The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with the combined financial statements and the related notes included in the section headed "Appendix I—Accountants' Report" in this document. Our combined financial information as of and for the years ended June 30, 2011, 2012 and 2013 has been prepared in accordance with HKFRS. The selected financial information of our subsidiary, ECONTEXT, for the years ended June 30, 2011, 2012 and 2013, which has been prepared in accordance with the basis set forth in Note 2.2 to the Accountants' Report included in the section headed "Appendix I—Accountants' Report" to this document, was prepared in accordance with HKFRS. Certain statements in the following discussion are forward-looking statements. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this document.

OVERVIEW

We are a leading provider of online payment services and e-commerce solutions in Japan. We were one of the leading online payment and e-commerce providers in Japan based on the aggregate revenue from online transactions processed for the 2011 and 2012 fiscal years according to MIC Research Institute, a Japanese market research company. Since 1997, we have designed and marketed system solutions that facilitate online payment transactions and e-commerce solutions for online merchants in Japan.

We act as an intermediary between online merchants and financial institutions or convenience store chains to facilitate processing of transaction data and the transfer of funds to online merchants for settlement of online transactions. Our online payment system network builds on technology linking the internet with the existing financial infrastructure of bank accounts, credit card, debit and ATM networks and convenience store networks in Japan to create an online payment system that serves merchants and financial institutions. Our online payment services comprise settlement data processing services and agency payment services. These services allow online merchants to accept payments via credit card, debit card, ATM or internet banking transfers, eMoney, domestic or international payment intermediaries (such as PayPal or Alipay), payments made at convenience stores throughout Japan and payments made through mobile phone carriers such as au, Softbank and docomo for settling online transactions.

We provide our online payment services through our subsidiaries ECONTEXT and VeriTrans, which had a combined share of 10.9% of the online payment services market in Japan for the 12 months ended June 30, 2013, according to MIC Research Institute. VeriTrans has traditionally been recognized in the industry as an innovative online payment solutions provider and has contributed to the overall development of the online payment service industry in Japan by, among other things, developing online payment systems that allow for transactions to be settled by various payment methods, such as eMoney, and introducing value-added services such as trAd and IVR. VeriTrans also has strong relationships with credit card merchant acquirers and we have recently reinforced these relationships through the entry into of strategic partnership agreements between our Company and the three [●], each of which is a major credit card merchant acquirer in Japan, pursuant to which we have agreed to work together to explore future areas of cooperation. ECONTEXT has been recognized in the industry as one of the first online payment service providers in Japan with the capability of processing payments made at convenience stores throughout Japan and with the capability of acting as a convenience store interface serving four of Japan's top 10 convenience store chains, a service which is currently only provided by a few other online payment service providers. We have been ranked among other technology, media and telecommunications companies in Asia Pacific in the Deloitte Technology Fast 500 in 2005 and 2007, as well as receiving an ASP SaaS/ICT Outsourcing Award in 2010.

We also provide e-commerce solutions such as online security measures and marketing solutions for merchants and financial institutions. Our marketing solutions include services such as trAd, a settlement transaction-linked advertisement platform, and NaviPlus Recommend, a recommendation engine that optimizes a website's contents based on an analysis of data collected from users of a given website.

Basis of Preparation

Pursuant to the Reorganization, as more fully described in the sections headed "History, Reorganization and Corporate Structure" and "Appendix V—Statutory and General Information" in this document, our Company was incorporated on September 10, 2012 and became the holding company of the companies now comprising our Group on December 1, 2012. The companies and businesses now comprising the Group were under the common control of the Controlling Shareholder immediately before and after the Reorganization. The financial information in this document has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the [●], or since the date when the respective subsidiaries and/or businesses were incorporated/established or first came under the common control of the Controlling Shareholder, whichever is later. The Controlling Shareholder acquired the entire issued share capital of VeriTrans on April 26, 2012. The acquisition of VeriTrans and its subsidiaries on April 26, 2012 is reflected in our combined financial statements as a business combination accounted for using the acquisition method. Accordingly, our combined income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the [●] include the results and cash flows of VeriTrans and its subsidiaries since April 26, 2012, the date they first came under the common control of the Controlling Shareholder. The combined statements of financial position of our Group as of June 30, 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments were made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization. [●] the sections headed "History, Reorganization and Corporate Structure" and "Appendix V—Statutory and General Information" in this document for further information. For the results of operations of VeriTrans for the year ended June 30, 2011 and the period from July 1, 2011 to April 25, 2012, [●] Note 30 of the section headed "Appendix I—Accountants' Report" in this document.

Key Factors Affecting Financial Condition and Results of Operations of Our Group

Our Group's financial condition and results of operations as well as the comparability of results of operations between periods have been, and will continue to be, affected by a number of factors, including those set out below.

Acquisition of VeriTrans

The Controlling Shareholder completed the acquisition of the entire issued share capital of VeriTrans on April 26, 2012. [●] the sections headed "History, Reorganization and Corporate

Structure" and "Appendix V—Statutory and General Information" in this document. The acquisition of VeriTrans and its subsidiaries on April 26, 2012 is reflected in our financial information in this document as a business combination accounted for using the acquisition method. Accordingly, our financial results and cash flows for the [●] as set out in this document only include the results and cash flows of VeriTrans and its subsidiaries since April 26, 2012, the date they first came under the common control of the Controlling Shareholder. As a result, our financial results and cash flows during the [●] may not be comparable for the corresponding periods before and after the acquisition of VeriTrans and its subsidiaries.

A substantial portion of our revenues are derived from VeriTrans and ECONTEXT, our principal operating subsidiaries that provide agency payment services and settlement data processing services. VeriTrans has a stronger focus on providing online payment services for transactions settled by credit card, whereas ECONTEXT has a stronger focus on providing agency payment services for transactions settled by payment at convenience stores in Japan. Following the acquisition of VeriTrans in April 2012, we have begun to focus on providing online payment services to new online merchant customers solely through VeriTrans. While ECONTEXT continues to provide online payment services to its existing customers, we have begun to shift the focus of ECONTEXT towards providing agency payment services as an interface to online payment service providers, including VeriTrans, for transactions settled at convenience store chains in Japan.

Given VeriTrans' focus on credit card settled transactions, we expect the cost of sales of VeriTrans to continue to increase as its customer base and the number of transactions settled by credit card increases. Credit card settled transactions typically have a higher cost of sales (and therefore comparatively a lower gross profit margin) than online payment services for convenience store payment settled transactions. While we expect the cost of sales of ECONTEXT to also increase as a result of an increased aggregate number of transactions processed by ECONTEXT, we expect the rate at which the cost of sales of ECONTEXT grows over the next few years to decrease (and therefore gross profit margin to gradually increase) as existing online merchant customers are migrated over to VeriTrans and the number of credit card settled transactions processed by ECONTEXT decreases.

Market Demand for Our Services

Our results of operations are directly affected by revenue, which is a function of customer demand for our online payment and e-commerce solutions. Demand for our services is in turn driven primarily by the demand for products and services of the types offered to consumers by our customers who are online merchants. During the [●], our revenue from the online payment services segment was significantly influenced by large increases in our customer base due to the increased demand for merchants to provide online shopping capabilities and the consolidation of VeriTrans into our Group.

The demand for our online payment and e-commerce solutions is generally dependent upon, among other factors, the penetration of the Internet as a platform for retail and business activities and the success and popularity of the merchants that use our services. Our results are particularly influenced by market demand and conditions generally prevailing in Japan, and to a lesser extent, Indonesia. Economic downturns and declines in consumption in our major markets may affect market demand and, in turn, our revenue. Based on the MIC Report, the Japanese online payment market is estimated to expand at a CAGR of 13.0% from 2012 to 2017, reaching a total market size of ¥120 billion in 2012 and to ¥222 billion by 2017. As a result of these industry trends, we believe that we are well-positioned to capitalize on the increasing market demand for online payment and e-commerce solutions.

Our operating results are also affected by the level of business activity of our online merchant customers, which in turn is affected by the level of economic activity in the industries and markets that they serve. The demand for the products of our end customers is largely related to, among other factors, the global economic situation, which affects the spending power of individuals on consumer goods and services, and the popularity of merchants using our services and the products and services that they sell.

Any fluctuation in the global economy, in particular the economies of Japan and Indonesia with strong demand for the products and services offered by our customers, may result in a decline in the level of business activity of our customers, which in turn could adversely affect our results of operations.

Transaction Volume, Number of Active Merchant Websites and Average Selling Prices

Our revenue is affected by the amount and number of transactions that we process in our online payment services business. Our agency payment services are built upon the technology used for our settlement data processing services, and include services where we act as an agent to transfer funds received from financial institutions or convenience stores to the online merchants. Revenue from our agency payment services include settlement data transaction fees and agency payment fees. Settlement data transaction fees relate to our settlement data processing services and agency payment fees relate to our services where we act as an agent to transfer funds to the online merchant. Settlement data transaction fees and agency payment fees are per transaction fees calculated either as a percentage of the transaction amount or as variable fees depending on the range of the transaction amount. In addition, we receive settlement data transaction fees from our standalone credit card settlement data processing services business. Settlement data transaction fees are affected by the number of transactions that we process, while agency payment fees are affected by the transaction amount.

The following table shows the number of transactions processed, the number of active merchant websites and the average transaction value during the [●].

	Year ended June 30, 2011	Year ended June 30, 2012	Year ended June 30, 2013
Number of data transactions	6,689,870	26,032,799	123,031,259
Active merchant websites	6,704	10,213	12,284
Average fee margin	2.3%	2.3%	2.0%
Average selling price	HK$0.68	HK$0.71	HK$0.54

The following table shows a breakdown of our agency payment fees and settlement data transaction fees, including the agency payment amount, average fee margin, number of data transactions and average selling prices, for our online payment services during the [●]. The following table also includes amounts shown in Japanese yen, representing the relevant amounts prior to conversion into Hong Kong dollars for the purposes of our combined financial statements. [●] the sections headed "—Qualitative and Quantitative Disclosure about Market Risk—Foreign Exchange Rate Risk" and "Risk Factors—Risks Relating to the [●]—Fluctuations in the exchange rates of the Hong Kong dollar may adversely affect your [●]" in this document.

	Year ended June 30, 2011		**Year ended June 30, 2012**		**Year ended June 30, 2013**	
	HK$	**¥ millions**	**HK$**	**¥ millions**	**HK$**	**¥ millions**
Agency payment fees = (a) * (b)	244,645,276	2,618	420,782,019	4,258	948,952,898	10,672
(a) Agency payment amount	10,753,336,285	115,061	18,382,783,214	186,034	48,328,764,976	546,216
(b) Average fee margin [%]	**2.3%**	**2.3%**	**2.3%**	**2.3%**	**2.0%**	**2.0%**
Settlement data transaction fees = (c) * (d)	4,564,117	49	18,462,217	187	66,903,322	745
(c) Number of data transactions	6,689,870	6,689,870	26,032,799	26,032,799	123,031,259	123,031,259
(d) Average selling price	**0.68**	**¥7.32**	**0.71**	**¥7.18**	**0.54**	**¥6.06**
All other revenue	29,446,448	315	53,193,179	538	150,653,199	1,698
Total revenue	**278,655,841**	**2,982**	**492,437,415**	**4,983**	**1,166,509,419**	**13,115**

The increase in the transaction amount and the number of transactions during the [●] was due to the increase in transactions conducted through existing Active Merchant Websites and the increase in number of Active Merchant Websites using our services. The number of Active Merchant Websites affects our revenue. Active Merchant Websites do not include websites that settle transactions through third party online payment service providers which use the convenience store interface services of ECONTEXT. We had 6,704, 10,213, and 12,284 Active Merchant Websites as of June 30, 2011, 2012 and 2013, respectively. With the growth of our customer base and the diversification of our customers, our customer concentration level has decreased over the years. Revenue from our top five customers accounted for 28.0%, 20.5% and 18.3% of our total net revenue in 2011, 2012 and 2013, respectively. We anticipate that our customer base will continue to grow and diversify.

