be sold, transferred, encumbered or otherwise dealt with.</p> <p>If restricted by applicable law, a participant may not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to, any Performance Rights.</p>
Waiver of vesting conditions	The Board has the discretion to reduce or waive a Vesting Condition attaching to an award of Performance Rights in whole or in part at any time.
New issues	A participant holding Performance Rights is not entitled to participate in any new issue of securities.
Bonus issues, pro-rata issues and capital reorganisations	The LTI Plan provides for adjustments to be made to the number of Shares which a participant would be entitled to receive on the exercise of Performance Rights or the exercise price (if any) of the Performance Rights in the event of a bonus issue or pro-rata issue to existing holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) or a reorganisation of capital.
Winding up	If a resolution for a voluntary winding up of Kina is proposed, the Board may, in its absolute discretion, determine the manner in which any or all of the participant's Performance Rights will be dealt with.
Cessation of Employment	The LTI Plan contains certain provisions concerning the treatment of vested and unvested Performance Rights in the event that a participant ceases employment.
Change of control	In the event of a change of control, the Board may, in its absolute discretion, determine the manner in which any or all of the participant's Performance Rights will be dealt with.
Quotation	Performance Rights will not be quoted on the ASX or any other recognised exchange, including POMSx. Subject to the ASX Listing Rules, Kina will apply to the ASX for the official quotation of any Shares issued to participants for the purposes of the LTI Plan.
Trustee	Kina may appoint a trustee to acquire and hold Shares or Performance Rights (including unvested Performance Rights) on behalf of participants, for transfer to future participants or otherwise for the purposes of the LTI Plan.

SECTION 4: KEY INDIVIDUALS, INTERESTS AND BENEFITS

Plan limit and compliance with laws	<p>No Performance Rights may be issued to, or exercised by, a participant if to do so would contravene the Australian Corporations Act, the PNG Companies Act, the PNG Securities Act, the ASX Listing Rules, the POMSoX Listing Rules or any relief or waiver granted by ASIC, the Registrar, ASX or POMSoX that binds Kina in making any offer under the LTI Plan or otherwise in connection with the operation of the LTI Plan.</p> <p>No Performance Rights may be offered under the LTI Plan if to do so would breach the 5% capital limit on the issue of shares set out in ASIC Class Order 14/1000 in relation to employee share schemes.</p>
Amendments	<p>The Board may, in its absolute discretion, amend the LTI Plan rules, or waive or modify the application of the LTI Plan rules in relation to a participant, provided that (except in specified circumstances) if such amendment would adversely affect the rights of participants in respect of any Performance Rights then held by them, the Board must obtain the consent of all participants who hold those Performance Rights before making the amendment.</p>

4.4.3.1 Grants under the LTI Plan to the Senior Executive Team

The Senior Executive Team will receive FY15 LTI grants on the terms generally described in the table below:

Feature	Terms
Grant date	On Completion of the Offer.
Number of Performance Rights	<p>Syd Yates will be granted \$200,000 worth of Performance Rights under the FY15 LTI grant on the below terms upon Completion of the Offer.</p> <p>Other senior executives will be granted in total \$412,518 worth of Performance Rights under the FY15 LTI grant on the below terms upon Completion of the Offer.</p> <p>The number of Performance Rights to be granted will be the AUD value of the award divided by the Offer Price of \$1.00.</p>
Vesting Period	From the date of the relevant grant to the Vesting Date (three year period).
Vesting Date	The date being three years after the date of the relevant grant.
Vesting conditions	<p>In respect of the FY15 LTI grant, the Performance Rights will only vest subject to satisfaction of both of the following conditions:</p> <p>(A) the net profit after tax ('NPAT') as set out in the Kina Group FY15 Statutory Report equals or exceeds the Kina Group NPAT set out in the FY15 Statutory Forecast Income Statement set out in Section 5; and</p> <p>(B) the relevant participant remaining employed by a Kina Group member on the Vesting Date.</p> <p>If the participant is not employed by a Kina Group member on the Vesting Date, or if the forecast target described above is not met, any Unvested Performance Rights held by that participant will lapse.</p>

4.4.3.2 Future grants

It is intended that future grants under the LTI Plan will be made annually. However, there is no obligation on Kina to make any further grants under the LTI Plan.

Under future LTI awards it is intended that the vesting condition will be linked to a relative TSR hurdle measures over a three year period. The precise details of the vesting condition for the FY16 and beyond grants will be outlined in the relevant years financial report.

4.4.4 Equity-based one-off retention incentive

Kina has adopted an equity-based performance rights plan (**Retention Plan**) to assist in the retention and reward of some key eligible employees (**Retention Participants**).

The grant of performance rights will be conditional upon completion of the Offer and will occur upon completion of the Offer.

Under the Retention Grant, Syd Yates will receive a once off grant of \$200,000 worth of Performance Rights, which will result in 200,000 of Performance Rights being granted. 50% of the Performance Rights will vest on the first anniversary of the grant date subject to Syd remaining employed by the Kina Group. The remaining 50% of the Performance Rights will vest on the second anniversary of the grant date subject to Syd remaining employed by the Kina Group.

The Performance Rights will be granted on terms consistent with Performance Rights issued under the LTI Plan.

4.4.5 Summary of Performance Rights awards

The table below sets out a summary of the Performance Rights which may be awarded under the STI Plan, LTI Plan and Retention Plan respectively in the financial year ending 31 December 2015.

Each Performance Right confers on its holder the entitlement to receive one Share upon the exercise of the Performance Right.

Participant	STI Plan Performance Rights (maximum)	LTI Performance Rights (maximum)	Retention Plan Performance Rights (maximum)
CEO - Syd Yates	A number equal to \$300,000 divided by the 10 day volume weighted average price of Shares following the date of the release of the audited financial statements for the financial year ending 31 December 2015	200,000	200,000
Other senior executives	A number equal to \$662,258 divided by the 10 day volume weighted average price of Shares following the date of the release of the audited financial statements for the financial year ending 31 December 2015	412,518	-

4.5 Corporate governance

4.5.1 Introduction

This Section 4.5 explains how the Board will oversee the management of Kina's business. The Board is responsible for the overall corporate governance of Kina. The Board monitors the operational and financial position and performance of Kina, and oversees its business strategy, including approving strategic goals. The Board is committed to maximising performance, generating Shareholder value and financial returns, and sustaining the growth and success of Kina. In conducting Kina's business in accordance with these objectives, the Board seeks to ensure that Kina is properly managed to protect and enhance Shareholder interests, and that Kina, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Kina, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Kina's business and which are designed to promote responsible management and conduct of Kina.

The main policies and practices adopted by Kina, which will take effect from Listing, are summarised below. Kina's key governance policies and the charters for the Board and each of its committees are available at www.kina.com.pg.

Kina applied within seven days of the Prospectus Date for admission to the official lists of ASX and POMSoX. The ASX Corporate Governance Council has developed and released its *Corporate Governance Principles and Recommendations* (3rd Edition) (**ASX Recommendations**) for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines.

However, under the ASX Listing Rules, Kina will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period, and provide details of where it has disclosed information relevant to the ASX Recommendations (in the form of Appendix 4G to the ASX Listing Rules). Where Kina does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. The Board does not anticipate that it will depart from the ASX Recommendations. However, it may do so in the future if it considers that such departure would be reasonable in the circumstances.

SECTION 4: KEY INDIVIDUALS, INTERESTS AND BENEFITS

4.5.2 Board of Directors

As at the date of this Prospectus, the Board comprises seven Non-Executive Directors (including the Chairman) and the Chief Executive Officer, namely:

- > Sir Rabbie Namaliu – Non-Executive Chairman;
- > Syd Yates, OBE – Chief Executive Officer;
- > Peter Ng Choong Joo – Non-Executive Director;
- > Don Manoa – Non-Executive Director;
- > Hilary Wong, MBE – Non-Executive Director;
- > Wayne Golding, OBE – Non-Executive Director;
- > Jim Yap – Non-Executive Director; and
- > David Foster – Non-Executive Director.

Detailed biographies of the Directors are provided in Section 4.1.

Each Non-Executive Director has confirmed to Kina that he anticipates being available to perform his duties as a non-executive director without constraint from other commitments.

The Board considers an independent Director to be a Non-Executive Director who is not a member of Kina's management and who is free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board will review the independence of each Director in light of interests disclosed to the Board regularly (and at least annually).

The Board Charter sets out the guidelines for the purposes of determining independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers 'independence' on a case-by-case basis, having regard to both quantitative and qualitative principles. The Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of Kina.

The Board considers that each of Sir Rabbie Namaliu, Don Manoa, Hilary Wong, Wayne Golding and David Foster are independent Non-Executive Directors for the purpose of the ASX Recommendations. The Board does not consider Syd Yates to be independent as he is the CEO of Kina. Peter Ng and Jim Yap are also not considered by the Board to be independent due to their association with Fu Shan.

The Board considers that each of the Non-Executive Directors brings objective and independent judgement to the Board's deliberations and that each of the Non-Executive Directors makes a valuable contribution to Kina through the skills they bring to the Board and their understanding of Kina's business.

4.5.3 Board Charter

The Board Charter adopted by the Board sets out the responsibilities of the Board in detail. A copy of the Board Charter is available on Kina's website. It envisages that the Board should comprise Directors with a range of skills, knowledge, experience, expertise and diversity which are relevant to Kina's business and the Board's responsibilities. A majority of the Directors must be resident in PNG under the Board Charter. The Board Charter allows the Board to delegate powers and responsibilities to the CEO and committees established by the Board. The Board is accountable to Shareholders in discharging its duties.

4.5.4 Board Committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit Committee, Risk Committee, Remuneration Committee, Nominations Committee and Disclosure Committee. Copies of the committee charters for the Audit Committee, Risk Committee, Remuneration Committee and Nominations Committee are available on Kina's website. Information regarding the Disclosure Committee is set out in Section 4.5.6.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of Kina, relevant legislative and other requirements and the skills and experience of individual Directors.

4.5.4.1 Audit Committee

The role of the Audit Committee is to assist the Board in discharging its responsibilities in connection with the quality and integrity of the auditing and financial reporting obligations of Kina.

The Charter of the Audit Committee provides that the committee should comprise at least three Directors, all of whom are Non-Executive Directors and a majority of whom are independent Directors. The chairman of the committee must be an independent Director who is not the Chairman of the Board. The committee will meet at least four times a year and will regularly report to the Board about committee activities, issues and related recommendations.

Currently, David Foster, Jim Yap and Don Manoa are members of this committee. David is the chairman of the committee.

4.5.4.2 Risk Committee

The role of the Risk Committee is to assist the Board in discharging its responsibilities in connection with the quality and integrity of the risk management framework of Kina.

The Charter of the Risk Committee provides that the committee should comprise at least three Directors, all of whom are Non-Executive Directors and a majority of whom are independent Directors. The chairman of the committee must be an independent Director. The committee will meet at least twice a year and will regularly report to the Board about committee activities, issues and related recommendations.

Currently, David Foster, Jim Yap and Don Manoa are members of this committee. David is the chairman of the committee.

4.5.4.3 Remuneration Committee

The role of the Remuneration Committee is to:

- > formulate advice to the Board on the remuneration of the CEO and other Senior Executives;
- > assist the Board in its review of Kina's remuneration policies and practices;
- > recommend to the Board for approval by the Company in general meeting the amount and structure of Directors' fees; and
- > administer aspects of the Fit and Proper Requirements set by BPNG.

The Charter of the Remuneration Committee provides that the committee should comprise at least three Directors, all of whom are Non-Executive Directors and a majority of whom are independent Directors.

The chairman of the committee must be an independent Director. The committee will meet at least twice a year and will regularly report to the Board on any matter that should be brought to the Board's attention and on any recommendation of the committee that requires Board approval.

Currently, Sir Rabbie Namaliu, David Foster, Jim Yap and Wayne Golding are members of this committee. Sir Rabbie is the chairman of the committee.

4.5.4.4 Nominations Committee

The role of the Nominations Committee is to assist the Board in planning the Board's composition, evaluating the competencies required of prospective directors (including whether a director qualifies as a Non-Executive Director and an independent Director), identifying those prospective directors, developing succession plans for the Board, and making recommendations to the Board accordingly.

The Charter of the Nominations Committee provides that the committee should comprise at least three Directors, a majority of whom are independent Directors. The Chairman of the committee must be an independent Director. The committee will meet at least twice a year and its recommendations from time to time will be reported to the Board.

Currently, Sir Rabbie Namaliu, David Foster, Jim Yap and Wayne Golding are members of this committee. Sir Rabbie is the chairman of the committee.

4.5.5 Diversity Policy

Kina has adopted a Diversity Policy, which sets out Kina's commitment to the maintenance and promotion of diversity and inclusiveness in the workplace. Diversity drives the Company's ability to attract, retain and develop the best talent, create an engaged workforce, deliver the highest quality services to its customers and continue to grow the business. The Diversity Policy provides a framework to help Kina achieve its diversity goals, while creating a commitment to a diverse work environment where staff consider they are treated fairly and with respect, and have equal access to workplace opportunities. The Nominations Committee will review and oversee the implementation of the Diversity Policy.

4.5.6 Continuous Disclosure Policy

Once listed, Kina will be required to comply with the continuous disclosure requirements of the ASX Listing Rules, the Australian Corporations Act, the POMS0X Listing Rules and the PNG Securities Act. Kina will be required to immediately notify ASX and POMS0X of any information of which it becomes aware, and that a reasonable person would expect to have a material effect on the price or value of any securities issued by Kina, unless an exception under the ASX Listing Rules and/or the POMS0X Listing Rules applies.

The Board aims to ensure that Shareholders and stakeholders are informed of all major developments affecting Kina's state of affairs. Kina has therefore adopted a Continuous Disclosure Policy which will apply upon Listing and aims to establish procedures to ensure that Directors and senior management are aware of, and fulfil their obligations in relation to, providing timely, full and accurate disclosure of material information to Kina's stakeholders and comply with Kina's disclosure obligations under the ASX Listing Rules, the Australian Corporations Act, the POMS0X Listing Rules and the PNG Securities Act. The Continuous Disclosure Policy also sets out procedures for communicating with the media and the market.

SECTION 4: KEY INDIVIDUALS, INTERESTS AND BENEFITS

Under the Continuous Disclosure Policy, Kina has established a Disclosure Committee that is responsible for, among other things:

- > approving the release of any announcement to POMSx and ASX, other than an announcement which relates to a matter which is both material and strategically important;
- > considering whether Kina is obliged or is required to respond to a market rumour or media speculation; and
- > overseeing the disclosure officer's administration of the Continuous Disclosure Policy.

Currently, Sir Rabbie Namaliu, Syd Yates and David Foster and members of this committee. Sir Rabbie is the chairman of the committee.

Kina is committed to observing its disclosure obligations under the ASX Listing Rules, the Australian Corporations Act, the POMSx Listing Rules and the PNG Securities Act. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX and POMSx and continuous disclosure announcements will be made available on Kina's website, in accordance with the Shareholder Communications Policy.

4.5.7 Shareholder Communications Policy

The Shareholder Communications Policy supplements the Continuous Disclosure Policy. The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of Kina and that they are informed of all major developments affecting Kina's state of affairs that are relevant to Shareholders, in accordance with applicable laws. Information will be communicated to Shareholders by lodging information required by Kina's continuous disclosure obligations with the ASX and POMSx, publishing information on Kina's website and in its announcements or reports, and at general meetings. The Shareholder Communications Policy is designed to promote effective communication with Shareholders and other stakeholders and to encourage effective participation of relevant parties at general meetings.

4.5.8 Securities Trading Policy

Kina has adopted a Securities Trading Policy that will, upon Listing, apply to Kina Group's Directors and officers (including the CEO), direct reports to the CEO and their direct reports, any other personnel designated by the Board, and closely related parties of all of the aforementioned persons (**Relevant Persons**).

The Securities Trading Policy is intended to explain the types of conduct in relation to dealings in securities that are prohibited under the Australian Corporations Act and PNG Securities Act, and to establish procedures in relation to dealings in securities by Relevant Persons.

Relevant Persons will not be permitted to deal in Shares during the following blackout periods:

- > from the close of the last trading day in November each year, until the close of the trading day following the day on which Kina's full year results are released to ASX and POMSx;
- > from the close of the last trading day in May each year, until the close of the trading day following the day on which Kina's half-yearly results are released to the ASX and POMSx; and
- > any other period that the Board specifies from time to time.

Outside of these periods, Relevant Persons must receive clearance for any proposed dealing in Shares. In all instances, buying or selling Shares is not permitted at any time by any person who possesses inside information in a manner contrary to the Australian Corporations Act or PNG Securities Act. Any dealing in Shares by Relevant Persons pursuant to a margin lending arrangement is not permitted. Relevant Persons are permitted to hedge Shares in limited circumstances.

4.5.9 Code of Corporate Conduct and Code of Conduct for Directors

Kina Group employees are required to conduct their activities with honesty, integrity and fairness. Kina Group has adopted a Code of Corporate Conduct which sets out the standards of behaviour that Kina Group expects from its Directors, officers, employees, subcontractors and consultants in conducting Kina's business. The Code of Conduct outlines Kina employees' obligations of compliance with the Code. Directors must also comply with the Code of Conduct for Directors which sets out the Board's expectations of its Directors with respect to their professional and ethical behaviour.

SECTION 5: FINANCIAL INFORMATION

5.1 Introduction

5.1.1 Financial information

The financial information for the Kina Group contained in this Section 5 includes:

- > Historical reported financial information for the Kina Group being the:
 - statutory historical consolidated income statements for the years ended 31 December 2012 (FY12), 31 December 2013 (FY13) and 31 December 2014 (FY14);
 - statutory historical consolidated cash flow statements for the years ended 31 December 2012 (FY12), 31 December 2013 (FY13) and 31 December 2014 (FY14); and
 - statutory historical consolidated balance sheet at 31 December 2014.
(together the Statutory Historical Financial Information)
- > Pro forma historical financial information for the Kina Group being the:
 - pro forma historical consolidated income statements for the years ended 31 December 2012 (FY12), 31 December 2013 (FY13) and 31 December 2014 (FY14);
 - pro forma historical consolidated cash flow statements for the years ended 31 December 2012 (FY12), 31 December 2013 (FY13) and 31 December 2014 (FY14); and
 - pro forma historical consolidated statement of financial position at 31 December 2014.
(together the Pro Forma Historical Financial Information)

The Statutory Historical Financial Information and Pro Forma Historical Financial Information are collectively referred to as the **Historical Financial Information**.

- > Forecast reported financial information for the Kina Group being the:
 - statutory forecast consolidated income statement for the year ending 31 December 2015 (FY15); and
 - statutory forecast consolidated cash flow statement for the year ending 31 December 2015 (FY15).
(together the Statutory Forecast Financial Information)

- > Forecast pro forma financial information for the Kina Group being the:
 - pro forma forecast consolidated income statement for the year ending 31 December 2015 (FY15); and pro forma forecast consolidated cash flow statement for the year ending 31 December 2015 (FY15).
(together the Pro Forma Forecast Financial Information)

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are collectively referred to as the **Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information together comprise the **Financial Information**.

5.1.2 Kina's current position

Kina's operational performance in the period from 1 January 2015 to the date of this Prospectus has been considered in adopting best estimate assumptions in the preparation of the Forecast Financial Information in this Prospectus (see Sections 5.2 and 5.7 for further information). The Directors of Kina consider that the balances in this Section 5 reflect the current position and recent performance of the Kina Group and that Kina's current balance sheet is in line with that shown in column 1 of Table 9 in Section 5.4.1 (noting that retained earnings accrued since 1 January 2015 are not reflected in that statement).

5.2 Basis of preparation

5.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of the Kina Group, together with the Forecast Financial Information for FY15.

The Statutory Financial Information has been prepared in accordance with the recognition and measurement principles of the IFRS as adopted by the Accounting Standards Board of PNG, which are consistent with Australian Accounting Standards (including the Australian Accounting Interpretations) issued by the AASB. Significant accounting policies of the Kina Group relevant to the Financial Information are detailed in Appendix B.

SECTION 5: FINANCIAL INFORMATION

The Pro Forma Financial Information has been prepared and presented in accordance with the recognition and measurement principles of IFRS and with other generally accepted accounting practice in PNG, other than that it includes adjustments which have been prepared in a manner consistent with IFRS and other generally accepted accounting practice in PNG, that reflect: (i) the recognition of certain items in periods different from when initially recorded (ii) the exclusion of certain transactions that occurred in the relevant periods; and (iii) the impact of certain transactions as if they occurred on or before 1 January 2012 in the Historical Financial Information or on 1 January 2015 in the Forecast Financial Information.

The Prospectus includes Forecast Financial Information, based on the best estimate assumptions of the Directors. The Forecast Financial Information is unaudited. The basis of preparation of the Forecast Financial Information described in Section 5.2.3, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information, as described in Section 5.2.2.

The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information that is required by IFRS and other generally accepted accounting practices in PNG applicable to annual financial reports prepared in accordance with the requirements of the PNG Companies Act.

The Financial Information has been reviewed by PwCS whose Investigating Accountant's Report is included in Section 8.

5.2.2 Historical Financial Information

The Statutory Historical Financial Information of Kina has been extracted from the Audited Financial Statements for FY12, FY13 and FY14. FY12 was audited by Deloitte Papua New Guinea, and FY13 and FY14 were audited by PwC PNG in accordance with IFRS and other generally accepted accounting practice in PNG. Unmodified audit opinions were issued on the financial reports for FY12, FY13 and FY14.

The Pro Forma Historical Financial Information has been prepared solely for inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information, adjusted for certain significant items and pro forma adjustments. Details of those adjustments that have been applied to the Statutory Historical Financial Information are as follows:

- > Pro forma adjustments have been made to Kina's financial statements in the periods prior to the acquisition of the Maybank PNG Group to present the operations of the Kina Group and the Maybank PNG Group on a combined basis. These normalisations were made to ensure consistency between the historical and forecast periods (given that in the future, the Kina Group and the Maybank PNG Group will be integrated and therefore presented on a consolidated basis);
- > Pro forma normalisation adjustments have been made to reflect recent changes to foreign exchange regulations in PNG. These regulations place margin limits of 150 basis points (in aggregate) on PGK/USD and USD/PGK transactions. To present the Kina Group's financial statements on a consistent basis, a margin of 150 basis points has been applied to transactions in the historical periods;
- > Pro forma adjustments have been made to normalise out one-off advisor, integration and other costs related to the Acquisition and the Offer;
- > As a consequence of Kina's listing on the ASX and POMSx, listing and compliance fees will be incurred above those incurred historically. Pro forma normalisation adjustments have been made to include those costs in historical periods, so that Kina's financial statements are presented on a like-for-like basis;
- > Pro forma normalisation adjustments have been made to reflect the funding mix to be adopted by the Kina Group following the acquisition of the Maybank PNG Group, consistent with Kina's strategy. These adjustments reflect Kina's proposed deposit mix (duration) and the expected cost of those deposits. This funding mix has been aligned to the asset maturity profile of Kina's loans and investment portfolio, as deemed appropriate by Kina's Asset and Liability Committee (**ALCO**);
- > Pro forma normalisation adjustments have been made to reflect the investment security mix to be adopted by Kina following the acquisition of the Maybank PNG Group. These adjustments reflect the duration and rates that Kina's ALCO expects to invest in over the 24 months following the acquisition of the Maybank PNG Group; and
- > Income tax expense adjustments have been made to reflect the expected tax costs incurred resulting from the pro forma adjustments listed above.

The pro forma consolidated balance sheet as at 31 December 2014 is based on the statutory balance sheet as at the same date, adjusted to reflect the impact of the Offer and the impact of the acquisition of the Maybank PNG Group.

Reconciliations of the audited Statutory Historical Financial Information to the Pro Forma Historical Financial Information are provided in Sections 5.3.4, 5.4.1 and 5.5.2.

5.2.3 Forecast Financial Information

The Forecast Financial Information has been prepared by the Directors solely for inclusion in this Prospectus, based on an assessment of current economic and operating conditions and the Directors' best estimate of general and specific assumptions regarding future events and actions as set out in Section 5.7.

The Directors have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing the Prospectus.

The Forecast Financial Information has been prepared on the basis of numerous assumptions, including the general assumptions and the Director's best estimate assumptions set out in Section 5.7. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a materially positive or negative effect on the Kina Group's actual financial performance, cash flows or financial position. Investors are advised to review the general and specific assumptions set out in Section 5.7 in conjunction with the risk factors set out in Section 6 and other information set out in this Prospectus.

The Forecast Financial Information is presented on both a Statutory Forecast and Pro Forma Forecast basis:

- > The statutory forecast consolidated income statements and cash flows of the Kina Group are representative of the financial performance that the Directors expect to report in the Kina Group's first set of financial statements following completion of the Offer, based on the forecast results for the 12 months to 31 December 2015;
- > The pro forma forecast consolidated income statement and cash flows for FY15 are derived from the statutory forecast consolidated income statement and cash flows adjusted to reflect the full year of financial results for the Maybank PNG Group, incremental corporate costs of operating as a publically listed entity, cost of funds normalisations, investment portfolio allocation normalisations and the exclusion of the one-off costs of the Offer and certain other significant items. A reconciliation of the pro forma forecast consolidated income statement and the statutory forecast consolidated income statement is set out in Section 5.3.3 and a reconciliation of the pro forma forecast cash flows and the statutory forecast cash flows is set out in Section 5.5.2.

The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Historical Financial Information.

5.3 Historical and forecast consolidated income statements

The Financial Information of the Kina Group contained in this section includes:

- > pro forma historical consolidated income statements for FY12, FY13 and FY14;
- > statutory historical consolidated income statement for FY14;
- > statutory and pro forma forecast consolidated income statements for FY15;
- > key financial metrics; and
- > pro forma adjustments and reconciliation to statutory financial information.

