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econtext Asia Limited
環亞智富有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1390)

INSIDE INFORMATION
RESULTS OF THE CONTROLLING SHAREHOLDER,
DIGITAL GARAGE, INC.
FOR THE FISCAL YEAR
ENDED 30 JUNE 2014

This announcement is issued pursuant to Part XIVA of the Securities and Futures Ordinance and Rule 13.09(2)(a) of the Listing Rules.

On or about 13 August 2014 (2:30 p.m. Hong Kong time), the Company's controlling shareholder, Digital Garage will announce its financial results for its fiscal year ended 30 June 2014.

This announcement is issued by econtext Asia Limited (the "**Company**") pursuant to Part XIVA of the Securities and Futures Ordinance and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company's controlling shareholder, Digital Garage, Inc. ("**Digital Garage**"), is a company listed on the Japan Association of Securities Dealers Automated Quotation (the "**JASDAQ**") in Japan. As at the date of this announcement, Digital Garage beneficially owns approximately 58.50% of the Company's issued share capital.

Digital Garage publishes quarterly and annual results announcements (hereinafter collectively referred to as the "**DG's Disclosures**") with information about its payment segment which is operated by the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**"), including periodic financial results released by Digital Garage

pursuant to the requirements under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended). Digital Garage's financial reports are available in the public domain.

Although companies listed on the JASDAQ are not subject to a mandatory requirement to publish forecasts or estimates, the practice of issuing forecasts or estimates on both annual and quarterly basis is positively encouraged by the JASDAQ. Most of companies listed on the JASDAQ routinely disclose forecasts on net sales, operating income, ordinary income, net income, net income per share and dividend per share.

Digital Garage will announce and file its financial results for its fiscal year ended 30 June 2014 (the “**DG's Annual Financial Results**”) on or about 13 August 2014 (2:30 p.m. Hong Kong time). On the same day (4:00–5:00 p.m. Hong Kong time), Digital Garage will hold FY2014 Financial Results Briefing for Analysts/Institutional Investors and post the presentation material for the results briefing (the “**DG's Results Briefing**”) on its website. In addition, Digital Garage will file the annual securities report for its fiscal year ended 30 June 2014 (the “**DG's Annual Securities Report**”) on 25 September 2014. If you wish to review the DG's Annual Financial Results prepared by Digital Garage, which are filed with the JASDAQ, DG's Results Briefing and DG's Annual Securities Report, please visit the followings:

DG's Annual Financial Results (in Japanese)*:

http://www.garage.co.jp/ja/ir/library/pdf/140813_dg_tanshin.pdf

DG's Results Briefing (in Japanese):

http://www.garage.co.jp/ja/ir/library/pdf/140813_dg.pdf

DG's Results Briefing (in English)**:

http://www.garage.co.jp/ja/ir/library/pdf/140813_dg_en.pdf

DG's Annual Securities Report (in Japanese):

http://www.garage.co.jp/ja/ir/library/pdf/140925_dg_houkoku.pdf

* *Digital Garage will post DG's Annual Financial Results on its website by 3:00 p.m. Hong Kong time.*

** *English translation of DG's Results Briefing will be released on 14 August 2014.*

The financial results of Digital Garage and its consolidated subsidiaries, including those contained in the DG's Annual Financial Results, the DG's Results Briefing and the DG's Annual Securities Report have been prepared in accordance with the generally accepted accounting principles of Japan (“**JGAAP**”), which are different from the Hong Kong Financial Reporting Standards (“**HKFRS**”) that the Group is subject to the preparation and presentation of its consolidated financial results and related financial information. As such, the financial results and related information set forth in the DG's Annual Financial Results, DG's Results Briefing and DG's Annual Securities Report are not directly comparable to the financial results and related financial information that the Company discloses as a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. In particular, goodwill is amortised within 20 years using a straight-line method under JGAAP, on the other hand, goodwill is not amortised but tested for impairment under HKFRS; revenue for a service is recognised when the service is rendered under JGAAP, on the other hand, revenue

for a service is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably under HKFRS; a certain intangible assets, including a customer list, are not separately recognised upon a business combination under JGAAP, however, such intangible assets may be separately recognised and amortised under HKFRS; and the gain on change in equity ownership recorded as extraordinary income under JGAAP while such gain is not recognised as extraordinary income but is credited to equity under HKFRS.