Prices for our services are affected by a variety of factors, including supply and demand conditions and pricing pressures from our competitors. While our average selling price increased from HK$0.68 for the year ended June 30, 2011 to HK$0.71 for the year ended June 30, 2012, the increase resulted primarily from foreign exchange rate differences between Japanese yen, the functional currency of ECONTEXT and VeriTrans, and the Hong Kong dollar, the presentation currency of our combined financial statements, during the relevant periods. After the consolidation of VeriTrans in April 2012, we processed an increased number of data transactions settled by credit card. Due to the competitive nature of the online payment services industry, in particular with respect to agency payment services for transactions settled by credit card, the actual average selling prices for our settlement data transactions have decreased from ¥7.32 for the year ended June 30, 2011 to ¥7.18 for the year ended June 30, 2012 and further decreased to ¥6.06 for the year ended June 30, 2013. We typically grant price discounts to our customers with large contractual commitments. Furthermore, increased competition in the online payment services industry, especially with respect to agency payment services for transactions settled by credit card, has also caused price decreases. We expect that the average fee margins and average selling prices for our online payment services will continue to be under pricing pressure.

In order to offset the declining gross margins of our online payment services business, we intend to offer more value-added services, such as our trAd services.

The following sensitivity analysis illustrates the impact of hypothetical changes in the average selling prices and average fee margins of our online payment services for the year ended June 30, 2013. Based on combined income statements for the year ended June 30, 2013, assuming a decrease in the average fee margin and average selling price of 5%, 10% and 15%, our profit for the year will decrease by approximately 41.8%, 83.6% and 125.4%, respectively.

Combined Income Statements Year ended June 30, 2013 (HK$)	**Original**	**Discount 5%**	**Discount 10%**	**Discount 15%**
Revenue	1,166,509,419	1,115,716,608	1,064,923,797	1,014,130,986
Settlement data transaction fees	66,903,322	63,558,156	60,212,990	56,867,824
Agency payment fees	948,952,898	901,505,253	854,057,608	806,609,963
Others	150,653,199	150,653,199	150,653,199	150,653,199
Cost of Sales	(853,279,507)	(853,279,507)	(853,279,507)	(853,279,507)
Agency payment services	(745,137,715)	(745,137,715)	(745,137,715)	(745,137,715)
Fixed	(108,141,792)	(108,141,792)	(108,141,792)	(108,141,792)
Gross profit	**313,229,912**	**262,437,101**	**211,644,290**	**160,851,479**
Profit/(loss) for the year	**63,389,089**	**36,897,655**	**10,406,221**	**(16,085,213)**

Cost of sales

A significant portion of our cost of sales comprises the amount of fees we pay to financial institutions and convenience store chains. Our ability to achieve and increase profitability depends on our ability to effectively manage our cost of sales. During the [●], our cost of sales as a percentage of our total revenue was 70.3% for the year ended June 30, 2011, 71.7% for the year ended June 30, 2012 and 73.1% for the year ended June 30, 2013. The increase was primarily attributable to the acquisition of VeriTrans in April 2012. During the [●], VeriTrans' online payment services business focused primarily on credit card settled transactions, which generally has a higher cost of sales than online payment services for convenience store payment settled transactions. In contrast, the revenue of ECONTEXT was mainly derived from online payment services for transactions settled by convenience store payment. As a result of the consolidation, we recorded an increase in the amount of fees we paid to credit card merchant acquirers. While the increase in cost of sales resulted in a decrease in gross profit margin during the [●], we believe that our continued expansion and the economies of scale will contribute to our growth and sustainability. If we fail to effectively reduce our cost of sales, our profitability and competitiveness will be adversely affected.

Other components of our cost of sales include wages and salaries, social security costs, amortization of our software and depreciation of our property, plant and equipment. The amortization of our software and depreciation of our property, plant and equipment increased in the year ended June 30, 2012 as a result of our acquisition of VeriTrans in April 2012. As we intend to expand our overseas business by making selective acquisitions, we may in the process acquire intangible assets that may subsequently result in amortization and impairment costs, which may result in an increase in cost of sales. We make our investment decisions based upon an evaluation of a number of factors, such as the amount of bandwidth and storage that our customers may demand, the cost of the physical network and database equipment required to meet such requirements and the forecasted capacity utilization of our servers. If we over-estimate or under-estimate future demand for our services, our results of operations may suffer.

Expansion of our business through selective acquisitions

As part of our overseas expansion strategy, we intend to make selective acquisitions or investments, or enter into licensing arrangements or partnerships. In 2011, we entered into a joint venture with subsidiaries of Midplaza Holdings, an Indonesian real estate and information capital technology company, and Netprice.com, a Japan based e-commerce business incubator listed on TSE Mothers, to establish PT. Midtrans, in which we own a 23% interest. As part of the joint venture, we have provided our online payment business model to PT. Midtrans, which operates as VeriTrans Indonesia. VeriTrans Indonesia's primary business is to provide 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. We do not consolidate the results of VeriTrans Shanghai as we do not have control over its board of directors. 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. In order to manage our growth overseas, we must continue to implement and improve our operating systems. If we are unable to effectively manage our expanding and geographically dispersed operations, our results of operations may suffer.

Market competition

We face intense competition in our business of providing online payment and e-commerce solutions. In order to attract and retain customers, we have invested significant resources in product development to enhance our security technology used in our online payment and e-commerce solutions, to improve our products and services and to enhance user experience for consumers visiting our customer's websites. We expect our product development expenses will continue to increase as we endeavor to develop products and services that provide our customers with secure and efficient online payment and e-commerce solutions. Our results of operations could be affected depending on our ability to maintain or improve the quality of our products and services and our competitiveness.

Fees under the IP License Agreement

Digital Garage has granted us the non-exclusive right to use its trade name and certain trademarks and registered domains, the details of which are set out in the sections headed "Connected Transactions—Non-exempt continuing connected transactions—Continuing connected transactions subject to the reporting, announcement and independent shareholders' approval requirements—Intellectual property license agreements" and "Appendix V—Statutory and General Information—B. Further Information about our Business—Intellectual Property Rights" in this document. Pursuant to the IP License Agreements, the monthly license fee payable to Digital Garage by ECONTEXT and VeriTrans is 2.5% of their respective monthly revenue. However, Digital Garage and VeriTrans have agreed to amend the IP License Agreement to remove the obligation of VeriTrans to pay a monthly license fee conditional upon [●]. There were no historical transaction amounts for the financial years ended June 30, 2011 and 2012 as the IP License Agreements were not entered into by VeriTrans and ECONTEXT until September 28, 2012 and October 1, 2012, respectively. The aggregate amount of the intellectual property license fees paid to Digital Garage for the year ended June 30, 2013 was HK$20,533,112, which is equivalent to approximately 17.0% and 32.4% of the operating profit and profit for the period of the Group of HK$120,937,580 and HK$63,389,089, respectively, for the same period. Going forward, we will be required to continue paying intellectual property license fees to Digital Garage for the use of the relevant intellectual property and such fees could have a material adverse effect on the profitability of our business, results of operations and financial condition.

The following is an unaudited [●] statement of intellectual property license fees under the IP License Agreement for ECONTEXT and is provided only for the purpose of illustrating the effect of such intellectual property license fees on our financial results for the three years ended June 30, 2011, 2012 and 2013 as if the IP License Agreement for ECONTEXT had been in place throughout the [●].

	Year ended June 30, 2011	Year ended June 30, 2012	Year ended June 30, 2013
	HK$	HK$	HK$
Intellectual property license fee	6,966,396	9,047,901	10,331,367
Operating profit	42,233,002	73,980,081	120,937,580
% of operating profit	16.5%	12.2%	8.5%
Net profit	24,455,634	42,503,641	63,389,089
% of net profit	28.5%	21.3%	16.3%

Had the IP License Agreement for ECONTEXT been in place throughout the [●], ECONTEXT would have paid to Digital Garage during the [●] HK$7.0 million, HK$9.0 million and HK$10.3 million, representing 16.5%, 12.2% and 8.5% of our operating profit and 28.5%, 21.3% and 16.3% of our net profit for the years ended June 30, 2011, 2012 and 2013, respectively.

Critical Accounting Policies

Our principal accounting policies are set forth in Note 2.3 of the section headed "Appendix I—Accountants' Report" in this document. HKFRS require that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purposes of giving a true and fair view of our results and financial position. Critical accounting policies are those that require management to exercise judgment and make estimates which yield materially different results if management were to apply different assumptions or make different estimates. We believe the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates. We have identified below the accounting policies that we believe are the most critical to our financial information and that involve the most significant estimates and judgments.

The following paragraphs discuss the critical accounting policies applied in preparing our Group's financial information:

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably. Revenue from the rendering of our online payment services is recognized at the time when services are rendered or on a time proportion basis over the terms of the respective arrangements. Revenue from our online payment services business is recognized as initial setup and monthly fees, which are fixed fees, and settlement transaction fees and agency payment fees, which are per transaction fees calculated as a percentage of the transaction amount processed. In making our judgment in applying this recognition method, we make reference to various factors, which include, among others, contracts signed with certain customers and the actual sales amount of similar historical transactions, as well as confirmations received from our customers.

Income Taxes and Deferred Tax Assets

The income generated from our operations is subject to income taxes based on tax laws and interpretations of Japanese tax authorities. There are many transactions and calculations for which the ultimate tax determination is uncertain. We recorded, based on our best estimates, current taxes and deferred taxes that we will be liable for in the future in our operating results as of the end of the applicable reporting periods. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which the relevant determination is made. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. No deferred tax for unused tax losses was recognized for the years ended June 30, 2011, 2012 and 2013. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

Impairment of goodwill

We determine whether goodwill is impaired on an annual basis based on an estimation of the value in use of cash-generating units to which goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at the end of the respective reporting periods is set out in Note 13 of the section headed "Appendix I—Accountants' Report" in this document.

Impairment of non-financial assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets with indefinite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less the cost to sell such asset or unit and its value in use. The calculation of the fair value less the cost to sell such asset or unit is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, we must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of other intangible assets

The cost of other intangible assets with finite lives are amortised on a straight-line basis over the other intangible assets' estimated economic useful lives. We estimate the useful lives of our other intangible assets with finite lives to be within five to seventeen years. Changes in the expected level of usage could impact the economic useful lives and, therefore, future amortization charges could be revised. The carrying amount of our other intangible assets at the end of the respective reporting periods is set out in Note 13 of the section headed "Appendix I—Accountants' Report" in this document.

Determination of incremental costs and allocation basis for joint transaction costs

In accordance with HKAS 32 "Financial Instruments: Presentation", only incremental costs directly attributable to issuing new equity instruments or acquiring previously outstanding equity instruments are related to an equity transaction. However, we are required to exercise our judgment to determine which costs relate solely to other activities undertaken at the same time as issuing equity, including becoming a public company or acquiring an exchange [●], and which costs relate jointly to both transactions (the "**joint transaction costs**") that must be allocated using a basis of allocation that is rational and consistent with similar transactions in accordance with paragraph 38 of HKAS 32. Accordingly, we are required to exercise judgment in determining an appropriate basis for allocating the joint transaction costs, according to the underlying facts and circumstances, including the nature of those concurrent transactions and related costs, and, in particular, whether there are any special circumstances that might justify other possible bases of allocation.