SECTION 5: FINANCIAL INFORMATION

5.3.1 Historical and forecast consolidated income statements

TABLE 5: PRO FORMA HISTORICAL RESULTS FOR FY12 AND FY13, PRO FORMA AND STATUTORY HISTORICAL RESULTS FOR FY14 AND PRO FORMA AND STATUTORY FORECAST RESULTS FOR FY15

PGK million	P/F FY12	P/F FY13	P/F FY14	P/F FY15	STAT FY14	STAT FY15
Interest income	58.8	65.1	76.1	82.1	43.3	51.3
Interest expense	(4.1)	(3.7)	(4.9)	(6.2)	(7.1)	(8.1)
Net interest income	54.7	61.4	71.2	75.9	36.2	43.3
Foreign exchange Commissions	23.4	24.8	24.6	23.2	–	5.8
Fee and commission income	20.0	20.6	23.9	25.3	20.6	21.0
Fee and commission expense	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net fee and commission income	43.3	45.3	48.4	48.4	20.5	26.7
Dividend income	–	–	–	–	0.4	0.1
Net gains / (losses) from financial assets through P&L	–	–	–	–	(0.1)	–
Other operating income	0.1	0.2	0.2	0.3	0.3	0.4
Operating income	98.2	106.9	119.8	124.6	57.3	70.5
Impairments on loans and advances to customers	(3.9)	(3.5)	(3.3)	(3.9)	(2.5)	(3.2)
Other operating expenses	(46.0)	(49.8)	(53.0)	(55.5)	(34.4)	(54.4)
Profit before tax	48.3	53.5	63.5	65.3	20.3	12.8
Income tax benefit / (expense)	(13.9)	(15.1)	(19.3)	(20.0)	(6.3)	(7.1)
Net profit after tax	34.4	38.4	44.2	45.3	14.0	5.7

5.3.2 Key financial and operational metrics

Table 6 provides a summary of the Kina Group's key historical operating and financial metrics for FY12, FY13 and FY14 on a pro forma basis, and forecast FY15 on a pro forma derived from the Financial Information.

TABLE 6: KEY FINANCIAL METRICS FOR FY12, FY13, FY14 AND FY15

		P/F FY12	P/F FY13	P/F FY14	P/F FY15
Cost of funds	%	0.8%	0.7%	0.8%	0.9%
Average Yield on Cash and Cash Equivalent and Investment Securities	%	4.3%	3.6%	5.0%	5.0%
Average yield on loans and advances	%	17.2%	17.0%	15.7%	14.2%
Net Interest Margin	%	11.9%	12.0%	12.1%	10.6%
Loan balances (period ending)	PGK million	292	331	382	453
Foreign exchange transaction volumes	PGK million	1,527	1,301	1,309	1,236
Foreign exchange margin	%	1.48%	1.84%	1.87%	1.87%
Average funds under Admin	PGK million	3,428	3,746	4,119	4,578
Margin	%	0.19%	0.18%	0.17%	0.16%
Average funds under management	PGK million	4,084	4,423	4,659	5,125
Margin on wealth management	%	0.15%	0.15%	0.15%	0.15%
Banking fee income as a % of loans	%	1.6%	1.4%	2.0%	1.7%
Impairment expense as a % of loans	%	1.3%	1.1%	0.9%	0.9%
Cost to income ratio	%	52.8%	51.6%	49.1%	50.1%

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5.3.3 Reconciliation of the statutory consolidated profit before tax to Pro Forma historical and forecast consolidated profit before tax

Table 7 sets out a reconciliation of the statutory profit before extracted from the Statutory Historical Financial Information to the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information, respectively.

TABLE 7: RECONCILIATION OF HISTORICAL AND FORECAST PRO FORMA PROFIT BEFORE TAX TO STATUTORY PROFIT BEFORE TAX

PGK million	Notes	FY12	FY13	FY14	FY15F
Statutory Profit Before Tax		27.0	30.8	20.3	12.8
Reversal of accounting error corrected in FY12 accounts	1	(1.7)	–	–	–
Removal of income earned on investment in listed equities	2	(2.2)	(5.7)	(0.2)	(0.2)
Impact of change in the regulatory environment of PNG wealth management market	3	(6.8)	(5.0)	(2.2)	–
Pre-Acquisition profit before tax of the Maybank PNG Group	4	30.8	49.0	53.0	32.1
Impact of change in the regulation of PNG foreign exchange transactions	5	–	(18.5)	(12.5)	–
Pro forma normalisations to reflect investment portfolio on a normalised basis	6	4.7	6.4	8.9	10.4
Incremental listed company costs	7	(3.6)	(3.6)	(3.3)	(2.3)
One off costs for the Acquisition and Listing	8	–	–	(0.4)	12.5
Pro Forma Profit Before Tax		48.3	53.5	63.5	65.3

Notes

- Withholding tax payable by Shareholders was incorrectly recognised as an accounting expense in FY11, with the correcting entry made in FY12. This adjustment reverses the correcting entry.
- In FY14, the Kina Group ceased including listed equity securities in its investment portfolio and is in the process of winding-down its legacy portfolio. This adjustment reverses the earnings made on that portfolio that were recognised in the Income Statement.
- See Section 5.3.4.1.
- This adjustment recognises the impact of combining the Maybank PNG Group's profit before tax prior to 30 September 2015 with those of the Kina Group prior to the Acquisition.
- See Section 5.3.4.2.
- See Section 5.4.2.
- Kina has calculated the incremental costs associated with operating as a listed company including executive remuneration, directors' fees, registry costs, POMSIX and ASX fees, extra reporting, audit, company secretarial and investor relations costs. The FY15 adjustment is lower than the adjustments in other periods because some costs have been incurred in the first half of FY15.
- Kina will incur non-recurring costs in FY15F associated with the Acquisition and the Offer such as stamp duty and adviser fees.

The pro forma normalisation adjustments have been made to the Kina Group's financial statements in order to ensure that:

- the financial statements reflected the operations of the Kina Group on a merged basis, rather than as individual, stand-alone entities
- that the funding structure and investment portfolio structure was consistent with the Kina Group's post-Acquisition status as an independent banking group in PNG, rather than as a subsidiary of a large international bank (as in the case of Maybank PNG) or as a non-bank lender (as in the case of Kina)
- that the Company's financials were consistent with current regulations, specifically in respect of foreign exchange transactions and wealth management

Accordingly, adjustments that have been made to reflect the following structural changes:

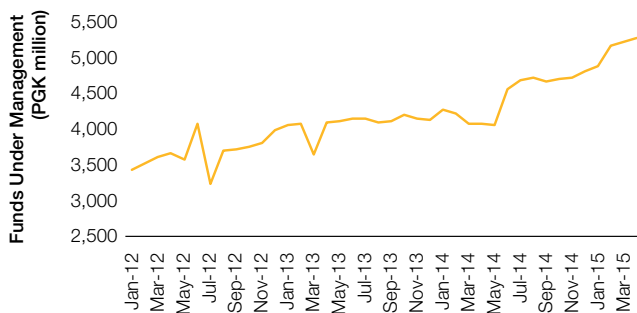
- the historical and forecast income statements have been merged with a view to incorporate the Kina Group and the Maybank PNG Group
- applying a pro forma investment portfolio and funding structure which is appropriate for Kina on a post-acquisition basis
- adjusting foreign exchange margins to ensure consistency with current market conditions
- adjusting wealth management margins on funds under management and funds under administration to ensure consistency with current regulations

5.3.4 Pro forma normalisation of foreign exchange transactions and wealth management margins

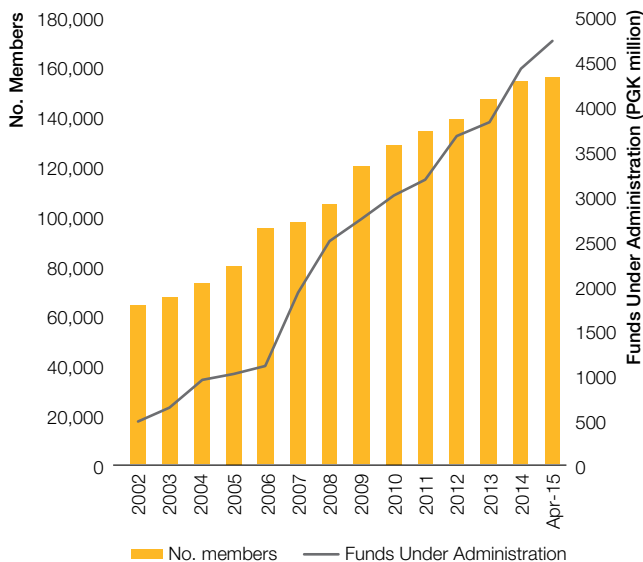
5.3.4.1 FUM and FUA margins in wealth management

Kina operates one of the largest and most developed wealth management businesses in PNG. The business division has significantly grown funds under management and funds under administration since 2011.

FUM



FUA



The Kina Wealth Management division, along with the broader wealth management industry in PNG, was impacted by a one-off change in regulations in 2014. Those regulations required major superannuation funds, which represent some of the key customers to fund managers and administrators, to insource certain functionalities by building internal capabilities.

As a consequence of this regulatory change, the product and service mix offered by Kina, as well as other wealth management industry participants, has structurally changed. The primary driver of this change is that the following products and services are no longer typically provided to superannuation funds by external providers:

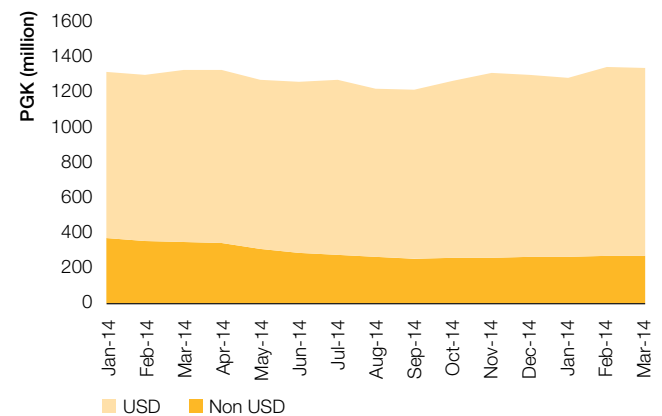
- > detailed real estate portfolio analysis;
- > internal processes optimisations; and
- > certain specific in-house research capabilities.

These products and services have therefore been discontinued by Kina. As such, fee and commission income historically derived from those products has been normalised out of the Company's pro forma earnings. On that basis, a 0.151% (run rate) fee rate has been applied throughout the historical and forecast period.

5.3.4.2 Foreign exchange margins

Kina and Maybank PNG have significant foreign exchange operations, transacting approximately K1.3 billion per annum in transactions in FY14 (see Figure 18). Throughout FY13 (from 2Q) and FY14, significant margins were achieved.

FIGURE 18: FOREIGN EXCHANGE VOLUMES



In FY14, BPNG imposed transaction cost controls on USD/PGK and PGK/USD foreign exchange transactions. These transaction cost controls mandated that licensed foreign exchange dealers in PNG charged a maximum of 75 basis points each way on USD transactions (150 basis points in total).

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The 75 basis point margins were materially below the margins that were achieved between FY13-14 on USD transactions and are reflective of expected future margins. As such, the margins have been adjusted on historic and forecast USD transactions as if current regulations applied.

The forecast margin of 187 basis points was calculated based on recent run rate trading performance and the weighting of USD vs. non-USD transaction margins.

5.3.5 Statutory historical income statements

TABLE 8: STATUTORY HISTORICAL INCOME STATEMENTS FOR FY12, FY13 AND FY14

PGK million	Notes	FY12	FY13	FY14
Interest income		38.1	41.0	43.3
Interest expense		(5.9)	(6.3)	(7.1)
Net interest income		32.2	34.7	36.2
Foreign exchange commissions	1	–	–	–
Fees and commission income		24.5	23.0	20.6
Fees and commission expense		(0.1)	(0.1)	(0.1)
Net fee and commission income		24.5	22.9	20.5
Dividend income	2	0.7	0.9	0.4
Net trading income	2	0.8	0.9	0.1
Net gains / (losses) from financial assets through P&L		1.4	4.8	(0.1)
Other operating income		1.8	0.2	0.2
Net operating income		61.3	64.4	57.3
Loan impairments		(3.4)	(2.6)	(2.5)
Operating expenses		(30.9)	(30.9)	(34.4)
Profit before tax		27.0	30.8	20.3
Taxation expense		(7.5)	(8.3)	(6.3)
Net profit after tax		19.5	22.5	14.0

Notes

- 1 The Kina Group has not provided foreign exchange services resulting in commission income.
- 2 The Kina Group has had investments in equities that earned dividend income, and whose fair value increases and decreases over time.

5.4 Consolidated historical balance sheet

5.4.1 Pro forma adjustments to the statutory consolidated historical balance sheet

The pro forma consolidated historical balance sheet shown in Table 9 is based on the audited statutory consolidated balance sheet as at 31 December 2014, adjusted for certain pro forma adjustments (as if they were completed on 31 December 2014).

TABLE 9: PRO FORMA CONSOLIDATED HISTORICAL BALANCE SHEET

PGK million	Kina Dec 14	Impact of the Offer	Kina post Offer	Maybank PNG Group Dec 14	Purchase of Maybank PNG Group	Sale of Listed Equities	Total
Notes	1	2		3	4, 5	6	
Cash and due from other banks	102.6	138.4	241.0	200.2	(328.1)	4.7	117.8
Central bank bills	–	–	–	276.9	(23.3)	–	253.6
Loans and advances to customers	202.2	–	202.2	166.8	–	–	369.0
Investment securities held at fair value	4.7	–	4.7	–	–	(4.7)	–
Investment securities held-to-maturity	8.7	–	8.7	–	–	–	8.7
Regulatory deposit	–	–	–	37.9	25.2	–	63.1
Taxation balances	3.1	–	3.1	2.2	–	–	5.3
Investment in associate company	0.4	–	0.4	–	–	–	0.4
Property and equipment	7.0	–	7.0	6.8	–	–	13.8
Goodwill	–	–	–	–	92.0	–	92.0
Other assets	12.4	–	12.4	6.0	–	–	18.4
Total Assets	341.1	138.4	479.5	696.8	(234.4)	–	942.1
	–	–	–	–	–	–	–
Due to customers	225.5	–	225.5	405.8	–	–	631.3
Loans due to other banks	–	–	–	20.4	–	–	20.4
Provisions	2.2	–	2.2	1.8	–	–	4.0
Taxation balances	1.2	–	1.2	11.7	–	–	12.9
Other liabilities	13.0	–	13.0	30.8	–	–	43.8
Total Liabilities	241.8	–	241.8	470.5	–	–	712.3
	–	–	–	–	–	–	–
Net assets	99.3	138.4	237.7	226.3	(234.4)	–	229.8
	–	–	–	–	–	–	–
Issued and fully paid ordinary shares	2.0	143.4	145.4	7.1	(7.1)	–	145.4
Capital reserve	0.05	–	0.05	–	–	–	–
Retained earnings	97.2	(5.0)	92.2	219.1	(227.2)	–	84.2
Total Shareholders' equity	99.3	138.4	237.7	226.3	(234.4)	–	229.8

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Notes

1. As per the audited financial statements of the Kina Group at 31 December 2014.
2. Kina anticipates that it will receive K156.9 million in proceeds from the Offer, and incur K18.7 million of costs.
3. On 18 May 2015, Kina contracted to acquire the Maybank PNG Group from Malayan Banking Berhad. This transaction is expected to complete on 30 September 2015. The amounts in this column are sourced from the audited financial statements of the Maybank PNG Group at 31 December 2014.
4. Kina is required to pay K92.1 million above the value of the net assets at Completion of the Acquisition in accordance with the Share Sale Agreement. The reduction in cash is the sum of this payment (estimated at K107.7 million) and the capital returned to Maybank PNG's shareholder immediately post acquisition of K210.7 million on the preliminary pro forma balance sheet.
5. Following Completion of the Acquisition, the Kina Group will be a 'banking group' and required to place regulatory deposits with BPNG.
6. In FY14, the Kina Group ceased including equity securities in its investment portfolio. This adjustment eliminates the portfolio remaining at 31 December 2014.

5.4.2 Capital management

5.4.2.1 Capital adequacy requirements

Each Authorised Institution within the Kina Group is required to comply with prudential standards issued under the PNG BFI Act by BPNG, the official authority for the prudential supervision of banks and relevant financial institutions in PNG. Among other things, the prudential standards aim to ensure that banks and regulated financial institutions maintain adequate capital and liquidity levels commensurate with the risk associated with their activities, with appropriate buffers to absorb unexpected losses.

BPNG prudential standard *1/2003 Capital Adequacy* prescribes ranges of overall capital adequacy ratios and leverage capital ratios to measure whether a bank is under, adequately or well capitalised. Kina complies with and exceeds the prevailing prudential capital adequacy requirements and qualifies as 'well capitalised' on both a statutory basis and on a pro forma basis at 31 December 2014.

The numerator of the capital adequacy measure is base capital. Total base capital varies from the balance of capital shown on the statement of financial position and is made up of Tier 1 and Tier 2 capital. Tier 1 capital is obtained by deducting intangible and deferred tax assets from the sum of contributed equity capital and audited retained earnings. Tier 2 capital includes certain classes of subordinated debt capital, unaudited retained earnings, certain asset revaluation reserves and a proportion of loan loss provisions. Eligible Tier 2 capital may not exceed Tier 1 capital. The minimum capital requirements applied are 8% for Tier 1 capital, 12% for Tier 1 plus Tier 2 capital and a 6% leverage ratio.

The denominator of the capital adequacy measure is risk weighted assets. This is derived from both on balance sheet and off balance sheet assets. Assets are weighted for credit risk by applying weightings according to standardised classifications set by BPNG. A further risk weighting is applied to account for the operational risk inherent in the business.

5.4.2.2 Kina's capital management policy

The objective of Kina's capital management policy is to maintain a strong, profitable financial risk profile and capacity to meet financial commitments. Capital and liquidity ratios are monitored against internal targets that are set over and above minimum capital requirements set by the Board. These are reviewed on a monthly basis by the Board's Asset and Liability Committee and remedial action taken where needed.

TABLE 10: REGULATORY CAPITAL

	Notes	Pro-forma FY12	Pro-forma FY13	Pro-forma FY14	Pro-forma FY15
Total assets	(PGK million)	691.3	749.6	869.7	1019.4
Loans and advances	(PGK million)	279.8	320.1	369.0	437.0
Central Bank Bills	(PGK million)	185.4	255.8	206.0	225.2
Other assets	(PGK million)	226.1	173.7	294.8	357.1
Total liabilities	(PGK million)	596.5	626.4	712.3	826.7
Deposits	(PGK million)	528.3	579.9	631.3	741.8
Other liabilities	(PGK million)	68.2	46.5	81.1	84.9
RWA	(PGK million)	281.3	314.5	369.6	419.7
Capital: T1	(PGK million)	77.2	78.4	86.3	107.8
Capital: T2	(PGK million)	–	–	–	10.1
Capital: T1 + T2	(PGK million)	77.2	78.4	86.3	117.9
Capital adequacy Ratio: T1	%	27.5%	24.9%	23.3%	25.7%
Capital adequacy: T2	%	–	–	–	2.4%
Capital adequacy : T1 + T2	%	27.5%	24.9%	23.3%	28.1%
Leverage Ratio	%	11.2%	10.5%	9.9%	10.6%

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5.4.2.3 Overview of post-Acquisition investment portfolio and funding structure for Kina

Kina and Maybank PNG have historically operated investment portfolios and funding structures which have been tailored to meet their stand-alone operational requirements. Following the Acquisition and integration of Maybank PNG, Kina will adopt an investment portfolio and funding structure commensurate with its size, scale and capabilities. This is expected to result in:

- > Greater diversification of funding and greater capabilities in investment markets
- > Greater capabilities to invest in longer dated, higher yielding securities with 12-24 month maturities
- > Lower funding costs, as Kina will no longer have non-bank lender status which it held prior to the Acquisition
- > Banking institution status, providing greater access to capital, as well as increased visibility in the broader market
- > Greater access to growth capital, given its ASX-listed status

This will involve rebalancing the investment portfolio and funding structure post acquisition as follows:

1. Investing in a mix of short and long dated securities as its existing (short term) investment portfolio rolls off. A conservative timeframe of 24 months has been set to rebalance the investment portfolio to the allocation approved by the Asset Liability Committee
2. Discontinuing legacy Kina deposit products, which were issued when Kina did not have a full banking license (which it will have post-acquisition). A conservative timeframe of 12-24 months has been set to rebalance the deposit portfolio to the allocation approved by the Asset Liability Committee

Management's view is that, but for the organisations having operated separately in the past (under different ownership), a similar balance sheet structure to that reflected by the pro forma normalisation adjustments would have been in place. As such, pro forma adjustments have been made to reflect the impact of these normalisation adjustments.

5.4.2.4 Existing investment portfolio and funding structure

Kina and Maybank PNG have historically operated stand-alone investment portfolios and funding structures. As such, both Kina and Maybank PNG had a range of factors influencing their investment and funding decisions. For example:

- > Malayan Banking Berhad's global policies required Maybank PNG to hold securities which typically had durations of three to six months. This dictated that the yield achieved was relatively low
- > Kina was a non-bank lender and did not enjoy key benefits enjoyed by banking entities in PNG, having a significantly higher cost of funds
- > Kina and Maybank PNG individually lacked the size and scale that Kina will have on a post-acquisition basis

5.4.2.5 Pro forma adjusted investment portfolio

Following the Acquisition and integration of Maybank PNG, Kina's Assets and Liabilities Committee has determined that the most efficient method of rebalancing its investment portfolio would be to engage in a phased reallocation of its investment securities over a 24 month period to achieve the Target Allocation Profile. This Target Allocation Profile has been stressed tested, with Kina's ALCO determining that it provides an optimal mix of liquidity and return.

The Target Allocation Profile adopted has been based on allocating Kina's post-Acquisition investment portfolio to a mix of:

- > on call cash
- > 60-day central bank bills
- > 365-day central bank bills
- > 2 year GIS securities

The phased portfolio reallocation, to achieve the Target Allocation Profile, will take place within 24 months. This will ensure that investments in longer dated securities (such as 365 day treasury bills and 2 year GIS securities) continuously roll off, resulting in less volatility and greater liquidity.

FIGURE 19: INVESTMENT PORTFOLIO

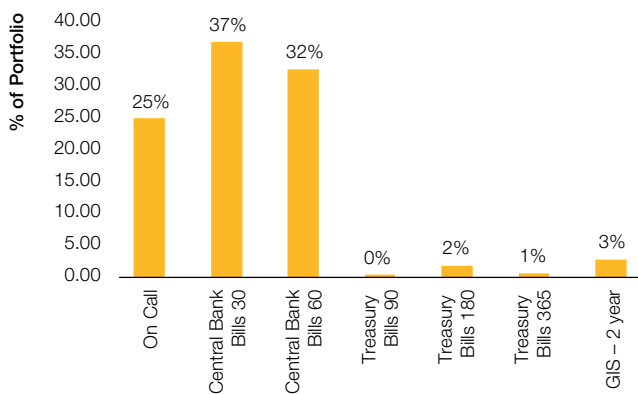
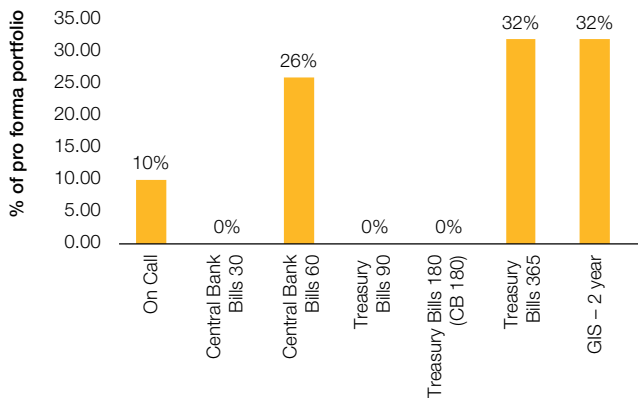


FIGURE 20: TARGET INVESTMENT PORTFOLIO



Portfolio yields are expected to increase from c.1.81% p.a. to 6.22% p.a. (based on current security yields).

5.4.2.6 Pro forma adjusted funding profile

Kina and Maybank PNG are both largely deposit and equity funded, which is expected to continue post-Acquisition (with levels currently at c.100%). The pro forma adjusted deposit profile is relatively closely aligned to the historic structure. This is viewed by management as both conservative and prudent.

FIGURE 21: DEPOSIT STRUCTURE

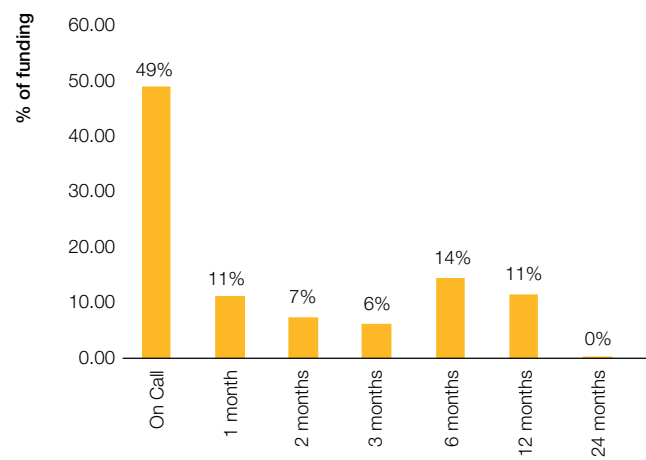
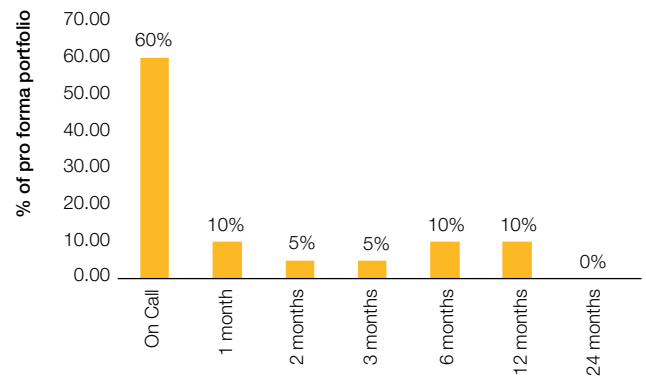


FIGURE 22: TARGET DEPOSIT STRUCTURE



This deposit profile is expected to be achieved over a period of 12-24 months. In conjunction with the duration rebalancing, Kina will also rebalance its deposit product mix based on its status as a bank rather than as a non-bank lender. This will involve discontinuing certain existing Kina deposit products and allowing them to roll off over time.

