

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**econtext Asia Limited**  
**環亞智富有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1390)**

**RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2014**

**FINANCIAL HIGHLIGHTS**

- Revenue decreased by approximately 6.8% to approximately HK\$1,087.7 million in HK\$ but increased by approximately 8.0% to approximately JP¥14,163.8 million in JP¥.
- Gross profit decreased by approximately 11.3% to approximately HK\$277.9 million in HK\$ but increased by approximately 3.0% to approximately JP¥3,618.7 million in JP¥.
- Profit attributable to owners of the Company decreased by approximately 7.1% to approximately HK\$60.3 million in HK\$ but increased by approximately 11.3% to approximately JP¥778.5 million in JP¥.

The board (the “Board”) of directors (the “Directors”) of econtext Asia Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 30 June 2014, together with the comparative figures for the year ended 30 June 2013, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 30 June 2014

	<i>Notes</i>	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
REVENUE	4	<b>1,087,705,735</b>	1,166,509,419
Cost of sales		<b>(809,836,432)</b>	(853,279,507)
Gross profit		<b>277,869,303</b>	313,229,912
Other income and gains	4	<b>12,409,739</b>	2,015,737
Selling, general and administrative expenses		<b>(178,101,364)</b>	(182,252,471)
Other expenses		<b>(118,521)</b>	(11,584,557)
Finance costs	5	<b>(1,174,925)</b>	(972,699)
Share of losses of:			
Joint ventures		<b>(1,005,120)</b>	–
An associate		<b>(93,235)</b>	(1,037,475)
PROFIT BEFORE TAX	6	<b>109,785,877</b>	119,398,447
Income tax expense	7	<b>(49,408,134)</b>	(56,009,358)
PROFIT FOR THE YEAR		<b>60,377,743</b>	63,389,089
Attributable to:			
Owners of the Company		<b>60,305,096</b>	64,908,390
Non-controlling interests		<b>72,647</b>	(1,519,301)
		<b>60,377,743</b>	63,389,089
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic			
— For profit for the year		<b>0.13</b>	0.17
Diluted			
— For profit for the year		<b>0.13</b>	0.17

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2014

	2014 HK\$	2013 HK\$
PROFIT FOR THE YEAR	<u>60,377,743</u>	<u>63,389,089</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(36,670,941)	(286,747,088)
Share of other comprehensive income of joint ventures	40,330	–
Share of other comprehensive loss of an associate	<u>(669,373)</u>	<u>(225,113)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR	<u>(37,299,984)</u>	<u>(286,972,201)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>23,077,759</u>	<u>(223,583,112)</u>
Attributable to:		
Owners of the Company	23,070,780	(220,522,299)
Non-controlling interests	<u>6,979</u>	<u>(3,060,813)</u>
	<u>23,077,759</u>	<u>(223,583,112)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$</b>	2013 <b>HK\$</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>37,100,171</b>	46,641,288
Goodwill		<b>398,830,436</b>	410,440,730
Other intangible assets		<b>668,184,008</b>	695,304,549
Investments in joint ventures		<b>18,124,280</b>	–
Investment in an associate		<b>4,357,551</b>	3,309,541
Available-for-sale investment		<b>35,649,999</b>	5,670,942
Commercial bonds		<b>15,290,520</b>	15,735,641
Rental deposits		<b>5,385,244</b>	5,448,601
Deferred tax assets		<b>12,865,442</b>	10,915,071
Restricted cash		<b>861,616</b>	884,396
Other non-current assets		<b>5,589,908</b>	1,097,742
Total non-current assets		<b>1,202,239,175</b>	1,195,448,501
<b>CURRENT ASSETS</b>			
Accounts receivable	<i>10</i>	<b>24,719,444</b>	25,376,372
Payment processing receivables		<b>554,332,997</b>	628,824,456
Prepayments, deposits and other receivables		<b>13,457,100</b>	30,524,048
Cash and cash equivalents		<b>1,545,681,589</b>	1,090,236,735
Total current assets		<b>2,138,191,130</b>	1,774,961,611
<b>CURRENT LIABILITIES</b>			
Accounts payable, other payables and accruals	<i>11</i>	<b>50,613,447</b>	61,370,386
Payment processing payables		<b>1,157,380,675</b>	1,362,977,494
Finance lease payables		<b>227,058</b>	228,953
Interest-bearing bank borrowings		<b>76,452,600</b>	217,703
Tax payable		<b>38,288,315</b>	19,721,071
Other current liabilities		<b>11,205,426</b>	4,806,170
Total current liabilities		<b>1,334,167,521</b>	1,449,321,777
NET CURRENT ASSETS		<b>804,023,609</b>	325,639,834
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>2,006,262,784</b>	1,521,088,335