In respect of the joint transaction costs in connection with the [●] and the [●], our Directors have considered various underlying facts and circumstances to arrive at a basis that is considered rational and consistent with similar transactions by the Directors of the Company, including the primary purpose of the [●] and the [●], the irrevocable non-disposal undertaking of Digital Garage in respect of all its equity interest in the Company for a period of at least three years from the date of [●], the strategic controlling interest of at least 50% in the equity interest in the Company that the Directors of the Company expect Digital Garage would retain in the future, the relative size and other attributes of such strategic interest as compared to other interests, possible rational allocation bases for similar costs and concurrent transactions, and the financial impact of each of such bases. The joint transaction costs would be allocated among shareholding interests in the Company other than the 50% strategic controlling interest to be retained by Digital Garage. Based on current assumptions and estimates, such basis would attribute approximately an aggregate of 50% of the total joint transaction costs to the issue of new Shares of the Company in connection with the [●] and the [●].

Description of Components of Results of Operations

Revenue. Revenue is recognized when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably. Revenue from our agency payment services, which represented a substantial part of our revenue during the [●], is recognized at the time services are rendered. We derive our revenue primarily from the provision of online payment services, which include agency payment services and settlement data processing services, and other e-commerce solutions, including our advertising services under the trAd and NaviPlus Recommend platforms and market research services.

The following table sets forth the breakdown of our revenue by category of service for the years indicated:

	Year ended June 30, 2011	Year ended June 30, 2012	Year ended June 30, 2013
	HK$	HK$	HK$
Initial setup and monthly fees	5,608,505	14,203,298	46,589,452
Settlement data transaction fees	4,564,117	18,462,217	66,903,322
Agency payment fees	244,645,276	420,782,019	948,952,898
Advertising related services	—	12,410,987	58,340,054
Information security services	—	4,747,013	19,619,306
Others	23,837,943	21,831,881	26,104,387
	278,655,841	**492,437,415**	**1,166,509,419**

The following table sets forth our breakdown of revenue by category of services for the years ended June 30, 2011, 2012 and 2013 in Japanese yen, representing the relevant amounts prior to conversion into Hong Kong dollars for the purposes of our combined financial statements. [●] the sections headed "Financial Information—Qualitative and Quantitative Disclosure about Market Risk—Foreign Exchange Rate Risk" and "Risk Factors—Risks Relating to the [●]—Fluctuations in the exchange rates of the Hong Kong dollar may adversely affect your [●]" in this document.

	Year ended June 30, 2011	Year ended June 30, 2012	Year ended June 30, 2013
	¥	¥	¥
Initial setup and monthly fees	60,011,004	143,737,376	523,215,777
Settlement data transaction fees	48,836,052	186,837,636	744,666,294
Agency payment fees	2,617,704,453	4,258,314,032	10,671,888,752
Advertising related services	—	125,599,188	664,746,342
Information security services	—	48,039,772	218,248,462
Others	255,065,992	220,938,637	292,598,549
	2,981,617,501	4,983,466,641	13,115,364,176

The following table sets forth the breakdown of our revenue from settlement data processing and agency payment services by financial institution and convenience store chains for the years indicated.

	Year ended June 30, 2011	Year ended June 30, 2012	Year ended June 30, 2013
	HK$	HK$	HK$
Settlement data transaction fees	4,564,117	18,462,217	66,903,322
Agency payment fees—credit card merchant acquirers	43,401,857	164,041,266	614,158,997
Agency payment fees—convenience store chains	172,344,136	217,506,720	291,756,559
Agency payment fees—others	28,899,283	39,234,033	43,037,342
	244,645,276	420,782,019	948,952,898
	249,209,393	439,244,236	1,015,856,220

The following table sets forth our breakdown of revenue from settlement data processing and agency payment services by financial institution and convenience store chains for the years ended June 30, 2011, 2012 and 2013 in Japanese yen, representing the relevant amounts prior to conversion into Hong Kong dollars for the purposes of our combined financial statements. [●] the sections headed "—Qualitative and Quantitative Disclosure about Market Risk—Foreign Exchange Rate Risk" and "Risk Factors—Risks Relating to the [●]—Fluctuations in the exchange rates of the Hong Kong dollar may adversely affect your [●]" in this document.

	Year ended June 30, 2011	Year ended June 30, 2012	Year ended June 30, 2013
	¥	¥	¥
Settlement data transaction fees	48,836,052	186,837,636	744,666,294
Agency payment fees—credit card merchant acquirer	464,399,875	1,660,097,614	6,897,968,299
Agency payment fees—convenience store chains	1,844,082,255	2,201,168,004	3,286,383,053
Agency payment fees—others	309,222,323	397,048,414	487,537,400
	2,617,704,453	4,258,314,032	10,671,888,752
	2,666,540,505	4,445,151,668	11,416,555,046

Initial setup and monthly fees, settlement data transaction fees and agency payment fees relate to our agency payment and settlement data processing businesses. Settlement data transaction fees include fees received from our standalone credit card settlement data processing services business and the settlement data processing component of our agency payment service. Revenue from advertising related services and information security are generated principally from our NaviPlus and eCURE businesses, respectively, both of which we acquired in April 2012 as part of the acquisition of VeriTrans. Other revenue include our logistics operations and an online software retail website that we operated with an Independent Third Party, which have ceased operations in 2011 and the iResearch Japan and JJ-Street businesses operated by VeriTrans.

Cost of sales. Our cost of sales consists primarily of transaction processing expenses, which include fees charged by credit card merchant acquirers in proportion to transaction volume and amounts, banks and convenience stores for using their networks and systems, and expenses associated with our operations, systems and technical divisions, including wages and salaries, social security costs, pension scheme contributions, depreciation of property, plant and equipment and amortization of intangibles. We typically capitalize our software development costs as a component of intangible assets and recognize the costs as amortization of intangibles.

During the [●], significant components of our cost of sales were wages and salaries, social security costs, amortization of our software and customer relationships and depreciation of our property, plant and equipment. The amortization of our software and customer relationships and depreciation of our property, plant and equipment increased in the year ended June 30, 2012 as a result of our acquisition of VeriTrans in April 2012. For the year ended June 30, 2011, we had capital expenditures of HK$9.4 million, as compared to HK$854.5 million for the year ended June 30, 2012 and HK$89.9 million for the year ended June 30, 2013. Our capital expenditures for the years ended June 30, 2011 and 2012 contributed to increases in depreciation and amortization expenses we had for the years ended June 30, 2012 and 2013. Our further expansion and improvement in our network and operations contributed to our capital expenditures in the year ended June 30, 2013.

Selling, general and administration expenses. Our selling, general and administration expenses consist mainly of expenses associated with our divisions other than operating, systems and technical divisions, including wages and salaries, social security costs, pension scheme contributions, operating lease expenses, intellectual property license fee expense, depreciation of property, plant and equipment and amortization of intangibles and impairment/(impairment losses reversed) of accounts receivable.

Other operating income. Other operating income consists of certain non-recurring items, including a reimbursement from CARDNET for development costs of software for connecting to the VeriTrans system in 2013.

Other operating expenses. Other operating expenses consists of loss on disposals/retirements of property, plant and equipment, loss on disposals/retirements of intangible assets and foreign exchange losses associated with foreign currency held by the Company.

Finance income. Finance income consists of interest on deposits placed with licensed banks and interest income received from the Digital Garage Group.

Finance costs. Finance costs consist of interest expenses in respect of utilized bank facilities and overdrafts.

Share of after-tax loss of an associate. Share of after-tax loss of an associate consists of the share of the results of the Company's associate during the year/period.

Income tax expense. The applicable income tax rate for our subsidiaries in Japan for the fiscal years ended June 30, 2011, 2012 and 2013 was 42.4%, 42.6% and 46.9%, respectively, of estimated assessable profits. The applicable statutory tax rate of the Company in Hong Kong for the years ended June 30, 2011, 2012 and 2013 was 16.5%. The tax rate applicable to corporations incorporated in Japan depends on the type of corporation. The corporate tax rate applicable to ECONTEXT and VeriTrans was 42.05% and 40.69%, respectively, for periods prior to the fiscal year ended March 31, 2012 and 39.43% and 38.01%, respectively, for periods from April 1, 2012 to March 31, 2015. Our Directors confirm that the Group's tax filings have been agreed with the relevant tax authorities and they are not aware of any possible challenges or disputes with the tax authorities with respect to the Group's tax positions during the [●] and up to the Latest Practicable Date.

Discussion of Results of Operations of the Group

Financial results for the year ended June 30, 2013 compared to financial results for the year ended June 30, 2012

Revenue

Total revenue increased by 136.9%, from HK$492.4 million for the year ended June 30, 2012 to HK$1,166.5 million for the year ended June 30, 2013. Our total revenue represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our combined financial statements increased by 163%, from ¥4,983.5 million for the year ended June 30, 2012 to ¥13,115.4 million for the year ended June 30, 2013. Our revenue increased primarily as a result of a growth in the volume and amount of merchant transactions in Japan from our agency payment business as a result of having combined the results of VeriTrans for a full year and as a result of an increase in the amount of transactions settled by credit card under ECONTEXT, which previously focused on transactions settled via convenience store payment. The number of Active Merchant Websites increased from 10,213 at June 30, 2012 to 12,284 at June 30, 2013.

Total revenue of VeriTrans increased by 483.9%, or HK$638.7 million, from HK$132.0 million for the year ended June 30, 2012 to HK$770.7 million for the year ended June 30, 2013. The increase was primarily due to the effect of a full year of results for VeriTrans for the year ended June 30, 2013 as compared to two months of results for the year ended June 30, 2012 following our acquisition of VeriTrans in April 2012 and a growth in the volume and amount of merchant transactions in Japan from VeriTrans' agency payment business. Total revenue of VeriTrans represented 26.8% and 66.1% of the Group's total revenue for the years ended June 30, 2012 and 2013, respectively, prior to eliminations of intra-group transactions.

The components of revenue are as follows:

Initial setup and monthly fees. Revenue from initial setup and monthly fees increased by 228.2%, or HK$32.4 million, from HK$14.2 million for the year ended June 30, 2012 to HK$46.6 million for the year ended June 30, 2013.

Settlement data transaction fees. Revenue from settlement data transaction fees increased by 261.6%, or HK$48.4 million, from HK$18.5 million for the year ended June 30, 2012 to HK$66.9 million for the year ended June 30, 2013.

Agency payment fees. Revenue from agency payment fees increased by 125.5%, or HK$528.2 million, from HK$420.8 million for the year ended June 30, 2012 to HK$949.0 million for the year ended June 30, 2013.

Advertising related services. Revenue from advertising related services increased by 370.2%, or HK$45.9 million, from HK$12.4 million for the year ended June 30, 2012 to HK$58.3 million for the year ended June 30, 2013 due to an increased number of customers subscribing to our NaviPlus services as a result of the consolidation of VeriTrans into our Group.

Information security services. Revenue from information security services increased by 317.0%, or HK$14.9 million, from HK$4.7 million for the year ended June 30, 2012 to HK$19.6 million for the year ended June 30, 2013 due to an increase in the number of SSL Certificate coupon packages sold by our eCURE business as a result of the consolidation of VeriTrans into our Group.

Others. Other revenue increased by 19.7%, or HK$4.3 million, from HK$21.8 million for the year ended June 30, 2012 to HK$26.1 million for the year ended June 30, 2013 as a result of the consolidation of VeriTrans into our Group.

Cost of Sales

Cost of sales increased by 141.8%, or HK$500.4 million, from HK$352.9 million for the year ended June 30, 2012 to HK$853.3 million for the year ended June 30, 2013. Our cost of sales represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our combined financial statements increased by 168.9%, from ¥3,571.6 million for the year ended June 30, 2012 to ¥9,602.3 million for the year ended June 30, 2013. Our cost of sales increased primarily as a result of an increase in the amount of fees paid to credit card merchant acquirers in connection with our agency payment services due to the increased volume and amount of transactions settled by credit card and an increase in the amount paid for wages and salaries to our operations, systems and technical divisions, and an increase in the amounts attributable to depreciation of property, plant and equipment and amortization of intangibles due to the effect of having combined the results of VeriTrans for a full year and as we continued to expand our business.