Simultaneously, Kina will offer new banking deposits, which are expected to garner strong demand within the PNG market. Over this period, growth in these products is forecast to allow Kina to completely discontinue legacy products, which will bring its deposit costs in line with other banks within PNG (including Maybank PNG's existing products). This is expected to result in a pro-forma cost of funds of 0.90%.

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5.5 Historical and forecast consolidated cash flows

5.5.1 Historical and forecast consolidated cash flows

TABLE 11: PRO FORMA HISTORICAL CONSOLIDATED CASH FLOW STATEMENTS FOR FY12, FY13 AND FY14, AND PRO FORMA FORECAST CASH FLOW STATEMENTS FOR FY15

PGK million	Pro Forma Historical FY12	Pro Forma Historical FY13	Pro Forma Historical FY14	Pro Forma Forecast FY15
Cashflow from operating activities	62.9	60.5	79.5	66.8
Net increase in loans	(60.9)	(42.9)	(56.4)	(68.7)
Net increase in deposits and other liabilities	63.7	51.6	51.4	105.4
Net purchase/sale of securities and regulatory deposits	(50.8)	(87.3)	59.5	6.0
Other changes in assets and liabilities	(6.7)	(11.8)	26.4	-
Income tax paid	(26.5)	(33.6)	(18.5)	(16.3)
Net cash flows from operations	(18.4)	(63.6)	141.8	93.2
Capital expenditure	(2.0)	(4.1)	(12.4)	(4.6)
Net cash flows available for dividends	(20.4)	(67.7)	129.4	88.6

5.5.2 Pro forma adjustments to the statutory cash flows

TABLE 12: RECONCILIATION OF PRO FORMA NET CASH FLOW AVAILABLE FOR DIVIDENDS TO STATUTORY NET CASH FLOW AVAILABLE FOR DIVIDENDS

PGK million	NOTES	FY12 Historical	FY13 Historical	FY14 Historical	FY15 Forecast
Kina's Statutory net cash flow available for dividends		4.6	13.0	(10.1)	64.3
Accounting error corrected in FY12 accounts	1	(1.7)	–	–	–
Removal of Investment in equities	2	(2.2)	(5.7)	(0.2)	(4.9)
Impact of regulatory direction in PNG wealth management market	3	(6.8)	(5.0)	(2.2)	–
Maybank – operating cash flow net of tax paid	4	(18.7)	(63.5)	141.8	23.6
Impact of regulatory direction in PNG foreign exchange market	5	–	(18.5)	(12.5)	–
Cash impact of Capital Management and Investments Plan	5	4.7	6.4	8.9	10.4
Incremental listed company costs and replacement of Maybank shared services	6	(4.2)	(3.3)	0.1	(1.9)
Income tax on above adjustments	7	3.8	8.8	3.3	0.6
Acquisition of Maybank, net of cash received	8	–	–	–	134.9
Proceeds from Offer, net of transaction costs	9	–	–	0.4	(138.4)
Pro-Forma net cash flow available for dividends		(20.4)	(67.7)	129.4	88.6

Notes

- 1 Withholding tax payable by Shareholders was incorrectly recognised as an accounting expense in FY11, and the correcting entry was made in FY12. This adjustment reverses the correcting entry.
- 2 In FY14, the Kina Group decided to exit its investments in equities and the investment portfolio has been reducing over time. This adjustment reverses the cash flows on that portfolio.
- 3 See Section 5.3.4.
- 4 On 18 May 2015, Kina agreed to purchase the Maybank PNG Group from Malayan Banking Berhad. This adjustment recognises the cash flows in each year, net of tax.
- 5 See Section 5.4.2.
- 6 Kina has calculated the incremental costs associated with being a listed company including directors' fees, registry costs, POMSOX and ASX fees, extra reporting, audit, company secretarial and investor relations.
- 7 The income tax cash flow effect of the above adjustments, other than the adjustment in note 4 which is already tax effected.
- 8 Kina is required to pay K92.1 million above the value of the net assets at Completion of the Acquisition in accordance with the Share Sale Agreement. This is estimated at K38.1 million, being the sum of net assets at 31 December 2014 and accrued profits to 30 September 2015 of K22.5 million less amounts paid to Maybank PNG's shareholder immediately post-Acquisition of K210.7 million on the pro forma balance sheet.
- 9 The net proceeds Kina will receive from the Offer, being K156.9 million, less K18.7 million in transaction costs.

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5.5.3 Statutory historical cash flows

TABLE 13: STATUTORY HISTORICAL CASH FLOWS FOR FY12, FY13 AND FY14

PGK million	STAT FY12	STAT FY13	STAT FY14
Cashflow from operating activities	37.7	28.8	31.2
Changes in other operating assets and liabilities	(25.8)	2.1	(39.5)
Income tax paid	(11.5)	(5.0)	(7.2)
Net cash flows from operating activities	0.4	25.8	(15.5)
Proceeds from sale of assets	8.5	3.2	16.0
Acquisition of assets	(4.3)	(16.1)	(3.8)
Cash flow from investing activities	4.2	(12.8)	12.1
Capital expenditure	–	–	(6.8)
Net cash flow available for dividends	4.6	13.0	(10.1)

5.6 Segment reporting

In accordance with IFRS 8 Operating Segments, the Kina Group has three reportable segments, which are the Company's two business divisions – 'Kina Bank' and 'Kina Wealth Management' – and the Corporate segment (or unallocated costs). This section provides an overview of the main factors which affected Kina's segments. It is presented on a basis that assumes Completion of the Acquisition.

The discussion is intended to provide a brief summary only and does not detail all factors that affected the historical operating performance of Kina, nor everything that may affect Kina's segments and financial performance in the future.

TABLE 14: PRO FORMA NET OPERATING INCOME BY SEGMENT (FY12 TO FY15)

PGK million	Pro Forma Historical FY12	Pro Forma Historical FY13	Pro Forma Historical FY14	Pro Forma Forecast FY15	CAGR %
Kina Bank	82.9	90.8	103.3	106.9	6.6%
Kina Wealth Management	15.2	15.9	16.3	17.5	3.7%
Corporate	(49.8)	(53.1)	(56.1)	(59.1)	4.4%
Total	48.3	53.6	63.5	65.3	7.8%

5.6.1 Kina Bank

Kina's banking operations provide a full spectrum of retail and business services including lending, deposit taking and foreign exchange transaction services provided.

TABLE 15: PRO FORMA NET OPERATING INCOME FOR THE KINA BANK SEGMENT (FY12 TO FY15F)

PGK million	Pro Forma Historical FY12	Pro Forma Historical FY13	Pro Forma Historical FY14	Pro Forma Forecast FY15	CAGR %
Interest Income	58.8	65.1	76.1	82.1	8.7%
Interest Expense	(4.1)	(3.7)	(4.9)	(6.2)	10.8%
Net Interest Income	54.7	61.4	71.2	75.9	8.5%
Other incomes and fees	4.8	4.7	7.5	7.7	12.7%
Foreign exchange commissions	23.4	24.8	24.6	23.2	(0.2%)
Net Income – Kina Bank	82.9	90.8	103.3	106.9	6.6%

5.6.2 Kina Wealth Management

The Kina Wealth Management division provides a range of funds management, funds administration, stockbroking and other services to a range of customers in PNG.

TABLE 16: PRO FORMA NET OPERATING INCOME FOR THE KINA WEALTH MANAGEMENT SEGMENT (FY12 TO FY15F)

PGK million	Pro Forma Historical FY12	Pro Forma Historical FY13	Pro Forma Historical FY14	Pro Forma Forecast FY15	CAGR %
Fee – Investment and portfolio management	6.2	6.7	7.0	7.7	5.8%
Fee – Fund administration	6.3	6.8	6.9	7.2	3.3%
Fee – Stockbrokerage	1.2	0.7	0.8	0.5	(19.1%)
Other income	1.6	1.8	1.6	2.2	8.3%
Total	15.2	16.0	16.4	17.6	3.7%
Fee and commission expense	(0.1)	(0.1)	(0.1)	(0.1)	22.4%
Net Income – Kina Wealth Management	15.2	15.9	16.3	17.5	3.6%

5.6.3 Corporate (or unallocated costs)

Kina's Corporate segment includes unallocated costs outside of its Kina Bank and Kina Wealth Management divisions. The expenses incurred include:

- > General head office costs;
- > Administrative costs;
- > Employee expenses;
- > Occupancy costs; and
- > Board costs.

In addition, the Corporate segment contains dividends and fair value movements which are from a share investment portfolio held by the Group. The investments are mark to market on closing dates and the shares have been gradually sold over the years.

TABLE 17: PRO FORMA NET OPERATING INCOME FOR THE CORPORATE SEGMENT FOR FY12 TO FY15

PGK million	Pro Forma Historical FY12	Pro Forma Historical FY13	Pro Forma Historical FY14	Pro Forma Forecast FY15	CAGR %
Other operating income	0.1	0.2	0.2	0.3	39.0%
Impairments on loans and advances to customers	(3.9)	(3.5)	(3.3)	(3.9)	(0.1%)
Other operating expenses	(46.0)	(49.8)	(53.0)	(55.5)	4.8%
Net Income – Corporate (or unallocated costs)	(49.8)	(53.1)	(56.1)	(59.1)	4.4%

SECTION 5: FINANCIAL INFORMATION

5.7 Forecast financial information

5.7.1 General assumptions

In preparing the Forecast Financial Information, the following general assumptions have been adopted for the forecast period:

- > no material change in the competitive operating environment in which Kina operates;
- > no significant deviation from current market expectations of global or PNG economic conditions relevant to the financial services industry in PNG;
- > no material changes in PNG, state or territory government policy, regulatory requirements or funding arrangements for the financial services industry;
- > no material changes in key personnel, including key management personnel, and no industrial action. It is also assumed that Kina maintains its ability to recruit and retain personnel to support future growth;
- > no material changes in applicable IFRS, other mandatory professional reporting requirements or the PNG Companies Act which have a material effect on Kina's financial performance, financial position, accounting policies, financial reporting or disclosure;
- > no material changes to current income tax legislation;
- > no material cash flow or income statement or financial position impact in relation to contingent liabilities, litigation or other legal claims (existing or otherwise);
- > no material changes to Kina's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- > no material disruptions to the continuity of operations or industry of Kina or other material changes in its business;
- > no material amendment to or termination of any material agreement, contract or arrangement referred to in this Prospectus;
- > none of the risks listed in Section 6 have a material adverse impact on the operations of Kina; and
- > the Offer proceeds are received in accordance with the Offer timetable set out on page 1 of this Prospectus.

5.7.2 Specific assumptions

A summary of specific assumptions applied when preparing the Forecast Financial Information for Kina is set out below.

- > Forex volumes are based on actual run rate performance;
- > Foreign exchange transaction margins are based on regulated foreign exchange rates introduced in July 2014 by BPNG for USD/PGK and PGK/USD transactions and run rate performance;
- > Loan growth is based on management estimates, based on historical results and current economic conditions;
- > Impairment provisions are based on the historical and year to date actual performance;
- > Interest income is based on the cash inflows received on the loan portfolio and the investment portfolio. The loan portfolio has a growth factor based on historical sales and the current economic environment. Interest rates have been forecast based on individual loan products on the basis of assessed risk, market trends and profitability;
- > Interest income from investments has been normalised based on the pro forma investment portfolio allocations for Kina post the Acquisition;
- > Interest expense is based on the cost and quantum of customer deposits and any other borrowing liabilities (noting Kina is almost entirely deposit and equity funded). Customer deposit growth is aligned to historical levels and based on Kina's forecast ability to raise additional deposits in order to fund new lending. The interest rates offered on deposits are based on current market trends. Other liabilities are based on contractual negotiations of the particular liability;
- > Fees and commissions reflect the income received from loan originations, loan processing and ongoing account fees for both loan and deposit accounts. Forecast fees are set in line with market pricing. The forecast of fees and commissions is based on the forecasted loan sales, the number of accounts held and other factors;
- > Dividends represent the dividend income received from share investments;
- > The share investments portfolio is marked to market on closing dates. The forecast is based on the actual market values in April and we assume there will be no change in price going forward as the liquid portion of the share investment portfolio will be disposed;

- > Other operating income is normally nominal income generated from outside the mainstream income sources. The basis of this forecast income is based on historical trends with confirmation that the previous income will continue to be generated;
- > Loan impairments are calculated both on a prudential requirement and a risk profile of each individual loan. The basis of the impairment allocation is 1% of the loan portfolio required per relevant prudential standards, plus the level of collateral held to cover the outstanding loans and the historical arrear trends of the loan book;
- > Operating expenses are driven off movements in administrative expenses, depreciation expenses and lease expenses. Renovations were carried out on its branches in Port Moresby and Lae and a change to the accounting system was undertaken in 2014. The Board expenses have increased with the additional overseas directors; and
- > Tax is calculated on forecast taxable income adjusted for the forecast share investment gain which is not subject to tax and other permanent and timing differences.

5.8 Management discussion and analysis

5.8.1 General factors affecting the operating and financial performance, including key measures and their drivers

Set out below is a discussion of the factors which have affected Kina's operations and relative financial performance in FY12, FY13 and FY14, and which the Directors expect may continue to affect its operating and financial performance in the period of the Forecast Financial Information.

The discussion of these factors is intended to provide a brief summary to assist investors in understanding the Financial Information and does not detail all the factors that affected Kina's historical operating and financial performance, nor everything which may affect its operations and financial performance in the future.

The prior years' financial performance has been affected by a number of one off events that skew a number of the results. The impact of these one off events has been normalised to the extent possible to reflect current operating conditions.

These figures are presented on a basis that assumes Completion of the Acquisition.

SECTION 5: FINANCIAL INFORMATION

5.8.2 Pro forma historical FY13 compared to pro forma historical FY12

TABLE 18: PRO FORMA HISTORICAL CONSOLIDATED INCOME STATEMENTS – FY13 COMPARED TO FY12

PGK million	Pro Forma Historical FY12	Pro Forma Historical FY13	Variance	Variance %
Interest income	58.8	65.1	6.2	10.6%
Interest expense	(4.1)	(3.7)	0.4	-9.5%
Net interest income	54.7	61.4	6.6	12.1%
Foreign exchange Commissions	23.4	24.8	1.4	6.0%
Fee and commission income	20.0	20.6	0.6	3.1%
Fee and commission expense	(0.1)	(0.1)	(0.1)	86.9%
Net fee and commission income	20.0	20.5	0.6	2.9%
Dividend income	–	–	–	–
Net gains / (losses) from financial assets through profit and loss	–	–	–	–
Other operating income	0.1	0.2	0.1	137.0%
Operating income	98.2	106.9	8.7	8.9%
Impairments on loans and advances to customers	(3.9)	(3.5)	0.3	-8.9%
Other operating expenses	(46.0)	(49.8)	(3.8)	8.3%
Profit before tax	48.3	53.5	5.2	10.8%
Income tax benefit / (expense)	(13.9)	(15.1)	(1.2)	8.8%
Net profit after tax	34.4	38.4	4.0	11.7%

Net Interest income

The interest income generated by Kina increased by K6.2 million or 10.6% in FY13. The increase was driven by a significant increase in interest income from loans and advances, which increased by K7.2 million or 15.7%. This increase in interest income offset declines in earnings from investment securities and cash and cash equivalents. Interest expenses declined on a normalised basis, resulting from an optimisation of Kina's funding profile. As a consequence, Kina's net interest income increased by K6.6 million or 12.1%.

Foreign exchange transaction commissions

Foreign exchange commissions earned by Kina increased by K1.4 million in FY13, representing a 6.0% increase relative to the previous period. This increase was driven by:

- > An increase in foreign exchange margins from 1.48% to 1.84%. Note that a period of above-normal foreign exchange margins was achieved from the second quarter of FY13, driven by the supply and demand mix for US dollars. BPNG has since implemented regulatory caps of 75 basis points (each way) on USD transactions. Following the implementation of those regulations, run rate margins (for USD and non-USD trades) have averaged 1.87%. As such, from the second quarter of FY13, where margins exceeded 1.87%, a pro forma normalisation adjustment has been made so that an accurate comparison can be made with pre and post regulatory margins
- > This increase in margins was also impacted by a decrease in transaction volumes. Transaction volumes decreased from K1.53 billion to K1.30 billion

Fees and commissions

In FY13, fee and commission income increased by K0.6 million from K20.0 million to K20.6 million, representing a 3.1% uplift to income. The increase was influenced by a range of factors, including:

- > Positive movements in lending-related fee income, fund administration income and corporate services fees
- > Offsetting movements in credit related fees and commissions, investment and portfolio management income and brokerage income

As described in Section 5.3.4, a normalisation adjustment was applied to margins on FUM and FUA to present margins on a consistent basis, pre and post regulatory reforms.

Other items

Other material items which resulted in movements in FY13 included:

- > During FY13, loan impairments showed a decrease of 8.9%. The decrease was due to a write back of over provisioning created in the previous year
- > Due to increases in taxable income, taxation expenses rose by K1.2 million (8.8%) in FY13 in comparison to FY12
- > Other operating expenses increased by K3.8 million (8.3%), primarily driven by increases in MPNG operating expenses and Kina lease and administrative expenses

TABLE 19: PRO FORMA HISTORICAL CONSOLIDATED CASH FLOWS – FY13 COMPARED TO FY12

PGK million	Pro Forma Historical FY12	Pro Forma Historical FY13	Variance	Variance %
Cashflow from operating activities	62.9	60.5	(2.4)	-4%
Net increase in loans	(60.9)	(42.9)	18.0	-29%
Net increase in deposits and other liabilities	63.7	51.6	(12.0)	-19%
Net purchase/sale of securities and regulatory deposits	(50.8)	(87.3)	(36.5)	72%
Other changes in assets and liabilities	(6.7)	(11.8)	(5.1)	76%
Income tax paid	(26.5)	(33.6)	(7.1)	27%
Net cash flows from operations	(18.4)	(63.6)	(45.2)	246%
Capital expenditure	(2.0)	(4.1)	(2.1)	104%
Net cash flows available for dividends	(20.4)	(67.7)	(47.3)	232%

Income tax

Income tax paid increased from K26.5 million in FY12 to K33.6 million in FY13. This K7.1 million (26.9%) increase was as a result of settlement of an outstanding balance relating to the previous year and IRC assessment of the current year provisional tax.

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5.8.3 Pro forma historical FY14 compared to pro forma historical FY13

TABLE 20: PRO FORMA HISTORICAL CONSOLIDATED INCOME STATEMENTS – FY14 COMPARED TO FY13

PGK million	Pro Forma Historical FY13	Pro Forma Historical FY14	Variance	Variance %
Interest income	65.1	76.1	11.0	17.0%
Interest expense	(3.7)	(4.9)	(1.2)	32.9%
Net interest income	61.4	71.2	9.8	16.0%
Foreign exchange commissions	24.8	24.6	(0.2)	(0.8%)
Fee and commission income	20.6	23.9	3.3	15.9%
Fee and commission expense	(0.1)	(0.1)	–	15.2%
Net fee and commission income	20.5	23.8	3.3	15.9%
Dividend income	–	–	–	–
Net gains / (losses) from financial assets through P&L	–	–	–	–
Other operating income	0.2	0.2	–	9.6%
Operating income	106.9	119.8	12.9	12.1%
Impairments on loans and advances to customers	(3.5)	(3.3)	0.2	(7.0%)
Other operating expenses	(49.8)	(53.0)	(3.2)	6.4%
Profit before tax	53.5	63.5	10.0	18.6%
Income tax benefit / (expense)	(15.1)	(19.3)	(4.2)	27.9%
Net profit after tax	38.4	44.2	5.7	15.0%

Net interest income

The change in net interest income earned by Kina was attributable to two key drivers:

- > Interest income – interest income increased by K11.0 million (17.0%) from K65.1 million in FY13 to K76.1 million in FY14
- > Interest expense – increased by K1.2 million (32.9%) in FY14

As a consequence, net interest income increased by K9.8 million or 16.0%. The underlying drivers of the change in interest income and interest expense are outlined below.

Interest income

There were a number of drivers of the material increase in interest income, such as:

- > Increased earnings on cash and cash equivalents from K1.8 million to K2.6 million
- > Increased earnings on investment securities from K7.1 million to K11.5 million
- > Increased interest on loans and advances from K52.8 million to K55.8 million

Interest expense

Increases to interest expenses were driven by uplifts in the quantum of deposits held by Kina.

Foreign exchange transaction commissions

Foreign exchange margins increased from 1.84% to 1.87% on a normalised basis, noting that the statutory margins were significantly higher due to a continued imbalance in the supply and demand mix for US dollars. The normalisation adjustment was applied to ensure consistency on a pre and post regulation basis, as described in Section 5.3.4. Volumes were steady at K1.3 billion between FY13 and FY14.

Fees and commissions

Fee and commission income increased by K3.3 million or 15.9%, from K20.6 million to K23.9 million. The increase is driven by growth of FUM and FUA, with margins consistent on a normalised basis.

Other

Other material items which resulted in movements in FY14 included:

- > Loan impairments decreased from K3.5 million to K3.3 million
- > Operating expenses increased by K3.2 million (6.4%) from K49.8 million in FY13 to K53.0 million in FY14 due to an increase of expatriate staff costs and depreciation expense

TABLE 21: PRO FORMA HISTORICAL CONSOLIDATED CASH FLOWS – FY14 COMPARED TO FY13

PGK million	Pro Forma Historical FY13	Pro Forma Historical FY14	Variance	Variance %
Cashflow from operating activities	60.5	79.5	18.9	31%
Net increase in loans	(42.9)	(56.4)	(13.5)	31%
Net increase in deposits and other liabilities - includes inter branch	51.6	51.4	(0.2)	0%
Net purchase/sale of securities and regulatory deposits	(87.3)	59.5	146.8	(168%)
Other changes in assets and liabilities	(11.8)	26.4	38.2	(323%)
Income tax paid	(33.6)	(18.5)	15.1	(45%)
Net cash flows from operations	(63.6)	141.8	205.4	(323%)
Capital expenditure	(4.1)	(12.4)	(8.3)	203%
Net cash flows available for dividends	(67.7)	129.4	197.1	(291%)

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5.8.4 Comparison of pro forma forecast consolidated FY15 to pro forma historical consolidated FY14

TABLE 22: PRO FORMA HISTORICAL AND PRO FORMA FORECAST CONSOLIDATED INCOME STATEMENTS – FY14 AND FY15

PGK million	Pro Forma Historical FY14	Pro Forma Forecast FY15	Variance	Variance (%)
Interest income	76.1	82.1	6.0	7.9%
Interest expense	(4.9)	(6.2)	(1.3)	25.4%
Net interest income	71.2	75.9	4.8	6.7%
Foreign exchange commissions	24.6	23.2	(1.4)	(5.7%)
Fee and commission income	23.9	25.3	1.4	5.9%
Fee and commission expense	(0.1)	(0.1)	–	4.2%
Net fee and commission income	23.8	25.2	1.4	5.9%
Dividend income	–	–	–	–
Net gains / (losses) from financial assets through P&L	–	–	–	–
Other operating income	0.2	0.3	0.1	43.8%
Operating income	119.8	124.6	4.9	4.1%
Impairments on loans and advances to customers	(3.3)	(3.9)	(0.6)	17.4%
Other operating expenses	(53.0)	(55.5)	(2.5)	4.7%
Profit before tax	63.5	65.3	1.8	2.8%
Income tax benefit / (expense)	(19.3)	(20.0)	(0.6)	3.4%
Net profit after tax	44.2	45.3	1.1	2.6%

Net interest income

Net interest income increased to K75.9 million in FY15 (from K71.2 million in FY14). This represented an increase of K4.8 million or 6.7%. The key factors impacting the change include:

- > Interest income increasing to K 82.1 million (from K76.1 million in FY14). This was driven by increases in interest on loans and advances (K55.8 million to K59.4 million) as well as increases in interest income on cash and investment securities
- > The increase in interest income was partially offset by an increase in funding costs associated with larger funding requirements. This resulted in an increase in interest expenses from K4.9 million to K6.2 million

Foreign exchange commissions

Foreign exchange income is forecast to decline slightly in FY15, reducing from K24.6 million to K23.2 million (a decrease of 5.7%). As normalised margins are forecast to be stable at 1.87%, the decrease is forecast driven by a reduction in volumes from K1.31 billion to K1.24 billion. The reduction in volumes was driven by a change in the supply and demand mix for US dollars.

Net fees and commissions

Net fee and commission income is forecast to increase by K1.4 million or 5.9%, from K23.9 million to K25.3 million. The forecast increase is driven by increases in FUM and FUA, with margins forecast to be consistent on a normalised basis.

Other

Other material items which resulted in movements in FY14 included:

- > Impairments are forecast to increase by K0.6 million, with growth driven by the increased size of the loan book
- > Operating expenses are forecast to grow by K2.5 million (4.7%), driven by increases operating expenses associated with both building capability for the integration of the Maybank PNG Group and general uplifts incurred in the ordinary course of business
- > Taxation expense increased commensurately with profit growth

TABLE 23: PRO FORMA HISTORICAL AND FORECAST CONSOLIDATED CASH FLOWS – FY14 AND FY15

PGK million	Pro Forma Historical FY14	Pro Forma Forecast FY15	Variance	Variance (%)
Cashflow from operating activities	79.5	66.8	(12.7)	(16%)
Net increase in loans	(56.4)	(68.7)	(12.3)	22%
Net increase in deposits and other liabilities	51.4	105.4	54.0	105%
Net purchase/sale of securities and regulatory deposits	59.5	6.0	(53.5)	(90%)
Other changes in assets and liabilities	26.4	-	(26.4)	(100%)
Income tax paid	(18.5)	(16.3)	2.2	(12%)
Net cash flows from operations	141.8	93.2	(48.6)	(34%)
Capital expenditure	(12.4)	(4.6)	7.9	(63%)
Net cash flows available for dividends	129.4	88.6	(40.8)	(32%)

5.9 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Kina, its respective Directors and management, and depend upon assumptions with respect to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key variables is set out below. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. For the purposes of the analysis below, the effect of the changes in key assumptions on pro forma forecast FY15 NPAT of K45.3 million is presented.