	<b>2014</b>	2013
	<i>HK\$</i>	<i>HK\$</i>
<b>NON-CURRENT LIABILITIES</b>		
Finance leases payables	<b>648,842</b>	901,398
Deferred tax liabilities	<b>205,771,685</b>	217,920,174
Provisions	<b>1,021,485</b>	1,016,310
Other non-current liabilities	<b>4,127,070</b>	1,886,667
	<hr/>	<hr/>
Total non-current liabilities	<b>211,569,082</b>	221,724,549
	<hr/>	<hr/>
Net assets	<b>1,794,693,702</b>	1,299,363,786
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	<b>2,095,487,067</b>	1,623,234,910
Reserves	<b>(306,269,285)</b>	(329,340,065)
	<hr/>	<hr/>
	<b>1,789,217,782</b>	1,293,894,845
	<hr/>	<hr/>
<b>Non-controlling interests</b>	<b>5,475,920</b>	5,468,941
	<hr/>	<hr/>
Total equity	<b>1,794,693,702</b>	1,299,363,786
	<hr/> <hr/>	<hr/> <hr/>

*NOTES:*

**1. CORPORATE INFORMATION AND GROUP REORGANISATION**

The Company is a limited liability company incorporated under the laws of Hong Kong. The registered office of the Company is located at Unit 607a, Level 6, Cyberport 3, 100 Cyberport Road, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 December 2013 (the "Listing Date").

During the year, the principal activities of the Company were the holding of its subsidiaries, joint ventures and an associate, and investments holding. The principal activities of the Group include the provision of online payment services and e-commerce solutions.

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Digital Garage, Inc. ("Digital Garage"), which is incorporated in Japan and listed on the Japan Association of Securities Dealers Automated Quotation.

On 10 September 2012, the Company was incorporated with an authorised share capital of HK\$100,000,000 divided into 10,000,000 ordinary shares of HK\$10 each. To rationalise the corporate structure in preparation for the listing of its shares on the Stock Exchange (the "Listing"), the Company underwent a group reorganisation (the "Reorganisation"), further details of which are set out in the Company's prospectus dated 6 December 2013 (the "Prospectus").

Prior to the Reorganisation, the online payment processing business of the Group was individually conducted by the payment segment/division of Digital Garage (as part of the Reorganisation, the business of this segment/division was transferred from Digital Garage to ECONTEXT, Inc. ("ECONTEXT") including its assets and liabilities at their then existing book values from Digital Garage's perspective) and by VeriTrans Inc. ("VeriTrans"), since Digital Garage became the parent of VeriTrans on 26 April 2012.

On 1 December 2012, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$6,492,939,640 by the creation of 639,293,964 additional ordinary shares of the Company of HK\$10 each, ranking pari passu in all respects with the existing shares of the Company. As part of the Reorganisation, during the year ended 30 June 2013, 29,901,101 and 122,422,390 (totalling 152,323,491) additional ordinary shares of the Company were allotted and issued at par credited as fully paid to Digital Garage for the acquisition by the Company of the entire issued share capital of ECONTEXT and 99.8% of the issued share capital of VeriTrans from Digital Garage, respectively.

**2.1 BASIS OF PRESENTATION**

Pursuant to the Reorganisation, the Company became the holding company of the companies and businesses then comprising the Group on 1 December 2012. Since the companies and businesses then comprising the Group were under the common control of Digital Garage, the controlling shareholder, immediately before and after the Reorganisation, the Reorganisation was accounted for using the principles of merger accounting as if the Reorganisation had been completed at the beginning of the earliest date presented 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 consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 30 June 2013 include the results and cash flows of all the companies and businesses then comprising the Group from the earliest date presented 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, where this is a shorter period. The consolidated statement of financial position of the Group as at 30 June 2013 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses then comprising the Group using the existing carrying values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. Equity interests in the subsidiaries and/or businesses held by parties other than the controlling shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

## **2.2 BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance. The consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK\$").

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which Group obtains control, and continue to be consolidated until such control ceases. As explained above, the acquisition of subsidiaries under common control has been accounted for using the principles of merger accounting.

Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets</i> (early adopted)
HK(IFRIC)-Int 20 <i>Annual Improvements 2009–2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of the amendments to HKAS36, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in the consolidated financial statements. The amendments have had no impact on the financial position or performance of the Group.



## 2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

HKFRS 9	<i>Financial Instruments</i> <sup>5</sup>
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> <sup>5</sup>
HKFRS 11 Amendments	<i>Amendments to HKFRS 11 Joint Arrangements — Accounting for Acquisitions of Interests in Joint Operations</i> <sup>3</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>3</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>4</sup>
HKAS 16 and HKAS 38 Amendments	<i>Amendments to HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets — Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>3</sup>
HKAS 19 Amendments	<i>Amendments to HKAS 19 Employee Benefits — Defined Benefit Plans: Employee Contributions</i> <sup>2</sup>
HKAS 32 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> <sup>1</sup>
HKAS 39 Amendments	<i>Amendments to HKAS 39 Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting</i> <sup>1</sup>
HK(IFRIC)-Int 21	<i>Levies</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> No mandatory effective date yet determined but is available for adoption

Apart from the above, the HKICPA has also issued *Annual Improvements to 2010–2012 Cycle* and *Annual Improvements to 2011–2013 Cycle* which set out a collection of amendments to HKFRSs in response to the International Accounting Standards Board's annual improvements process. Except for the amendment to HKFRS 1, in which no effective date has been specified and, accordingly, is effective upon its issuance in January 2014, these amendments are effective for annual periods beginning on or after 1 July 2014, although there are separate transitional provisions for each standard.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has one reportable segment as follows:

Payment segment — provides a total payment platform as well as various payment solutions.

The information about other business activities and operating segments that are not reportable segments, being relatively small in size as compared to the Group as a whole, has been combined and disclosed in an "all other segments" category. The revenue included in the all other segments category represents revenue from advertising related services.

In addition to the payment segment, management does, however, monitor the operating results of certain smaller business units separately that may be for the purpose of making decisions about resource allocation and/or performance assessment. As noted above, their information has been combined and disclosed in an “all other segments” category. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Inter-segment transactions are transacted with reference to the prices used for transactions made to third parties or at agreed terms.

**Year ended 30 June 2014 /as at 30 June 2014**

	<b>Payment segment HK\$</b>	<b>All other segments HK\$</b>	<b>Adjustments and eliminations HK\$</b>	<b>Total HK\$</b>
<b>Segment revenue:</b>				
Revenue from external customers	1,032,103,567	55,602,168	–	1,087,705,735
Inter-segment revenue	–	92,096	(92,096)	–
	<u>1,032,103,567</u>	<u>55,694,264</u>	<u>(92,096)</u>	<u>1,087,705,735</u>
<b>Segment results</b>	<u>115,512,606</u>	<u>(5,726,729)</u>	<u>–</u>	<u>109,785,877</u>
<b>Segment assets</b>	<u>2,772,275,476</u>	<u>617,755,208</u>	<u>(49,600,379)</u>	<u>3,340,430,305</u>
<b>Segment liabilities</b>	<u>1,536,677,914</u>	<u>58,659,068</u>	<u>(49,600,379)</u>	<u>1,545,736,603</u>
<b>Other segment information:</b>				
Investment in an associate	4,357,551	–	–	4,357,551
Investments in joint ventures	18,124,280	–	–	18,124,280
Share of losses of:				
An associate	(93,235)	–	–	(93,235)
Joint ventures	(1,005,120)	–	–	(1,005,120)
Capital expenditure*	35,205,700	5,189,186	–	40,394,886
Depreciation and amortisation	(52,239,773)	(3,870,101)	–	(56,109,874)
Impairment of accounts receivable	(626,176)	–	–	(626,176)
Interest income	1,101,548	30,265	(746,497)	385,316
Finance costs	(1,174,925)	(746,497)	746,497	(1,174,925)