Gross Profit

Gross profit increased by 124.5%, or HK$173.7 million, from HK$139.5 million for the year ended June 30, 2012 to HK$313.2 million for the year ended June 30, 2013. Our gross profit represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our combined financial statements increased by 148.8%, from ¥1,411.9 million for the year ended June 30, 2012 to ¥3,513.0 million for the year ended June 30, 2013. Gross profit margin and gross profit margin calculated based on our gross profit and revenue represented in Japanese yen decreased from 28.3% for the year ended June 30, 2012 to 26.8% for the year ended June 30, 2013, primarily due to the increase in costs of agency payment services.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 179.6%, or HK$117.1 million, from HK$65.2 million for the year ended June 30, 2012 to HK$182.3 million for the year ended June 30, 2013. Our selling, general and administrative expenses represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our combined financial statements increased by 213.0%, from ¥660.0 million for the year ended June 30, 2012 to ¥2,065.5 million for the year ended June 30, 2013. Our selling, general and administrative expenses increased primarily as a result of the license fee charged by Digital Garage under the IP License Agreement and an increase in the amount paid for wages and salaries to our employees other than those in the operations, systems and technical divisions, social security costs, operating lease expenses and amortization of intangibles as we continued to expand our business. Pursuant to the IP License Agreements, the monthly license fee payable to Digital Garage by ECONTEXT and VeriTrans is 2.5% of their respective monthly revenue. However, Digital Garage and VeriTrans have agreed to amend the IP License Agreement to remove the obligation of VeriTrans to pay a monthly license fee conditional upon [●]. There were no historical transaction amounts for the financial years ended June 30, 2011 and 2012 as the IP License Agreements were not entered into by VeriTrans and ECONTEXT until September 28, 2012 and October 1, 2012, respectively. The aggregate amount of the intellectual property license fees paid to Digital Garage for the year ended June 30, 2013 was HK$20.5 million, which is equivalent to approximately 17.0% and 32.4% of the operating profit and profit for the year of the Group of HK$120.9 million and HK$63.4 million, respectively, for the same period. [●] the sections headed "Connected Transactions—Non-exempt continuing connected transactions—Continuing connected transactions subject to the reporting, announcement and independent shareholders' approval requirements—Intellectual property license agreements" and "Appendix V—Statutory and General Information—B. Further Information about our Business—Intellectual Property Rights" in this document.

Other Operating Income

Other operating income increased from HK$7,346 for the year ended June 30, 2012 to HK$1,544,696 for the year ended June 30, 2013, primarily as a result of a reimbursement from CARDNET for the development costs of software for connecting to the VeriTrans system.

Other Operating Expenses

Other operating expenses increased from HK$326,101 for the year ended June 30, 2012 to HK$11.6 million for the year ended June 30, 2013 primarily as a result of foreign exchange losses due to the depreciation of Japanese yen against Hong Kong dollars as the Company holds cash and cash equivalent denominated in Japanese yen, and a one-time donation made to the SBI Children's Hope Foundation.

Operating Profit

Operating profit increased by 63.4%, or HK$46.9 million, from HK$74.0 million for the year ended June 30, 2012 to HK$120.9 million for the year ended June 30, 2013.

Finance Income

Finance income increased by 181.4%, from HK$167,398 for the year ended June 30, 2012 to HK$471,041 for the year ended June 30, 2013 primarily as a result of an increase in bank interest receivable and an increase in interest income from commercial bonds.

Finance Costs

Finance costs increased by 850.6%, from HK$102,323 for the year ended June 30, 2012 to HK$972,699 for the year ended June 30, 2013, primarily as a result of the entering into an increased in the number of short-term loans for working capital purposes.

Share of After-Tax Loss of an Associate

Share of after-tax loss of an associate accounted for using equity method increased from HK$16,312 for the year ended June 30, 2012 to HK$1.0 million for the year ended June 30, 2013, primarily attributable to our proportional share of losses from PT. Midtrans.

Income Tax Expense

Income tax expense increased by 77.8%, from HK$31.5 million for the year ended June 30, 2012 to HK$56.0 million for the year ended June 30, 2013. This increase was primarily due to the increase in profit before tax.

Profit for the Year

As a result of the foregoing, profit for the year increased by 49.2%, from HK$42.5 million for the year ended June 30, 2012 to HK$63.4 million for the year ended June 30, 2013. Our profit for the year represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our combined financial statements increased by 59.0%, from ¥430.1 million for the year ended June 30, 2012 to ¥683.9 million for the year ended June 30, 2013. Our profit margin decreased from 8.6% for the year ended June 30, 2012 to 5.4% for the year ended June 30, 2013 and profit margin calculated based on our profit for the year and revenue represented in Japanese yen decreased from 8.6% for the year ended June 30, 2012 to 5.2% for the year ended June 30, 2013.

Profit for the year of VeriTrans, before eliminations of intra-group transactions, increased by 414.5%, or HK$51.4 million, from HK$12.4 million for the year ended June 30, 2012 to HK$63.8 million for the year ended June 30, 2013. The increase was primarily due to the effect of a full year of results for VeriTrans for the year ended June 30, 2013 as compared to two months of results for the year ended June 30, 2012 following our acquisition of VeriTrans in April 2012 and a growth in the volume and amount of merchant transactions in Japan from VeriTrans' agency payment business.

Profit for the year of VeriTrans, before elimination of intra-group transactions, represented 29.2% and 100.6% of the Group's profit for the year ended June 30, 2012 and 2013, respectively. The Group's profit for the year included general, administrative and other operating expenses of the Company.

Financial results for the year ended June 30, 2012 compared to financial results for the year ended June 30, 2011

Revenue

Total revenue increased by 76.7%, or HK$213.7 million, from HK$278.7 million for the year ended June 30, 2011 to HK$492.4 million for the year ended June 30, 2012. Our total revenue represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our combined financial statements increased by 67%, from ¥2,981.6 million for the year ended June 30, 2011 to ¥4,983.5 million for the year ended June 30, 2012. This increase was primarily due to our acquisition of VeriTrans on April 26, 2012 as part of the Reorganization. As a result of the consolidation of VeriTrans, we realized revenue of HK$132.0 million contributed from VeriTrans for the period of April 26, 2012 to June 30, 2012. Our revenue also increased as a result of a growth in the volume and amount of merchant transactions in Japan from our agency payment business, from 6.7 million transactions and HK$10,753.3 million for the year ended June 30, 2011 to 26.0 million transactions and HK$18,382.8 million for the year ended June 30, 2012. The number of Active Merchant Websites increased from 6,704 at June 30, 2011 to 10,213 at June 30, 2012.

The components of revenue are as follows:

Initial setup and monthly fees. Revenue from initial setup and monthly fees increased by HK$8.6 million, from HK$5.6 million for the year ended June 30, 2011 to HK$14.2 million for the year ended June 30, 2012. Of this increase, HK$1.3 million was attributable to an increase in revenue of ECONTEXT and HK$7.3 million was primarily attributable to the consolidation of revenue from VeriTrans for the period of April 26, 2012 to June 30, 2012. The increase was primarily due to the increase in number of Active Merchant Websites described in "—Revenue" above.

Settlement data transaction fees. Revenue from settlement data transaction fees are derived from credit card settled transactions. Revenue from settlement data transaction fees increased by HK$13.9 million, from HK$4.6 million for the year ended June 30, 2011 to HK$18.5 million for the year ended June 30, 2012. Of this increase, HK$1.5 million was attributable to an increase in revenue of ECONTEXT and HK$12.4 million was attributable to the consolidation of revenue from VeriTrans for the period of April 26, 2012 to June 30, 2012. During the [●], VeriTrans' online payment services business focused primarily on credit card settled transactions. The increase was primarily due to the increases in numbers of transactions and Active Merchant Websites described in "—Revenue" above.

Agency payment fees. Revenue from agency payment fees increased by 72.0%, or HK$176.2 million, from HK$244.6 million for the year ended June 30, 2011 to HK$420.8 million for the year ended June 30, 2012. Of this increase, HK$82.6 million was attributable to an increase in revenue of ECONTEXT and HK$93.4 million was primarily attributable to the consolidation of revenue from VeriTrans for the period of April 26, 2012 to June 30, 2012.

Advertising related services. We recorded HK$12.4 million of revenue from advertising related services for the year ended June 30, 2012 primarily attributable to the consolidation of revenue from the NaviPlus business operated by VeriTrans for the period of April 26, 2012 to June 30, 2012.

Information security services. We recorded HK$4.7 million revenue from information security services for the year ended June 30, 2012 primarily attributable to the consolidation of revenue from the eCURE business operated by VeriTrans for the period of April 26, 2012 to June 30, 2012.

Others. Other revenue decreased by 8.4%, or HK$2.0 million, from HK$23.8 million for the year ended June 30, 2011 to HK$21.8 million for the year ended June 30, 2012. This decrease was primarily attributable to a decrease of HK$3.7 million in other revenue of ECONTEXT due to the cessation of our logistics operations, offset by HK$1.7 million of revenue primarily attributable to the consolidation of revenue from VeriTrans for the period of April 26, 2012 to June 30, 2012, which was attributable to the iResearch Japan and JJ-Street businesses operated by VeriTrans.

Cost of Sales

Cost of sales increased by 80.2%, or HK$157.0 million, from HK$195.9 million for the year ended June 30, 2011 to HK$352.9 million for the year ended June 30, 2012. Our cost of sales represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our combined financial statements increased by 70.4%, from ¥2,095.8 million for the year ended June 30, 2011 to ¥3,571.6 million for the year ended June 30, 2012. Of this increase, HK$98.4 million was attributable to the consolidation of cost of sales from VeriTrans for the period of April 26, 2012 to June 30, 2012. Our cost of sales increased primarily as a result of an increase in the amount of fees paid to financial institutions and convenience stores in connection with our agency payment services due to the increased volume and amount of transactions. The fees primarily consisted of fees paid to credit card merchant acquirers due to a significant portion of the transactions that we processed were settled by credit card. The increase in cost of sales was also due to an increase in the amount paid for wages and salaries to our operations, systems and technical divisions, an increase in social security costs and an increase in the amounts attributable to depreciation of property, plant and equipment and amortization of intangibles (including software and customer relationships of VeriTrans) as a result of the consolidation of VeriTrans.

Gross Profit

Gross profit increased by 68.5%, or HK$56.7 million, from HK$82.8 million for the year ended June 30, 2011 to HK$139.5 million for the year ended June 30, 2012. Our gross profit represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our combined financial statements increased by 59%, from ¥885.8 million for the year ended June 30, 2012 to ¥1,411.9 million for the year ended June 30, 2013. Gross profit margin and gross profit margin calculated based on our gross profit and revenue represented in Japanese yen both decreased from 29.7% for the year ended June 30, 2011 to 28.3% for the year ended June 30, 2012, primarily due to the consolidation of VeriTrans. VeriTrans' online payment services business focused primarily on credit card settled transactions, which generally has a higher cost of sales than online payment services for convenience store payment settled transactions. As a result of the consolidation, we recorded an increase in the amount of fees we paid to credit card merchant acquirers. In contrast, the revenue of ECONTEXT was mainly derived from online payment services for transactions settled by convenience store payment.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 60.0%, or HK$24.4 million, from HK$40.8 million for the year ended June 30, 2011 to HK$65.2 million for the year ended June 30,

2012. Our selling, general and administrative expenses represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our combined financial statements increased by 51.3%, from ¥436.2 million for the year ended June 30, 2011 to ¥660.0 million for the year ended June 30, 2012. Of this increase, HK$12.9 million was attributable to the consolidation of selling, general and administrative expenses from VeriTrans for the period of April 26, 2012 to June 30, 2012. Our selling, general and administrative expenses increased primarily as a result of an increase in the amount paid for wages and salaries to our employees other than those in the operations, systems and technical divisions, social security costs, operating lease expenses and amortization of intangibles (including software and customer relationships of VeriTrans) as a result of the consolidation of VeriTrans.