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TABLE 24: SENSITIVITY ANALYSIS ON PRO FORMA FORECAST NPAT FOR FY15

	Notes	Pro Forma Forecast FY15	Sensitivity	FY15 NPAT Impact (PGK million)
Cost of funds	%	0.9%	±5.0%	0.3
Average Yield on Cash and Cash Equivalent and Investment Securities	%	5.0%	±5.0%	0.8
Average yield on loans and advances	%	14.2%	±5.0%	2.1
Net Interest Margin	%	10.6%	±5.0%	2.7
Loan balances	PGK million	453	±5.0%	2.3
Foreign exchange transaction volumes	PGK million	1236	±5.0%	0.8
Foreign exchange margin	%	1.9%	±5.0%	0.8
Average funds under administration	PGK million	4578	±5.0%	0.3
Margin	%	0.2%	±5.0%	0.3
Average funds under management	PGK million	5125	±5.0%	0.3
Margin on wealth management	%	0.2%	±5.0%	0.3
Banking fee income as a % of loans	%	1.7%	±5.0%	0.3
Impairment expense as a % of loans	%	0.9%	±5.0%	0.1
Cost to income ratio	%	50.1%	±5.0%	2.3

The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the ranges shown. Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be additive. While it is likely that Kina's management would respond to any adverse change in one variable by seeking to minimise the net effect on Kina's NPAT, this may not be possible.

The FY15 forecast assumes the Completion of the Acquisition. The Acquisition is material to the forecast income statement, cash flows and balance sheet. Should the Acquisition not occur, Kina's forecast income would be materially lower.

5.10 Accounting and auditing standards currently applied and to apply after Listing

Kina prepares its financial statements in accordance with the recognition and measurement principles of IFRS and other generally accepted accounting practice in PNG, and will continue to do so after Listing.

Kina's auditor, PwC PNG, uses International Standards on Auditing and will continue to do so after Listing.

5.11 Dividend policy

The payment of dividends is a matter for the Board to determine and will be a function of a number of factors, including the general business environment, the operating results of the business, future funding requirements, taxation considerations and any contractual legal or regulatory considerations.

The amount of dividends may vary between periods depending on the factors above. If value accretive strategic growth opportunities arise then the Board may choose to pay a lower than target pay out.

Depending on available profits and the financial position of Kina, it is the current intention of the Board to pay dividends. The Board intends to target a dividend payout of 65% to 80% of cash NPAT. Depending on the factors above, it is the Board's intention to pay both interim and final dividends each year in respect of half year ended 30 June and full year ended 31 December.

The proposed full year dividend for FY15 is consistent with the dividend policy, reflecting the expected dates for the Acquisition and the Offer (on a pro rata basis).

See Section 9.7 for information on the taxation of dividends.

SECTION 6: KEY RISKS

6.1 Introduction

This Section 6 describes the potential risks associated with Kina's business and risks associated with an investment in the Shares. It does not purport to list every risk that may be associated with an investment in the Shares now or in the future. The occurrence of, or consequences of, some of the risks described in this Section 6 are partially or completely outside of the control of Kina, its Directors and its management team.

The selection of risks has been based on the assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk, and the impact of the risk if it did occur. That assessment is based on the knowledge of the Directors as at the date of this Prospectus, but there is no guarantee or assurance that the importance of different risks will not change, or that other risks will not emerge.

Before applying for Shares, investors should satisfy themselves that they have a sufficient understanding of these matters and should consider whether the Shares are a suitable investment for them, having regard to their own investment objectives, financial circumstances, and taxation position. If investors are unclear in relation to any matter, or are uncertain as to whether Kina is a suitable investment for them, they should seek professional guidance from their solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

6.2 Business risks

As described in Section 3.3, on Completion of the Acquisition, Kina will be licensed to undertake commercial banking services in PNG by BPNG. Under that licence, Kina will be authorised to provide the following services:

- > loans and advances, including housing loans (consumer), term loans (consumer and commercial), overdrafts, revolving credit and syndicated loans;
- > trade financing, including letters of credit, documentary collection, bank guarantees and export bills;
- > retail banking, including savings accounts, current accounts and fixed deposits; and
- > remittance services, including telegraphic transfers, Society for Worldwide Interbank Financial Telecommunication (**SWIFT**), bankers' cheques, demand drafts and bureau de exchange services.

Kina also offers funds management, superannuation administration, stockbroking, trustee services, financial planning and investment advice.

Set out below are investment risks associated with Kina's business and operations following Completion of the Acquisition. These are relevant to an investment in the Shares as the value of your investment will depend on the financial performance and position of Kina.

6.2.1 Dependence on the PNG economy

As Kina currently conducts the majority of its business in PNG, its performance is influenced by the level and cyclical nature of business activity in PNG, which is, in turn, impacted by both domestic and international economic and political events. There can be no assurance that a weakening in the PNG economy or that a weakening in the economic and business conditions of other countries, will not have an adverse effect on Kina's financial condition and on the results of its operations.

Adverse changes to the economic and business conditions in PNG and other economies such as Australia, New Zealand, China, India, Japan, Malaysia, members of the European Union and the United States could also negatively impact Kina's customers and investments.

For instance, Kina's exposure to foreign exchange risk may be exacerbated as a consequence of the PNG LNG Project which is anticipated to double PNG's gross domestic product.

This could result in reduced demand for Kina products and services and impact Kina's investment returns, which could affect Kina's businesses, financial performance, financial condition and prospects.

6.2.2 Risk of major systemic shock to PNG or other financial systems

There is a risk that major systemic shock, similar to that experienced during the global financial crisis and in Europe in more recent years, could occur, causing an adverse impact on the PNG financial system.

The financial services industry and capital markets have been, and may continue to be, adversely affected by market volatility and uncertainty as to the outlook for global economic conditions. Any such market and economic disruptions could have an adverse effect on financial institutions such as Kina because consumer and business confidence may decrease, unemployment may rise, and demand for the products and services Kina provides may decline, thereby reducing Kina's earnings.

These conditions may also affect the ability of Kina's borrowers to repay their loans, or Kina's counterparties to meet their obligations, causing it to incur higher credit losses. These events could also result in the undermining of confidence in the financial system, reducing liquidity and impairing Kina's access to funding and impairing its customers and counterparties and their businesses.

The nature and consequences of any such event are difficult to predict and there can be no guarantee that Kina could respond effectively to any such event. If Kina were not to respond effectively, Kina's businesses, financial performance, financial condition and prospects could be adversely affected.

6.2.3 Acquisition risk

Although Kina has entered into an unconditional agreement in relation to the Acquisition, there is a risk that the Acquisition may be delayed, achieved only in part or not proceed altogether. The timing of the Completion of the Acquisition depends on the achievement of IT/Operational Readiness, which is defined in the Share Sale Agreement and refers to the readiness of specified IT and operational systems and services for assumption by Kina post-Acquisition. If any of the IT/Operational Readiness milestones are not met or waived, Completion of the Acquisition may be deferred until 30 September 2015 at the latest, at which point the Completion of the Acquisition will occur in any event. The Share Sale Agreement may also be terminated by Malayan Banking Berhad if certain events occur including an unremedied breach of a material term by Kina.

There is a risk that Kina's future profitability and prospects could be adversely affected if IT/Operational Readiness is not achieved prior to Completion or the Acquisition is not completely successful.

If Completion of the Acquisition does not occur, the Board will need to consider the appropriate course of action at the relevant time.

6.2.4 Integration risk associated with the Acquisition

On completion of the Acquisition, there will be risks associated with the integration of the Maybank PNG Group into Kina's existing corporate structure. There is a risk that Kina's future profitability and prospects could be adversely affected if integration is not completely successful.

Although Kina has already commenced integration planning in accordance with the terms of the Share Sale Agreement, there remains a risk that unforeseen issues or difficulties may arise that may result in integration benefits and / or synergies from the Acquisition being delayed, or being only achieved in part, or not at all.

Areas of particular risk include:

- > difficulties or unexpected costs relating to the integration of information technology platforms, financial and accounting systems and management systems of the two organisations;
- > difficulties or unexpected costs in realising synergies from the consolidation of the head office and back office functions;
- > higher than expected levels of customer attrition, including borrowers and depositors;
- > unexpected losses of key personnel during or following integration;
- > possible conflict of culture and a decrease in employee morale caused by uncertainty arising from the Acquisition; and
- > timing of integration benefits realisation.

To mitigate these risks, Kina has developed a coherent strategy for integrating people, processes, technologies and risk management frameworks during the transitional period. Kina has also appointed Michael Van Dorssen to act as a dedicated executive overseeing the process to help mitigate integration risk.

6.2.5 Competitive environment

The financial services industry is highly competitive and, as a result, Kina faces competition in various aspects of its business.

Kina's key competitors include two major Australian retail banks, being Westpac and ANZ, and BSP, who compete with Kina's provision of core banking services in PNG.

In the wealth management sector, Kina's main competitors include BSP, PacWealth Capital Limited, Niugini Capital Limited and Frontier Equities Ltd. Kina's only significant competitor in the funds administration subsector is AON Hewitt (PNG) Limited.

If Kina is unable to compete effectively in its various businesses and markets, its market share may decline. Increased competition may also divert business to Kina's competitors or create pressure to lower margins.

Kina is also dependent on its ability to offer products and services that match evolving customer preferences, habits and sentiment. If Kina is not successful in developing or introducing new products and services or responding or adapting to changes in customer preferences, habits and sentiment, Kina may lose its customers to competitors. This could adversely affect Kina's businesses, financial performance, financial condition and prospects.

SECTION 6: KEY RISKS

The level of competition continues to increase as the trend towards consolidation in the global financial services industry is creating competitors with a broader range of products and services, increased access to capital, greater efficiency, and enhanced pricing power. As a result, Kina could lose market share or be forced to reduce prices in order to compete effectively, particularly if industry participants engage in aggressive growth strategies or severe price discounting.

6.2.6 Foreign currency and exchange rate fluctuation risk

Foreign exchange transactions are a material component of the business of the Kina Group.

Revenue generation and profitability in respect of foreign exchange transactions are dependent on volumes and margins, which are subject to volatility and regulatory intervention by BPNG. There is a risk that continued volatility, and further changes in applicable regulations or policy, may adversely impact future Kina Group revenue and profitability.

Further, the Kina Group's revenues and assets are denominated in PGK. However:

- > a portion of the Kina Group's expenditures are denominated in foreign currency;
- > certain Applicants will tender AUD for Shares;
- > Kina intends to pay dividends in AUD to Shareholders that hold Shares quoted on ASX; and
- > the Kina Group will be required to pay consideration in respect of the Acquisition in US dollars.

Movements of the PGK against the AUD, and of the AUD and the PGK against the US dollar, particularly during the period between the date of this Prospectus and anticipated Completion of the Acquisition, could have an adverse effect on the Group's future financial performance and position. There is also a risk that foreign currency availability will be limited in PNG when it is required by the Kina Group, in respect of both the payment of consideration for the Acquisition and on an ongoing basis. This is particularly the case for US dollars.

The directors of Kina continue to monitor and assess these risks.

6.2.7 Compliance with laws, regulations and regulatory policy

A number of laws and regulations apply to the businesses carried on by entities within the Kina Group.

Entities within the Kina Group are supervised by one or more regulatory authorities which have broad administrative powers over the businesses operated by the relevant entity. Such regulatory authorities include the Companies Office of PNG and, to the extent businesses are regulated under the PNG BFI Act or the PNG SGP Act, BPNG.

To the extent that Kina trades or raises funds in, or has some other connection with, countries other than PNG, then such activities may be subject to the laws of, and regulation by agencies in, those countries. Kina is responsible for ensuring that it complies with all applicable laws, regulations, policies and codes of practice in the jurisdictions in which it operates.

If Kina fails to comply with applicable laws and regulations, it may be subject to fines, penalties, restrictions on its ability to do business, or loss of licence to conduct business. An example of the broad administrative power available to regulatory authorities is the power available to BPNG to take control, or appoint an administrator to take control, of the business of Kina where Kina is unable to meet certain obligations under PNG law. Any such fines, penalties, restrictions or loss of licence could adversely affect Kina's businesses, financial performance, financial condition and prospects.

Regulatory and other governmental agencies (including courts, revenue and tax authorities) frequently review banking and tax laws, regulations, codes of practice and policies. Changes to laws, regulations, codes of practice or policies, including changes in interpretation or implementation of laws, regulations, codes of practices or policies could affect Kina in substantial and unpredictable ways. For instance, a portion of Kina's current revenue is derived from its EsiLoan business. However, if short term loan products were to be regulated more extensively in the future, this may adversely affect the financial performance of the EsiLoan business and Kina more generally.

Additionally, any such changes may adversely affect Kina's business, operations and financial condition. The changes may lead Kina to, among other things, change its business mix, incur additional costs as a result of increased management attention, hold significant levels of additional liquid assets.

Kina also depends on the availability and accessibility of third-party financial, banking and other non-information technology arrangements, including with SWIFT, MasterCard and foreign correspondent banks. Changes to the terms, conditions, policies and standards (including the Payment Card Industry Data Security Standard) relating to the availability and accessibility of these arrangements could affect Kina in substantial and unpredictable ways.

6.2.8 Reputational damage

Kina's ability to attract and retain customers and investors and its prospects could be adversely affected if Kina's reputation is damaged.

There are various potential sources of reputational damage including potential conflicts of interest, pricing policies, failing to comply with legal and regulatory requirements (including without limitation, money laundering laws, trade sanctions legislation or privacy laws), ethical issues, litigation, failing to comply with information security policies, improper sales and trading practices, personnel and supplier policies, improper conduct of companies in which it holds strategic investments, technology failures, security breaches and risk management failures. Kina's reputation could also be adversely affected by the actions of the financial services and allied industries in general or from the actions of its customers and counterparties.

Failure to appropriately address issues that could or do give rise to reputational damage could also give rise to additional legal risks, subject Kina to regulatory enforcement actions, fines and penalties and could lead to loss of business which could adversely affect Kina's financial performance, financial condition and prospects.

6.2.9 Credit risk associated with Kina's lending activities

Credit risk is a significant risk and arises primarily from Kina's lending and investment activities. The risk arises from the likelihood that some customers and counterparties will be unable to honour their obligations to Kina, including the repayment of loans and interest.

Kina's banking operations hold assessed provisions for its credit exposures. If economic conditions deteriorate, some customers and / or counterparties could experience higher levels of financial stress and Kina may experience a significant increase in defaults and write-offs, and be required to increase its provisioning.

As at 31 December 2014, Kina held specific provisions to cover potential bad and doubtful debts.

Deterioration in economic conditions, inadequate provisioning or significant breakdown in credit disciplines, could diminish available capital and could adversely affect Kina's businesses, financial performance, liquidity, capital resources and financial condition.

6.2.10 Decline in asset markets

Kina's performance is influenced by asset markets in PNG and other jurisdictions, including equity, property and other investment asset markets.

Declining asset prices could also impact customers and counterparties and the value of security Kina holds against loans which may impact Kina's ability to recover amounts owing to it if customers or counterparties were to default.

In particular, the residential, commercial and rural property lending sectors are important to the businesses of Kina. Overall, the property market has been variable and in some locations there have been substantially reduced asset values. Declining property valuations in PNG or other markets where it does business could decrease the amount of new lending Kina is able to write and / or increase the losses that Kina may experience from existing loans.

For example, a significant decrease in PNG housing market demand or property valuations, or a significant slowdown in housing, commercial or strata title property markets could adversely impact Kina's lending activities because the ability of its borrowers to repay their loans may be affected, causing Kina to incur higher credit losses. These circumstances could also lead to a decline in the demand for its lending products, and this could adversely affect Kina's businesses, financial performance, capital resources, financial condition and prospects.

Additionally, a decline in asset markets and economic conditions generally could have adverse consequences for Kina's clients' funds under management, which would negatively impact on Kina's performance.

6.2.11 Funding and liquidity risk

Banks and other financial institutions (including Kina) are currently subject to global credit and capital market conditions which experienced extreme volatility, disruption and decreased liquidity following the global financial crisis.

If market conditions deteriorate due to economic, financial, political or other reasons, Kina's funding costs may be adversely affected and its liquidity and its funding of lending activities may be constrained.

SECTION 6: KEY RISKS

If Kina's current sources of funding prove to be insufficient, it may be forced to seek alternative funding.

The availability of such alternative funding, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions, the availability of credit, Kina's credit ratings and credit market capacity. Even if available, the cost of these alternatives may be more expensive or on unfavourable terms, which could adversely affect Kina's businesses, liquidity, capital resources, financial performance and financial condition. There is no assurance that Kina will be able to obtain adequate funding at acceptable prices or at all.

6.2.12 Credit rating risk

Credit ratings are opinions on a bank or financial institution's creditworthiness. Credit ratings affect the cost and availability of funding from capital markets and other funding sources and they may be important to customers or counterparties when evaluating products and services offered by banks and financial institutions. Therefore, maintaining high quality credit ratings is important.

On Completion of the Acquisition, credit ratings may be assigned to Kina and its subsidiaries by rating agencies. Those ratings are based on an evaluation of a number of factors, including financial strength, support from members in Kina Group and structural considerations regarding the PNG financial system. A credit rating downgrade could be driven by the occurrence of one or more of the other events identified as risks in this Section or by other events including changes to the methodologies used by the rating agencies to determine ratings.

If Kina fails to maintain a strong credit rating, this could adversely affect Kina's cost of funds and related margins, competitive position and its access to capital and funding markets, which, in turn, could adversely affect Kina's businesses, financial performance, capital resources, financial condition and prospects. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change, whether the rating of Kina or other members in Kina Group differ among agencies (split ratings) and whether any ratings changes also impact Kina's peers or the sectors in which Kina operates.

Standard & Poors' credit rating for PNG stands at B+. Moody's rating for PNG sovereign debt is B1. In general, a sovereign credit rating is used by sovereign wealth funds, pension funds and other investors to gauge the credit worthiness of a country's government.

The impact of any downgrades to PNG's sovereign credit rating or its perceived creditworthiness could adversely affect PNG's financial markets and economic conditions and, in turn, Kina's businesses, financial performance and financial condition.

6.2.13 Market risk

Kina is exposed to market risk as a consequence of both its investments and trading activities in financial markets and through asset and liability management of its balance sheet. In Kina's financial market trading business, it is possibly exposed to potential losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and credit prices. In Kina's asset and liability management of its balance sheet, it is possibly exposed to potential losses arising from adverse movements in levels and volatility of interest rates. If Kina was to suffer substantial losses due to any market volatility, it could adversely affect Kina's businesses, financial performance, liquidity, capital resources and financial condition.

6.2.14 Investment performance

Kina has a significant investment portfolio, which consists of:

- > commercial bills with BPNG, treasury bills and government-inscribed stock with the PNG Government;
- > a share portfolio of local shares;
- > vacant land in Port Moresby; and
- > shareholding equity in local companies.

The investment portfolio is managed in accordance with Kina's risk appetite, investment policy and investment approach.

Kina's investment approach for client assets is to invest in a range of assets including PNG fixed income instruments, PNG unlisted equities, POMSx listed equities, PNG property investments and international investments in individual stocks, managed funds and diversified indices.

Kina through its investment portfolios is exposed to risk and volatility in the markets, securities and other assets in which it invests. Those risks include, but are not limited to:

- > asset / liability risk – ie, the risk that the value of an investment portfolio will decrease relative to the value of the liabilities, as a result of fluctuation in investment factors including share prices, interest rates, credit spreads, counterparty default, exchange rates or commodity prices; and
- > liquidity risk, including that assets cannot be sold without a significant impairment in value.

Such risks can be heightened during periods of high volatility, market disruption and periods of sustained low interest rates, such as those that occurred during the global financial crisis and could adversely affect Kina's businesses, financial performance, capital resources and financial condition.

Irrespective of the above portfolio mix and approach, Kina's investment approach might be subject to changes going forward resulting in Kina investing in different assets in the future.

6.2.15 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. As a financial services provider, Kina is exposed to a variety of operational risks such as workplace safety, project and change management, fraud and other dishonest activities, management practices, key person risk, information and systems integrity as well as reliance on suppliers and outsourcing.

Kina relies to a significant degree on information technology systems. Most of Kina's daily operations are computer based and its information technology systems are essential to maintaining effective communication with customers and keeping pace with the competitive environment. Kina is exposed to a number of system risks, including:

- > complete or partial failure of the information technology systems;
- > inadequacy of internal, partner or third party information technology systems;
- > capacity of the existing systems to effectively accommodate Kina's planned growth and integrate existing and future acquisitions and alliances;
- > systems integration programs not being completed within the timetable or budget; and
- > compromise of information or technology arising from external or internal security threats.

Kina has disaster recovery and systems development roadmaps in place to mitigate some of these risks. However, any failure in Kina's information technology systems could result in business interruption, the loss of customers, damaged reputation and weakening of its competitive position.

Operational risks including information technology could impact on Kina's operations or adversely affect demand for its products and services and its reputation, which could adversely affect Kina's businesses, financial performance and prospects.

6.2.16 Contract termination

Certain Kina Group clients have a right to terminate contracts in certain circumstances, including where there is a change in control of Kina or a particular member of the Kina Group. In addition, certain contracts may be terminated by clients for convenience. In particular, these rights of termination are relevant to certain material contracts within the Kina Wealth Management operating division. Termination by a client may adversely impact future Kina Group revenue and profitability and increase Kina's client concentration risk. The directors do not consider it to be likely that a client will terminate a material contract as a consequence of the transactions contemplated under the Offer.

6.2.17 Mergers, acquisitions and divestments

Kina may engage in merger, acquisition or divestment activity which facilitates Kina's strategic direction. This activity may involve entering new markets or expanding Kina's current product suite. Whilst Kina recognises that benefits may arise from merger, acquisition or divestment activities, significant risks exist in both the execution and implementation of such activities.

Mergers and acquisitions may require assimilation of new operations, new personnel and may cause dissipation of Kina's management resources. Changes in ownership and management may result in impairment of relationships with employees and customers of the acquired businesses. Depending on the type of transaction, it could take a substantial period of time for Kina to realise the financial benefits of the transaction, if any. During the period immediately following this type of transaction, Kina's operating results may be adversely affected.

As a target in any future merger or acquisition activity, the issues identified above may also be relevant.

Where Kina decides to divest a business or asset, this may involve a loss against book value, particularly of any goodwill or other intangibles.

Kina's failure to adequately manage the risks associated with any mergers, acquisitions or divestments could adversely affect Kina's businesses, financial performance, financial condition and prospects.

SECTION 6: KEY RISKS

6.2.18 Litigation and regulatory proceedings

Kina, like all entities in the banking or finance sectors, are exposed to the risk of litigation and / or regulatory proceedings brought by or on behalf of policyholders, deposit holders, government agencies or other potential claimants.

There can be no assurance that significant litigation will not arise in the future and that the outcome of litigation proceedings from time to time will not have an adverse effect on Kina's businesses, financial performance, financial condition or prospects.

6.2.19 Environmental risk

Kina and its customers operate businesses that hold assets in a diverse range of geographical locations within PNG. Any significant environmental change or external event (including fire, storm, drought, flood, earthquake or pandemic) in any of these locations has the potential to disrupt business activities, impact on Kina's operations, damage property and otherwise affect the value of assets held in the affected locations and Kina's ability to recover amounts owing to it.

For example, parts of PNG such as the West Mekeo area in Central Province and West New Britain have experienced severe flooding. Such an event could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets, which could adversely affect Kina's businesses, financial performance, capital resources, financial condition and prospects.

6.2.20 Failure of risk management strategies

Kina has implemented risk management strategies and internal controls involving processes and procedures intended to identify, monitor and mitigate the risks to which it is subject, including liquidity risk, credit risk, market risk (including interest rate and foreign exchange risk) and operational risk.

However, there are inherent limitations with any risk management framework as there may be risks that exist or develop in the future, risks that Kina has not anticipated or identified or controls that may not operate effectively.

If Kina's risk management processes and procedures prove ineffective, inadequate, or are otherwise not appropriately implemented, Kina could suffer unexpected losses and reputational damage which could adversely affect Kina's businesses, financial performance, capital resources, financial condition and prospects.

6.2.21 Capital base and capital ratios

Kina's capital base is critical to the management of its business and access to funding. BPNG requires Authorised Institutions within the Kina Group to maintain adequate regulatory capital in accordance with prudential standards issued by BPNG under the PNG BFI Act.

Under current regulatory requirements, as a counterparty's risk grade worsens, Kina's risk-weighted assets and loan provisions increase. Additional regulatory capital requirements arising as a consequence of increased loan provisions may be exacerbated during times of financial stress, particularly if there are lower profit levels. As a result, greater volatility in capital ratios may arise and may require Kina to raise additional capital. There can be no certainty that any additional capital required would be available or could be raised on reasonable terms.

Kina's capital ratios may be impacted by a number of factors including lower profitability, higher asset growth and changes in business strategy (including acquisitions or an increase in capital intensive businesses).

6.2.22 Retention of key management personnel

Kina's future success depends, in part, on its capacity to retain and motivate existing management personnel as well as attract new management personnel. In particular, Kina's performance is dependent on the talents and efforts of key management personnel. The loss of key management personnel may cause material disruption to Kina's business and operations in the short to medium term and may have an adverse impact on the financial performance and prospects of Kina.

On Completion of the Acquisition, Malayan Banking Berhad has agreed to second key management personnel to the Kina Group for the transitional period to mitigate the risk of any material disruption to the acquired businesses.

6.3 General risks

6.3.1 Price of Shares

The price of Shares quoted on ASX and POMSoX may rise or fall, and the Shares may trade below or above the Offer Price due to a number of factors, including:

- > general economic conditions, including interest rates, exchange rates, inflation rates and commodity prices;
- > fluctuations in the local and global market for listed stocks;
- > changes to government policy, legislation or regulation;
- > inclusion in or removal from market indices;
- > the nature of markets in which Kina operates;
- > general and operational business risks; and
- > global hostilities, tensions and acts of terrorism.

6.3.2 Trading in Shares may not be liquid

Prior to the Offer, there has been no public market in the Shares of Kina. Once the Shares are quoted on ASX and POMSoX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on ASX and POMSoX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

The Existing Shareholders have entered into voluntary escrow arrangements in relation to their Escrowed Shares.

In each case, the escrow restrictions are subject to certain exceptions as set out in more detail in Section 9.12.6. The absence of any sale of Escrowed Shares by the Existing Shareholders during the Escrow Period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares. It is important to recognise that Shareholders may receive a market price for their Shares that is less than the price that Shareholders paid.

Following the end of the relevant Escrow Period, a significant sale of Shares by the Existing Shareholders, or the perception that such sales might occur, could adversely affect the market price of the Shares.

