
RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, prior to [●]. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to business operations in Japan; and (iv) risks relating to [●].

RISKS RELATING TO OUR BUSINESS

We may experience breakdowns in our information technology systems that could damage customer relations and expose us to liability.

We depend heavily on the stable operation of our information technology systems including software, processing systems, data centers and telecommunications networks, as well as systems provided by third parties. A system outage or data loss could have a material adverse effect on our business, financial condition and results of operations. Not only would we suffer damage to our reputation in the event of a system outage or data loss, but we may also be liable to third parties. Many of our contractual agreements with financial institutions require the payment of penalties if our systems do not meet certain operating standards or become prone to interruptions or security breaches. To successfully operate our business, we must be able to protect our processing and other systems from disruption, including from events that may be beyond our control. Events that could cause system interruptions include, but are not limited to, upgrading of our information technology systems, fire, natural disaster, unauthorized entry, power loss, telecommunications failure, software defects, computer viruses, terrorist acts and war. We perform the vast majority of disaster recovery operations ourselves, though we utilize select third parties for some aspects of recovery, particularly internationally. To the extent we outsource our disaster recovery, we are at risk of the relevant service provider's unresponsiveness or failure to respond appropriately in the event of breakdowns in our systems. Furthermore, our insurance policies may not be adequate to compensate us for all losses or failures that may occur.

We may experience software defects, computer viruses and development delays, which could damage customer relations, decrease our potential profitability and expose us to liability.

Our services are based on sophisticated software and computing systems that often encounter development delays, and the underlying software may contain undetected errors, viruses or defects. Defects in our software systems and errors or delays in our processing of electronic transactions could result in one or more of the following:

- additional development costs;
- diversion of technical and other resources from our other development efforts;

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- loss of credibility with current or potential customers;
- harm to our reputation; and
- exposure to liability claims.

In addition, we rely on technologies supplied to us by third parties that may also contain undetected errors, viruses or defects that could have a material adverse effect on our business, financial condition and results of operations.

Material breaches in security of our information technology systems may subject us to liability.

The uninterrupted and secure operation of our information technology systems, the safe-keeping of confidential customer and consumer information that is stored on such systems and the secure handling of consumer information that is processed on such systems are critical to the successful operations of our business. We collect and maintain databases of sensitive information about online merchants and consumers, including names, email addresses, credit card numbers and bank account numbers. We have observed a global increase in IT security threats and more sophisticated and targeted computer crime, which pose a risk to the security of systems and networks and the confidentiality, availability and integrity of our data. We have security, backup and recovery systems in place, as well as a business continuity plan to ensure the systems will not be inoperable. We consider that we have sufficient security around the systems and adequate encryption of our databases to prevent unauthorized access to our systems and unauthorized use of our databases. However, our visibility in the online payments industry may attract hackers to carry out attacks on our systems that could compromise the security of our data. An information breach in our systems and loss of confidential information such as credit card numbers and related information could have a longer and more significant impact on our business operations than a hardware failure. The loss of confidential information could result in our online merchants and their customers losing confidence in us and thus the loss of their business. The loss of confidential information could also subject us to liability including claims for unauthorized purchases with misappropriated bank card information, impersonation or other fraud claims as well as the imposition of fines and damages by credit card merchant acquirers or government bodies or, in case of material breach, the prohibition from provision of processing transactions for card networks. Any of the above events could have an adverse impact on our business, financial condition and results of operations.

We depend on our online merchant relationships and strategic alliances to grow our business. If we are unable to maintain these relationships and alliances, our business may be adversely affected.

Growth in our business depends primarily on attracting new online merchants, maintaining relationships with existing online merchants, developing new and enhanced product and service offerings, cross-selling products and services into existing relationships, increased online purchasing by consumers and thus increased usage of electronic forms of payment and the strength of our alliance partnerships with credit card merchant acquirers and other third parties. We have entered into business and capital alliances with certain credit card merchant acquirers such as JCB, Sumitomo Mitsui Card and Credit Saison, which typically act as online merchant referral sources due to their existing relationships with online merchants. We rely on our strategic alliances with these credit card merchant acquirers and our relationships with online merchants for our continued growth. There can be no guarantee that this growth will continue. The loss of any of our online merchant relationships or

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strategic alliances with any of these credit card merchant acquirers could negatively impact our business and result in a reduction of our revenue and profit.