Year ended 30 June 2013 /as at 30 June 2013

	Payment segment HK\$	All other segments HK\$	Adjustments and eliminations HK\$	Total HK\$
<b>Segment revenue:</b>				
Revenue from external customers	1,108,169,365	58,340,054	–	1,166,509,419
Inter-segment revenue	–	107,022	(107,022)	–
	<u>1,108,169,365</u>	<u>58,447,076</u>	<u>(107,022)</u>	<u>1,166,509,419</u>
<b>Segment results</b>	<u>136,059,512</u>	<u>(16,661,065)</u>	<u>–</u>	<u>119,398,447</u>
<b>Segment assets</b>	<u>2,837,325,375</u>	<u>133,084,737</u>	<u>–</u>	<u>2,970,410,112</u>
<b>Segment liabilities</b>	<u>1,643,980,387</u>	<u>27,065,939</u>	<u>–</u>	<u>1,671,046,326</u>
<b>Other segment information:</b>				
Investment in an associate	3,309,541	–	–	3,309,541
Share of loss of an associate	(1,037,475)	–	–	(1,037,475)
Capital expenditure*	83,313,922	6,598,612	–	89,912,534
Depreciation and amortisation	(50,498,014)	(4,262,494)	–	(54,760,508)
Impairment of accounts receivable	(602,782)	–	–	(602,782)
Interest income	558,018	10,262	(97,239)	471,041
Finance costs	(945,538)	(124,400)	97,239	(972,699)

\* Capital expenditure consists of additions to property, plant and equipment, and intangible assets (other than goodwill), including assets from the acquisition of subsidiaries.

For the years ended 30 June 2014 and 2013 /as at 30 June 2014 and 2013, the amounts of the total segment revenue (after adjustments and eliminations), segment results, segment assets and segment liabilities as disclosed above are the same as the Group's consolidated revenue, profit before tax, total assets and total liabilities, respectively.

### Geographical information

#### (a) Revenue from external customers

Substantially all of the Group's revenue from external customers during the current and prior years were attributable to Japan based on the location of the customers.

#### (b) Non-current assets

Except for the investments in an associate and a joint venture, which are located in Indonesia and the People's Republic of China, respectively, substantially all of the Group's non-current assets at the end of the reporting period were located in Japan based on the location of the assets and excludes financial instruments and deferred tax assets.

### Information about major customers

The Group had no external customer whose revenue amount exceeded 10% or more of the external customers' revenue of the Group for the years ended 30 June 2014 and 2013.

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, which is also the Group's turnover, other income and gains is as follows:

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
<b>Revenue</b>		
Initial setup and monthly fees	41,242,721	46,589,452
Settlement data transaction fees	54,609,406	66,903,322
Agency payment fees	900,908,688	948,952,898
Advertising related services	55,602,168	58,340,054
Information security services	13,639,404	19,619,306
Others	21,703,348	26,104,387
	<u>1,087,705,735</u>	<u>1,166,509,419</u>
<b>Other income and gains</b>		
Vendor's contribution to software development	–	686,948
Bank interest income	162,830	276,868
Other interest income	222,486	194,173
Gain on disposal of an available-for-sale investment	7,939,177	–
Gain on disposal of a business unit	1,968,792	–
Foreign exchange gains, net	1,112,028	–
Others	1,004,426	857,748
	<u>12,409,739</u>	<u>2,015,737</u>

#### 5. FINANCE COSTS

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Interest on bank loans wholly repayable within five years	1,154,457	966,737
Interest on finance lease	20,468	5,962
	<u>1,174,925</u>	<u>972,699</u>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<b>2014</b>	2013
	<i>HK\$</i>	<i>HK\$</i>
Depreciation of property, plant and equipment	<b>10,997,772</b>	8,218,099
Amortisation of intangible assets	<b>45,112,102</b>	46,542,409
Minimum lease payments under operating leases in respect of:		
Land and buildings	<b>12,892,875</b>	11,925,991
Equipment	<b>678,879</b>	417,221
	<u><b>13,571,754</b></u>	<u>12,343,212</u>
Employee benefit expense (including Directors' and chief executive's remunerations):		
Salaries, allowances, bonuses and benefits in kind*	<b>81,545,644</b>	74,283,020
Social security costs*	<b>7,882,353</b>	10,285,470
Pension scheme contributions*^	<b>2,083,098</b>	2,309,388
Less: Amount capitalised	<b>(8,106,072)</b>	(5,076,939)
	<u><b>83,405,023</b></u>	<u>81,800,939</u>
Foreign exchange losses/(gains), net	<b>(1,112,028)</b>	7,850,413
Impairment of accounts receivable	<b>626,176</b>	602,782
Loss on disposals/retirements of property, plant and equipment	<b>12,718</b>	1,960,800
Loss on disposals/retirements of intangible assets	<b>736</b>	771,035
	<u><u><b>736</b></u></u>	<u><u>771,035</u></u>

^ As at 30 June 2014 and 2013, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years.