Other Operating Income

Other operating income decreased by 98.8%, from HK$601,813 for the year ended June 30, 2011 to HK$7,346 for the year ended June 30, 2012 primarily as a result of a reversal of costs during the year ended June 30, 2011.

Other Operating Expenses

Other operating expenses decreased by 16.8% from HK$392,173 for the year ended June 30, 2011 to HK$326,101 for the year ended June 30, 2012. The decrease was primarily due to a loss on disposals/retirements of property, plant and equipment recorded for the year ended June 30, 2011 and there being no such loss for the year ended June 30, 2012. However, this was partially offset by a loss on the disposals/retirements of intangible assets recorded for the year ended June 30, 2012.

Operating Profit

Operating profit increased by 75.2%, or HK$31.8 million, from HK$42.2 million for the year ended June 30, 2011 to HK$74.0 million for the year ended June 30, 2012.

Finance Income

Finance income decreased by 48.3%, from HK$323,923 for the year ended June 30, 2011 to HK$167,398 for the year ended June 30, 2012 primarily as a result of a decrease in interest income from the Digital Garage Group.

Finance Costs

Finance costs decreased by 5.3%, from HK$108,014 for the year ended June 30, 2011 to HK$102,323 for the year ended June 30, 2012 primarily as a result of a decrease in bank overdrafts outstanding during the year.

Share of After-Tax Loss of an Associate

We recorded no Share of after-tax loss of an associate accounted for using equity method for the year ended June 30, 2011, and HK$16,312 from VeriTrans Indonesia, an associate accounted for by the equity method, for the year ended June 30, 2012. The loss was primarily attributable to initial ramp up costs associated with establishing VeriTrans Indonesia during the relevant period.

Income Tax Expense

Income tax expense increased by 75.0%, or HK$13.5 million, from HK$18.0 million for the year ended June 30, 2011 to HK$31.5 million for the year ended June 30, 2012. This increase was primarily attributable to the growth in profit before tax as a result of the consolidation of VeriTrans.

Profit for the Year

As a result of the foregoing, profit for the year increased by 73.5%, or HK$18.0 million, from HK$24.5 million for the year ended June 30, 2011 to HK$42.5 million for the year ended June 30, 2012. Our profit for the year represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our combined financial statements increased by 64.3%, from ¥261.7 million for the year ended June 30, 2011 to ¥430.1 million for the year ended June 30, 2012. Our profit margin and profit margin calculated based on our profit for the year and revenue represented in Japanese yen both decreased from 8.8% for the year ended June 30, 2011 to 8.6% for the year ended June 30, 2012.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION FOR ECONTEXT

The following is a summary of selected income statements of ECONTEXT for the years ended June 30, 2011, 2012 and 2013, which has been prepared in accordance with the basis set forth in Note 2.2 to the Accountants' Report. The selected income statements of ECONTEXT have not eliminated the intra-group transactions with VeriTrans, which are eliminated in full on consolidation of the Group and such eliminations are reflected in the combined financial information of the Group. Accordingly, such financial information may not be comparable with the amounts reflected in the Group's combined income statements.

	Year ended June 30, 2011	**Year ended June 30, 2012**	**Year ended June 30, 2013**
	¥ (Unaudited)	**¥ (Unaudited)**	**¥ (Unaudited)**
Revenue	2,981,617,501	3,662,590,297	4,587,491,894
Cost of sales	(2,095,785,246)	(2,585,325,828)	(3,334,973,630)
Gross profit	**885,832,255**	**1,077,264,469**	**1,252,518,264**
Selling, general and administrative expenses	(436,182,287)	(498,412,897)	(616,986,080)
Other operating income	6,439,397	4,579	12,232,591
Other operating expenses	(4,196,247)	(3,198,191)	(20,044,245)
Operating profit	**451,893,118**	**575,657,960**	**627,720,530**
Finance income	3,465,974	1,672,684	1,100,310
Finance costs	(1,155,748)	(283,862)	(3,689,379)
Profit before tax	**454,203,344**	**577,046,782**	**625,131,461**
Income tax expense	(192,528,057)	(249,867,008)	(254,357,729)
Profit for the year	**261,675,287**	**327,179,774**	**370,773,732**

Discussion of Results of Operations of ECONTEXT

Financial results for the year ended June 30, 2013 compared to financial results for the year ended June 30, 2012

Revenue

Total revenue of ECONTEXT increased by 25%, or ¥925 million, from ¥3,662.6 million for the year ended June 30, 2012 to ¥4,587.5 million for the year ended June 30, 2013. The increase resulted from a growth in the volume and amount of merchant transactions in Japan from ECONTEXT's agency payment business. Total revenue of ECONTEXT represented 73.5% and 35.0% of the Group's total revenue of ¥4,983.5 million and ¥13,115.4 million for the years ended June 30, 2012 and 2013, respectively.

Cost of Sales

Cost of sales of ECONTEXT increased by 29%, or ¥750 million, from ¥2,585.3 million for the year ended June 30, 2012 to ¥3,335 million for the year ended June 30, 2013 primarily as a result of an increase in the amount of fees paid to convenience store chains in connection with ECONTEXT's agency payment services due to the increased volume and amount of transactions settled by payment at convenience stores.

Gross Profit

Gross profit of ECONTEXT increased by 16%, or ¥175 million, from ¥1,077.3 million for the year ended June 30, 2012 to ¥1,252.5 million for the year ended June 30, 2013. Gross profit margin of ECONTEXT decreased from 29.4% for the year ended June 30, 2012 to 27.3% for the year ended June 30, 2013, primarily due to the increase in costs of agency payment services.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of ECONTEXT increased by 24%, or ¥119 million, from ¥498.4 million for the year ended June 30, 2012 to ¥617 million for the year ended June 30, 2013 primarily as a result of the license fee charged by Digital Garage under the IP License Agreement.

Other Operating Income

Other operating income of ECONTEXT increased from ¥4,579 for the year ended June 30, 2012 to ¥12,232,591 for the year ended June 30, 2013, primarily as a result of foreign exchange gains.

Other Operating Expenses

Other operating expenses of ECONTEXT increased by 525% from ¥3.2 million for the year ended June 30, 2012 to ¥20 million for the year ended June 30, 2013 primarily as a result of a loss on disposals/retirements of intangible assets and leasehold improvements.

Operating Profit

Operating profit of ECONTEXT increased by 9%, or ¥52 million, from ¥575.7 million for the year ended June 30, 2012 to ¥627.7 million for the year ended June 30, 2013. Operating profit of ECONTEXT did not increase in proportion to its revenue due to an increase in selling, general and administrative expenses of ECONTEXT, primarily as a result of the license fee charged by Digital Garage under the IP License Agreement.

Finance Income

Finance income of ECONTEXT decreased by 35.3%, from ¥1.7 million for the year ended June 30, 2012 to ¥1.1 million for the year ended June 30, 2013 primarily as a result of amounts due from our Controlling Shareholder being fully paid.

Finance Costs

Finance costs of ECONTEXT increased from ¥283,362 for the year ended June 30, 2012 to ¥3,689,329 for the year ended June 30, 2013, primarily as a result of entering into an increased number of short-term loans for working capital purposes.

Income Tax Expense

Income tax expenses of ECONTEXT increased by 1.8%, from ¥249.9 million for the year ended June 30, 2012 to ¥254.4 million for the year ended June 30, 2013.

Profit for the year

As a result of the foregoing, profit for the year of ECONTEXT increased by 13%, or ¥44 million, from ¥327.2 million for the year ended June 30, 2012 to ¥370.8 million for the year ended June 30, 2013.

Financial results for the year ended June 30, 2012 compared to financial results for the year ended June 30, 2011

Revenue

Total revenue of ECONTEXT increased by 22.8% or ¥681.0 million, from ¥2,981.6 million for the year ended June 30, 2011 to ¥3,662.6 million for the year ended June 30, 2012 primarily as a result of a growth in the volume and amount of merchant transactions in Japan from ECONTEXT's agency payment business.

Cost of Sales

Cost of sales of ECONTEXT increased by 23.4%, or ¥489.5 million, from ¥2,095.8 million for the year ended June 30, 2011 to ¥2,585.3 million for the year ended June 30, 2012 primarily as a result of an increase in the amount of fees paid to financial institutions and convenience stores in connection with ECONTEXT's agency payment services due to the increased volume and amount of transactions. The fees primarily consisted of fees paid to convenience store chains as a significant portion of the transactions that ECONTEXT processed were settled by payment at convenience stores.

Gross Profit

Gross profit of ECONTEXT increased by 21.6%, or ¥191.5 million, from ¥885.8 million for the year ended June 30, 2011 to ¥1,077.3 million for the year ended June 30, 2012. Gross profit margin of ECONTEXT remained relatively stable at 29.4% for the year ended June 30, 2012, as compared to 29.7% for the year ended June 30, 2011.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of ECONTEXT increased by 14.3%, or ¥62.2 million, from ¥436.2 million for the year ended June 30, 2011 to ¥498.4 million for the year ended June 30, 2012 primarily as a result of an increase in the amount paid for wages and salaries to our administration department, social security costs and operating lease expenses.

Other Operating Income

Other operating income of ECONTEXT decreased by 99.9%, from ¥6.4 million for the year ended June 30, 2011 to ¥4,579 for the year ended June 30, 2012 primarily as a result of a reversal of costs associated with PayPal accrued during the year ended June 30, 2011.

Other Operating Expenses

Other operating expenses of ECONTEXT decreased by 23.8% from ¥4.2 million for the year ended June 30, 2011 to ¥3.2 million for the year ended June 30, 2012. The decrease was primarily due to a loss on retirement of property and equipment recorded for the year ended June 30, 2011 and there being no such loss for the year ended June 30, 2012. However, this was partially offset by a loss on the retirement of intangible assets recorded for the year ended June 30, 2012.

Operating Profit

Operating profit of ECONTEXT increased by 27.4%, or ¥123.8 million, from ¥451.9 million for the year ended June 30, 2011 to ¥575.7 million for the year ended June 30, 2012.

Finance Income

Finance income of ECONTEXT decreased by 51.4%, from ¥3.5 million for the year ended June 30, 2011 to ¥1.7 million for the year ended June 30, 2012 primarily as a result of a decrease in interest income from the Digital Garage Group.

Finance Costs

Finance costs of ECONTEXT decreased by 75.4%, from ¥1.2 million for the year ended June 30, 2011 to ¥283,362 for the year ended June 30, 2012 primarily as a result of a decrease in bank overdrafts outstanding during the year.

Income Tax Expense

Income tax expenses of ECONTEXT increased by 29.8%, or ¥57.4 million, from ¥192.5 million for the year ended June 30, 2011 to ¥249.9 million for the year ended June 30, 2012.

Profit for the year

As a result of the foregoing, profit for the year of ECONTEXT increased by 25.0%, or ¥65.5 million, from ¥261.7 million for the year ended June 30, 2011 to ¥327.2 million for the year ended June 30, 2012.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of liquidity are investing in product development, servicing our indebtedness and funding working capital and normal recurring expenses. Prior to June 30, 2013, we financed our cash requirements through a combination of internal resources and bank borrowings. Going forward, we expect to fund our working capital needs with a combination of cash generated from operating activities, the estimated [●] from the [●] and other debt and equity financing.