Anticipated benefits of mergers, acquisitions, joint ventures or strategic alliances may not be realized.

As part of our strategy of expansion throughout Asia, we may, from time to time, merge with or acquire businesses or interests in businesses, including non-controlling interests, form joint ventures or create strategic alliances. We expect to evaluate potential strategic acquisitions of businesses or products with the potential of expanding our user and revenue base and widening our geographic coverage. Whether we realize the anticipated benefits from these transactions depends, in part, on the integration between the businesses involved, the performance and development of the underlying services or technologies, our correct assessment of assumed liabilities and the management of the relevant operations. We may not be able to successfully finance or integrate any newly acquired businesses or products and the integration may divert our management's focus from our core business and result in disruption to our normal business operations. We may spend time and resources on such acquisitions that do not ultimately increase our profitability. To the extent the purchase price of any acquisition is funded by cash, it may result in a reduction of our cash reserves and/or an increase in our leverage, and to the extent the purchase price is funded by equity, it may result in a dilution to our shareholders' equity. While we continue to evaluate potential acquisitions of businesses or products, we have not identified any acquisition target and we have not, nor has anyone on our behalf, initiated any discussions, directly or indirectly, with respect to identifying any acquisition target.

Our investments in foreign markets expose us to risks associated with conditions in those markets.

In 2011, we entered into a joint venture with subsidiaries of Midplaza Holdings and Netprice.com to establish PT. Midtrans, in which we own a 23% interest. As part of the joint venture, we have provided our agency payment business model to PT. Midtrans, which operates as VeriTrans Indonesia. In January 2012, VeriTrans Indonesia began its operations in providing online payment processing services to online merchants in Indonesia. In November 2013, we became a registered owner of VeriTrans Shanghai, a joint venture owned 50% by Shanghai CardInfoLink and 50% by our Company. The primary business of VeriTrans Shanghai is to offer data processing services and software to Chinese online merchants and to online merchants outside China seeking to sell products and services in China. In November 2013, we acquired a 15.59% interest in Citrus Singapore, the holding company of Citrus India. The primary business of Citrus India is to offer online payment solutions, including without limitation, processing of online transactions settled via payment by credit or debit cards, or bill payment service as well as providing outsourcing services to other online payment related companies that are principally located in India. We are also currently seeking to expand our online payment business in other parts of Asia primarily by investing in joint ventures with local e-commerce companies, software or system development companies and payment solutions companies. Investing in emerging markets can present risks that are not encountered in countries with well established economic and political systems, including:

- economic instability, which could make it difficult for us to anticipate future business conditions in these markets;
- political or social instability, which could complicate our dealings with governments regarding permits or other regulatory matters, local businesses and workforces;

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- foreign state takeovers of our facilities in these countries;
- significant fluctuations in interest rates and currency exchange rates;
- the imposition of unexpected taxes or other payments on our revenue in these markets;
- the ability to obtain financing and insurance coverage from export credit agencies; and
- the introduction of exchange controls and other restrictions by foreign governments.

In addition, the legal and regulatory systems of many emerging market countries are less developed and less well enforced than in industrialized countries. Therefore, our ability to protect our contractual and other legal rights in these countries could be limited. Consequently, we may not be successful in expanding our business into these emerging markets and our exposure to the conditions in or affecting emerging markets may adversely affect our business, financial condition and results of operations.

Changes in credit card merchant acquirer and debit network fees or products could increase costs or otherwise limit our operations.

From time to time, credit card merchant acquirers and banks increase the organization and processing fees (known as interchange fees or debit network fees) that they charge. We may not be able to pass on all of the increases in interchange fees or debit network fees along to our online merchants, if at all. It is possible that competitive pressures may result in our absorbing a portion of such increases in the future, which would increase our operating costs, reduce our profit margin and adversely affect our business, financial condition and results of operations.