\* Before deducting amount capitalised.

## 7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 30 June 2014 (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<b>2014</b>	2013
	<i>HK\$</i>	<i>HK\$</i>
Group:		
Current — Japan		
Charge for the year	<b>57,485,854</b>	63,663,850
Deferred	<b>(8,077,720)</b>	(7,654,492)
	<u><b>49,408,134</b></u>	<u>56,009,358</u>
Total tax charge for the year	<u><u><b>49,408,134</b></u></u>	<u><u>56,009,358</u></u>

## 8. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2014 (2013: Nil).

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company of HK\$60,305,096 (2013: HK\$64,908,390), and the weighted average number of ordinary shares of 450,119,863 (2013: 375,000,000) in issue during the year.

In determining the weighted average number of ordinary shares in issue, a total of 375,000,000 ordinary shares of the Company issued pursuant to the Reorganisation and a capitalisation issue were deemed to have been completed since 1 July 2012.

The Group had no potentially dilutive ordinary shares in issue during the years ended 30 June 2014 and 2013.

## 10. ACCOUNTS RECEIVABLE

	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
Accounts receivable	<b>25,127,499</b>	25,789,954
Impairment	<b>(408,055)</b>	(413,582)
	<b><u>24,719,444</u></b>	<u>25,376,372</u>

The Group generally has specific trading terms with its debtors. For those on credit, the credit period is generally on 30-day terms from the month-end closing date. Each debtor has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
Within 30 days	<b>23,014,274</b>	20,539,481
31 to 60 days	<b>295,491</b>	2,916,365
61 to 90 days	<b>436,439</b>	831,143
91 to 120 days	<b>80,961</b>	49,747
Over 120 days	<b>892,279</b>	1,039,636
	<b><u>24,719,444</u></b>	<u>25,376,372</u>

## 11. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

Accounts payable are non-interest-bearing and are normally settled on 30-day terms.

An aged analysis of the Group's accounts payable as at the end of the reporting period, based on the invoice date, is within one month.

Other payables are non-interest-bearing and are normally settled on 30-day terms.

## MANAGEMENT DISCUSSION & ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in online payment services, advertising related services and other e-commerce services. During the year ended 30 June 2014, the Group derived revenue principally from fees for its online payment services, including initial setup and monthly fees, settlement data transaction fees and agency payment fees. The Group also derived revenue from service fees for advertising related services. The Group's revenue decreased by approximately 6.8% for the year ended 30 June 2014 to approximately HK\$1,087.7 million from approximately HK\$1,166.5 million for the year ended 30 June 2013, primarily due to the depreciation of Japanese yen ("JP¥").

#### Online payment services

The Group provides online payment services, which consist largely of agency payment services. The revenue from agency payment services for the year ended 30 June 2014 was approximately HK\$900.9 million, representing approximately 82.8% of total revenue of the Group. The Group's agency payment services are provided primarily through ECONTEXT and VeriTrans, the Company's subsidiaries in Japan. The revenue from agency payment services decreased by approximately 5.1% from approximately HK\$949.0 million for the year ended 30 June 2013, primarily due to the depreciation of Japanese yen.

#### Advertising related services

The Group also provides e-commerce solutions such as online security measures and advertising related services, including NaviPlus Recommend, a recommendation engine that optimises a website's content based on an analysis of data collected from users of a given website. The revenue from advertising related services for the year ended 30 June 2014 was approximately HK\$55.6 million, representing approximately 5.1% of total revenue of the Group. The revenue from advertising related services decreased by approximately 4.7% from approximately HK\$58.3 million for the year ended 30 June 2013, primarily due to the depreciation of Japanese yen.

During the year under review, the Group launched various value added services to further develop the Group's e-commerce solutions as well as offline payment solutions.

#### *mPOS*

The Group developed offline payment solutions "mPOS", the new payment method using smartphones, mainly targeted small to medium enterprises, which made credit card payment services available at any locations by simply installing "mPOS" application and connecting card reader into the earphone jack of their smartphones. Furthermore, the Group also supplied by the original equipment manufacturer ("OEM") customised card readers, smartphone applications and systems for the certain enterprises which normally have a number of stores and need their own brand mPOS.

### *SumaPay*

Under the alliance with DG COMMUNICATIONS Co, Ltd., a real estate marketing and advertising company, the Group launched a new credit card settlement service for real estate business, “SumaPay”. Tenants can make various rental related payments such as security deposit, key money, monthly rent and management fee by credit cards through the Internet, telephone or at real estate agent’s office where mPOS is also used.