6.3.3 Risk of existing Shareholder dilution

In the future, Kina may elect to issue Shares or engage in fundraisings and also to fund, or raise proceeds, for acquisitions that Kina may decide to make. While Kina will be subject to the constraints of the ASX Listing Rules and the POMSoX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

6.3.4 Taxation changes

There is the potential for further changes to PNG's tax laws. Any change to the current rates of taxes imposed on Kina is likely to affect returns to Shareholders.

An interpretation of taxation laws by the relevant tax authority that is contrary to Kina's view of those laws may increase the amount of tax to be paid. Kina obtains external expert advice on the application of the tax laws to its operations.

6.3.5 International Financial Reporting Standards

IFRS which have been adopted by the Accounting Standards Board of PNG, are set by the International Accounting Standards Board (**IASB**) and are outside the control of either Kina or its Directors.

The IASB can from time to time introduce new or refined IFRS, which may affect future measurement and recognition of key income statement and balance sheet items.

There is also a risk that interpretations of existing IFRS, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to IFRS issued by the IASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in Kina's consolidated financial statements.

SECTION 6: KEY RISKS

6.3.6 Force majeure events

Events may occur within or outside PNG that could impact upon the PNG economies, the operations of Kina and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Kina's services and its ability to conduct business. Kina has only a limited ability to insure against some of these risks.

6.3.7 PNG political and Government regulation risks

Kina operates within a developing economy, which exposes the organisation to political and commercial risk. Profitability may be adversely impacted by political instability, local disputes and community issues as well as war, civil unrest and terrorism. Kina's future revenue and expenditure may also be affected by a number of political and social issues such as differing political agendas and decision making, environmental and social policy and the impact of bribery and corruption.

Future revenue and expenditure of Kina may be affected by changes in international, federal, state or local government laws, regulations or policies or in taxation legislation. Government legislation and policies are subject to review and change from time to time. Such changes are likely to be beyond the control of the Company and may affect industry profitability. The possible extent of such changes cannot be predicted with any certainty. The effects of any such actions may result in, amongst other things, increased costs, taxes (whether direct or indirect) or the prevention of the group being able to execute certain activities.

SECTION 7: DETAILS OF THE OFFER

7.1 Overview of the Offer

This Prospectus relates to an offer of 97 million Shares, comprising an initial public offering of 75.6 million New Shares by Kina and the sale of 21.6 million Existing Shares held by Fu Shan at an Offer Price of \$1.00 / K2.08 per Share. The Offer also includes, as a component, an Employee Gift Offer of up to 91,000 Shares to Eligible Employees for no consideration.

The Offer is expected to raise \$97 million / K202 million.

The total number of Shares on issue at Completion of the Offer will be 164 million and all Shares will rank equally with each other. The Shares offered under this Prospectus will represent approximately 59.4% of the Shares on issue on Completion of the Offer.

On Completion of the Offer, the Existing Shareholders will hold approximately 40.6% of the total Shares on issue.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

The Offer is fully underwritten by the Underwriter.

7.2 Structure of the Offer

The Offer comprises:

- > the Broker Firm Offer, which is open to Australian resident investors and PNG resident investors who are not Institutional Investors and who receive a firm allocation of Shares from their Broker;
- > the Institutional Offer, which consisted of an invitation to bid for Shares made to certain Institutional Investors in PNG, Australia and a number of other eligible jurisdictions; and
- > the Employee Gift Offer, which is open to Eligible Employees.

The allocation of Shares between the Broker Firm Offer and the Institutional Offer was determined by the Underwriter, in consultation with the Company, having regard to the allocation policy outlined in Sections 7.6.1.5 and 7.6.2.2.

7.3 Purpose the Offer

The purpose of the offer is to:

- > fund, in part, the acquisition of the Maybank PNG Group;
- > facilitate the partial sell-down of Shares held by major shareholder Fu Shan in order to satisfy regulatory requirements;
- > provide the Company with working capital and funding for growth initiatives;
- > facilitate a listing on the ASX and POMSoX; and
- > improve the Company's access to capital markets.

TABLE 25: SOURCES AND USES OF FUNDS

Sources of funds	\$ million	PGK million	%
Cash proceeds received for New Shares issued under the Offer	75.6	156.9	77.8%
Cash proceeds received from sale of Existing Shares	21.6	44.8	22.2%
Total sources	97	202	100%

Uses of funds	\$ million	PGK million	%
Payment of proceeds to Malayan Banking Berhad	64.8	134.6	66.7%
Payment of proceeds to Fu Shan	21.6	44.8	22.2%
Payment of fees associated with the Offer	9.0	18.7	9.3%
Other general purposes	1.7	3.6	1.8%

Notwithstanding the plans of the Directors stated above, Kina may apply the proceeds of the Offer towards any undertaking that Kina may lawfully engage in.

SECTION 7: DETAILS OF THE OFFER

7.4 Effect of the Offer

7.4.1 Pro forma balance sheet

Kina's pro forma balance sheet following the Offer, including details of the pro forma adjustments, is set out in Section 5.4.1.

7.4.2 Capital structure

Kina's indebtedness as at 31 December 2014, both before and adjusted to reflect the Offer, is set out in Section 5.4.1.

7.4.3 Shareholding structure

The details of the ownership of Shares on Listing are set out below:

Shares	Ownership of the Company prior to Completion of the Offer		Ownership of the Company following Completion of the Offer	
	Quantity	Percentage	Quantity	Quantity
Fu Shan	78,869,132	89.5%	57,295,900	35.0%
Wayne Golding	4,846,706	5.5%	4,846,706	3.0%
Columbus Investments Ltd	4,406,097	5.0%	4,406,097	2.7%
New Shares to be issued under the Offer			75,671,318	46.2%
Existing Shares to be sold under the Offer			21,573,232	13.2%
Total	88,121,935	100%	163,793,252	100%

Under the Subscription Agreements, Nambawan Super Limited (**NSL**), Comrade Trustee Services Limited (**CTSL**) and National Superannuation Fund Limited (**NASFUND**) have each agreed to subscribe for Shares under the Offer up to the following amounts:

- > NSL has agreed to subscribe for up to 24.05 million Shares.
- > CTSL has agreed to subscribe for up to 10.10 million Shares.
- > NASFUND has agreed to subscribe for up to 15.38 million Shares.

Following the Completion of the Offer, Fu Shan will remain a substantial shareholder of Kina, holding approximately 35% of the issued share capital in Kina. At Listing, the Fu Shan, Wayne Golding and Columbus Investments Ltd will be subject to voluntary escrow arrangements. See Section 9.12.6 for a summary of the terms of the escrow arrangements and the limited exceptions that permit the Existing Shareholders to deal in those Shares during the Escrow Period.

To facilitate the Offer, on 19 June 2015, each Existing Shareholder, including Columbus Investments Ltd (an entity controlled by Syd Yates) and Wayne Golding, were issued a proportionate number of additional Shares such that the total number of Shares on issue was 88,121,935 million as at the date of this Prospectus.

7.4.4 Potential effect of the Offer on the future of Kina

The Directors believe that following the Offer, Kina will have sufficient working capital available from the cash proceeds of the Offer to fulfil the purposes of the Offer and carry out its stated objectives.

7.5 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to the Shares, is set out in Section 9.2.
What is the consideration payable for each security being offered?	<p>The Offer Price is:</p> <ul style="list-style-type: none"> > \$1.00 per Share for Australian resident investors under the Broker Firm Offer and under the Institutional Offer; and > K2.08 per Share for PNG resident investors under the Broker Firm Offer. <p>No consideration is payable under the Employee Gift Offer.</p>
What is the Offer Period?	<p>The Broker Firm Offer and Employee Gift Offer are expected to open on 7 July 2015.</p> <p>The Broker Firm Offer to PNG resident investors is expected to close on 10 July 2015.</p> <p>The Broker Firm Offer to Australian resident investors and the Employee Gift Offer are expected to close on 21 July 2015.</p> <p>The Key Dates, including details of the Offer Period, are set out on page 1. These dates are indicative only and may change.</p> <p>No Shares will be issued or sold on the basis of this Prospectus after the Expiry Date, being the date nine months after 31 December 2014.</p>
What are the cash proceeds to be raised?	<p>Approximately \$97 million / K202 million is expected to be raised by Kina and Fu Shan if the Offer proceeds.</p> <p>This includes proceeds of:</p> <ul style="list-style-type: none"> > approximately K156.9 million from the issue of New Shares by Kina under the Offer; and > approximately K44.8 million from the sale of Existing Shares sold by Fu Shan under the Offer.
What is the minimum and maximum Application Amount under the Broker Firm Offer?	<p>Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum Application Amount.</p> <p>Kina and the Underwriter reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for, in their absolute discretion.</p>
What is the minimum and maximum Application Amount under the Employee Gift Offer?	<p>Eligible Employees are invited to apply for up to 100 Shares for each year of employment at no cost under the Employee Gift Offer.</p> <p>Kina has absolute discretion regarding the eligibility, entitlement and allocation of Shares to Applicants in the Employee Gift Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in its absolute discretion.</p> <p>Kina and the Underwriter reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for, in their absolute discretion.</p>
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer was determined by the Underwriter, in consultation with Kina, having regard to the allocation policy outlined in Section 7.6.1.5 and 7.6.2.2.</p> <p>With respect to the Broker Firm Offer, it will be a matter for the Brokers to determine how they allocate Shares among their eligible retail clients, and they (and not Kina or the Underwriter) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares.</p> <p>The allocation of Shares under the Institutional Offer was determined by the Underwriter in consultation with Kina.</p>

SECTION 7: DETAILS OF THE OFFER

Topic	Summary
Will the Shares be listed?	<p>Kina applied within seven days of the Prospectus Date for the listing and quotation of the Shares on ASX under the code 'KSL' and on POMSoX under the code 'KSL'. Completion of the Offer is conditional on ASX and POMSoX approving the listing applications.</p> <p>If permission is not granted for the official quotation of Shares on ASX and POMSoX within six weeks after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Payments will be refunded without interest as soon as practicable.</p>
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on ASX and POMSoX will commence on or about 30 July 2015 following settlement on 22 July 2015.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. Kina, the Underwriter and the Existing Shareholders disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Kina Offer Information Line, by a Broker or otherwise.</p>
Is the Offer underwritten?	<p>Yes. The Underwriter is fully underwriting the Offer. Details are provided in Section 9.12.1.</p>
Are there any escrow arrangements?	<p>Yes, the Existing Shareholders have entered into voluntary escrow arrangements in relation to their Escrowed Shares. Details are provided in Section 9.12.6.</p>
Are there any taxation considerations?	<p>Refer to Section 9.7.</p>
Are there any brokerage or commission considerations?	<p>No brokerage or commission is payable by Applicants on acquisition of Shares under the Offer.</p>
What should you do with any enquiries?	<p>Please call the Kina Offer Information Line on 1800 072 766 (within Australia), (675) 321 6377 (within PNG) or +61 1800 072 766 (international) (Monday to Friday from 8.30am to 5.30pm (PNG time)).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Kina is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p>

7.6 Description of the Offer

7.6.1 Broker Firm Offer

7.6.1.1 Who can apply in the Broker Firm Offer?

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia or PNG. Investors who are offered a firm allocation by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

Investors should contact their Broker to determine whether they may be allocated Shares under the Broker Firm Offer.

7.6.1.2 How to apply for Shares under the Broker Firm Offer

Applications for Shares may only be made on the Australian Broker Firm Application Form (for Australian resident investors) or the PNG Broker Firm Application Form (for PNG resident investors) attached to or accompanying this Prospectus or any replacement prospectus.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the relevant Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form.

Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum Application Amount. Kina and the Underwriter reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person. Kina may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion, in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their completed Application Form and Application Payment with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Registry.

The Broker Firm Offer is expected to open at 9.00am (PNG time) on 7 July 2015. The Broker Firm Offer for PNG resident investors is expected to close at 5.00pm (PNG time) on 10 July 2015 and for Australian resident investors at 5.00pm (PNG time) on 21 July 2015. Kina and the Underwriter may extend the Offer or any part of it, or accept late Applications either generally or in particular cases. Your Broker may impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible.

Please contact your Broker for instructions.

7.6.1.3 Payment methods

Applicants under the Broker Firm Offer should lodge their Application Payment with the relevant Broker in accordance with the relevant Broker's directions from whom they received an allocation.

7.6.1.4 Application acceptances and Application Payments

An Application in the Broker Firm Offer is an offer by the applicant to Kina to subscribe for or acquire Shares for all or any of the Application Amount specified in the Application Form at the Offer Price of \$1.00 per Share for Australian resident investors and K2.08 per Share for PNG resident investors on the terms and conditions set out in this Prospectus, including any supplementary or replacement prospectus and the Application Form. To the extent permitted by law, an Application by an applicant under the Offer is irrevocable. Acceptance of an application will give rise to a binding contract.

Kina reserves the right to decline any Application and all Applications in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Payment, as applicable. Interest will not be paid on any monies refunded.

Successful Applicants in the Broker Firm Offer will be allotted Shares at the Offer Price and will receive the number of Shares equal to the value of their Application accepted by Kina divided by the Offer Price (rounded down to the nearest whole Share).

7.6.1.5 Allocation policy under the Broker Firm Offer

The allocation of firm stock to Brokers will be determined by the Underwriter, in consultation with Kina. Shares which are allocated to Brokers for allocation to their Australian resident clients and PNG resident clients will be issued or transferred to the Applicants who have received a valid allocation of Shares from those Brokers.

SECTION 7: DETAILS OF THE OFFER

It will be a matter for the Brokers to determine how they allocate Shares among their eligible retail clients, and they (and not Kina or the Underwriter) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares. Applicants in the Broker Firm Offer will be able to call the Kina Offer Information Line on 1800 072 766 (within Australia), (675) 321 6377 (within PNG) or +61 1800 072 766 on Monday to Friday from 8.30am to 5.30pm (PNG time) to confirm their allocations.

Applicants under the Broker Firm Offer will also be able to confirm their firm allocation through their Broker from whom they received their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Kina Offer Information Line or confirmed your allocation through a Broker.

7.6.2 Institutional Offer

7.6.2.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in PNG, Australia and a number of other eligible jurisdictions to apply for Shares. The Underwriter has separately advised Institutional Investors of the Application procedures for the Institutional Offer. Shares issued or transferred to Institutional Investors as part of the Institutional Offer will be issued or sold under this Prospectus, as the case may be.

7.6.2.2 Allocation policy under the Institutional Offer

The allocation of Shares under the Institutional Offer was determined by the Underwriter in consultation with Kina. The Underwriter, in consultation with Kina, has absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Underwriter.

The allocation policy was influenced by a range of factors, including the following:

- > number of Shares bid for by particular Applicants;
- > the likelihood that particular Applicants will be long term Shareholders;
- > Kina's desire for an informed and active trading market following Listing;
- > the size and type of funds under management of particular Applicants;
- > the investment style of particular Applicants;
- > the timeliness of the bid by particular Applicants;
- > Kina's desire to establish a broad spread of institutional Shareholders;
- > anticipated level of demand under the Broker Firm Offer and Employee Gift Offer; and
- > any other factors that the Underwriter and Kina considered appropriate.

7.6.3 Employee Gift Offer

Eligible Employees who are employed as at 5.00pm (PNG time) on 18 June 2015 are eligible to participate in the Employee Gift Offer. If you are an Eligible Employee, you should have received an email detailing the terms of the Employee Gift Offer and the number of Shares that you are invited to apply for, together with a copy of this Prospectus. Eligible Employees are invited to apply for up to 100 Shares for each year of their employment. No payment is required for Shares under the Employee Gift Offer.

Eligible Employees are invited to apply for Shares online and must comply with the instructions on the website, www.kina.com.pg.

Eligible Employees who are successful Applicants will receive a guaranteed allocation of 100 Shares for each year of their employment. Kina has absolute discretion regarding the eligibility, entitlement and success of Applicants under the Employee Gift Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in their absolute discretion.

The Shares issued or transferred under the Employee Gift Offer will be subject to a trading restriction for a period of 12 months from the date that the Shares are issued or transferred, as the case may be.

7.7 Underwriting arrangements

The Offer is fully underwritten. The Underwriter and Kina have entered into an underwriting agreement under which the Underwriter has been appointed as lead manager and underwriter of the Offer. The Underwriter agrees, subject to certain conditions and termination events, to underwrite Applications for all shares under the Offer in equal proportions. The Underwriting Agreement sets out a number of circumstances under which the Underwriter may terminate the agreement and the underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions is provided in Section 9.12.1.

7.8 Restrictions on distribution

This Prospectus does not constitute an offer or invitation to subscribe for or acquire Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

In particular, this Prospectus may not be distributed in the United States and does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares offered under the Offer have not been, and will not be, registered under the US Securities Act of 1933 and will not be offered or sold in the United States.

7.9 Discretion regarding the Offer

Kina and Fu Shan may, in consultation with the Underwriter, withdraw the Offer, or any part of it, at any time before the allotment of Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Payments will be refunded. No interest will be paid on unsuccessful Applications.

Kina, Fu Shan and the Underwriter also reserve the right to extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application or allocate to any Applicant fewer Shares than the amount applied for.

If the Company amends the Closing Date, any such amendment will be announced through ASX and POMSoX.

7.10 Listings on ASX and POMSoX, registers and Holding Statements

7.10.1 Application to ASX and POMSOX for Listing and quotation of Shares

Applications to ASX and POMSoX were made within seven days of the Prospectus Date for Kina to be admitted to the official lists of ASX and POMSoX and for quotation of the Shares on ASX and POMSoX.

Kina's ASX code is expected to be 'KSL' and Kina's POMSoX code is expected to be 'KSL'.

Neither ASIC or the Registrar, nor ASX or POMSoX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates. The fact that ASX and POMSoX may admit Kina to their official lists and quote the Shares on ASX and POMSoX respectively is not to be taken as an indication of the merits, or as an endorsement by ASX or POMSoX, of Kina or the Shares. Shares are expected to commence trading on ASX and POMSoX on a normal settlement basis on 28 July 2015.

If permission is not granted for the official quotation of Shares on ASX and POMSoX within six weeks after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn all Application Payments will be refunded without interest as soon as practicable.

Kina will be required to comply with the ASX Listing Rules and the POMSoX Listing Rules, subject to any waivers obtained by Kina from time to time.

SECTION 7: DETAILS OF THE OFFER

7.10.2 CHESS and issuer sponsored holdings

Kina will apply to participate in ASX's Clearing House Electronic Subregister System (**CHESS**). In accordance with the ASX Listing Rules and the ASX Settlement Operating Rules, it will maintain an electronic issuer sponsored sub-register and an electronic CHESS sub-register.

If you are issued Shares, then you will be sent an initial statement of holding. It will set out the number of Shares that have been allocated to you in the Offer, and details of your HIN in the case of a holding on the CHESS sub-register, or SRN in the case of a holding on the issuer sponsored sub-register. You will need to quote your HIN or SRN, as appropriate, in all dealings with a stockbroker or the Registry.

Shareholders will receive Holding Statements during the first week of the month after any month in which there has been a change to their holding on the Register and as otherwise required under the ASX and POMSoX Listing Rules.

7.10.3 Trading and selling Shares on market

It is expected that trading of the Shares on ASX and POMSoX will commence on or about 30 July 2015 following settlement on 22 July 2015.

The contracts formed on acceptance of Applications will be conditional on ASX and POMSoX agreeing to quote the Shares on ASX and POMSoX respectively, and on the Shares being issued and transferred, as applicable.

It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. Kina, Fu Shan and the Underwriter disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by Kina Offer Information Line, by a Broker or otherwise.

7.11 Failure to achieve Listing

In the event that admission to list the Shares on ASX and POMSoX is denied or the Offer does not proceed for any other reason, all Application Payments will be refunded in full without interest as soon as practicable.

7.12 Brokerage and commission

You are not required to pay any brokerage or commission to acquire the Shares under the Offer.

7.13 Further enquiries

Questions or further information

If you have any queries in relation to this Prospectus, including how to complete the Application Form or how to obtain additional copies of the Prospectus, then you can:

- > call the Kina Offer Information Line on 1800 072 766 (within Australia), (675) 321 6377 (within PNG) or +61 1800 072 766 between 8:30am and 5:30pm (PNG time), Monday to Friday; or
- > visit www.kina.com.pg to download an electronic copy of the Prospectus.

If you are unclear in relation to any matter or are uncertain as to whether Kina is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

SECTION 8: INVESTIGATING ACCOUNTANT'S REPORT



Board of Directors
Kina Securities Limited
2nd Level, Deloitte Tower
Douglas Street, Port Moresby
National Capital District
Papua New Guinea

Board of Directors
Fu Shan Investment Limited
C- Kina Securities Limited
2nd Level, Deloitte Tower
Douglas Street, Port Moresby
National Capital District
Papua New Guinea

22 June 2015

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Kina Securities Limited historical and forecast financial information and Financial Services Guide

We have been engaged by Kina Securities Limited (the **Company**) and Fu Shan Investment Limited (the **Major Shareholder**), the Company's major shareholder, to report on the historical and forecast financial information of the Company for inclusion in the prospectus dated on or about 22 June 2015 and relating to the initial public offering of fully paid ordinary shares in Kina Securities Limited by the Company and Fu Shan Investment Limited. Expressions and terms defined in the Prospectus have the same meaning in this report, unless otherwise specified in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001 (Cth). PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence under the Corporations Act 2001 (Cth). This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of the Company included in the Prospectus:

- a. **Historical Financial Information** being the:
 - i. statutory consolidated historical statement of financial position as at 31 December 2014

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SECTION 8: INVESTIGATING ACCOUNTANT'S REPORT



- ii. statutory consolidated historical statements of financial performance for the years ended 31 December 2012, 31 December 2013 and 31 December 2014
- iii. statutory consolidated historical statements of cash flows for the years ended 31 December 2012, 31 December 2013 and 31 December 2014

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in International Financial Reporting Standards as adopted by the Accounting Standards Board of Papua New Guinea and the Company's adopted accounting policies. The Historical Financial Information has been extracted from the financial reports of the Company for the years ended 31 December 2012, 31 December 2013 and 31 December 2014. These reports were audited by Deloitte Touche Tohmatsu in 2012 and PricewaterhouseCoopers Papua New Guinea in 2013 and 2014 in accordance with the auditing standards set out in the Companies Act of Papua New Guinea (1997). Unmodified audit opinions were issued on these financial reports. The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by International Financial Reporting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

- b. **Pro Forma Historical Financial Information** being the :
 - i. pro forma consolidated historical statement of financial position as at 31 December 2014,
 - ii. pro forma consolidated historical statements of financial performance for the years ended 31 December 2012, 31 December 2013 and 31 December 2014, and
 - iii. pro forma consolidated historical statements of cash flows for the years ended 31 December 2012, 31 December 2013 and 31 December 2014

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of the Company, after adjusting for the effects of pro forma adjustments described in section 5 of the Prospectus, being primarily the impact of the acquisition of Maybank (PNG) Limited and the proposed initial public offering. The stated basis of preparation is the recognition and measurement principles contained in International Financial Reporting Standards as adopted by the Accounting Standards Board of Papua New Guinea and the Company's adopted accounting policies applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 5 of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

- c. statutory consolidated forecast statement of financial performance and cash flows for the year ending 31 December 2015 (**Statutory Forecasts**)

The directors' best-estimate assumptions underlying the Statutory Forecasts are described in section 5 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecasts being the recognition and measurement principles contained in International Financial Reporting Standards as adopted by the Accounting Standards Board of Papua New Guinea and the Company's adopted accounting policies.



- d. pro forma consolidated forecast statement of financial performance and cash flows for the year ending 31 December 2015 (**Pro Forma Forecasts**)

The Pro Forma Forecasts has been derived from the Statutory Forecasts, after adjusting for the effects of the pro forma adjustments described in section 5 of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecasts being the recognition and measurement principles contained in International Financial Reporting Standards as adopted by the Accounting Standards Board of Papua New Guinea and the Company's adopted accounting policies applied to the Statutory Forecasts and the events or transactions to which the pro forma adjustments relate, as described in section 5 of the Prospectus, being primarily the impact of the acquisition of Maybank (PNG) Limited and the proposed initial public offering, as if those events or transactions had occurred as at the date of the Statutory Forecasts. Due to its nature, the Pro Forma Forecasts do not represent the Company's actual or prospective financial performance, and/or cash flows for the year ending 31 December 2015.

Directors' responsibility

The directors of the Company are responsible for the preparation of the Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information.

The directors of the Company are also responsible for the preparation of the Statutory Forecasts, including its basis of preparation and the best-estimate assumptions underlying the Statutory Forecasts. They are also responsible for the preparation of the Pro Forma Forecasts, including the basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecasts and included in the Pro Forma Forecasts. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of the Historical Financial Information, Pro Forma Historical Financial Information, Statutory Forecasts and Pro Forma Forecasts that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, the Pro Forma Historical Financial Information, the Statutory Forecasts and Pro Forma Forecasts, the best-estimate assumptions underlying the Statutory Forecasts and Pro Forma Forecasts, and the reasonableness of the Statutory Forecasts and Pro Forma Forecasts themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

SECTION 8: INVESTIGATING ACCOUNTANT'S REPORT



Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Company, as described in section 5 of the Prospectus, and comprising :

- i. statutory consolidated historical statement of financial position as at 31 December 2014
- ii. statutory consolidated historical statements of financial performance for the years ended 31 December 2012, 31 December 2013 and 31 December 2014
- iii. statutory consolidated historical statements of cash flows for the years ended 31 December 2012, 31 December 2013 and 31 December 2014

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 5 of the Prospectus being the recognition and measurement principles contained in International Financial Reporting Standards as adopted by the Accounting Standards Board of Papua New Guinea and the Company's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in section 5 of the Prospectus, and comprising:

- i. pro forma consolidated historical statement of financial position as at 31 December 2014,
- ii. pro forma consolidated historical statements of financial performance for the years ended 31 December 2012, 31 December 2013 and 31 December 2014, and
- iii. pro forma consolidated historical statements of cash flows for the years ended 31 December 2012, 31 December 2013 and 31 December 2014

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 5 of the Prospectus being the recognition and measurement principles contained in International Financial Reporting Standards as adopted by the Accounting Standards Board of Papua New Guinea and the Company's adopted accounting policies applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 5 of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information.