We rely on various financial institutions to provide clearing and settlement services in connection with our online payment services. If we are unable to maintain clearing and settlement services with these financial institutions and are unable to find a replacement, our business may be adversely affected.

We rely on various financial institutions to provide clearing and settlement services in connection with our online payment services. If such financial institutions stop providing clearing and settlement services or start imposing excessive processing fees, we would need to find other financial institutions to provide these services. If we are unable to find a replacement financial institution to provide clearing and settlement services on commercially reasonable terms or at all, we may no longer be able to provide our online payment services to certain customers, which could negatively impact our business, financial condition and results of operations.

The inability to adopt to changing industry and customer needs or trends may affect our competitiveness or demand for our services, which may adversely affect our results of operations.

Changes in technology may limit the competitiveness of, and demand for, our services. Our business operates in an industry that is subject to technological advancements, developing industry standards and changing customer needs and preferences. Also, our customers continue to adopt new technology for business uses. Our information technology systems may be rendered uncompetitive or obsolete as a result of the continuous development and adoption of the latest information technology in the payment processing industry. We must anticipate and respond promptly to these changes in the

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industry and customer needs and technological advancements, and expend resources regularly in upgrading our information technology systems to remain competitive. For example, the inability to adopt technological advances in point-of-sale (“POS”) technology available to merchants could have an impact on our online-to-offline payment service businesses. Any inability to respond promptly to new competitors and technological advancements could adversely impact our businesses, financial condition and results of operations.

Currently, credit card merchant acquirers do not impose stringent security requirements on online payment service providers connecting to their systems. We cannot assure you that credit card merchant acquirers will not impose additional security requirements in the future, such as requiring all online payment service providers to be PCI DSS compliant and up-to-date with the latest version, or require us to implement additional security measures or upgrades to our existing security measures. Failure to meet the security requirements of credit card merchant acquirers could have an adverse effect on our business, financial condition and results of operations.

Global and domestic economic conditions may adversely affect trends in consumer spending, which may adversely impact our revenue and profitability.

The online payment services and e-commerce industries depend heavily upon the overall level of consumer spending. While the online payment services and e-commerce industries have experienced growth in the past few years and are expected to continue to grow, we cannot assure you that such growth will continue or materialize. In the past few years, the overall Japanese retail sector has experienced adverse conditions due to the downturn in the Japanese economy as a result of the global financial crisis and natural disasters, and the retail sector has only recently begun to improve. The downturn in the Japanese economy has been characterized by sluggish consumer spending, deflation and intense competition. Our results of operations are particularly sensitive to changes in the disposable income and the spending patterns of Japanese consumers. Spending by consumers in Japan has been affected by the global financial crisis and fluctuations in wages. Also, our results of operations are reliant on the popularity of the products and services offered by the online merchants that use our payment services. If consumer spending in Japan worsens or if the online merchants that use our payment services are unable to attract consumers to purchase their products or services, the operations of online merchants may suffer, which in turn would result in a decline in our business and our financial performance and expansion strategy may be adversely affected. We can provide no assurance that any improvement in economic conditions in the global economy, and in particular Japan, will materialize, and even if such improvement does materialize, that it will have a positive impact on our business, financial condition and results of operations in the short-term or at all.

Recent global market and economic conditions have been unprecedented and challenging, with recessionary conditions persisting in most major economies through 2010. While the global economy showed some signs of moderate recovery during 2010, difficult economic conditions returned in 2011 and have continued into 2013, in part due to the debt crisis in Europe. The Japanese economy, which went into a technical recession in late 2008 that intensified through early 2009, showed some signs of a modest recovery during 2010 and 2011 due in part to the economic stimulus measures implemented by the government in 2010. However, as the government ended many of the stimulus measures during the first part of 2011, the Japanese economy may weaken again. Furthermore, the Great East Japan Earthquake that occurred on March 11, 2011 triggered another technical recession in the Japanese economy significantly affecting business and consumer spending. [●] the risk factor headed “—Risks

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Relating to Business Operations in Japan—We may suffer substantial losses in the event of a natural disaster, such as an earthquake, terrorist attack, outbreak of disease or other casualty event in Japan or other markets in which we operate.”