### *tabelog Pay*

“tabelog” is a popular restaurant review site in Japan, operated by Kakaku.com, Inc. (“kakaku.com”), one of the biggest price comparison sites in Japan. Anticipating the growing use of mobile payment services in the restaurant industry, the Group and kakaku.com launched a new credit card settlement service for restaurants in Japan, “tabelog Pay”, which uses mPOS and makes credit card payment service available by using their smartphones or tablets at any locations.

### *BuySmartJapan*

The Group also developed “BuySmart” business model by the alliance with kakaku.com, which enabled overseas customers to purchase Japanese products at e-commerce site. This service is available to overseas customers over twenty countries.

## **Investments and Change to Corporate Structure**

During the year under review, the Group has made various investments and undergone changes to its corporate structure.

### *Merger of Kotohako into NaviPlus*

Pursuant to a merger and acquisition agreement dated 24 July 2013 between NaviPlus Co., Ltd. (“NaviPlus”) and Kotohako, Inc. (“Kotohako”), Kotohako was merged into NaviPlus and ceased to be a separate legal entity with effect from 1 September 2013.

### *Investment in VeriTrans Shanghai*

On 25 June 2013, the Company and Shanghai CardInfoLink Data Services Co., Ltd. entered into a subscription agreement, pursuant to which the Company subscribed for RMB100,000 (approximately HK\$126,582) of issued share capital of VeriTrans Shanghai Co., Ltd. (“VeriTrans Shanghai”) for a consideration of RMB3,128,562.38 (approximately HK\$3.9 million), which was determined on an asset-based approach with reference to a valuation conducted by an independent third party, and then the Company became a shareholder of VeriTrans Shanghai with a 50% interest in November 2013.



### *Investment in Citrus India through Citrus Singapore*

On 24 October 2013, the Company entered into an agreement to acquire a 15.59% interest in Citrus Payment Solutions Pte. Ltd. (“Citrus Singapore”) for a consideration of US\$4,599,999.90 (approximately HK\$35.9 million), which was determined on an arm’s length basis with reference to a valuation conducted by an independent third party, and then the Company acquired the 15.59% interest in Citrus Singapore in November 2013. Citrus Singapore owns 70% of the shares of Citrus Payment Solutions Private Limited (Citrus India).

### *Formation of EC Fund*

In March 2014, VeriTrans and SBI Investment Co., Ltd. (“SBI Investment”), a subsidiary of SBI Holdings, Inc., entered into a partnership agreement, pursuant to which VeriTrans and SBI Investment, acting as general partners, establish econtext ASIA EC Fund Investment LPS (“EC Fund”) for the purpose of making investments in Japanese e-commerce companies targeting emerging markets in Asia and Asian e-commerce companies.

### *Transfer of interest in PT. Tokopedia*

On 3 June 2014, the Company entered into the share sale and purchase agreement with EC Fund in relation to the transfer of 178 shares, which represents approximately 6.62% interest in PT. Tokopedia at a total consideration of approximately HK\$20.5 million (the “Transfer”). The Group recognised a gain of approximately HK\$7.9 million from the Transfer.

## **OUTLOOK**

The Japanese online payment market and e-commerce market is one of the most developed in the Asia Pacific region. The market in Japan is expected to grow stably due to expansion of e-commerce market. The Group’s strategy in Japan is to continuously expand and increase market share by strengthening its alliances with key convenience stores and strategic partnership with its pre-initial public offering (“IPO”) partners who are reputable credit card companies in Japan. The Group will continue to actively pursue business opportunities with large enterprises through its co-operation by alliance with these major credit card companies. While enhancing its strategy for large merchants, the Group also plans to further develop e-commerce services targeting small to medium merchants to strengthen its market position in Japan.

The Group’s overseas strategy is to expand payment service and e-commerce related business into Asia market. The Group expects significant growth in emerging markets by a continued e-commerce growth and increasing online transactions. The Group has established bases in Indonesia, China and India. The Group also formed EC Fund to support growth of e-commerce companies in Asia. In achieving its aim to be a leading pan-Asian online payment services provider with a comprehensive coverage network, the Group is actively seeking opportunities to expand in Asia through mergers and acquisitions, investments and/or joint ventures.