Statutory Forecasts

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that :

- the directors' best-estimate assumptions used in the preparation of the Statutory Forecasts, as described in section 5 of the Prospectus, do not provide reasonable grounds for the Statutory Forecasts; and
- in all material respects, the Statutory Forecasts:



- are not properly prepared on the basis of the directors' best-estimate assumptions as described in section 5 of the Prospectus; and
- are not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in International Financial Reporting Standards as adopted by the Accounting Standards Board of Papua New Guinea and the Company's adopted accounting policies; and
- the Statutory Forecasts themselves are unreasonable.

Pro Forma Forecasts

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecasts, as described in section 5 of the Prospectus, do not provide reasonable grounds for the Pro Forma Forecasts; and
- in all material respects, the Pro Forma Forecasts:
 - are not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 5 of the Prospectus; and
 - are not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in International Financial Reporting Standards as adopted by the Accounting Standards Board of Papua New Guinea and the Company's adopted accounting policies, applied to the Statutory Forecasts and the events or transactions to which the pro forma adjustments relate as if those adjustments had occurred as at the date of the Statutory Forecasts; and
- the Pro Forma Forecasts themselves are unreasonable.

Statutory Forecasts and Pro Forma Forecasts

The Statutory Forecasts and Pro Forma Forecasts have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 31 December 2015. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecasts and Pro Forma Forecasts since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Statutory Forecasts and Pro Forma Forecasts are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecasts and Pro Forma Forecasts are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

SECTION 8: INVESTIGATING ACCOUNTANT'S REPORT



Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Statutory Forecasts and Pro Forma Forecasts. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 6 and 5 of the Prospectus. The sensitivity analysis described in section 5 of the Prospectus demonstrates the impact on the Statutory Forecasts and Pro Forma Forecasts of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecasts or Pro Forma Forecasts will be achieved.

The Statutory Forecasts and Pro Forma Forecasts have been prepared by the directors for the purpose of inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecasts or Pro Forma Forecasts to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Notice to investors outside Australia and Papua New Guinea

Under the terms of our engagement, this report has been prepared solely in accordance with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

Restriction on Use

Without modifying our conclusions, we draw attention to section 5 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.



Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M. Haberlin', written in a cursive style.

Mark Haberlin
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

SECTION 8: INVESTIGATING ACCOUNTANT'S REPORT



PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 22 June 2015

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Kina Securities Limited ("the **Company**") to provide a report in the form of an Investigating Accountant's Report in relation to the historical, historical pro forma, forecast and pro forma forecast financial information (the "**Report**") for inclusion in the prospectus.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to approximately \$280,000.

Directors or employees of PwC Securities, PricewaterhouseCoopers Australia (the Australian member firm of the PwC network which is comprised of a number of separate legal entities) or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers Australia.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PwC Securities also provides financial advisory services, PricewaterhouseCoopers Australia has provided remuneration advisory services and PricewaterhouseCoopers Papua New Guinea (the Papua New Guinean member firm of the PwC network which is comprised of a number of separate legal entities) has is the auditor and provides tax compliance and structuring services to the Company.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Mark Haberlin
Authorised Representative
PricewaterhouseCoopers Securities Limited
GPO BOX 2650
SYDNEY NSW 1171

SECTION 9: ADDITIONAL INFORMATION

9.1 Applicable law

9.1.1 Incorporation – Kina as a company incorporated in PNG

Kina is a company incorporated in PNG and is principally governed by PNG law, rather than Australian law. As Kina is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Australian Corporations Act or by ASIC, but instead are regulated by the PNG Companies Act, the PNG Securities Act, the Companies Office of PNG and the PNG Securities Commission.

9.1.2 Company tax status and financial year

Kina will be taxed in PNG as a public company. The financial year for Kina ends on 31 December annually.

9.1.3 Comparison of laws governing Kina as a company incorporated in PNG with the laws governing Australian publicly listed companies generally

Set out below is a table summarising key features of the laws that apply to Kina as a PNG company (under PNG law, including as modified by exemptions or waivers) compared with the laws that apply to Australian publicly listed companies generally. It is important to note that this summary does not purport to be a complete review of all matters of PNG law applicable to Kina or all matters of Australian law applicable to Australian publicly listed companies or to highlight all provisions that may differ from the equivalent provisions in Australia.

	PNG law	Australian law
Types of transactions that require shareholder approval	<p>Shareholders are required to vote on major transactions (which are broadly defined under the PNG Companies Act to include an acquisition, disposal or other transaction with a value that is more than half the value of the assets of the company).</p> <p>Shareholder approval is also required:</p> <ul style="list-style-type: none"> > to adopt or alter the constitution of the company; > to appoint or remove a director or auditor; > for amalgamations (other than between the company and its wholly-owned subsidiaries); > to put the company into liquidation; and > to change the rights attached to the shares in the company. <p>Shareholder approval is required under the POMS0X Listing Rules for:</p> <ul style="list-style-type: none"> > increases in the total amount of directors' fees; > directors' termination benefits in certain circumstances; > certain transactions with related parties; > certain issues of shares; and > if a company proposes to make a significant change to the nature or scale of its activities or proposes to dispose of its main undertaking. 	<p>Under the Australian Corporations Act, the principal transactions or actions requiring shareholder approval are comparable to those under the PNG Companies Act.</p> <p>Shareholder approval is also required for certain transactions affecting share capital (e.g. share buybacks and share capital reductions).</p> <p>Although there is no shareholder approval requirement for major transactions, certain related party transactions require shareholder approval.</p> <p>The items requiring shareholder approval under the ASX Listing Rules are comparable to those under the POMS0X Listing Rules. The ASX Listing Rules will apply to Kina when it is admitted to the official list of ASX.</p>

	PNG law	Australian law
Rights of shareholders to request or requisition a meeting of shareholders	Under the PNG Companies Act, a special meeting of shareholders must be called by the board on the written request of shareholders holding shares carrying together not less than 5% of the voting rights entitled to be exercised on the issue.	The Australian Corporations Act contains a comparable right of members to request a requisition or meeting of members to request or requisition a meeting. Directors must also call a general meeting on the request of at least 100 shareholders who are entitled to vote at a general meeting. Shareholders with at least 5% of the votes that may be cast at a general meeting may also call and arrange to hold a general meeting at their own expense. The required notice period to shareholders to call a general meeting is 28 days.
Rights of shareholders to appoint proxies to attend and vote at a meeting on their behalf	A shareholder may exercise their right to vote either by being present in person or by proxy. A proxy is entitled to attend and be heard at a meeting of shareholders as if the proxy were a shareholder. A proxy must be appointed by notice in writing signed by the shareholder and the notice must state whether the appointment is for a particular meeting or a specified term not exceeding one year. No proxy is effective in relation to a meeting unless a copy of the notice of appointment is produced before the start of the meeting. The constitution of a company may provide that a proxy is not effective unless it is produced by a specified time before the start of a meeting if the time specified is not earlier than 48 hours before the start of the meeting.	This position is comparable under the Australian Corporations Act.
Regulation of changes in the rights attaching to securities	The PNG Companies Act prohibits a company from taking any action that would affect the rights attached to shares unless that action has been approved by a special resolution of each affected interest group. An 'interest group' in relation to an action or proposal affecting the rights attached to shares means a group of shareholders whose affected rights are identical and whose rights are affected by the action or proposal in the same way and who comprise the holders of one or more classes of shares in the company. The rights attaching to a share include: <ul style="list-style-type: none"> > the rights, privileges, limitations and conditions attached to the share by the PNG Companies Act or the constitution, including voting rights and rights to distributions; > pre-emptive rights; > the right to have the procedure required under the PNG Companies Act or the constitution of the company for the amendment or alteration of rights observed by the company; and > the right that a procedure required by the constitution of the company for the amendment or alteration of rights not be amended or altered. 	The Australian Corporations Act allows a company to set out in its constitution the procedure for varying or cancelling rights attached to shares in a class of shares. If the company does not have a constitution, or has a constitution that does not set out a procedure, the rights may only be varied or cancelled by: <ul style="list-style-type: none"> > a special resolution passed at a meeting for a company with a share capital of the class of members holding shares in the class; or > a written consent of members with at least 75% of the votes in the class.

SECTION 9: ADDITIONAL INFORMATION

	PNG law	Australian law
Rights of shareholders to seek relief for oppressive conduct	<p>Under the PNG Companies Act, a shareholder or former shareholder of a company, or any other entitled person, has statutory remedies for oppressive, unfairly discriminatory, or unfairly prejudicial conduct of the company's affairs.</p> <p>The court can make orders where it considers that it is just and equitable to do so, including:</p> <ul style="list-style-type: none"> > requiring the company or any other person to acquire the shareholder's shares; > requiring the company or any other person to pay compensation to a person; > altering or adding to the company's constitution; and > setting aside action taken by the company or the board in breach of the PNG Companies Act or the constitution of the company. 	<p>Under the Australian Corporations Act, shareholders have comparable statutory remedies for oppressive or unfair conduct of the company's affairs. The court can make any orders as it sees appropriate.</p>
Rights of shareholders to bring or intervene in legal proceedings on behalf of Kina	<p>A shareholder or director of a company may bring an action on behalf of the company or may intervene in an action to which the company is a party for the purposes of continuing, defending or discontinuing the proceedings if leave is granted by the court.</p> <p>In determining whether to grant leave, the court must have regard to:</p> <ul style="list-style-type: none"> > the likelihood of the proceedings succeeding; > the costs of the proceedings in relation to the relief likely to be obtained; > any action already taken by the company to obtain the relief; and > the interests of the company in the proceedings. <p>Leave may be granted only where the court is satisfied that either the company does not intend to bring, diligently continue or defend, or discontinues, the proceedings or it is in the interests of the company that the conduct of the proceedings should not be left to the directors or to the determination of shareholders as a whole.</p> <p>No proceedings brought by a shareholder or a director or in which a shareholder or a director intervenes with leave of the court may be settled or compromised or discontinued without the approval of the court.</p>	<p>The Australian Corporations Act permits a shareholder to apply to the court for leave to bring proceedings on behalf of the company, or to intervene in proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for those proceedings, or for a particular step in those proceedings.</p> <p>The court must grant the application if it is satisfied that:</p> <ul style="list-style-type: none"> > it is probable that the company will not itself bring the proceedings, or properly take responsibility for them, or for the steps in them; > the applicant is acting in good faith; > it is in the best interests of the company that the applicant be granted leave; > if the applicant is applying for leave to bring proceedings, there is a serious question to be tried; and > either at least 14 days before making the application, the applicant gave written notice to the company of its intention to apply for leave and of the reasons for applying, or the court considers it appropriate to grant leave. <p>No proceedings brought or intervened in with leave of the court may be discontinued, compromised or settled without the leave of the court.</p>

	PNG law	Australian law
The 'two strikes' rule	<p>There is no equivalent to the two strikes rule in relation to remuneration reports in PNG.</p> <p>There is, however, an obligation to state in the company's annual report, in respect of each director or former director of the company, the total of the remuneration and the value of other benefits received by that director or former director during the accounting period and, in respect of employees or former employees of the company who received remuneration and any other benefits in their capacity as employees during the relevant accounting period, the value of that remuneration and any other benefits which was or exceeded K100,000 per annum and the number of such employees, stated in brackets of K10,000.</p>	<p>The Australian Corporations Act requires that a company's annual report must include a report by the directors on the company's remuneration framework (called a remuneration report).</p> <p>A resolution must be put to shareholders at each annual general meeting of the company's shareholders seeking approval for the remuneration report. That approval is advisory only, however, if more than 25% of the shareholders vote against the remuneration report at two consecutive annual general meetings (ie, two strikes) an ordinary (50%) resolution must be put to shareholders at the second annual general meeting proposing that a further meeting be held within 90 days at which all of the directors who approved the second remuneration report must resign and stand for re-election.</p>
Related party transactions and interests	<p>The PNG Companies Act does not contain restrictions on related party transactions, except to the extent contained in the 'interested director' provisions.</p> <p>A director of a company is 'interested in a transaction' to which the company is a party if that director may derive a material financial benefit from the transaction, has a material financial interest in, or is a director, officer or trustee of a party to the transaction, is the parent, child or spouse of another party to the transaction, or is otherwise directly or indirectly materially interested in the transaction.</p> <p>The director must give notice of the interest to the company and the other directors, but may vote on the transaction if permitted by the constitution of the company.</p> <p>In addition, Kina will be required to comply with ASX and POMSx Listing Rule requirements in respect of related party transactions. Unless an exception applies, shareholder approval is required for:</p> <ul style="list-style-type: none"> > an acquisition of a substantial asset from, or disposal of a substantial asset to, among other persons, a related party or a person who, together with their associates, holds a relevant interest in at least 10% of the total votes attached to the voting securities; > issuing or agreeing to issue securities to related parties; > increasing the total of directors' payments; > certain directors' termination benefits; and > directors acquiring securities under an employee incentive scheme. <p>The definition of related party includes, among others, entities that control the public company and directors of the public company and of the entity that controls the public company.</p>	<p>Under the Australian Corporations Act, public companies must obtain shareholder approval before giving a financial benefit to a related party of the public company unless an exemption applies. The exemptions include:</p> <ul style="list-style-type: none"> > the arrangement is on arm's length terms; > the benefit is reasonable remuneration paid to an officer or employee of the company; > the benefit is a reasonable indemnity or insurance premium given to an officer or employee of the company; > the value or amount of the financial benefit given to a related entity is less or equal to an amount prescribed by the Australian Corporations Regulations; > the benefit is given to a closely held subsidiary; or > the benefit is given to all shareholders and does not discriminate against other shareholders unfairly. <p>The ASX Listing Rules contain the same restrictions in related party transactions as the POMSx Listing Rules.</p>

SECTION 9: ADDITIONAL INFORMATION

	PNG law	Australian law
Disclosure of substantial holdings	<p>Under PNG law, a person must notify a listed company with respect to any acquisition or disposal of any interests in its share capital in the following situations:</p> <ul style="list-style-type: none"> > where they acquire an interest greater than the 'prescribed percentage', where the 'prescribed percentage' means either 5% or the percentage prescribed in the section; > where they cease to have an interest greater than the 'prescribed percentage'; or > where they have a notifiable interest and the percentage of their interest increases or decreases by at least 1% of the total votes in that class of shares. <p>A notifiable interest is 5% or more of the voting shares in a company's share capital or more than 5% of the voting shares in any class of shares where the company has more than two share classes.</p> <p>In addition, a copy of any notice given must also be given to the PNG Securities Commission and POMSoX.</p>	<p>The Australian Corporations Act requires every person who is a substantial holder to notify the listed company and ASX that they are a substantial holder and to give prescribed information in relation to their holding if:</p> <ul style="list-style-type: none"> > the person begins to have, or ceases to have, a substantial holding in the company or scheme; > the person has a substantial holding in the company or scheme and there is a movement of at least 1% in their holding; or > the person makes a takeover bid for securities of the company. <p>A person has a substantial holding if the total votes attached to voting shares in the company in which they or their associates have relevant interests is 5% or more of the total number of votes attached to voting shares in the company, or the person has made a takeover bid for voting shares in the company and the bid period has started and not yet ended.</p> <p>These provisions do not apply to Kina as an entity established outside Australia.</p> <p>However, Kina will be required to release to ASX any substantial holder notices that are released to POMSoX.</p>
Regulation of takeovers	<p>Broadly, there are three share ownership thresholds relevant to the bidder:</p> <ul style="list-style-type: none"> > 20% – below this threshold, shares can be acquired without restriction. At or above this threshold, acquisitions are prohibited (subject to certain exceptions, including an acquisition approved by other shareholders) unless a takeover offer is made; > 50% – above this, creeping acquisitions of 5% in any 12 month period can be made; > 90% – at or above this threshold, the remaining minority shares can be compulsorily acquired. <p>A bidder is not permitted to make an on-market takeover bid.</p> <p>A bidder may make a partial bid if the offer is conditional on the bidder acquiring more than 50% of the shares in the company, unless the company agrees to a lesser percentage by resolution in general meeting.</p> <p>As a general rule, the takeover offer period is between 30 to 90 days. However, where the offer is a full offer (ie, for all of the shares not held by the bidder), and there are no conditions in the offer requiring a minimum level of acceptances, or any such conditions have been satisfied, then the offer period may be extended beyond the maximum period of 90 days by up to a further 60 days.</p>	<p>The Australian Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if any person's voting power in the company will increase from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%.</p> <p>Exceptions to the prohibition apply (e.g., acquisition with shareholder approval, 3% creep over 6 months and rights issues that satisfy prescribed conditions).</p> <p>Compulsory acquisitions are permitted by persons who hold 90% or more of securities or voting rights in a company.</p> <p>The Australian takeovers regime will not apply to Kina as a foreign company.</p>

	PNG law	Australian law
Filing of documents	<p>Kina must comply with the filing obligations under PNG law.</p> <p>As a PNG registered company which is certified by the Investment Promotion Authority of PNG to carry on business in PNG, Kina is required to prepare and file annual returns within 6 months of the end of its financial year (ie, balance date) accompanied by certified copies of audited financial statements relating to the business of the Company conducted in PNG.</p> <p>The Investment Promotion Authority of PNG must also be notified of any change in the name of the Company, any changes to its constitution or equivalent instrument or a change in the directors, or resident agent or secretaries, or a change of shareholder, or a change in the address of the place of business or principal place of business of Kina.</p> <p>Apart from complying with the conditions on which Investment Promotion Authority of PNG certification is granted under the Investment Promotion Act 1992 (PNG), Kina must notify the Investment Promotion Authority of PNG of any change in its shareholding or beneficial ownership or control, any variation of its business activities, the operating location of its business activities, or any change in any other details supplied by Kina to the Investment Promotion Authority of PNG in its initial foreign certification application.</p> <p>Kina must also comply with the POMS0X Listing Rules.</p> <p>Copies of any prospectus or disclosure documents must be submitted to the PNG Securities Commission immediately after they are lodged with the Investment Promotion Authority of PNG.</p>	<p>As a foreign registered company under the Australian Corporations Act, Kina has limited filing obligations. It is required to file annual accounts with ASIC (including its balance sheet, cash flow statement and profit and loss statement for the last financial year, as well as any other documents required to be prepared under PNG law).</p> <p>ASIC must also be notified of certain changes (e.g., the appointment or resignation of directors or changes to Kina's constitution).</p> <p>Filing obligations applicable to Australian registered companies will not apply to Kina as a foreign company.</p>

SECTION 9: ADDITIONAL INFORMATION

9.2 Rights and liabilities attached to Shares

9.2.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, legislation, the ASX Listing Rules, the POMSoX Listing Rules and general law. A summary of the significant rights attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Kina will be admitted to the official lists of ASX and POMSoX.

9.2.2 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a vote by voice or on a show of hands and, on a poll, one vote for each voting Share held.

9.2.3 Meeting of members

Each Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the PNG Companies Act, the ASX Listing Rules and the POMSoX Listing Rules. The notice must state the nature of the business to be transacted at the meeting, include the text of any special resolution and must be sent to Shareholders not less than 14 days before the meeting.

9.2.4 Dividends

The board may from time to time authorise the distribution of a dividend, determine the form of the dividend and the timing and method of payment. A dividend may only be paid in accordance with the provisions of the PNG Companies Act. For further information in respect of the Company's proposed dividend policy, see Section 5.11.

9.2.5 Transfer of Shares

Subject to the Constitution and the PNG Companies Act, Shares may be transferred by a proper transfer effected under any system recognised or prescribed by the ASX Listing Rules, the POMSoX Listing Rules and/or the POMSoX Business Rules, or by a proper instrument of transfer in a form that the Board may prescribe signed by both the transferee and the transferor.

The Board may refuse or delay the registration of any transfer of Shares:

- > if the registration of the transfer would result in a contravention or failure to observe the provisions of any applicable law, the ASX Listing Rules, the POMSoX Listing Rules and/or the POMSoX Business Rules;
- > on which the Company has a lien or that are subject to forfeiture; or
- > if permitted to do so under the PNG Companies Act, the ASX Listing Rules, the POMSoX Listing Rules and/or the POMSoX Business Rules.

9.2.6 Issue of further Shares

Subject to the Constitution, the PNG Companies Act, the ASX Listing Rules, the POMSoX Listing Rules, the POMSoX Business Rules and any rights and restrictions attached to a class of shares, the Board has full discretion to issue additional shares and determine the terms of such issue.

Subject to the Constitution, the Board may also procure the disposal of shares in order to prevent or cure an unacceptable ownership situation under the PNG BFI Act.

9.2.7 Winding up

If the Company is liquidated, then:

- > subject to the Constitution and any preferential rights attached to a class of shares, any surplus is to be distributed among the Shareholders in proportion to the capital at the commencement of the liquidation paid up, or which ought to have been paid up, on the Shares held respectively; or
- > subject to the Constitution and any preferential rights attached to a class of shares, any deficiency is to be borne by Shareholders in proportion to the capital paid up or which ought to have been paid up, at the commencement of the liquidation, on the Shares held respectively; and
- > the liquidator may, with the sanction of a special resolution of the Company:
 - set a value on any property to be divided among the Shareholders; and
 - decide how the division of property is to be carried out as between the Shareholders or different classes of Shareholders.

9.2.8 Share buy-backs

Subject to the Constitution, the PNG Companies Act, the ASX Listing Rules and the POMSoX Listing Rules, the Company is authorised to purchase or acquire its own Shares.

9.2.9 Alteration of class rights

Under the PNG Companies Act, Kina cannot take any action that would affect the rights attached to the Shares unless that action has been approved by a special resolution of each affected interest group. An 'interest group' in relation to an action or proposal affecting the rights attached to the Shares means a group of Shareholders whose affected rights are identical and whose rights are affected by the action or proposal in the same way.

9.2.10 Directors' appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is 10, unless the Shareholders pass a resolution varying that number. Directors are appointed by the Company at any time by ordinary resolution passed at a meeting of Shareholders. Retirement will occur on a rotational basis so that no Director (excluding any CEO) holds office without re-election for three or more years, or beyond the third annual general meeting following their appointment. The Directors may also appoint a Director to fill a vacancy or as an addition to the existing Directors, who will then hold office until the next annual general meeting of the Company and is then eligible for re-election at that meeting.

9.2.11 Directors' voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the Chairman of the meeting has a second or casting vote.

9.2.12 Directors' remuneration

Under the Constitution, the Board decides the total amount to be paid to all Non-Executive Directors as remuneration for their services as a Director. For the financial year ending 31 December 2015, this has been fixed at \$1.28 million.

Any increase in the total amount payable by the Company to the Non-Executive Directors as remuneration for services must be approved by the Company in general meeting.

See Section 4.3 for a description of the remuneration arrangements for Directors.

9.2.13 Indemnities

The Company, to the extent permitted by law, indemnifies each Director and employee against any liability incurred by that person in their capacity as director or employee of the Company or its

subsidiaries, and reasonable legal costs incurred by that person in defending an action for a liability of that person.

The Company, to the extent permitted by law, may enter into and pay premiums on a contract insuring any current or former Director or employee of the Company or a related company against any liability incurred by that person in that capacity, including legal costs.

The Company may, where the Board considers it appropriate to do so, execute a documentary indemnity in favour of any current or former Director or employee of the Company or a related company against any liability incurred by that person in that capacity, including legal costs.

9.2.14 Amendment of the Constitution

The Shareholders may, by special resolution, alter or revoke the Constitution.

9.2.15 Ownership restrictions

Kina is currently licensed by BPNG as a financial institution under the PNG BFI Act and is subject to certain ownership restrictions which prohibit any person from:

- > directly or indirectly acquiring shares in any 'bank' or 'financial institution', alone or with associates, which would result in that person and any of its associates holding more than 15% of the shares on issue; or
- > increasing their holding in any 'bank' or 'financial institution', beyond the maximum percentage holding otherwise specified by BPNG,

without first notifying BPNG of his intention and receiving confirmation that BPNG does not object to the acquisition.

The PNG SGP Act contains substantially similar ownership restrictions in respect of licence holders under that Act. KFM and KISS are currently licensed under the PNG SGP Act as an investment manager and a fund administrator respectively.

To facilitate compliance with these ownership restrictions, Kina's Constitution includes certain provisions which allow the Directors to take measures to:

- > request information of Shareholders for the purposes of determining whether an 'unacceptable ownership situation' exists;
- > dispose of a Shareholder's Shares where an 'unacceptable ownership situation' exists or is likely to exist; and
- > suspend voting rights attached to shares deemed to be 'offending securities' (in connection with an 'unacceptable ownership situation').

SECTION 9: ADDITIONAL INFORMATION

The ownership restrictions under the PNG BFI Act and the PNG SGP Act are complex and the information contained in this Section 9.2.15 is only a summary of the applicable provisions of the legislation.

9.3 Consents

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC and submission of this Prospectus for registration to the Registrar, had not been withdrawn by the following parties:

- > Morgans has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC and the Registrar, its written consent to be named in this Prospectus as Underwriter to the Offer in the form and context in which it is named;
- > Allens has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC and the Registrar, its written consent to be named in this Prospectus as Australian and PNG legal adviser (other than in relation to taxation matters) to Kina in the form and context in which it is named;
- > PwCS has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC and the Registrar, its written consent to be named in this Prospectus as:
 - financial adviser; and
 - Investigating Accountant to Kina in relation to the Pro Forma Historical Financial Information, Pro Forma Forecast Financial Information and Statutory Forecast Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Report in the form and context in which it is included;
- > PwC PNG has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC and the Registrar, its written consent to be named in this Prospectus as auditor of Kina for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 in the form and context in which it is named;

- > Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC and the Registrar, its written consent to be named in this Prospectus as the Share Registry of Kina in Australia in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to Kina; and
- > PNG Registries Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC and the Registrar, its written consent to be named in this Prospectus as the Share Registry of Kina in PNG in the form and context in which it is named. PNG Registries Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to Kina.

No entity or person referred to in this Section 9.3 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to in this Section 9.3 has not authorised or caused the issue of this Prospectus and does not make any offer of Shares.

9.4 Relationship with POMSoX

As at the date of this Prospectus, Kina holds approximately 35% of the issued share capital in POMSoX. Syd Yates, the CEO of Kina, is currently a director of POMSoX.

POMSoX is regulated by the PNG Securities Commission. POMSoX also has governance protocols in place for the purposes of addressing conflicts of interest.