Continued weakness in the global economy or in the Japanese economy, where we conduct a substantial portion of our business operations and where the vast majority of our customers are located and/or generate their income, may result in a reduction in the number of online merchants, a reduction in the frequency of online spending or amount spent by consumers on websites of online merchants using our online payment systems. Any reduction in consumer demand for the services we offer would materially adversely affect our operating revenue and, as a result, our business, financial condition and results of operations.

Additionally, governments, government ministries and agencies, as well as various financial markets are proceeding with systemic reforms and amendments to laws concerning stock markets and other markets related to our businesses. Major changes to such systems or laws in the future may have an adverse impact on our business, financial condition and results of operations.

A substantial portion of our revenue is derived from our agency payment services.

We derive a substantial portion of our revenue from our agency payment services. The revenue contributed by agency payment services amounted to 87.8%, 85.4% and 81.3% of our total revenue for the years ended June 30, 2011, 2012 and 2013, respectively. Our reliance on service fees from our agency payment services is expected to continue in the future due to a number of factors, including our expansion of this business overseas and the anticipated growth of the e-commerce industry in Japan. Should the demand for agency payment services decrease, or should there be new technology or payment methods that render our services unnecessary or obsolete, our results of operations could be materially and adversely affected.

Gross profit margins for our services vary substantially and any deterioration in the gross profit margin for our principal services will have a material and adverse effect on our results of operations.

Due to supply and demand conditions and the competitive nature of the online payment services industry, average fee margins and average selling prices for our online payment services have been subject to downward pricing pressure. As a result of such pricing pressure, gross profit margins of a number of our services have fluctuated significantly from year to year. Due to rapidly changing technology and evolving industry standards, our historical gross profit margin is not an accurate measure for estimating our future gross profit margins. Any deterioration in the gross profit margin for our principal services will have a material and adverse effect on our results of operations.

Any significant impairment of payment processing receivables may adversely affect our cash flow and working capital, financial condition and results of operations.

In determining if recognition of impairment is required, we take into account the collection history, collectability, creditworthiness and financial condition of convenience store chains and credit card merchant acquirers. Impairment will be made for specific payment processing receivables when our management, having considered the above factors, are of the view that such payment processing receivables are unlikely to be collected. Due to the creditworthiness of convenience store chains and

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credit card merchant acquirers, the Directors are of the view that no impairment for related trade receivables was required during the [●]. However, there can be no assurance that the collectability, creditworthiness and financial condition of convenience store chains and credit card merchant acquirers will not deteriorate in the future as a result of factors including market, technological and legal developments. Any material default of payment and any significant impairment or provisions for impairment of our payment processing receivables may adversely affect our cash flow and working capital, financial condition and results of operation.

Our business may be adversely affected by currency risks.

We are subject to risks related to changes in currency rates as a result of our foreign investments and from revenue generated in currencies other than the Hong Kong dollar. We account for our share of profits from our foreign joint ventures under the equity method. Revenue and profit generated and expenses incurred by our foreign joint ventures will increase or decrease compared to prior periods as a result of changes in foreign currency exchange rates. During the [●], we recorded losses attributable to changes in foreign currency exchange rates of nil, HK\$54,667 and HK\$7.9 million for the years ended June 30, 2011, 2012 and 2013, respectively. Furthermore, we may become subject to foreign exchange control regulations that might restrict or prohibit the conversion of our currencies into Japanese yen or repatriation of our capital back to our operating subsidiaries in Japan. The occurrence of any of these factors could have a material adverse impact on our business, financial condition and results of operations.

A significant amount of intangible assets is recorded on our combined statement of financial position. Future impairment of our intangible assets could have a material adverse impact on our financial condition and results of operations.