The Group also provides a broad range of payment options and intends to expand into offline payment solutions and value added services. The rapid penetration rate of smartphone is a key element to market offline payment solutions. The Group has started services using smartphone, such as mPOS and tabelog Pay in alliance with leading companies in industries. The Group will further strengthen the alliance with such companies and continue to develop offline payment solutions and value added services to enhance competitiveness by product differentiation, strengthen customer relations and improve profitability.

## FINANCIAL REVIEW

### Operating information

Revenue from the Group's online payment services primarily consists of agency payment fees. Agency payment fees relate to the services where the Group acts as an agent to transfer funds to the online merchants. Agency payment fees are generally affected by the transaction amount and the fee margin.

The following table sets forth certain operating statistics relating to the Group's online payment services for the years presented:

	<b>2014</b>	2013
Number of data transactions	<b>140,049,937</b>	123,031,259
Active merchant websites	<b>12,962</b>	12,284
Agency payment amount (HK\$)	<b>46,087,418,852</b>	48,328,764,976
Agency payment amount (JP¥)	<b>600,957 million</b>	546,216 million

The following table shows a breakdown of the Group's agency payment fees, including the agency payment amount and average fee margin for the Group's online payment services for the years presented:

	<b>2014</b>	2013
	<b>HK\$</b>	<b>HK\$</b>
Agency payment fees = (a) x (b)	<b>900,908,688</b>	948,952,898
(a) Agency payment amount	<b>46,087,418,852</b>	48,328,764,976
(b) Average fee margin	<b>1.95%</b>	1.96%
All other revenues	<b>186,797,047</b>	217,556,521
Total revenue	<b><u>1,087,705,735</u></b>	<b><u>1,166,509,419</u></b>

The increasing in pricing pressure for the provision of agency payment services resulted in the lower average fee margin of approximately 1.95% for the year ended 30 June 2014 when comparing with the one for the year ended 30 June 2013.

To partially offset the declining gross margins of the online payment services business, the Group has offered more value-added services, such as trAd, a transaction-linked advertisement platform.

## Results of operations of the Group

The following table sets forth the unaudited comparative financial results in both Hong Kong dollar and Japanese yen for the years presented:

	2014 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>JP¥</i>	2013 <i>JP¥</i>
REVENUE	<b>1,087,705,735</b>	1,166,509,419	<b>14,163,775,399</b>	13,115,364,176
Cost of sales	<b>(809,836,432)</b>	(853,279,507)	<b>(10,545,065,726)</b>	(9,602,328,750)
Gross profit	<b>277,869,303</b>	313,229,912	<b>3,618,709,673</b>	3,513,035,426
Other income and gains	<b>12,409,739</b>	2,015,737	<b>163,749,348</b>	21,161,022
Selling, general and administrative expenses	<b>(178,101,364)</b>	(182,252,471)	<b>(2,322,964,081)</b>	(2,065,459,246)
Other expenses	<b>(118,521)</b>	(11,584,557)	<b>(1,561,360)</b>	(135,759,489)
Finance costs	<b>(1,174,925)</b>	(972,699)	<b>(15,322,534)</b>	(11,063,193)
Share of losses of:				
Joint ventures	<b>(1,005,120)</b>	–	<b>(13,347,143)</b>	–
An associate	<b>(93,235)</b>	(1,037,475)	<b>(3,890,606)</b>	(12,204,282)
PROFIT BEFORE TAX	<b>109,785,877</b>	119,398,447	<b>1,425,373,297</b>	1,309,710,238
Income tax expense	<b>(49,408,134)</b>	(56,009,358)	<b>(645,779,206)</b>	(625,798,296)
PROFIT FOR THE YEAR	<b><u>60,377,743</u></b>	<u>63,389,089</u>	<b><u>779,594,091</u></b>	<u>683,911,942</u>
Attributable to:				
Owners of the Company	<b>60,305,096</b>	64,908,390	<b>778,515,936</b>	699,622,197
Non-controlling interests	<b><u>72,647</u></b>	<u>(1,519,301)</u>	<b><u>1,078,155</u></b>	<u>(15,710,255)</u>

*Note:* The above table also includes amounts shown in Japanese yen for the purposes of illustration only, representing the relevant amounts prior to conversion into Hong Kong dollar for the purposes of the consolidated financial statements.