Summary of Combined Statements of Cash Flows

	Year ended June 30, 2011	Year ended June 30, 2012	Year ended June 30, 2013
	HK$	HK$	HK$
Cash and cash equivalents at the beginning of the period	405,175,559	441,566,909	1,087,056,179
Net cashflow from operating activities	16,458,326	202,546,753	315,656,927
Net cashflow from/(used in) investing activities	(37,836,574)	461,936,368	15,462,385
Net cash flow from/(used in) financing activities	18,691,589	(39,343,088)	(102,833,485)
Net increase/(decrease) in cash and cash equivalents	(2,686,659)	625,140,033	228,285,827
Effect of foreign exchange rate changes, net	39,078,009	20,349,237	(225,105,271)
Cash and cash equivalents at the end of the period	441,566,909	1,087,056,179	1,090,236,735

Net Cashflow from Operating Activities

Our cashflow from operating activities is generated primarily from revenue from our online payment services. The following table shows a breakdown of our net cashflow from operating activities during the [●]:

	Year ended June 30, 2011	Year ended June 30, 2012	Year ended June 30, 2013
	HK$	HK$	HK$
Profit for the period before tax	**42,448,911**	**74,028,844**	**119,398,447**
Cash generated from operations			
Depreciation of property, plant and equipment	1,853,960	2,942,363	8,218,099
Amortisation of intangible assets	7,663,489	14,971,458	46,542,409
Increase in payment processing receivables	(71,259,634)	(180,352,358)	(141,336,203)
Increase in payment processing payables	13,604,846	322,273,582	319,444,496
Decrease/(increase) in accounts receivables	1,206,173	883,870	(604,565)
Increase/(decrease) in accounts payable, other payables and accruals	12,795,029	(6,567,318)	12,973,722
Others	7,952,556	9,305,532	(10,243,258)
	16,265,330	237,485,973	354,393,147
Net interest and tax cash flows	192,996	(34,939,220)	(38,736,220)
Net cash flows from operating activities	**16,458,326**	**202,546,753**	**315,656,927**

For the year ended June 30, 2013, our net cashflow from operating activities was HK$315.7 million. Our net cashflow from operating activities was principally derived from an increase in payment processing payables HK$319.4 million resulting from an increase in amounts received from financial institutions and convenience stores on behalf of online merchants in connection with our agency payment services, amortization of intangible assets of HK$46.5 million and an increase in accounts payable, other payables and accruals of HK$13.0 million partially offset by an increase in payment processing receivables of HK$141.3 million. This increase was attributable to the increased amount of cash in transit from convenience store chains as we continued to expand our ECONTEXT business in providing convenience store settled online payment services.

For the year ended June 30, 2012, our net cashflow from operating activities was HK$202.5 million. Our net cashflow from operating activities was principally derived from pretax profit for the period of HK$74.0 million, an increase in payment processing payables of HK$322.3 million resulting from an increase in amounts received from financial institutions and convenience stores on behalf of online merchants in connection with our agency payment services, amortization of intangible assets of HK$15.0 million, partially offset by an increase in payment processing receivables of HK$180.4 million, which consisted primarily of cash in transit from convenience stores in connection with our agency payment services and pre-payments made to online merchants, and income tax of HK$35.0 million.

For the year ended June 30, 2011, our net cashflow from operating activities was HK$16.5 million. Our net cashflow from operating activities was principally derived from pretax profit for the period of HK$42.4 million, an increase in payment processing payables of HK$13.6 million resulting from an increase in amounts received from financial institutions and convenience stores on behalf of online merchants in connection with our agency payment services, amortization of intangibles of HK$7.7 million and an increase in accounts and other payable and accruals of

HK$12.8 million, partially offset by an increase in payment processing receivables of HK$71.3 million.

Net Cashflow used in Investing Activities

Our cashflow used in investing activities reflects cash outflows for acquiring property, plant and equipment, acquiring our subsidiary, Kotohako Inc., and loans made to related parties. Our cashflow from investing activities reflects the cash acquired upon the acquisition of VeriTrans and repayment of loans from related parties.

For the year ended June 30, 2013, our net cashflow from investing activities was HK$15.5 million. Our net cashflow from investing activities was principally derived from a repayment of loans to the Digital Garage Group of HK$162.7 million, partially offset by the purchase of intangible assets of HK$61.3 million, purchase of property, plant and equipment of HK$34.5 million, loans to Digital Garage of HK$19.4 million and the acquisition of a subsidiary of HK$13.0 million and purchase of financial investments of HK$19.0 million in connection with our purchase of Kotohako in December 2012.

For the year ended June 30, 2012, our net cashflow from investing activities was HK$461.9 million. Our net cashflow from investing activities was principally derived from cash and cash equivalents of VeriTrans following the completion of the acquisition of HK$605.6 million, partially offset by loans to our Controlling Shareholder of HK$118.6 million, the purchase of intangible assets of HK$15.6 million, the purchase of available-for-sale investments of HK$5.9 million and the purchase of property, plant and equipment of HK$3.6 million primarily related to the acquisition of VeriTrans.

For the year ended June 30, 2011, our net cashflow used in investing activities was HK$37.8 million. Our net cashflow used in investing activities was principally a result of loans to our Controlling Shareholder of HK$28.0 million, the purchase of software for internal use of HK$6.7 million and the purchase of property, plant and equipment of HK$2.6 million.

Net Cashflow used in Financing Activities

Our cashflow from financing activities is primarily generated from proceeds from the issuance of shares. Our cashflow used in financing activities reflects repayment of bank borrowings and dividends and distributions paid to our equity holders and non-controlling interests.

For the year ended June 30, 2013, our net cashflow used in financing activities was HK$102.8 million. Our net cashflow used in financing activities was primarily due to a dividend paid to Digital Garage in the amount of HK$102.0 million, a distribution of HK$99.5 million to Digital Garage and the repayment of interest-bearing bank borrowings of HK$1.0 million, partially offset by HK$100.0 million representing the share capital obtained upon incorporation.

For the year ended June 30, 2012, our net cashflow used in financing activities was HK$39.3 million, which was principally a result of dividends paid to our Controlling Shareholder and the net changes in bank overdrafts not repayable on demand.

For the year ended June 30, 2011, there was net cashflow from financing activities of HK$18.7 million which was from the net changes in bank overdrafts not repayable on demand.

WORKING CAPITAL

Taking into account the financial resources available to us, including our available banking facilities, revenue generated from our operations and the estimated net [●] from the [●], and in the absence of unforeseen circumstances, our Directors are of the opinion that we have sufficient working capital to meet our working capital requirements for at least 12 months from the date of this document.

ANALYSIS OF VARIOUS ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

Intangible Assets

Our intangible assets primarily consist of (i) goodwill, (ii) software, (iii) software development in progress, (iv) trademarks and (v) customer relationships. The following table sets forth our intangible assets as of the dates indicated:

	June 30, 2011	June 30, 2012	June 30, 2013
	HK$	HK$	HK$
Goodwill	—	495,334,123	410,440,730
Software	19,479,911	84,683,446	74,400,761
Software development in progress	—	6,375,720	12,912,186
Trademarks	—	471,722,114	379,307,632
Customer relationships	—	301,806,338	228,263,217
Others	319,933	547,997	420,753
Total	**19,799,844**	**1,360,469,738**	**1,105,745,279**

As of June 30, 2011, 2012 and 2013, we had intangible assets of HK$19.8 million, HK$1,360.5 million and HK$1,105.7 million, respectively.

Our intangible assets decreased from HK$1,360.5 million as of June 30, 2012 to HK$1,105.7 as of June 30, 2013 primarily due to amortization of software and customer relationship and decrease in each balance of intangible assets as a result of the depreciation of Japanese yen against Hong Kong dollars, partially offset by the addition in software under development of HK$49.0 million during the period. The addition in software was primarily attributable to the software development to launch new services.

Our intangible assets increased from HK$19.8 million as of June 30, 2011 to HK$1,360.5 million as of June 30, 2012 primarily due to the acquisition of VeriTrans in April 2012. [●] the section headed "Risk Factors—Risks Relating to Our Business—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" in this document.

The following table sets forth our accumulated amortization of intangible assets:

	June 30, 2011	June 30, 2012	June 30, 2013
	HK$	HK$	HK$
Goodwill	—	—	—
Software	36,015,416	46,143,057	60,168,382
Software development in progress	—	—	—
Trademarks	—	—	—
Customer relationships	—	2,988,182	16,819,395
Others	496,463	545,615	15,062
Total	**36,511,879**	**49,676,854**	**77,002,839**

Goodwill

Goodwill arises primarily in respect of our acquisition of VeriTrans and Kotohako. Impairment testing is performed by comparing the carrying value of goodwill with the present value of expected future cash flows. The life of goodwill is indefinite.

Software

Software is amortized over its expected useful life of 5 years. Software under development is not amortized, but is reviewed for impairment where appropriate.

Software development in progress

Software development in progress represents the costs primarily associated with software developed by third party contractors. Upon completion of development, the costs are transferred and recorded as computer software for amortization.

Trademarks

Trademarks have been assessed as having an indefinite useful life. Our management reviews the assessment of the useful life of trademarks on a regular basis. Trademarks are reviewed for impairment where appropriate.

Customer relationships

Customer relationships were acquired in the acquisition of VeriTrans in April 2012. Customer relationships refer to acquired customer portfolios and information. Customer relationships are amortized on a straight-line basis over their useful life of 17 years. The useful life was based on the estimated period of economic benefit to be derived from the portfolio.

During the [●], we assessed that there was no impairment or any changes to the estimated useful lives of our other intangible assets.

Financial investment

As of June 30, 2011, 2012 and 2013, we had financial investments of nil, HK$5.8 million and HK$21.4 million, respectively. Our financial investments are considered to be available-for-sale.

Our financial investments increased from HK$5.8 million as of June 30, 2012 to HK$21.4 million as of June 30, 2013 due to our investment in commercial bonds that we plan to hold for long-term investment.

Our financial investments increased from nil as of June 30, 2011 to HK$5.8 million as of June 30, 2012 due to the acquisition of shares of PT. Tokopedia, an Indonesian online marketplace website operating company. We plan to hold these shares for long-term investment.

Investment in an associate

As of June 30, 2011, 2012 and 2013, we had investment in an associate of nil, HK$4.6 million and HK$3.3 million, respectively. Our investment in an associate as of June 30, 2012 and 2013 reflects our acquisition of 23% interest in PT. Midtrans, a joint venture company operating the VeriTrans Indonesia business, adjusted for our share of losses and exchange differences for the relevant periods.

Other non-current financial assets

As of June 30, 2011, 2012 and 2013, we had other non-current financial assets, such as restricted cash and security deposits, of HK$1.0 million, HK$6.5 million and HK$6.3 million, respectively.

Our other non-current financial assets decreased from HK$6.5 million as of June 30, 2012 to HK$6.3 million as of June 30, 2013 primarily due to the depreciation of Japanese yen against Hong Kong dollars.

Our other non-current financial assets increased from HK$1.0 million as of June 30, 2011 to HK$6.5 million as of June 30, 2012 primarily due to an increase in fixed deposits associated with the acquisition of VeriTrans in April 2012.

PAYMENT PROCESSING RECEIVABLES AND PAYABLES ANALYSIS

Our payment processing receivables primarily relate to cash paid by consumers for purchase of goods and services and advance payments made to certain online merchants under service contracts providing for advance payment. Our payment processing payables primarily relate to fees to be paid to online merchants on behalf of financial institutions and convenience stores in connection with our agency payment services. Due to the difference in timing for triggering our contractual obligation to transfer funds to online merchants for transactions settled at financial institutions and convenience stores, the timing for recognizing payment processing receivables and payment processing payables also differs.