As of June 30, 2013, our goodwill and other intangible assets amounted to approximately HK\$1,105.7 million representing 37.2% of our total assets as of June 30, 2013 of approximately HK\$2,970.4 million. Our other intangible assets primarily consisted of software, trademarks and customer relationships we purchased and developed, which are carried at cost less accumulated amortization, based on their respective estimated useful lives, and accumulated impairment loss. We determine the estimated useful lives and related amortization charges for our other intangible assets based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, and the practice in the industry. The estimates can significantly change as a result of technical innovations and competitor actions. Future events such as market acceptance of these products, introduction of superior products by our competitors, regulatory actions, safety concerns as to our products, and challenges to and infringement of our intellectual property rights, could have a material impact on estimates. This in turn could result in write-downs of our intangible assets, or a change in the useful lives of our intangible assets. Future write-downs of our other intangible assets, or change in useful lives of our other intangible assets, could have a material adverse impact on our financial condition and results of operations.

Failure to protect our intellectual property rights and confidential proprietary information or to defend ourselves from potential infringement claims may diminish our competitive advantages or restrict us from delivering our services.

Our trademarks, patents and other intellectual property rights are important to our business and future success. The VeriTrans and ECONTEXT trademarks and trade names and the trademarks and

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trade names associated with our products, including trAd, NaviPlus Recommend and CASH POST, are individually material to us. We believe that these trademarks and trade names are widely recognized within the online payment and e-commerce industries and are associated with the quality and reliable services provided by us. Loss of the proprietary use of these trademarks and trade names, especially the trademarks associated with the VeriTrans and ECONTEXT company names, or a diminution in the perceived quality associated with them could harm the growth of our businesses. We also rely on proprietary technology. It is possible that others will independently develop the same or similar technology. Assurance of protecting our trade secrets, know-how or other proprietary information cannot be guaranteed. Our patents could be challenged, invalidated or circumvented by others and may not be of sufficient scope or strength to provide us with any meaningful protection or advantage. If we are unable to maintain the proprietary nature of our technologies, we could lose competitive advantages and be materially adversely affected. The laws of certain foreign countries in which we do business or contemplate doing business in the future do not recognize intellectual property rights or protect them to the same extent as the laws of Japan. The expiration of the protection period of our registered patents or trademarks, infringement by others of our proprietary technology and intellectual property rights, the refusal by relevant regulatory authorities to approve our patent or trademark applications and renewals or any adverse determinations in judicial or administrative proceedings which prevent us from selling our services or allow others to sell competing services, could have a material adverse effect on our business and results of operations. There is no assurance that the measures we have put in place to protect our intellectual property rights will be sufficient.

We have also entered into confidentiality agreements with our management and employees relating to confidential proprietary information. However, the protection of confidential proprietary information may be compromised as a result of the departure of any of our management members or employees who possess confidential proprietary information or the breach by any management member or employee of his or her confidentiality obligations.

Furthermore, there is a risk that we may inadvertently infringe on the intellectual property rights of others. As is the case with many other companies in our industry, we from time to time receive communications from third parties asserting patent rights to our services and enter into discussions with such third parties. During the [●], no claims have been made with regard to our technology allegedly infringing on the intellectual property rights of third parties. However, we cannot assure you that no claims will be made in the future. Irrespective of the validity or the successful assertion of such claims, we could incur costs in either defending or settling any intellectual property disputes. Litigation to enforce or defend our intellectual property rights could result in substantial costs and we may not be successful. Unfavorable resolution of these claims could either result in our being restricted from delivering any related service, result in a settlement that could be materially adverse to us or enable our competitors to use our intellectual property to compete with us. In addition, our customers typically require that we indemnify them against claims of intellectual property infringement. If any claims are brought against our customers for such infringement, whether or not these have merit, we could be required to expend significant resources in defending such claims. In the event we are subject to any infringement claims, we may be required to spend a significant amount of money in developing non-infringing alternatives or obtaining licenses. We may not be successful in developing such alternatives or in obtaining such licenses on reasonable terms or at all, which could disrupt our production processes, damage our reputation and affect our profitability.

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The ability to recruit, retain and develop qualified personnel is critical to our success and growth.

Our business functions at the intersection of rapidly changing technological, social, economic and regulatory developments that require a wide ranging set of expertise and intellectual capital. For us to successfully compete and grow, we must retain, recruit and develop the necessary personnel, such as software engineers, who can provide the needed expertise across the entire spectrum of our intellectual capital needs. In addition, we must develop succession plans to mitigate employee attrition. However, the market for suitably qualified and experienced personnel is competitive and we may not succeed in recruiting additional personnel or may fail to effectively replace personnel who depart with qualified or effective successors. Our effort to retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability. We cannot assure you that key personnel, including executive officers, will continue to be employed or that we will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on our business.