For such time as Syd Yates remains the CEO of Kina, he will be excluded from any POMSoX board deliberations in relation to Kina.

Kina does not consider that its shareholding in POMSoX will have any effect on the manner in which it is regulated as an entity admitted to the official list of POMSoX (should it be admitted).

9.5 Substantial holders

The following table sets out the registered holdings of equity securities of Kina as at the date of the Prospectus, together with the nature of the relevant interest held by them.

Shareholder	Nature of relevant interest	Number of shares
Fu Shan Investment Limited	Registered holder	78,869,132
Columbus Investments Ltd	Registered holder	4,406,097
Wayne Golding	Registered holder	4,846,706

9.6 Litigation

Kina is from time to time, party to various disputes and legal proceedings incidental to the conduct of its business. As at the date of this Prospectus, there are no legal proceedings to which Kina is a party that it believes are likely to have a material adverse impact on its future financial results and Kina is not aware of any such legal proceedings that are pending or threatened.

9.7 Summary of tax issues for Australian and PNG tax resident

The following comments provide:

- > a general summary of PNG tax issues for investors who acquire Shares under this Prospectus on capital account; and
- > a general summary of Australian tax issues for Australian tax resident investors who acquire Shares under this Prospectus on capital account. For the avoidance of doubt, this summary of Australian tax issues does not consider the Australian tax consequences for investors who are not residents of Australia.

This summary does not consider the consequences for investors that are insurance companies, banks, investors that hold their shares on revenue account or carry on a business of trading in shares or investors who are exempt from PNG tax or Australian tax.

The information below is based on current relevant income tax legislation and established interpretation of that legislation – however, it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every Shareholder and does not constitute taxation advice. This summary does not purport to provide advice to any particular Shareholder, as the taxation position of each Shareholder may vary dependent on the specific circumstances of the Shareholder.

Each Shareholder should obtain independent professional advice in respect of the income tax consequences of an investment in the Company applicable to the Shareholder's particular circumstances.

9.7.1 Taxation of PNG resident Shareholders

9.7.1.1 Taxation of dividends

Dividends paid by the Company will generally be subject to PNG dividend (withholding) tax at the rate of 17% of the gross dividend paid.

Corporate Shareholders

Dividend income received by a PNG resident corporate Shareholder will be subject to income tax in PNG. This tax is fully rebateable and accordingly, provided the Company has not incurred any expenses which relate directly to the dividend income or have deductions greater than its non-dividend income, the dividend income is effectively free of PNG income tax.

A corporate Shareholder will be entitled to a debit to its refundable dividend (withholding) tax account in respect of a dividend received from the Company where dividend (withholding) tax has been withheld by the Company from the dividend paid.

Individual Shareholders

Any individual Shareholder who is resident in PNG will generally be exempt from income tax on a dividend received from the Company. No credit is available for the dividend (withholding) tax deducted by the Company.

Superannuation Fund Shareholders

Dividend income received by a PNG resident Authorised Superannuation Fund Shareholder will be subject to income tax in PNG. This tax is fully rebateable and accordingly, provided the Authorised Superannuation Fund has not incurred any expenses which relate directly to the dividend income or have deductions greater than its non-dividend income, the dividend income is effectively free of PNG income tax.

Dividends paid to an Authorised Superannuation Fund are exempt from dividend (withholding) tax.

9.7.1.2 Taxation of gains

The PNG tax consequences arising on the sale of shares by PNG resident Shareholders will depend upon whether the Shares are held on capital account or on revenue account. This includes shares acquired under the Dividend Reinvestment Plan.

There is currently no capital gains tax in PNG.

SECTION 9: ADDITIONAL INFORMATION

Consequently, if the Shares are held on capital account, no PNG income tax will be payable on any capital gain realised by a PNG resident Shareholder on the sale of the Shares and no deduction will be available in respect of any capital loss realised by a PNG resident Shareholder on the sale of the Shares.

9.7.1.3 PNG stamp duty

The transfer of Shares will not be subject to PNG stamp duty provided the Shares are listed on the POMSx and the sale is effected through a stockbroker registered to operate on the POMSx under PNG law.

9.7.2 Taxation of Shareholders not resident in PNG

9.7.2.1 Taxation of dividends

Dividends paid by the Company will generally be subject to PNG dividend (withholding) tax at the rate of 17% of the gross dividend paid. This is a final tax in PNG for non-resident shareholders.

9.7.2.2 Taxation of gains

The PNG tax consequences arising on the sale of shares by a non-resident Shareholders will depend upon whether the Shares are held on capital account or on revenue account, the source of the gain and the country of residence of the non-resident shareholder.

There is currently no capital gains tax in PNG. Consequently, if the Shares are held on capital account, no PNG income tax will be payable on any capital gain realised by a non-resident Shareholder on the sale of the Shares and no deduction will be available in respect of any capital loss realised by a non-resident Shareholder on the sale of the Shares.

9.7.3 Taxation of Shareholders resident in Australia

9.7.3.1 Taxation of dividends

Corporate Shareholders

Dividend income received by an Australian resident corporate Shareholder will be subject to income tax in Australia. Australian resident corporate Shareholders should include the dividend in their assessable income in the year in which the dividend is paid. The assessable income should be grossed up to include any amount of PNG withholding tax paid on the dividend. A foreign income tax offset (**FITO**) should be available to an Australian resident corporate Shareholder in respect of the PNG withholding tax paid, which can be used to offset some or all of the Australian tax payable in respect of the dividend. The quantum of the FITO available is equal to the foreign tax paid, subject to a limit. The FITO limit is the greater of A\$1,000 and the Australian tax that would be payable on the Australian resident corporate Shareholder's net foreign income for the year.

It should be noted that an Australian resident corporate Shareholder which broadly holds a voting interest of 10% or more in the Company would not be required to include dividends on the Shares in its assessable income. In such circumstances, the Australian resident corporate Shareholder would not be entitled to a FITO for the PNG withholding tax paid.

To the extent that dividends are received in a currency other than AUD (eg. PGK), the amount to be included in assessable income must be translated into AUD (this is generally at the exchange rate on the date the dividend is paid). For the purposes of determining the FITO, foreign tax should generally be translated into AUD at the exchange rate on the date of payment.

Individual Shareholders

Dividend income received by an Australian resident individual Shareholder will be subject to income tax in Australia. Australian resident individual Shareholders should include the dividend in their assessable income in the year in which the dividend is paid. The assessable income should be grossed up to include any amount of PNG withholding tax paid on the dividend. A FITO should be available to an Australian resident individual Shareholder in respect of the PNG withholding tax paid, which can be used to offset some or all of the Australian tax payable in respect of the dividend. The quantum of the FITO available is equal to the foreign tax paid, subject to a limit. The FITO limit is the greater of A\$1,000 and the Australian tax that would be payable on the Australian resident individual Shareholder's net foreign income for the year.

To the extent that dividends are received in a currency other than AUD (eg. PGK), the amount to be included in assessable income must be translated into AUD (this is generally at the exchange rate on the date the dividend is paid). For the purposes of determining the FITO, foreign tax should generally be translated into AUD at the exchange rate on the date of payment.

Complying Superannuation Fund Shareholders

Dividend income received by an Australian Shareholder that is a complying superannuation fund will be subject to income tax in Australia. The complying superannuation fund should include the dividend in its assessable income in the year in which the dividend is paid. The assessable income should be grossed up to include any amount of PNG withholding tax paid on the dividend. A FITO should be available to the complying superannuation fund in respect of the PNG withholding tax paid, which can be used to offset some or all of the Australian tax payable in respect of the dividend. The quantum of the FITO available is equal to the foreign tax paid, subject to a limit. The FITO limit is the greater of A\$1,000 and the Australian tax that would be payable on the complying superannuation fund's net foreign income for the year.

To the extent that dividends are received in a currency other than AUD (eg. PGK), the amount to be included in assessable income must be translated into AUD (this is generally at the exchange rate on the date the dividend is paid). For the purposes of determining the FITO, foreign tax should generally be translated into AUD at the exchange rate on the date of payment.

9.7.3.2 Taxation of gains

A Share acquired by an Australian resident investor would constitute an Australian capital gains tax (CGT) asset. The subsequent disposal of a Share by an Australian resident Shareholder will be a CGT event.

Australian resident Shareholders will be assessable on any capital gains derived on the disposal of their Shares. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

The resultant capital gain (if any) may be reduced by current year or prior year available capital losses of the Australian resident Shareholder. In addition, the net capital gain (after reduction by capital losses) may be reduced by 50% under the CGT discount capital gain concession, in the circumstances where an Australian resident individual Shareholder held the Company shares for at least 12 months prior to disposal. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses. The CGT discount capital gain concession is not available to Australian resident corporate Shareholders.

Where an Australian resident corporate Shareholder holds a direct voting interest of 10% or more in the Company throughout a 12 month period that began no earlier than 24 months before the disposal, the capital gain or loss arising from the disposal of Shares in the Company may be reduced to the extent that the Company has underlying active business assets.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Australian resident Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

9.7.3.3 Foreign income attribution

Under the Australian tax law, in certain circumstances income may be attributed to Australian tax resident Shareholders in respect of their interest in non-Australian companies, where the income has not been received from the non-Australian company. Australian resident Shareholders should seek their own advice on the application of these rules in respect of their particular circumstances and the Company's status at the relevant time.

SECTION 9: ADDITIONAL INFORMATION

9.7.3.4 Goods and Services Tax (GST)

Australian resident Shareholders should not be liable for GST in respect of their investment in Shares. Australian resident Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by investors in this respect.

9.7.3.5 Stamp duty

Australian resident Shareholders should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable on any subsequent transfer of Shares.

Australian resident Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.8 Regulatory relief, waivers and approvals

ASX and POMSx have made in principle decisions to grant certain waivers and confirmations in respect of the ASX Listing Rules and POMSx Listing Rules respectively to allow the Constitution to contain provisions reflecting the ownership restrictions imposed by the PNG BFI Act. The key waivers and confirmations to be granted in that regard include:

- > waivers and confirmations under certain ASX Listing Rules and POMSx Listing Rules to permit the Constitution to contain provisions allowing BPNG to enforce the ownership restrictions which are described in Section 9.2.15 of this Prospectus; and
- > waivers and confirmations under certain ASX Listing Rules and POMSx Listing Rules to permit the Constitution to contain provisions enabling Kina to prevent Shareholders from acquiring Shares in excess of the ownership restrictions.

ASX has also made an in principle decision to grant waivers and confirmations from the ASX Listing Rules that are customary for a PNG company listed on POMSx and ASX.

9.9 Foreign selling restrictions

This document does not constitute an offer of new ordinary shares (**New Shares**) of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia or PNG except to the extent permitted below.

9.9.1 New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand) (the **FMC Act**). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- > is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- > meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- > is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- > is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- > is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

9.9.2 Fiji

This document has not been, and will not be, registered as a prospectus under the Capital Markets Decree 2009 or the Companies Act of Fiji. No action has been taken in Fiji to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it.

This document is made available to you on the basis that you are a person whose principal business is the investment of money. In the event that you are not a person that falls within this category, please return this document immediately. You may not forward or circulate this document to any other person in Fiji.

This document does not constitute a public offer of the New Shares in Fiji and New Shares may not be distributed or offered for sale to any other party or to the public in Fiji.

9.9.3 Hong Kong

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to professional investors (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.9.4 Malaysia

No approval from the Securities Commission of Malaysia has been or will be obtained in relation to any offer of New Shares. The New Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

9.9.5 Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore.

Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an institutional investor (as defined in the SFA) or (iii) a relevant person (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.9.6 Solomon Islands

Applications for the New Shares and performance of any acquisition of them may require the prior approval of the Central Bank of Solomon Islands (**CBSI**) in accordance with the Exchange Control (Foreign Exchange) Regulations. Proof of prior CBSI approval must be submitted with any application for securities.

The contents of this document have not been reviewed by any Solomon Islands regulatory authority. You should exercise caution in relation to the offer. If you are in doubt about any of the contents of this document or your regulatory obligations, you should obtain independent professional advice.

SECTION 9: ADDITIONAL INFORMATION

9.10 Acknowledgement

Each Applicant, including those persons submitting an Application Form and / or making an Application Payment, will be deemed to have:

- > agreed to become a member of Kina and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- > acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement document) accompanying the Application Form and having read them all in full;
- > under the Offer, declared that all details and statements in their Application Form are complete and accurate;
- > declared that the Applicant(s), if a natural person, is / are over 18 years of age;
- > under the Offer, acknowledged that once Kina receives an Application Form it may not be withdrawn;
- > under the Offer, applied for the number of Shares at the AUD / PGK amount shown in the front of the relevant Application Form, as the case may be;
- > under the Offer, agreed to being allocated the number of Shares applied for (or a lesser number allocated in a way described in this Prospectus), or no Shares at all;
- > authorised Kina and the Underwriter and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Registry upon using the contact details in the Application Form;
- > acknowledged that, in some circumstances, Kina may not pay dividends;
- > acknowledged that the information contained in this Prospectus (or any supplementary or replacement document) is not investment advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs of the Applicant(s);
- > declared that the Applicant(s) is/are an Australian / PNG resident, as the case may be (except as applicable to the Institutional Offer);
- > acknowledged that the Shares have not been, and will not be, registered under the US Securities Act or pursuant to the securities laws of any other jurisdiction outside Australia and PNG;

- > represented and warranted that the Applicant(s) is / are not in the United States or other place outside Australia or PNG and is / are not a US Person (and not acting for the account or benefit of a US Person), and the Applicant(s) will not offer, sell or resell the Shares in the United States to, or for the account or benefit of, any US Person;
- > acknowledged and agreed that the Offer may be withdrawn by Kina or may otherwise not proceed in the circumstances described in this Prospectus;
- > acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed; and
- > acknowledged and agreed that if any Shares are issued or transferred under the Offer and thereafter the Listing does not proceed for any reason, Kina will take steps to unwind some or all of the steps which it has already completed at that time (including by cancelling or voiding the issue of any Shares that may have been issued), and the Applicant agrees to take all reasonable measures requested by Kina (including, where applicable, to exercise its voting rights as a Kina shareholder, and appoints Kina or its nominee as attorney and agent to complete, execute and sign documents on the Applicant's behalf) to facilitate such unwind. In these circumstances, the Applicant acknowledges that there may be delays on effecting an unwind, including in order to first obtain any relevant regulatory relief and/or shareholder approvals.

9.11 Governing Law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in PNG and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of PNG.

9.12 Material contracts

In addition to the Underwriting Agreement, summarised below, the Directors consider that there are a number of contracts which are significant or material to Kina or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. The summaries of material contracts set out in this Prospectus (including the summary of the Underwriting Agreement set out below) do not purport to be complete and are qualified by the text of the contracts themselves.

9.12.1 Underwriting Agreement

The Offer is being underwritten by the Underwriter pursuant to an Underwriting Agreement dated 22 June 2015. Under the Underwriting Agreement, the Underwriter is appointed to underwrite and manage the Offer. The Underwriter may at any time appoint sub-underwriters to sub-underwrite all or any part of the Offer. The Underwriter may also, after consulting with Kina, appoint syndicate brokers, PNG syndicate brokers or co-managers to the Offer.

9.12.1.1 Fees and costs

Kina has agreed to pay the Underwriter a management fee of \$495,000 in respect of the process of securing the commitments under the Subscription Agreements¹¹, a management fee of 1% of the Offer proceeds, and an underwriting fee of 3.5% of the Offer proceeds, less an amount equal to 2% of the proceeds ultimately received under the Subscription Agreements. All fees are payable in AUD.

In addition to the fees described above, Kina has agreed to reimburse the Underwriter for certain agreed costs and expenses incurred by the Underwriter in relation to the Offer.

In the event that the obligations of the Underwriter under the Underwriting Agreement are terminated or the Offer is withdrawn or does not proceed for any reason, Kina remains liable to pay to the Underwriter the management fee related to the Subscription Agreements and to reimburse the Underwriter for costs and expenses incurred in relation to the Offer.

9.12.1.2 Conditions precedent

The obligations of the Underwriter under the Underwriting Agreement are conditional on satisfaction or waiver by the Underwriter of a number of common conditions precedent, including:

- > the Existing Shareholders entering into escrow arrangements with Kina;¹² and
- > the counterparties to the Subscription Agreements providing valid Applications for, and making their Application Payment in cleared funds in respect of, the Shares allocated to them under the Offer.

The Underwriter may terminate the Underwriting Agreement if the conditions precedent are not satisfied.

9.12.1.3 Termination events

The Underwriter may terminate the Underwriting Agreement at any time between the date of the Underwriting Agreement and the allotment of Shares under the Offer if any of the following events occur:

- > a statement contained in the pathfinder prospectus, the final draft prospectus or this Prospectus is misleading or deceptive or a matter is omitted from these documents, or they otherwise fail to comply with the Australian Corporations Act, the ASX Listing Rules or other applicable laws;
- > Kina fails to lodge the Prospectus with ASIC in accordance with the agreed timetable;
- > a supplementary prospectus must, in the reasonable opinion of the Underwriter, be lodged with ASIC or Kina lodges a supplementary prospectus (other than in accordance with the Underwriting Agreement);
- > ASIC gives notice of or commences to take action against Kina for certain contraventions of the Australian Corporations Act;
- > The PNG Registrar or PNG Securities Commission applies for an order under the PNG Securities Act in relation to the Offer;
- > any person (other than the Underwriter) whose consent to the issue of this Prospectus is required withdraws their consent or any person otherwise named in this Prospectus with their consent (other than the Underwriter) withdraws such consent;
- > any person gives a notice under section 730 of the Australian Corporations Act;
- > Kina withdraws this Prospectus, the Offer or any part of the Offer, or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- > approval is refused or not granted, other than subject to customary conditions, to Kina's admission to the official list of the ASX or official quotation of all the Offer Shares on ASX, in accordance with the agreed timetable, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- > any member of the Kina Group becomes insolvent, or there is an act or omission which is likely to result in a member of the Kina Group becoming insolvent;
- > there is a material adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of Kina or the Kina Group;
- > a director of Kina is charged with an indictable offence or any regulatory body commences any public action against the director in his or her capacity as a director of Kina, or is disqualified from managing a corporation;

¹¹ Refer to Section 9.12.5 of this Prospectus.

¹² Refer to Section 9.12.6 of this Prospectus for details of the escrow arrangements with the Existing Shareholders.

SECTION 9: ADDITIONAL INFORMATION

- > Kina does not provide a closing certificate as and when required by the Underwriting Agreement;
- > the ASX300 Index closes on any Business Day before the settlement of the Offer at a level that is 10% or more below the level of that index at the close of normal trading on ASX on the Business Day immediately preceding the date of the Underwriting Agreement and closes at or below that level at any point in time before the settlement of the Offer;
- > an event specified in the timetable is delayed for more than two Business Days;
- > any of the following occurs, the effect of which makes it impractical to promote, or materially adversely affects, the Offer:
 - a general moratorium on commercial banking activities in PNG, Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
 - trading in all securities quoted or listed on ASX, POMSoX, the London Stock Exchange, the New York Stock Exchange or NASDAQ is suspended or limited in a material respect; or
 - the occurrence of any other adverse change or disruption to financial, political or economic conditions, currency exchange rates or controls or financial markets in PNG, Australia, the United Kingdom or the United States of America or any change or development involving a prospective adverse change in any of those conditions or markets;
- > Kina is or becomes unable, for any reason, to issue or allot the Shares;
- > the Selling Shareholders are or become unable, for any reason, to transfer the Shares;
- > any forecast or forward looking statement in this Prospectus becomes, in the reasonable opinion of the Underwriter, incapable of being met;
- > any civil or criminal proceedings are brought against Kina or any officer of Kina in relation to any fraudulent, misleading or deceptive conduct relating to Kina, whether or not in connection with the Offer, except for any claim that has no prospect of success, is vexatious or without merit;
- > there is an event or occurrence, including any statute, order, rule or regulation, official directive or request of any government agency which makes it illegal for the Underwriter to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer in accordance with the Underwriting Agreement; or
- > any of the following occurs:
 - a material contract is terminated (being a contract summarised in this Section 9.12);
 - an event occurs which entitles a party to terminate a material contract;
 - there is a breach of a material contract including a failure to satisfy a condition precedent; or
 - a condition precedent to performance of a material contract, in the reasonable opinion of the Underwriter, becomes incapable of being satisfied.

9.12.1.4 Termination events subject to materiality

The Underwriter may terminate the Underwriting Agreement at any time between the date of the Underwriting Agreement and the allotment of Shares under the Offer if any of the following events occur and the Underwriter has reasonable grounds to believe that the event (i) has or is likely to have, a material adverse effect on the success or settlement of the Offer; or (ii) leads, or is likely to lead to a contravention by the Underwriter of, or the Underwriter being involved in a contravention of, the Australian Corporations Act or any other applicable law, or a liability for the Underwriter under the Australian Corporations Act or any other applicable law:

- > a representation or warranty made or given, or deemed to have been made or given, by Kina or the Selling Shareholders under the Underwriting Agreement proves to be, or has been, or becomes, untrue or incorrect;
- > Kina or the Selling Shareholders fail to perform or observe any of their obligations under the Underwriting Agreement;
- > there is a change in management or the board of directors of Kina;
- > there is introduced into the Parliament of the Commonwealth of Australia (or any State or Territory of Australia) or the National Parliament of PNG a law or any new regulation is made under any law, or a government agency adopts a policy, or there is any official announcement on behalf of the Government of the Commonwealth of Australia (or any State or Territory of Australia), the Independent State of Papua New Guinea or a government agency that such a law or regulation will be introduced or policy adopted (as the case may be);

- > hostilities not existing at the date of the Underwriting Agreement commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of PNG, Australia, New Zealand, the United States of America, the United Kingdom, Japan, Russia, Indonesia or the People's Republic of China or a major terrorist act is perpetrated anywhere in the world;
- > the due diligence report or any other information supplied by or on behalf of any Kina Group member to the Underwriter in relation to the Group or the Offer is misleading or deceptive;
- > a statement in a closing certificate given by Kina is untrue, incorrect or misleading and deceptive; or
- > a material contract is amended without the Underwriter's consent.

9.12.1.5 Warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by Kina to the Underwriter.

The representations and warranties given by Kina relate to matters such as conduct of Kina, power and authorisations, due diligence, information provided by Kina, financial information, information in this Prospectus, the conduct of the Offer, and compliance with laws, the ASX Listing Rules and POMSx Listing Rules and other legally binding requirements. Kina also provides additional representations and warranties in relation to its financial position, litigation, material contracts, licences, absence of allegations or investigations relating to bribery or money laundering and other contraventions, and tax.

Kina's undertakings include, among others, that, during the period following the date of the Underwriting Agreement until 120 days after the allotment of the Shares under the Offer, Kina:

- > will not issue any equity securities without the consent of the Underwriter, subject to certain exceptions. These exceptions include an issue of securities under the Offer, the Underwriting Agreement, an employee share plan, a dividend reinvestment or a bonus share plan described in this Prospectus or as otherwise disclosed in this Prospectus; and
- > will conduct its business, in the ordinary course and not dispose of any part of its business or property except in the ordinary course or as disclosed in this Prospectus.

9.12.1.6 Indemnity

Subject to certain exclusions, Kina agrees to keep the Underwriter and certain affiliated parties indemnified from losses suffered in connection with the Underwriting Agreement, the Offer or documents relating to the Offer, including this Prospectus.

9.12.2 Share Sale Agreement with Malayan Banking Berhad

Kina, Kina Ventures and Malayan Banking Berhad entered into the Share Sale Agreement on 18 May 2015 in connection with the Acquisition. Pursuant to the Share Sale Agreement, Malayan Banking Berhad has agreed to sell, and Kina Ventures has agreed to purchase, all the shares in Maybank PNG and Maybank Property.

9.12.2.1 Key obligations – Kina

Kina Ventures' key obligations under the Share Sale Agreement are as follows:

- > cooperate with Malayan Banking Berhad and do all things reasonably necessary or desirable to achieve IT/Operational readiness as soon as reasonably practicable, and in any event by 23 August 2015 at the latest;
- > jointly prepare with Malayan Banking Berhad a written transition plan by no later than 10 June 2015; and
- > pay the purchase price to Malayan Banking Berhad.

9.12.2.2 Key obligations – Malayan Banking Berhad

Malayan Banking Berhad's key obligations prior to Completion of the Acquisition under the Share Sale Agreement are to ensure that:

- > the Maybank PNG Group carries on its business as a going concern and in the ordinary course of business, consistent with its past practice, and in compliance with all applicable laws and regulations, including prudential regulations imposed or advised by BPNG;
- > Kina Ventures is kept reasonably informed about the conduct of the business of Maybank PNG;
- > Maybank PNG does not, without Kina Ventures' consent, declare or pay, or determine to be payable, a dividend, or make a distribution to its shareholders or revaluation of assets;

SECTION 9: ADDITIONAL INFORMATION

- > Maybank PNG does not, without Kina Ventures' consent, enter into a capital commitment for an amount of more than K1 million;
- > Maybank PNG does not, without Kina Ventures' consent, make any change to its constitution except in compliance with requirements of law and/or any government agency;
- > Maybank PNG does not, without Kina Ventures' consent, change in any material respect any of its accounting policies;
- > Maybank PNG does not, without Kina Ventures' consent, do anything that affects its share capital; and
- > immediately prior to Completion of the Acquisition, Maybank PNG has K126 million in available cash to enable Kina Ventures to remit this amount to Malayan Banking Berhad as part of the purchase price consideration.

9.12.2.3 Purchase price

The Share Sale Agreement sets out the purchase price for the Acquisition, which is the US dollar equivalent of K285 million with reference to Maybank PNG's audited net assets as at 31 December 2013, plus adjustments for earnings up to Completion of the Acquisition.

9.12.2.4 Warranties and representations

The Share Sale Agreement contains a number of warranties and representations by Kina, Kina Ventures and Malayan Banking Berhad.

The warranties given by Kina Ventures include matters such as due incorporation and corporate capacity.

The warranties given by Malayan Banking Berhad are more extensive and include due incorporation of the relevant companies, corporate capacity and capital structures of Maybank PNG and Mayban Property, the accuracy of the information provided by Malayan Banking Berhad, the accuracy of the accounts of Maybank PNG and Mayban Property, assets and material contracts of Maybank PNG and Mayban Property, operational matters regarding Maybank PNG and Mayban Property, compliance by Maybank PNG and Mayban Property with relevant laws, and the integrity of the loan and deposit book maintained and administered by Maybank PNG.