In the case of transactions settled through financial institutions, including credit card settled transactions, we are considered to have received funds at the time the financial institution transfer funds to our bank account and therefore, we do not recognize payment processing receivables. When a financial institution transfers funds representing the transaction amount net of fees charged by the financial institution to us, we record such amount as an increase to payment processing payables and an increase to cash and cash equivalents. When we subsequently transfer the transaction amount, net of fees charged by the financial institution and fees charged by us, to an online merchant, such amount is recorded as a decrease to cash and cash equivalents. At this time, we recognize an increase in revenue representing the difference between the transaction amount and the amount transferred to the online merchant, reduce payment processing payables by an amount representing the amount transferred to us from the financial institution and record the fees charged by the relevant financial institution under cost of sales.

In the case of convenience store transactions, 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. Upon a consumer making payment at a convenience store, we record the amount paid as an increase to payment processing payables. At this time, while we are deemed to have received funds for the purposes of triggering our contractual obligation to transfer funds to the online merchant, we have not yet received cash and therefore, a corresponding amount is recorded as an increase to payment processing receivables. When a convenience store chain transfers funds representing the transaction amount net of fees charged by the convenience store chain to us, we record such amount as an increase to cash and cash equivalents and a decrease to payment processing receivables. When we transfer the transaction amount, net of fees charged by the convenience store chain and fees charged by us, to an online merchant, we record a decrease to cash and cash equivalents. At this time, we recognize an increase in revenue representing the difference between the transaction amount and the amount transferred to the online merchant, reduce payment processing payables by an amount representing the entire transaction amount and record fees charged by the convenience store chain under cost of sales.

Payment processing receivables

Our payment processing receivables primarily relate to receivables from convenience stores for cash paid by consumers for purchases of goods and services and advance payments made to certain online merchants under service contracts providing for advance payment. For transactions settled through financial institutions where the service contract does not provide for advance payment to the online merchant, our obligation to make payment to the online merchant arises only after we receive funds from a financial institution and therefore, we do not recognize any payment processing receivables for such transactions. Our payment processing receivables were HK$347.0 million, HK$662.0 million and HK$628.8 million as of June 30, 2011, 2012 and 2013, respectively. The following table sets out a breakdown of our payment processing receivables as of the dates indicated:

	June 30, 2011	June 30, 2012	June 30, 2013
	HK$	HK$	HK$
Agency payment service—cash in transit from convenience stores	321,515,142	537,555,598	504,313,841
Advance payments made to online merchants*	25,458,650	124,427,279	124,510,615
	346,973,792	**661,982,877**	**628,824,456**

* The advance payments made to online merchants will be offset when we receive cash from credit card companies.

As of June 30, 2011, 2012 and 2013, the amount of advance payments made to online merchants was HK$25.5 million, HK$124.4 million and HK$124.5 million, representing 7.3%, 18.8% and 19.8%, respectively, of our total payment processing receivables. The amount of advance payments fluctuates from time to time depending on the liquidity needs of our online merchant customers.

The following table sets out our average payment processing receivable turnover days for the years/period indicated:

	Year ended June 30, 2011	Year ended June 30, 2012	Year ended June 30, 2013
Average payment processing receivable turnover days(1)	12.2	14.3	12.2

Note:

(1) Average payment processing receivable turnover days equals payment processing receivables balance at the end of the relevant year divided by average monthly transaction amount multiplied by 30.5 days. The average monthly transaction amount is equal to the total amount of transactions for the year divided by 12 months for the years ended June 30, 2011, 2012 and 2013, respectively.

Our major customers are online merchants in Japan. Our trading terms with our customers are generally determined by our standard service contract, which provides for service fees to be paid on a monthly basis and per transaction fees to be paid on a semi-monthly basis. We receive cash from the convenience store for transactions settled by consumers at convenience stores and we remit these amounts to the merchants. However, the timing of receiving cash from the convenience store and remittance of payment to the merchants does not always match and therefore our related assets and liabilities may fluctuate on a daily basis. During the [●], no payment processing receivables as of June 30, 2011, 2012 and 2013 were individually determined to be impaired. [●] the section headed "Risk Factors—Risks Relating to Our Business—Any significant impairment of payment processing receivables may adversely affect our cash flow and working capital, financial condition and results of operations" in this document.

Payment processing payables

Our payment processing payables primarily relate to fees to be paid to online merchants on behalf of financial institutions and convenience stores in connection with our agency payment services, are non-interest bearing and have an average credit period of 30 days. For transactions settled through financial institutions, we recognize payment processing payables upon receipt of funds from financial institutions. For transactions settled by payment at convenience stores, we recognize payment processing payables upon a consumer making payment at a convenience store. Our payment processing payables were HK$523.1 million, HK$1,378.0 million and HK$1,363.0 million as of June 30, 2011, 2012 and 2013, respectively. Fees to be paid to online merchants on behalf of financial institutions and convenience stores are transferred to a separate bank account pending payment to online merchants. We maintain this account for internal control purposes and do not use the funds in this separate bank account for any other purposes. The following table sets out our payment processing payables as of the dates indicated:

	June 30, 2011	June 30, 2012	June 30, 2013
	HK$	HK$	HK$
Agency payment service—to be paid to online merchants	523,109,354	1,378,021,130	1,362,977,494
	523,109,354	**1,378,021,130**	**1,362,977,494**

The following table sets out our average payment processing payable turnover days for the years/period indicated:

	Year ended June 30, 2011	Year ended June 30, 2012	Year ended June 30, 2013
Average payment processing payable turnover days(1)	17.8	13.6	10.3

Note:

(1) Average payment processing payable turnover days equals payment processing payables balance at the end of the relevant year divided by average monthly transaction amount multiplied by 30.5 days. The average monthly transaction amount is equal to the total amount of transactions for the year divided by 12 months for the years ended June 30, 2011, 2012 and 2013, respectively.

While our service contracts with online merchants may provide for a time period of up to 45 days or 60 days in the case of settlement by financial institutions or settlement via payment at convenience stores, respectively, between when we receive funds from financial institutions or convenience store chains and the time when we transfer funds to an online merchant, the majority of our service contracts with online merchants provide for shorter payment processing payable turnover days. For example, for a service contract where we provide agency payment services to an online merchant for credit card settled transactions where we transfer funds to the online merchant twice a month, the maximum payment processing payable turnover days is 15 days. For a service contract where we provide agency payment services to an online merchant for convenience store settled transactions where we transfer funds to the online merchant six times a month, the maximum payment processing payable turnover days is 10 days.

FINANCIAL RATIOS

The following table sets forth certain financial ratios as of the respective dates:

	As of/years ended June 30,			As of/three months ended September 30,
	2011	2012	2013	2013
Return on equity ratio	8.5%	2.7%	5.0%	N/A
Gearing ratio	6.7%	0%	0%	6.0%
Current ratio	1.4	1.3	1.2	1.3
Interest coverage	394.0	724.5	123.7	59.9

The following table sets forth certain financial ratios as of and for the year or period ended June 30, 2011, 2012 and 2013 and September 30, 2013, calculated using the relevant amounts in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our combined financial statements. [●] the sections headed "Financial Information—Qualitative and Quantitative Disclosure about Market Risk—Foreign Exchange Rate Risk" and "Risk Factors—Risks Relating to the [●]—Fluctuations in the exchange rates of the Hong Kong dollar may adversely affect your [●]" in this document.

	As of/years ended June 30,			As of/three months ended September 30,
	2011	2012	2013	2013
Return on equity ratio	8.8%	2.6%	4.3%	N/A
Gearing ratio	6.7%	0%	0%	6.0%
Current ratio	1.4	1.3	1.2	1.3
Interest coverage	394.0	724.5	119.4	60.0

For the years ended June 30, 2011, 2012 and 2013 and the three months ended September 30, 2013, our return on equity ratio, which is calculated as net profit divided by shareholders' equity as of the end of the respective year/period, was 8.5%, 2.7% and 5.0%, respectively. The decrease in our return on equity ratio during the year ended June 30, 2012 was primarily due to an increase in shareholders' equity during the same period. The increase in our return on equity ratio during the year ended June 30, 2013 was primarily due to a decrease in shareholders' equity during the same period.

As of June 30, 2011, 2012 and 2013 and September 30, 2013, our gearing ratio, which is calculated as total borrowings divided by total equity as of the end of the respective year/period, was approximately 6.7%, 0%, 0% and 6.0%, respectively. The decrease in our gearing ratio during the year ended June 30, 2012 was primarily due to the decrease in our total borrowings as a result of repayment of loans of HK$19.3 million. While our total borrowings increased slightly during the year ended June 30, 2013, the increase did not have a material impact on our gearing ratio. The increase in our gearing ratio during the three months ended September 30, 2013 was primarily due to an increase of bank loans and overdrafts of HK$79.3 million.

As of June 30, 2011, 2012 and 2013 and September 30, 2013, our current ratio, which is calculated as current assets divided by current liabilities as of the end of the respective year/period, was 1.4, 1.3, 1.2 and 1.3, respectively. The decrease in our current ratio during the years ended June 30, 2012 and 2013 was primarily due to the increase in payment processing payables as a result of the acquisition and consolidation of VeriTrans and the settlement of short-term loans of HK$146.8 million. The increase in current ratio during the three months ended September 30, 2013 was primarily due to a decrease in payment processing payables of HK$243.7 million.

For the years ended June 30, 2011, 2012 and 2013 and the three months ended September 30, 2013, our interest coverage, which is calculated as profit before interest expenses and tax divided by interest expenses for the respective year or period, was 394.0, 724.5, 123.7 and 59.9, respectively. The increase in our interest coverage for the year ended June 30, 2012 was primarily due to the increase in our net profit before interest expenses and tax as a result of the acquisition of VeriTrans, while our interest expenses for the same period remained relatively stable. The decrease in our interest coverage for the year ended June 30, 2013 and three months ended September 30, 2013 was primarily due to an increase in interest on bank loans and overdrafts of HK$217,382 and HK$359,474, respectively.

RELATED PARTY TRANSACTIONS

During the [●], we engaged in certain transactions with our Controlling Shareholder, subsidiaries or Directors. The related party transactions during the [●] are also set out in Note 26 of the section headed "Appendix I—Accountants' Report" in this document. The amounts due to Digital Garage, our Controlling Shareholder, will be repaid or waived in full upon [●]. Payments made by the related parties on our behalf mainly represent shareholders' loans used to fund our operations, as set out in greater detail in the section headed "Relationship with our Controlling Shareholder—Independence from Digital Garage" in this document.

Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms.

RECENT DEVELOPMENTS

The following represents our management's analysis on our results of operations for the three months ended September 30, 2013. Our Directors are responsible for the preparation and fair presentation of the unaudited consolidated management accounts of our Group for the three months ended September 30, 2013 in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our consolidated management accounts for the three months ended September 30, 2013 are unaudited but have been reviewed by our [●], in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Preformed by the Independent Auditor of the Entity" issued by the HKICPA. The following financial information for the three months ended September 30, 2013 (the "**Interim Financial Information**") is shown in Hong Kong dollars, our presentation currency, and Japanese yen, representing the relevant amounts prior to conversion into Hong Kong dollars for the purposes of our Interim Financial Information. [●] the sections headed "Financial Information—Qualitative and Quantitative Disclosure about Market Risk—Foreign Exchange Rate Risk" and "Risk Factors—Risks Relating to the [●]—Fluctuations in the exchange rates of the Hong Kong dollar may adversely affect your [●]" in this document.

Based on our unaudited consolidated management accounts of the Group, our total revenue decreased by approximately 10.7%, or HK$32.6 million, from approximately HK$303.8 million for the three months ended September 30, 2012 to approximately HK$271.2 million for the three months ended September 30, 2013, primarily due to the depreciation of the Japanese yen against the Hong Kong dollar, partially offset by an increase in revenue from the growth of our business.

Based on our unaudited consolidated management accounts, our total revenue represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our Interim Financial

Information increased by 12.5%, or ¥385.8 million, from ¥3,080.6 million for the three months ended September 30, 2012 to about ¥3,466.4 million for the three months ended September 30, 2013. The increase in revenue was primarily attributable to the growth of our business.