We are subject to the credit risk that our online merchants will be unable to satisfy obligations for which we may also be liable.

We are subject to the credit risk of our online merchants being unable to satisfy obligations for which we also may be liable. For example, under our agreements with credit card merchant acquirers, we may be liable for transactions that are disputed by the cardholder and charged back to the online merchant. If we are unable to collect this amount from the online merchant, due to the merchant's insolvency or other reasons, we will bear the loss for the amount of the refund paid to the cardholder. It is possible that a default on such obligations by one or more of our online merchants could have a material adverse effect on our business, financial condition and results of operations.

We are subject to the credit risk that convenience store chains will be unable to transfer funds that they have received from consumers for which we will be liable to pay to online merchants.

Under the terms of our service contracts with online merchants, we are deemed to have received funds for the purposes of triggering our contractual obligation to transfer funds to an online merchant at the time a consumer pays for its purchase at a convenience store. Where a consumer has paid for the transaction at a convenience store but we do not receive any funds from the relevant convenience store chain, we will still be under a contractual obligation to transfer money to the online merchant. Any failure on the part of convenience store chains to transfer funds they have already received from consumers to us could have a material adverse effect on our business, financial condition and results of operations.

We may require external debt or equity financing to expand our business as planned, which may not be available on satisfactory terms or at all.

In the past, we have funded our business and operational expansion primarily through cash generated from our operations and external bank borrowings. We may require additional funding in the future to further expand our business, which we may raise through external financing. Our ability to obtain debt or equity financing on acceptable terms depends on a variety of factors that are beyond our control, including market conditions, [●] and lenders' perceptions of, and demand for, debt and [●] of online payment companies, credit availability and interest rates. The availability of, and likely terms for, debt financing may be adversely affected by recent developments in the global economy. As a

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result, we cannot assure you that we will be able to obtain sufficient funding from external sources as required on terms satisfactory to us, or at all, to finance future expansion. If we raise additional capital through the sale of equity, or securities convertible into equity this will result in the dilution of the interests of our Shareholders in our Company. If we raise additional capital through the incurrence of debt, our business may be affected by the amount of leverage we incur. For instance, such borrowings could subject us to covenants restricting our business activities, servicing interest would divert funds that would otherwise be available to support our operations or development activities, and holders of debt instruments would have rights and privileges senior to those of our equity [●]. If we are unable to obtain adequate funding on a timely basis, we may not be able to carry out parts of our growth strategy or to maintain our growth and competitiveness, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our insurance coverage may not be adequate to cover all possible operational losses that we could suffer. In addition, our insurance costs may increase and we may not be able to obtain the same level of insurance coverage in the future.

We maintain liability insurance for information technology, personal data leakage and network related claims. We also maintain comprehensive insurance for our computer equipment, insurance against fire damage for our offices and data centers and general liability insurance against third party claims and property damage. We do not carry business interruption insurance. Each such policy has customary exclusions and certain events such as nuclear events, labor strikes, acts of war or terrorism, and epidemic outbreaks are excluded from coverage under these insurance policies. Therefore, certain acts and events could expose us to substantial uninsured losses. We may suffer business disruption as a result of these events or be subject to claims by third parties who have suffered loss or injury. Our current insurance coverage may not be adequate to cover all such losses. If we incur losses or damages for amounts exceeding the limits of our insurance coverage, or for claims outside the scope of our insurance coverage, our business, financial condition and results of operations could be materially and adversely affected.

Moreover, we may be unable to renew or replace our existing insurance policies when they expire on commercially reasonable terms, or at all, which could result in substantially higher insurance costs, a reduction of our policy limits, certain exclusions from our coverage, an increase of our deductibles, and/or a significant increase in our risk of loss or damage due to uninsured events. In addition, any failure to renew or replace an insurance policy that may be required under our various credit and other material agreements may affect our ability to operate and could result in an event of default under these credit or other material agreements. Any substantial increase in insurance costs or default under our credit or other material agreements could have a material adverse effect on our business, financial condition and results of operations.