The limitation of liability for breach of warranties (other than warranties relating to due incorporation and title – key warranties) is K50 million. The liability cap for breach of key warranties is equal to the purchase price.

However, Malayan Banking Berhad will not be liable in respect of any claim for breach of a warranty unless that claim is over K300,000 (the de minimis threshold) and until the sum of all claims by Kina Ventures would entitle it to recover at least K3 million (in which case Malayan Banking Berhad will be liable for the whole amount, not merely the excess).

9.12.2.5 Guarantee

Kina has guaranteed the due and punctual performance of Kina Ventures' obligations under the Share Sale Agreement, and undertaken to procure the performance of Kina Ventures' obligations.

9.12.2.6 Termination

The Share Sale Agreement may be terminated prior to completion in the following circumstances:

- > a party defaults in the performance of a material obligations under the Share Sale Agreement;
- > a party is subject to an insolvency event; or
- > Maybank PNG is subject to an insolvency event.

In the event of default, the non-defaulting party may immediately terminate the Share Sale Agreement by giving written notice to the defaulting party.

9.12.3 Transitional Branding Agreement

At Completion of the Acquisition, Maybank PNG and Malayan Banking Berhad will enter into a Transitional Branding Agreement to facilitate the transition of Maybank branding to Kina branding.

9.12.3.1 Transition of branding

Under the Transitional Branding Agreement, Malayan Banking Berhad will grant Maybank PNG a royalty-free licence to use the name 'Maybank' and associated marks for specified transitional periods. Under the terms of the agreement, Maybank PNG must:

- > within a period of five business days, re-label, destroy or exhaust all branded business materials such as signage;
- > within a period of 10 business days, must change its corporate name so it does not use the name 'Maybank'; and
- > within a period of two months, request that customers return all credit and debit cards, ATM cards, cheque books, savings passbooks and fixed deposit certificates which bear 'Maybank' branding.

9.12.3.2 Termination

The Transitional Branding Agreement will terminate automatically if the Share Sale Agreement is terminated in accordance with its terms or if Completion of the Acquisition does not occur as specified in the Share Sale Agreement. The Transitional Branding Agreement may also be terminated for breach by a party, or if a party suffers an insolvency event.

9.12.4 Secondment Agreement

At Completion of the Acquisition, Maybank PNG and Malayan Banking Berhad will enter into a Secondment Agreement to facilitate the delivery of training and knowledge transfer programs as part of the overall transitional arrangements.

9.12.4.1 Secondment of key executives

Under the Secondment Agreement, Malayan Banking Berhad will provide certain key executives to Maybank PNG on a secondment basis for up to 12 months post-Acquisition.

The seconded executives (of which it is expected there will be six) cover a range of senior executive, operational, business development, IT and compliance functions and will deliver training and knowledge transfer programs to Maybank PNG staff to ensure business continuity. Whilst some of these executives may elect to remain with Maybank PNG, Maybank PNG will remain active in the employment market for potential replacements in the medium term.

Maybank PNG will pay Malayan Banking Berhad the United States dollar equivalent of 130,000 Malaysian Ringgit per month plus certain expenses for the seconded employees. Maybank PNG will have the right to remove any executive from the secondment agreement, subject to notice periods, if it considers it no longer requires the secondment of that executive.

9.12.4.2 Term and termination

The Secondment Agreement will be effective from Completion of the Acquisition until the first to occur of:

- > the end of 12 months from completion;
- > all employees being removed from the secondment; or
- > the Secondment Agreement being terminated in accordance with its terms.

The Secondment Agreement may be terminated by a party giving written notice to the other party in the event of breach or an insolvency event of that other party, and will terminate automatically if the Share Sale Agreement is terminated or if Completion of

the Acquisition does not occur as required by that agreement.

9.12.4.3 Responsibilities of Maybank PNG

During the term of the Secondment Agreement, Maybank PNG shall:

- > only require the employees to carry out their respective duties as per their respective job scopes in the same manner as it was carried out prior to the Acquisition, save for such variations as reasonably necessary to effect transition;
- > ensure that the employees are entitled to terms, conditions and benefits of employment in a manner which is consistent with the practices and procedures prior to the Acquisition;
- > provide the employees with all necessary authorisations, facilities, assistance, records and resources to enable the employees to carry out their respective duties in a proper and safe manner;
- > identify suitable personnel who will be 'shadowing' and eventually taking over the roles of each of employee;
- > comply with all applicable laws and regulations, including without limitation, in the management and supervision of the employees; and
- > obtain and maintain all applicable permits (including work permits), licences, authorisations, accreditations and all other legal and regulatory requirements for the secondment arrangement contemplated under the Secondment Agreement.

9.12.4.4 Secondment committee

Malayan Banking Berhad and Maybank PNG will establish a secondment committee to determine any variations to the employees, payments and delegations of authority, implement a training and knowledge transfer program to facilitate business continuity, and determine any other matter specifically provided for in the Secondment Agreement.

9.12.5 Subscription Agreements with cornerstone investors

Kina has entered into Subscription Agreements with each of Nambawan Super Limited (**NSL**), Comrade Trustee Services Limited (**CTSL**) and National Superannuation Fund Limited (**NASFUND**) (together, the **Subscribers**), under which the Subscribers have agreed to subscribe for Shares on the terms of the agreements.

SECTION 9: ADDITIONAL INFORMATION

9.12.5.1 Subscription mechanics

Each Subscriber will subscribe for Kina shares as part of the Offer once the following has occurred:

- > Kina enters the Share Sale Agreement with Malayan Banking Berhad;
- > the Shareholders of Kina approve its entry into the Subscription Agreements and Share Sale Agreement;
- > Kina obtains commitments from other cornerstone investors to subscribe for shares worth a total of at least K100 million; and
- > Kina enters an underwriting agreement; and
- > settlement has occurred under the Offer.

All of these conditions, but for settlement of the Offer, have now been satisfied.

If the subscription under the Subscription Agreement would result in NSL holding more than 15% of the Shares in Kina, the parties have agreed to use reasonable endeavours to obtain the approval of BPNG for the subscription, or failing that, reduce the number of Shares to be subscribed for by NSL to below 15% of the Shares on issue in Kina.

9.12.5.2 Amount of subscription

NSL has agreed to subscribe for Shares for consideration of K50 million at the Offer Price.

NASFUND has agreed to subscribe for Shares for consideration of K32 million at the Offer Price. Kina, however, has the option to reduce the subscription amount, and therefore the number of Shares that NASFUND will subscribe for as part of the Offer, based on the demand for the Offer.

CTSL has agreed to subscribe for Shares for consideration of K21 million at the Offer Price. Kina, however, has the option to reduce the subscription amount, and therefore the number of shares that CTSL will subscribe for as part of the Offer, based on the demand for the Offer.

9.12.5.3 Commitment fee

In consideration for agreeing to subscribe for the Shares in Kina, Kina shall pay to NSL a subscription commitment fee of K2 million (which amount excludes GST) no later than 14 days following the allotment of the Shares under the Offer.

A commitment fee of K1.28 million is payable by Kina to NASFUND, within 14 days of issuing the Shares to it.

Similarly, a commitment fee of K840,000 is payable by Kina to CTSL, within 14 days of issuing the Shares to it.

9.12.5.4 Board appointment

Under the Subscription Agreement with NSL only, Kina has agreed to procure the appointment of a nominee of NSL as a director of Kina, for a period of three years and only for so long as NSL hold 10% or more of the aggregate number of Shares.

As at the date of this Prospectus, NSL has not nominated a person to be a director of Kina.

9.12.6 Escrow arrangements

As noted elsewhere in this Prospectus, the Existing Shareholders have entered into voluntary escrow arrangements in relation to their Escrowed Shares.

9.12.6.1 Fu Shan escrow arrangements

To comply with the conditions set by BPNG to the Acquisition, Shares retained by Fu Shan following Completion of the Offer equal to (but not more than) 20% of the total number of Shares on issue immediately after settlement of the Offer will be subject to voluntary escrow arrangements.

Under the terms of the voluntary escrow arrangements, subject to certain customary exceptions (described below), Escrowed Shares held by Fu Shan may not be sold within 12 months from Completion of the Acquisition or admission of Kina to the official lists of ASX and POMSoX, whichever is earlier.

In addition, for the duration of the Escrow Period, Fu Shan must direct Kina to pay any dividends, returns of capital or other distributions attaching to the Fu Shan Escrowed Shares into an account approved by BPNG. Fu Shan may not distribute or dispose of those amounts without the prior written consent of BPNG.

9.12.6.2 Management Shareholders escrow arrangements

Shares retained by Columbus Investments Ltd, an entity associated with Syd Yates, and Wayne Golding, (**Management Shareholders**) will also be subject to voluntary escrow arrangements. Under the terms of those escrow arrangements, subject to certain customary exceptions (described below), Escrowed Shares held by Management Shareholders may not be sold until a date which is two Business Days after the date on which Kina's half-year financial results for the period ending 30 June 2016 are released to ASX and POMSoX by Kina.

9.12.6.3 Terms common to all voluntary escrow arrangements

Each Existing Shareholder has agreed to enter into an escrow deed in respect of their Escrowed Shares retained following the Offer, which prevent them from dealing in their respective escrowed Shares for the applicable escrow period (described above).

The restriction on 'dealing' is broadly defined and includes, among other things:

- > selling, assigning, transferring or otherwise disposing of, or agreeing to do any of those things in respect of, any of the Escrowed Shares;
- > creating, or agreeing or offering to create, or permitting to be created, any encumbrance or security interest over any of the Escrowed Shares; or
- > doing, or omitting to do, any act if the act or omission may have the effect of transferring effective ownership or control of, or the economic interest in, any of the Escrowed Shares.

All of the Existing Shareholders may be released early from these escrow obligations to enable:

- > the Existing Shareholder to accept an offer under a takeover bid under the PNG Takeovers Code 1988 in relation to its Shares if holders of at least 50% of the Shares that are not the subject of any escrow restrictions, and to which offers under the takeover bid relate, have accepted the takeover bid;
- > the Escrowed Shares to be acquired under an arrangement, amalgamation or compromise under the PNG Companies Act on that arrangement, amalgamation or compromise becoming effective;
- > the Existing Shareholder to deal in their Escrow Shares to the extent the dealing is required by applicable law, including an order of a court of competent jurisdiction;
- > the Existing Shareholder to dispose of the Escrowed Shares to an affiliate, an affiliated fund or a trust or entity that the Existing Shareholder controls; and
- > the Existing Shareholder to participate in an equal access share buyback or capital return or capital reduction made in accordance with the PNG Companies Act.

In addition, Existing Shareholders may encumber any or all of their Escrowed Shares to a bona fide third party financial institution as a security for a loan, hedge or other financial accommodation provided that the encumbrance does not in any way constitute a direct or indirect disposal of the economic interests, or decrease an economic interest, that a holder has in any of its Escrowed Shares and no Escrowed Shares are transferred to the financial institution in connection

with the encumbrance (with the documentation for such encumbrance making it clear that the Escrowed Shares remain in escrow and subject to the voluntary escrow arrangements for the duration of those arrangements).

9.13 Directors' statement

This Prospectus is authorised by each Director of the Company who consents to its lodgement with ASIC and the Registrar and its issue.

The Directors of the Company confirm that they have reasonable grounds to believe, and do believe that all statements in the Prospectus (other than those purportedly made or based on the opinions of an expert or public official) are true and not misleading.

The Directors of the Company also confirm that those statements purportedly made by or based on the statement of an expert or public official fairly represents the statement of that person and all extracts from or copies of any report or official public document, statement, valuation or other documents included or attached to or forming part of the Prospectus fairly represents and is a true and correct extract or copy of the original.

The Directors of the Company confirm their opinion after due inquiry that, in relation to the period between the date of the latest financial statements and the date of this Prospectus, no circumstances have arisen that materially adversely affect the trading, profitability or value of the assets of the Company and/or the ability of the Company to satisfy the solvency test in section 4(1) of the PNG Companies Act.

The Directors' plans for the Company and the Kina Group during the year commencing on the date of this Prospectus are to complete the Acquisition and otherwise continue the operations of the business of the Group in the manner described in Section 3 of this Prospectus. The Directors do not consider that any additional material financing will be required for the purposes of executing those plans (other than as described in this Prospectus).

The Directors of the Company confirm that they have made enquiries and nothing has come to their attention to suggest that the entity is not continuing to earn profit from continuing operations up to the date of this Prospectus.

The Directors of the Company confirm that the Kina Group has adequate funding to carry out its planned operations for the year commencing from the date of this Prospectus.

APPENDIX A: GLOSSARY

AASB	Australian Accounting Standards Board
ABN	Australian Business Number
Acquisition	the acquisition of the Maybank PNG Group on the terms described in Section 3.3.
ALCO	Kina's Asset and Liability Committee
Allens	Allens – legal adviser to the Kina
Applicant	a person who submits an Application in accordance with this Prospectus
Application	an application to subscribe for or acquire Shares offered under this Prospectus
Application Amount	the number of Shares applied for under the Offer
Application Form	the Australian Broker Firm Application Form and PNG Broker Firm Application Form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Payment	the monies payable on each Application, calculated as the number of Shares applied for multiplied by the Offer Price
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the securities exchange that it operates, as the context requires
ASX Listing Rules	the listing rules of ASX, with any modification or waivers which ASX may grant to Kina or generally from time to time
ASX Recommendations	the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, as amended from time to time
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
AUD or \$	Australian dollars
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the AASB
Australian Broker Firm Application Form	the application form to be completed by Australian resident investors to apply for Shares under the Broker Firm Offer
Australian Corporations Act	<i>Corporations Act 2001</i> (Cth)
Authorised Institution	a bank or licensed financial institution within the meaning of the PNG BFI Act
Board or Board of Directors	some or all of the directors of Kina, acting as a board
BPNG or Central Bank	Bank of Papua New Guinea, being Papua New Guinea's central bank
Broker	any ASX or POMSx participating organisation selected by the Underwriter and Kina to act as broker to the Offer
Broker Firm Offer	an offer for Shares made with terms described in Section 7.6.1.
Business Day	a business day as defined in the ASX Listing Rules
CEO	Chief Executive Officer
Chairman	the chair of the Board
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement
Closing Date	the date on which the Offer closes, which is expected to be 10 July 2015 in respect of the Broker Firm Offer to PNG resident investors and 21 July 2015 in respect of the Broker Firm Offer to Australian resident investors and the Employee Gift Offer
Companies Office of PNG	the Office of the Registrar of Companies established by the PNG Companies Act
Company	Kina Securities Limited (Company No. 1-10989)
Completion of the Acquisition	Completion, in accordance with the Share Sale Agreement, of Kina's acquisition of the Maybank PNG Group
Completion of the Offer	the completion of the Offer, being the date upon which Shares are issued or transferred to Successful Applicants in accordance with the terms of the Offer
Consenting Party	each of the consenting parties named in Section 9.3
Constitution	the Constitution of Kina, as amended from time to time
CTSL	Comrade Trustee Services Limited (Company No. 1-46496)
Directors	some or all of the directors of Kina

Eligible Employees	PNG resident permanent employees of Kina, a member of Kina Group or Maybank PNG as at 5.00pm (PNG time) on 18 June 2015 who remain employed by Kina, a member of the Kina Group or Maybank PNG on the date which is two Business Days before the date of allotment of Shares to Successful Applicants. It excludes LTI Plan participants.
Elk-Antelope Project	the LNG project on the Elk and Antelope gas fields in Gulf Province
Employee Gift Offer	> an offer for Shares made with terms described in Section 7.6.3
Escrow Period	<ul style="list-style-type: none"> > in the case of Fu Shan, a period of 12 months from either the date Kina is admitted to the official lists of ASX and POMSoX or Completion of the Acquisition, whichever is earlier; and > in the case of the Management Shareholders, the period commencing on the date Kina is admitted to the official lists of ASX and POMSoX and continuing until the date which is two Business Days after the date on which Kina's half-year financial results for the period ending 30 June 2015 are provided to ASX and POMSoX for release to the market
Escrowed Shares	<ul style="list-style-type: none"> > in the case of Fu Shan, Shares retained by Fu Shan following Completion of the Offer equal to (but not more than) 20% of the total number of Shares on issue immediately after settlement of the Offer; and > in the case of the Management Shareholders, all Shares retained by the Management Shareholders following Completion of the Offer
EsiLoan	a financial services product as described in Section 3
Existing Shareholders	those Shareholders who hold Shares at the date of this Prospectus, being Fu Shan, Columbus Investments Limited (Company No. 1-41621) and Wayne Golding
Existing Shares	Shares held by all Existing Shareholders as at the date of this Prospectus
Expiry Date	nine months after 31 December 2014
Exposure Period	the seven day period after the date this Prospectus was lodged with ASIC during which the Australian Corporations Act prohibits the processing of Applications
Financial Information	the financial information described as Financial Information in Section 5.1
Forecast Financial Information	has the meaning given in Section 5.1
Fu Shan	Fu Shan Investment Limited, a company incorporated in Hong Kong (Company No. 1374262)
FUA	has the meaning given in Section 3.5.2.2
FUM	has the meaning given in Section 3.5.2.1
GST	Goods and services tax
HIN	Holder Identification Number for Shares held on the CHESS subregister
Historical Financial Information	has the meaning given in Section 5.1
Holding Statement	a statement issued to Shareholders by the Registry which sets out details of Shares allotted to them under the Offer
IFRS	International Financial Reporting Standards
Institutional Investors	An investor to whom offers or invitations of Shares can be made without the need for a lodged prospectus, including in Australia persons to whom offers or invitations of Shares can be made without the need for a lodged prospectus under Section 708 of the Australian Corporations Act
Institutional Offer	the invitation to bid for Shares made to Institutional Investors under this Prospectus set out in Section 7.6.2
Investigating Accountant	PricewaterhouseCoopers Securities Limited (ABN 54 003 311 617)
Investigating Accountant's Report	the report provided in Section 8
Kina	Kina Securities Limited (Company No. 1-10989) and, where the context requires, includes the other members of the Kina Group
Kina Asset Management or KAML	Kina Asset Management Limited (Company No. 1-61047)
Kina Bank	the banking and lending operating division of Kina Group which will operate following the Acquisition, as described in Section 3.5.1
Kina Finance or KFL	Kina Finance Limited (Company No. 1-27199)

APPENDIX A: GLOSSARY

Kina Funds Management or KFM	Kina Funds Management Limited (Company No. 1-33704)
Kina Group or Group	Kina and each related body corporate of Kina
Kina Investment and Superannuation Services or KISS	Kina Investment & Superannuation Services Ltd. (Company No. 1-14524)
Kina Nominees or KNL	Kina Nominees Limited (Company No. 1-10244)
Kina Offer Information Line	1800 072 766 (within Australia), (675) 321 6377 (within PNG) and +61 1800 072 766 from outside PNG or Australia if you are eligible to participate in the Offer
Kina Ventures or KVL	Kina Ventures Limited (Company No. 1-83684)
Kina Wealth Management	the wealth management and financial services division of Kina Group as described in Section 3.5.2
KWML	Kina Wealth Management Limited (Company No. 1-33698)
Listing	admission of Kina to the official lists of ASX and/or POMS0X
LTI Plan	Kina's long term incentive plan described in Section 4.4.3
Malayan Banking Berhad	Malayan Banking Berhad (Company No. 3813-K)
Management Shareholders	Columbus Investments Ltd (Company No. 1-41621) and Wayne Golding
Mayban Property	Mayban Property (PNG) Limited (Company No. 1-41019)
Maybank PNG Group	Maybank PNG and Mayban Property
Maybank PNG	Maybank (PNG) Limited (Company No. 1-21503)
Morgans or Underwriter	Morgans Corporate Limited (ACN 010 539 607)
NASFUND	National Superannuation Fund Limited (Company No. 1-46031)
New Shares	the new Shares to be issued by the Company under the Offer
Non-Executive Director	a member of the Board of Directors who does not form part of Kina's management
NPAT	net profit (or loss) after tax
NSL	Nambawan Super Limited (Company No. 1-48082)
Offer	the offer of Shares under this Prospectus
Offer Period	the period from the Opening Date to the Closing Date
Offer Price	the price payable for a Share under the Offer, being \$1.00 or K2.08, as applicable
Opening Date	the date on which the Offer opens, which is expected to be 7 July 2015
Original Prospectus	the Prospectus dated 22 June 2015 and lodged with ASIC and the PNG Securities Commission, which this Prospectus replaces
Performance Rights	the performance rights issued, or to be issued, under the STI Plan or the LTI Plan
PGK or K	Papua New Guinean kina
PNG	the Independent State of Papua New Guinea
PNG BFI Act	Banks and Financial Institutions Act 2000 (PNG)
PNG Broker Firm Application Form	the application form to be completed by PNG resident investors to apply for Shares under the Broker Firm Offer
PNG Companies Act	Companies Act 1997 (PNG)
PNG Government	the National Government of PNG
PNG Home Finance	PNG Home Finance Company Limited (Company No. 1-15858)
PNG LNG Project	has the meaning given in Section 2.2.1.1
PNG Securities Act	Securities Act 1997 (PNG)
PNG Securities Commission	the Securities Commission of PNG established by the PNG Securities Act
PNG SGP Act	Superannuation (General Provisions) Act 2000 (PNG)
POMS0X	Port Moresby Stock Exchange Limited (Company No. 1-29172), or the securities exchange that it operates, as the context requires
POMS0X Listing Rules	the listing rules of POMS0X with any modification or waivers which POMS0X may grant to Kina or generally from time to time

Prospectus	this document (including the electronic form of this Prospectus), and any supplementary or replacement prospectus in relation to this document
Prospectus Date	the date on which a copy of the Original Prospectus was lodged with ASIC and the PNG Securities Commission, being 22 June 2015
PwC PNG	PricewaterhouseCoopers Papua New Guinea
PwCS	PricewaterhouseCoopers Securities Limited (ABN 54 003 311 617)
Ramu Nickel Project	the US\$2.1 billion Ramu nickel project near Madang, on the north coast of PNG
Registrar	the person for the time being holding the office of the Registrar of Companies or the Deputy Registrar of Companies in accordance with the PNG Companies Act
Register	the official register of Shares to be maintained by the Registry on Kina's behalf and including any subregister established and maintained in CHESS
Registry or Share Registry	Link Market Services Limited (ABN 54 083 214 537) in Australia and PNG Registries Limited (Company No. 1-49112) in PNG or any other registry that Kina appoints to maintain the Register
Selling Shareholders	Existing Shareholders who elect to sell Shares under the Offer
Share	a fully paid ordinary share in the capital of Kina
Share Sale Agreement	the agreement entered into by Kina, KVL and Malayan Banking Berhad dated 18 May 2015
Shareholder	a holder of Shares
Shareholding	a holding of Shares
Sovereign Wealth Fund or SWF	has the meaning in Section 2.2.3.2
SRN	the Securityholder Reference Number for Shares
STI Plan	Kina's short term incentive plan described in Section 4.4.2
Underwriting Agreement	the underwriting agreement entered into between Kina and the Underwriter, as summarised in Section 9.12.1
US Person	has the meaning given in Regulation S of the United States Securities Act of 1993

APPENDIX B: SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements of the Kina Group and its subsidiaries ('the Group') have been prepared in accordance with IFRS as adopted by the Accounting Standards Board of Papua New Guinea and the requirements of the PNG Companies Act.

b) Basis of presentation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

c) Group accounts

Subsidiary undertakings

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used, to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of cost over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. All inter-company transactions, balances, and unrealized surpluses and deficits on transactions between group companies have been eliminated.

d) Interest income and expenses

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

e) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts.

Asset management fees related to investment funds are recognised notably over the period the service is provided.

f) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the assets and liabilities giving rise to them are realized or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

g) Property and equipment and depreciation

Property and equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated on the basis of straight line to write-off the cost of such assets to their residual values over their estimated lives as follows:

Furniture and fittings	11.25% to 15%
Renovation	10%
Motor vehicle	30%
Office equipment	15% to 30%
Software	33% to 100%

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date.

Profits and losses on disposal (being the difference between the carrying value at the time of sale or disposal and the proceeds received) are taken into account in determining operating profit for the year. Repairs and maintenance costs are charged to income statement, when the expenditure is incurred.

h) Computer software development costs

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software program beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 3 years.

i) Financial assets

The Company classified its investment securities into the two categories: at fair value through profit and loss and held-to-maturity. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost (which includes transaction costs) on the trade date (the date on which the Group commits to purchase or sell the asset).

Financial assets at fair value through profit and loss are subsequently re-measured at fair value based on quoted bid prices. Gains and losses arising from changes in the fair value are recognised in the income statement in the period in which they arise.

Held-to-maturity investments are carried at amortized cost using effective interest rate method. Interest calculated using the effective interest method is recognised in the income statement.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

All purchases and sales of investments are recognised at trade date, which is the date that the Group commits to purchase or sell the asset.

j) Loan and advances and impairment losses

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans originated by the Group by providing money directly to the borrower are categorized as loans originated by the Group and are carried at cost, which is defined as the fair value of cash consideration given to originate loans as is determinable by references to market prices at origination date.

APPENDIX B: SIGNIFICANT ACCOUNTING POLICIES

Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers. A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms and conditions. The amount of the provision is the difference between the carrying amount and the recoverable amount.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligations can be made.

l) Employee benefits

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

The contributions in relation to employees of the Group who contribute to defined contribution pension plans are charged to the income statement in the year to which they relate.

m) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in PGK, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

n) Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders.

o) Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Details of such investments held under trust may be found in note 29.

Corporate Directory

Kina Securities Limited is a registered company under the Papua New Guinea Companies Act 1997 and is incorporated and domiciled in Papua New Guinea.

Directors

Sir Rabbie Namaliu, GL GSM KCGM
Syd Yates, OBE
Peter Choong Joo Ng
Don Manoa
Hilary Wong
Wayne Golding
Jim Yap
David Foster

Legal Adviser

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and

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Papua New Guinea

Financial Adviser

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201 Sussex Street
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Australia

Underwriter

Morgans Corporate Limited
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Website

www.kina.com.pg

Company Secretary

Kong Wong

Registered Office

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Investigating Accountant

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Auditor and Tax Adviser

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and

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