Based on our unaudited consolidated management accounts, our gross profit decreased by approximately 22.3% for the three months ended September 30, 2013 as compared to that of the corresponding period in 2012, primarily due to the depreciation of the Japanese yen against the Hong Kong dollar. Our overall gross profit margin decreased from 28.4% for the three months ended September 30, 2012 to 24.8% for the three months ended September 30, 2013 mainly due to the increase in number of credit card settled transactions, which have generally higher cost of sales than convenience store settled transactions.

Based on our unaudited consolidated management accounts, our gross profit represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of our Interim Financial Information decreased by approximately 2.0% for the three months ended September 30, 2013 as compared to that of the corresponding period in 2012. Our overall gross profit margin calculated using our gross profit and revenue represented in Japanese yen decreased from approximately 28.4% for the three months ended September 30, 2012 to approximately 24.8% for the corresponding period in 2013, primarily due to the increase in the number of credit card settled transactions with generally higher cost of sales than convenience store transactions.

As of June 30, 2013, we had incurred expenses in connection with the proposed [●] of HK$11.2 million, which were accounted for as our general and administrative expenses for the year ended June 30, 2013. By the completion of the [●], we expect to further incur an estimated amount of HK$19.0 million of expenses which is subject to adjustment to be further agreed by the Company, the [●] and other parties.

CONTRACTUAL OBLIGATIONS, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Operating Lease Arrangements

We lease certain buildings under operating leases. The leases typically run for an average period of one to five years. The Group has entered into commercial leases on certain properties and equipment. These leases have an average life of between one and five years. Certain property leases have renewal options, whereby leases can be extended at a market rental rate. The following table sets forth our commitments for operating lease payments under non-cancellable operating leases as of the dates indicated:

	June 30, 2011	June 30, 2012	June 30, 2013
	HK$	HK$	HK$
Office Rental Payments			
Within one year	—	951,342	337,449
In the second to fifth years, inclusive	—	114,364	144,113
	—	1,065,706	481,562

Capital Commitments

During the [●], the Group had no material capital commitments.

Contingent Liabilities

Except as disclosed in the indebtedness statement as set out below and the normal trade payables, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of October 31, 2013, being the latest practicable date for the purpose of the indebtedness statement, we had no material contingent liabilities and was not involved in any material legal proceedings. The Directors are not aware of any pending or potential material legal proceedings involving our Group.

CAPITAL EXPENDITURES

Our capital expenditures consist primarily of purchase of software, purchase of property, plant and equipment. Our capital expenditures for the years ended June 30, 2011, 2012 and 2013 were HK$9.4 million, HK$854.5 million and HK$89.9 million, respectively. Our capital expenditures during the [●] were primarily related to the acquisition of VeriTrans in April 2012.

The following table sets forth our capital expenditures for the years ended June 30, 2011, 2012 and 2013:

	June 30, 2011	June 30, 2012	June 30, 2013
	HK$	HK$	HK$
Software development in progress—internal development	411,818	807,823	5,076,939
Software development in progress—acquired separately	6,217,594	14,761,161	43,952,691
Purchase of fixtures, fittings and equipment	2,645,967	3,120,274	37,602,078
Leasehold improvements	—	466,338	2,842,910
Acquisition of a subsidiary—Other intangible assets	—	823,136,816	130,771
Acquisition of a subsidiary—Property, plant and equipment	—	12,169,115	249,117
Others	90,546	15,079	58,028
Total	**9,365,925**	**854,476,606**	**89,912,534**

INDEBTEDNESS

The following table sets forth our borrowings as of the dates indicated:

	June 30, 2011	June 30, 2012	June 30, 2013	October 31, 2013
	HK$	HK$	HK$	HK$ (unaudited)
Bank loans and overdrafts repayable:				
Within one year	19,286,403	—	217,703	78,678,206
Finance lease payables:				
Within one year	—	—	228,953	230,513
In the second to fifth years, inclusive	—	—	901,398	824,037
	—	—	1,130,351	1,054,550

VeriTrans entered into credit facility agreements with Sumitomo Mitsui Bank for an amount of ¥5,000 million (HK$397 million)* and Sumitomo Trust Bank for an amount of ¥2,000 million (HK$159 million)*. These credit facilities bear an interest rate of 1.475% per annum.

ECONTEXT entered into credit facility agreements with Sumitomo Mitsui Bank for an amount of ¥3,000 million (HK$238 million)* with an interest rate of 1.475% per annum, which is secured by our equity interest in VeriTrans.

Note:

* The credit facility amounts as of October 31, 2013 are converted into Hong Kong dollars at an exchange rate of JPY1,000 to HK$79.4.

The amounts utilised under these lines of credit were HK$19,286,403, HK$Nil, HK$Nil and HK$78,678,206 at June 30, 2011, 2012 and 2013, and October 31, 2013, respectively.

The finance lease payables of the Group bear an interest rate of 2.15% per annum and are secured by related property, plant and equipment of the Group.

Except as disclosed in this document and apart from intra-group liabilities and normal trade payables, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of the close of business on October 31, 2013, being the latest practicable date for the purpose of this indebtedness statement.

Our Directors confirm that, as of the Latest Practicable Date, there is no material adverse change in the Group's indebtedness since October 31, 2013, and there are no plans for any member of the Group to undertake any material external financing.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any material off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or product development services with us.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various types of market risks in the ordinary course of our business, including fluctuations in interest rates on our fixed and variable rate indebtedness. We manage our exposure to these and other market risks through regular operating and financial activities. Currently, we do not utilize interest rate swaps, forward or option contracts on foreign currencies or commodities or other types of derivative financial instruments.

Credit risk

The Company is exposed to credit risk primarily from deposits with banks, amounts advanced to online merchants pending payment by credit card merchant acquirers and the amount of payment processing receivables. The Company manages its credit risk exposure from its deposits with banks by only using well-established and regulated banks. There is no significant credit risk from amounts advanced to online merchants pending payment by credit card merchant acquirers and from payment processing receivables as the counterparties are credit card merchant acquirers, which are generally well-established and regulated banks, and major convenience store chains in Japan, most of which are listed companies in Japan, and such amounts are usually settled within 45 days of the transaction date in the case of credit card merchant acquirers and 60 days of the transaction date in the case of convenience stores. During the [●], there were no incidents of default on the part of credit card merchant acquirers or convenience store chains in connection with the settlement of any advance payments made by the Group.

Foreign Exchange Rate Risk

Our online payment service businesses in Japan handle transactions denominated in Japanese yen only, and therefore, we are not subject to transaction foreign exchange risk. Likewise, our revenues derived from businesses outside of Japan, such as our share of profits through VeriTrans Indonesia, are denominated in the respective local currency and are also not subject to transaction foreign exchange risk. Our exposure to foreign exchange risk primarily arises as a result of the difference in the currencies in which the monetary assets and liabilities of the Company and its subsidiaries and associates are denominated and the functional currency of those entities for the purposes of our combined financial statements. Our combined financial statements are presented in Hong Kong dollars, which is also the Company's functional currency. The functional currency of our foreign subsidiaries, ECONTEXT and VeriTrans, is Japanese yen. Due to fluctuations in the exchange rate of Japanese yen to/from Hong Kong dollars, any trends associated with the performance of our operations attributable to our subsidiaries in Japan with Japanese yen as their functional currency may not be accurately presented in our combined financial statements that are presented in Hong Kong dollars. During the [●], the Japanese yen appreciated against the Hong Kong dollar by 9.6% and 1.5% during the periods from June 30, 2010 to June 30, 2011 and from June 30, 2011 to June 30, 2012, respectively, which resulted in exchange gains on translation of foreign operations recognized in other comprehensive income of HK$21.4 million and HK$34.8 million for the years ended June 30, 2011 and 2012, respectively, and depreciated against the Hong Kong dollar by 19.6% during the period from June 30, 2012 to June 30, 2013, which resulted in exchange loss on translation of foreign operations recognized in other comprehensive loss of HK$287.0 million for the year ended June 30, 2013. If such depreciation did not occur and the exchange rate as of June 30, 2013 remained roughly the same as that existing as of June 30, 2012, our financial results for the year ended June 30, 2013 would see significant improvements. Any fluctuations in the Japanese yen to Hong Kong dollar exchange rate in future reporting periods may also affect the comparability of our results of operations with prior periods.

The Company held bank deposits denominated in Japanese yen, being monetary items denominated in a currency other than the Company's functional currency, in an aggregate amount equivalent to HK$24.9 million as of June 30, 2013. The Company recognized foreign exchange losses in accordance with Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" when the relevant monetary items denominated in a currency other than the Company's functional currency were translated to Hong Kong dollars (the Company's functional currency) for the purposes of the Company's combined financial statements. The exchange rates between the Japanese yen and the Hong Kong dollar and other foreign currencies are affected by, among other things, changes in political and economic conditions. Following the completion of the [●], the Company may continue to hold a portion of its cash and cash equivalents in currencies other than the Hong Kong dollar. The Company may also exchange its cash and cash equivalents denominated in Hong Kong dollars into foreign currencies on an as needed basis. As the Company's functional currency is the Hong Kong dollar, such foreign currency-denominated cash and cash equivalents are exposed to fluctuations in the value of the Hong Kong dollar against the currencies in which these cash and cash equivalents are denominated. Any significant depreciation of these foreign currencies against the Hong Kong dollar may result in significant exchange losses.

We manage our foreign currency risk by holding cash and bank deposits denominated in Japanese yen by our subsidiaries in Japan and in Hong Kong dollar by the Company. We have not entered into any foreign currency hedging transactions.

Furthermore, the bank borrowings of our subsidiaries in Japan are primarily denominated in Japanese yen (the functional currency of those subsidiaries). However, we are exposed to foreign currency risks when making investments denominated in foreign currencies, in particular our investments in Indonesia through our joint venture and elsewhere in the world. The value of the Japanese yen is subject to changes in Japan's political and economic conditions, as well as world economic and market conditions, all of which are beyond our control.

Interest rate risk

Our exposure to interest rate risk arises from bank deposits, bank loans and amounts due from and to related companies. These deposits and borrowings bear interest at fixed rates. Higher interest rates may adversely affect our revenue, profit from operations and net profit. We have not historically been exposed nor do we anticipate being exposed to material risks due to changes in interest rates on debt denominated in Japanese yen, although our future interest income and interest disbursements may fluctuate in line with changes in interest rates on debt denominated in Japanese yen.

Liquidity risk

Our liquidity is primarily dependent on our ability to maintain sufficient cash inflows from our operations to meet any debt obligations as they become due, and our ability to obtain external financing to meet our committed future capital expenditures. In addition, the ongoing liquidity crisis could affect our ability to obtain new financing at rates that are favorable to us. We believe we are taking all necessary measures to maintain sufficient liquidity reserves to support the sustainability and growth of our business in the current circumstances and to repay any outstanding borrowings when they fall due.

Deflation

In recent years, Japan has not experienced significant inflation or deflation, and thus inflation and deflation have not had a significant effect on our business during the past three years. According to the Statistics Bureau in the Japan Ministry of Internal Affairs and Communications, Japan's overall national deflation rate, as represented by the annual change in the general consumer price index, was 0.4%, 0.2% and an inflation rate of 0.2% as of June 30, 2011, 2012 and 2013, respectively. If deflation increases or if Japan experiences inflation, our business, financial condition and results of operations could suffer.

DISTRIBUTABLE RESERVES

The Company was only incorporated on September 10, 2012. The Company did not have any distributable reserves as at the Latest Practicable Date.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since June 30, 2013 (the date to which our latest audited combined financial statements were prepared as set out in the section headed "Appendix I—Accountants' Report" in this document, except as otherwise disclosed in this document).