We are subject to the potential risk of increased income taxes in the different countries in which we operate.

Our tax position is subject to review and possible challenge by tax authorities and to possible changes in law, including certain changes with retrospective effect. Tax authorities in Japan may not agree with the tax filings made or to be made by us or the tax treatment for certain intra-group transactions. We can provide no assurance to [●] that we will not become subject to claims of additional taxation in Japan as a result of any such challenge or disagreement by the tax authorities. Furthermore, as we have integrated operations, if a particular tax authority regards certain income

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generated by members of our Group incorporated outside such jurisdiction to be taxable, we may be subject to claims of additional taxation. In such cases, our business, financial condition and results of operations could be adversely affected.

RISKS RELATING TO OUR INDUSTRY

We operate in a competitive industry.

The online payment services industry is highly competitive. For each of our services, we compete with other online payment service providers or e-commerce services providers, some of which have greater design, manufacturing, financial, marketing or other resources than we do while others may be financial institutions which have direct access to bank card networks for bank card settlement services. Our lack of resources relative to our competitors may result in us being unable to anticipate or respond adequately to technological developments and customer requirements or to experience significant delays in developing or introducing new products and services. Unlike other online payment service providers, financial institutions with direct access to bank card networks may offer online payment services to online merchants at more competitive prices than others. Moreover, we compete in different services areas to various degrees on the basis of price, technical features, sales and technical support. If we fail to compete successfully, there is likely to be a material adverse effect on our business, financial condition and results of operations.

Currently, credit card merchant acquirers do not offer exclusive rights to their systems and do not impose stringent security requirements on online payment service providers connecting to their systems. There are few barriers to entry for new companies wishing to enter the online payment services industry. An increasing number of our competitors in Japan also offer agency payment services similar to those which we provide. Certain of the financial institutions are also our competitors and provide payment processing services to online merchants. We may lose customers to our competitors if we fail to keep our total costs at competitive levels for comparable services. We may also lose customers if we fail to develop the technology and provide the services required by our customers at a rate comparable to our competitors. In recent years, many participants in the industry, including us, have substantially expanded their online payment services capabilities. There can be no assurance that we will be able to competitively develop the technology and services necessary to retain existing business or attract new customers.

The market for the services we provide is uncertain and may not continue to develop or grow rapidly enough for us to maintain and increase our profitability.

The Japanese online retail market is estimated to continue to grow at a CAGR of 8.7% from ¥4,105 billion (approximately HK\$311.3 billion) in 2012 to ¥6,228 billion (approximately HK\$472.3 billion) in 2017 according to the Euromonitor Japan Report. Nonetheless, there is no assurance that the rate of change in consumers using online settlement of purchases will increase as fast as the rate estimated in the Euromonitor Japan Report, or at all. If the number of electronic commerce transactions does not continue to grow or if consumers or businesses do not continue to use our services, it could have a material adverse effect on the profitability of our business, results of operations and financial condition. We believe future growth in the electronic commerce market will be driven by the cost, ease-of-use and quality of products and services offered to consumers and businesses. In order to consistently increase and maintain our profitability, consumers and businesses must continue to adopt our services.

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RISKS RELATING TO BUSINESS OPERATIONS IN JAPAN

Our online payment services business is currently not regulated in Japan and may be subject to regulation in the future.

While our online payment services business is currently not regulated under the laws of Japan, the Japanese Government passed the Funds Settlement Act (Law No. 59 of 2009, as amended), which became effective on April 1, 2010 and regulates certain types of settlement service businesses in Japan. The Funds Settlement Act regulates, among others, providers of funds settlement services that require consumers to deposit funds with the service provider as a prerequisite for using their services for settling online transactions. The main purpose of the Funds Settlement Act is to protect consumers who have deposited funds from the risk of bankruptcy of their service provider. We do not receive any deposit or prepayment from customers in connection with our online payment services business (other than CASH POST) and therefore, the online payment services we offer (other than CASH POST) do not fall within the scope of the type of settlement services governed by the Funds Settlement Act. However, Japan’s Financial Services Agency noted in its January 14, 2009 report concerning the Regulation of Settlement of Funds that the regulation of agency payment service businesses should be considered in the future. While we are not currently aware of any proposed new laws or regulations in this area, there is no assurance that the Japanese Government will not introduce new laws or regulations governing, or impose any requirements on, our online payment services business in the future. We cannot assure you that we will be able to comply, or that it will be commercially feasible for us to comply, with any such laws, regulations or requirements. Any such laws, regulations or requirements may have a material and adverse impact on our business, financial condition and results of operations.