In addition to the differences between JGAAP and HKFRS, the difference in entities comprising Digital Garage's consolidation and the Group's consolidation makes the financial results and related information set forth in the DG's Annual Financial Results, the DG's Results Briefing and the DG's Annual Securities Report not directly comparable to the financial results and related financial information that the Company discloses. For example, any inter-company transactions between Digital Garage and the Group would be eliminated for the DG's Annual Financial Results but remain recorded for the Group's annual financial results.

Moreover, the financial results and related information for the year ended 30 June 2013 set forth in the DG's Annual Financial Results, the DG's Results Briefing and the DG's Annual Securities Report are not directly comparable to the financial results and related financial information that the Company discloses due to an irregular fiscal year that Digital Garage used for the consolidation of VeriTrans, Inc. (“VeriTrans”). When Digital Garage acquired VeriTrans in April 2012 and changed VeriTrans' fiscal year end from March to June, Digital Garage decided to consolidate VeriTrans' financial results from April 2012 through June 2013 (i.e. 15 months results) in compliance with the Japanese Company Law, which allows the entity to use an irregular fiscal year beyond 12 months but not exceeding 18 months when an entity changes its fiscal year end.

Accordingly, Digital Garage's consolidated results for the first quarter of the fiscal year ended June 2013 included VeriTrans' results from April through June 2012, and Digital Garage's consolidated results for the second quarter of the fiscal year ended June 2013 included VeriTrans' results from July through December 2012.

Extract of DG's Annual Financial Results

— Released by Digital Garage and prepared under JGAAP —

Annual financial results for the fiscal year ended 30 June 2014 (Consolidated)

1. Analyses of Results of Operations and Financial Position

“Payment segment provides online payment solutions for e-commerce. VeriTrans Inc. and ECONTEXT, Inc., providers of online payment services in Japan, achieved the steadily growth in the number of data transactions and agency payment amount along with the expansion of domestic e-commerce market and the growth in net sales and operating income in real terms, excluding the impact of change in VeriTrans Inc.'s fiscal year end in the prior period (15 months results for the same period last year).

For future business expansion, the Digital Garage Group started providing ‘VeriTrans Air-Direct’, a simple payment service for small and medium-sized e-commerce companies, and ‘VeriTrans mPOS’, a credit card payment service for stores using a smartphone and a dedicated card reader.

As a result, the net sales were JP¥13,454 million for the year ended 30 June 2014 (decrease by JP¥958 million or 6.6% compared to the same period last year).

Operating income was JP¥1,201 million for the year ended 30 June 2014 (decrease by JP¥101 million or 7.8% compared to the same period last year).”

2. *Segment Information*

(a) Reporting segment overview

Payment segment includes systems design, development and operation of Internet and e-commerce, and software sales and payment services for e-commerce.

(b) Change in accounting policy that is difficult to distinguish from change in accounting estimate

(Change in depreciation method of tangible fixed assets)

Digital Garage and its consolidated subsidiaries had amortised its property, plant and equipment by primarily using declining method, but from this fiscal year, the Digital Garage Group uses straight line method. The effect of adoption of this change from declining method to straight line method was to increase operating income for payment segment by JP¥84,277 thousand.

(c) Net sales, operating profit or loss and other segment information

	Year ended 30 June	
	2014	2013
	Payment	Payment
	segment	segment
	'000 JP¥	'000 JP¥
Net sales		
Sales to external customers	13,454,139	14,412,243
Inter segment sales	<u>11,630</u>	<u>5,152</u>
	13,465,769	14,417,395
Operating income	1,201,433	1,303,293
Other segment disclosures:		
Depreciation and amortisation of property, plant and equipment, and intangible assets (other than goodwill)	482,028	458,737
Amortisation of goodwill	412,295	676,653
Unamortised balance of goodwill	5,533,887	8,001,248
Impairment losses on property, plant and equipment, and intangible assets (other than goodwill)	—	553

Extract of DG's Results Briefing

— Released by Digital Garage and prepared under JGAAP —

1. Investment Highlights

“Payment segment: econtext ASIA has listed on The Stock Exchange of Hong Kong Limited. (HKEx: 1390)

- Continued favorable in Japan due to the expansion of e-commerce market in Japan
- Accelerated the expansion of payment services and e-commerce related businesses in Asia
- Formed ‘econtext ASIA EC Fund’ to support the growth of e-commerce companies in Asia”

2. Payment segment's semi-annual financial results

“Decrease in both net sales and operating income due to the burden of Hong Kong IPO costs in addition to the impact of the change in the fiscal year end.