We are subject to Japan’s privacy laws in connection with our information technology system and database.

We are subject to the Personal Information Protection Act, which regulates the collection, use, handling, and transfer of personal information. [●] the section headed “Our Business—Legal and Regulatory Matters” in this document. We maintain and manage databases to collect, store and analyze information in relation to transactions carried out by online merchants and their customers who utilize our online payment and e-commerce solutions. Our databases may contain private information concerning the online merchants and their customers such as a customer’s name, email address, credit card numbers and transaction history. The mishandling of any such personal information as a result of internal leaks, misappropriation by an unauthorized third party or other unauthorized handling by us or a third party, is required to be reported to the person whose information has been mishandled, as well as to the relevant authorities, and could subject us to civil and/or criminal liability, significantly damage our reputation and in turn adversely affect our business operations and financial performance.

Consumption tax is likely to increase in Japan, which may in turn affect consumer spending.

The Japanese government reviews tax policy annually as part of its budgetary process. The government of Japan has announced that it intends to increase consumption tax to 8% beginning from April 2014. In addition, the government of Japan has stated that it will consider increasing consumption tax to 10% beginning from October 2015 depending on future economic conditions surrounding Japan. We cannot predict if and when the consumption tax will further increase in the future or at what rate. If the consumption tax is increased, it is likely that consumer spending will be adversely affected. For example, when the consumption tax in Japan was increased in April 1997 from

RISK FACTORS

3% to 5%, consumer spending was significantly adversely affected. Declines in consumer spending may result in declines in the amount of sales of our online merchant customers, which in turn may result in declines in our revenue, resulting in material adverse effects on our financial condition, results of operations or business.

We may suffer substantial losses in the event of a natural disaster, such as an earthquake, terrorist attack, outbreak of disease or other casualty event in Japan or other markets in which we operate.

A substantial majority of our business operations, including the head offices of our main subsidiaries and data centers, is located in Japan. Japan has historically experienced numerous large earthquakes that have resulted in extensive property damage. For example, on March 11, 2011, an earthquake measuring a magnitude of 9.0 degrees on the Richter scale occurred off the coast of Japan (the "**Great East Japan Earthquake**"). This was reported to be the most powerful known earthquake to have hit Japan. The earthquake triggered strong tsunami waves in the Tohoku region in Japan, causing significant property damage and a high number of casualties. It also led to the malfunctioning and explosions of three nuclear reactors in the Fukushima I Nuclear Power Plant complex. We cannot assure you that future earthquakes or other disasters will not result in significant interruptions to our business and materially and adversely affect our business, financial condition and results of operations.

Our overseas operations are subject to similar or other disaster risks. Additionally, large disasters, outbreaks of disease, terrorist attacks, industrial accidents or other casualty events affecting our or our vendors' systems and networks, either in Japan or overseas, could disrupt our operations even in the absence of direct physical damage to our equipment or properties, which in turn could result in significant interruptions to our businesses.

We do not have insurance against all earthquake damage or business interruption. With or without insurance, damage to any of our offices, data centers or branches due to fire, earthquake, typhoon, flood, terrorism, outbreaks such as the H1N1 pandemic, avian flu or other man-made or natural disasters or casualty events may materially and adversely affect our business, financial condition and results of operations.

Major earthquakes in Japan may also affect the operations of our third-party service providers and their ability to provide the necessary services to our customers or require us to spend additional capital expenditure, each of which could materially and adversely affect our results of operations.

RISKS RELATING TO [●]