— Achieved net sales growth of 8% and operating income growth of 11% year-on-year in real terms*

* 'Real terms' represents year-on-year comparison excluding the impact of change in the fiscal year end and etc."

	FY2013.6 JP¥ in million			FY2014.6 JP¥ in million			Year-on-year change
	1H	2H	Total	1H	2H	Total	
Net sales	7,984	6,428	14,412	6,603	6,850	13,454	
Adjustment for the impact of change in fiscal year end	(1,980)	—	(1,980)	—	—	—	
Adjusted net sales	6,004	6,428	12,432	6,603	6,850	13,454	+8%
Operating income	789	514	1,303	463	738	1,201	
Adjustment for the impact of change in fiscal year end	(223)	—	(223)	—	—	—	
Adjusted operating income	566	514	1,080	463	738	1,201	+11%

3. Balance sheet (Consolidated) as at 30 June 2014

(JP¥ in million)	As at 30 June 2013	As at 30 June 2014	Change	Major reason for change
Cash and deposits	15,329	24,294	+8,965	Fund-raising from the initial public offering of the subsidiary, econtext ASIA
Receivables	9,037	8,596	-441	Payment-business-related items
Money held in trust	3,768	889	-2,879	Payment-business-related items
Goodwill	9,968	7,354	-2,614	Decreased due to the decrease in Digital Garage's equity in econtext ASIA upon listing
Deposits	18,229	16,434	-1,795	Payment-business-related items
Non-controlling interests	1,468	5,906	+4,438	Increased due to the initial public offering of econtext ASIA

4. Profit forecast for the fiscal year ending 30 June 2015 — Payment segment

		Net sales (JP¥ in million)	Year-on year change (%)	Operating income (JP¥ in million)	Year-on year change (%)
FY2013.6	Annual actual results	14,412		1,303	
FY2014.6	Annual actual results	13,454		1,201	
FY2015.6	Annual profit forecast	15,500	+15%	1,450	+21%
FY2015.6	Annual profit forecast in the mid-range plan published in August 2012	20,000		3,000	

5. Payment segment highlights for the fiscal year ended 30 June 2014

- “Service expansion to four countries” (Japan, Indonesia, China and India)
- “Number of online payment transactions*: 170,390 thousand (+13.8% year-on-year)”
- “Online payment transaction amount**: 817.3 billion Japanese yen (+11.1% year-on-year)”

Annual online payment transaction amount

	FY2013.6 JP¥ in billion		FY2014.6 JP¥ in billion	
	1H	2H	1H	2H
VeriTrans Inc.	233.4	269.2	269.7	283.8
ECONTEXT, Inc.	111.4	121.6	126.5	137.3
Total	344.8	390.7	396.2	421.1

* Number of payment transaction is on a gross basis

** Payment transaction amount includes agency payment amount and data transaction amount

6. Payment segment’s quarterly financial results

	Fiscal year ended June 2013 JP¥ in million				Fiscal year ended June 2014 JP¥ in million			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Payment segment								
Net sales	2,810	5,174	3,158	3,269	3,277	3,326	3,503	3,346
Operating income	308	480	253	260	203	260	415	322

7. NaviPlus highlights

- “Expanded its customer base further as a leading recommendation service provider in Japan”
- “Expansion of NaviPlus overall marketing tool introduction”
- “Introduction results: more than 600 websites”
- “Number of server request became more than 1.5 billion per month”

DG’s Disclosures contain forward-looking information. Digital Garage has full and independent discretion as to the determination of such forward-looking information by considering factors which Digital Garage considers appropriate and relevant for its reporting and disclosure purposes. Forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, the Company’s results may differ from those expressed in any forward-looking statements made by Digital Garage, including DG’s Disclosures. In light of the risks and uncertainties, the inclusion of forward-looking information in this announcement should not be regarded as representations by the board of directors of the Company (the “Board”) or the Company that the plans and objectives will be achieved. The Company’s shareholders, potential investors and readers are advised not to place undue reliance on the contents of DG’s Annual Financial Results, DG’s Results Briefing and DG’s Annual Securities Report and to exercise caution in dealing in the securities of the Company.

By order of the Board
econtext Asia Limited
Kaoru Hayashi
Chairman

Hong Kong, 13 August 2014

As at the date of this announcement, the Board comprises Kaoru Hayashi (Chairman), Takashi Okita, Tomohiro Yamaguchi and Keizo Odori as executive directors; Joi Okada and Adam David Lindemann as non-executive directors; and Mamoru Ozaki, Toshio Kinoshita and Takao Nakamura as independent non-executive directors.