## Revenue

Total revenue decreased by approximately 6.8%, from approximately HK\$1,166.5 million for the year ended 30 June 2013 to approximately HK\$1,087.7 million for the year ended 30 June 2014. The Group's total revenue represented in Japanese yen prior to conversion into Hong Kong dollar for the purpose of the Group's consolidated financial statements increased by approximately 8.0%, from approximately JP¥13,115.4 million for the year ended 30 June 2013 to approximately JP¥14,163.8 million for the year ended 30 June 2014. The Group's revenue in Japanese yen equivalent increased primarily as a result of a growth in the volume and amount of merchant transactions in Japan from the Group's agency payment business.

The following table sets forth the breakdown of the Group's revenue by category of services for the years presented:

	<b>2014</b>	2013	<b>Change</b>
	<i>HK\$</i>	<i>HK\$</i>	<b>in HK\$</b>
			<i>%</i>
Initial setup and monthly fees	<b>41,242,721</b>	46,589,452	-11.5%
Settlement data transaction fees	<b>54,609,406</b>	66,903,322	-18.4%
Agency payment fees	<b>900,908,688</b>	948,952,898	-5.1%
Advertising related services	<b>55,602,168</b>	58,340,054	-4.7%
Information security services	<b>13,639,404</b>	19,619,306	-30.5%
Others	<b>21,703,348</b>	26,104,387	-16.9%
	<b><u>1,087,705,735</u></b>	<u>1,166,509,419</u>	-6.8%
	<b>2014</b>	2013	<b>Change</b>
	<i>JP¥</i>	<i>JP¥</i>	<b>in JP¥</b>
			<i>%</i>
Initial setup and monthly fees	<b>537,522,183</b>	523,215,777	2.7%
Settlement data transaction fees	<b>711,713,723</b>	744,666,294	-4.4%
Agency payment fees	<b>11,727,913,156</b>	10,671,888,752	9.9%
Advertising related services	<b>725,158,115</b>	664,746,342	9.1%
Information security services	<b>177,634,026</b>	218,248,462	-18.6%
Others	<b>283,834,196</b>	292,598,549	-3.0%
	<b><u>14,163,775,399</u></b>	<u>13,115,364,176</u>	8.0%

*Note:* The above table also includes amounts shown in Japanese yen for the purposes of illustration only, representing the relevant amounts prior to conversion into Hong Kong dollar for the purposes of the consolidated financial statements.

### *Initial setup and monthly fees*

Revenue from initial setup and monthly fees decreased by approximately 11.5%, or HK\$5.4 million, from approximately HK\$46.6 million for the year ended 30 June 2013 to approximately HK\$41.2 million for the year ended 30 June 2014, primarily due to the depreciation of Japanese yen. The revenue from initial setup and monthly fees in Japanese yen equivalent increased by approximately 2.7%, or JP¥14.3 million, from approximately JP¥523.2 million for the year ended 30 June 2013 to approximately JP¥537.5 million for the year ended 30 June 2014, primarily due to an increase in the number of active merchant websites.

### *Settlement data transaction fees*

Revenue from settlement data transaction fees decreased by approximately 18.4%, or HK\$12.3 million, from approximately HK\$66.9 million for the year ended 30 June 2013 to approximately HK\$54.6 million for the year ended 30 June 2014, primarily due to the depreciation of Japanese yen. The revenue from settlement data transaction fees in Japanese yen equivalent decreased by approximately 4.4%, or JP¥33.0 million, from approximately JP¥744.7 million for the year ended 30 June 2013 to approximately JP¥711.7 million for the year ended 30 June 2014, primarily due to the termination of a fixed fee contract for OEM settlement data transaction service.

### *Agency payment fees*

Revenue from agency payment fees decreased by approximately 5.1%, or HK\$48.1 million, from approximately HK\$949.0 million for the year ended 30 June 2013 to approximately HK\$900.9 million for the year ended 30 June 2014, primarily due to the depreciation of Japanese yen. The revenue from agency payment fees in Japanese yen equivalent increased by approximately 9.9%, or JP¥1,056.0 million, from approximately JP¥10,671.9 million for the year ended 30 June 2013 to approximately JP¥11,727.9 million for the year ended 30 June 2014, primarily as a result of a growth in the volume and amount of merchant transactions in Japan from the Group's agency payment business.

### *Advertising related services*

Revenue from advertising related services decreased by approximately 4.7%, or HK\$2.7 million, from approximately HK\$58.3 million for the year ended 30 June 2013 to approximately HK\$55.6 million for the year ended 30 June 2014, primarily due to the depreciation of Japanese yen. The revenue from advertising related services in Japanese yen equivalent increased by approximately 9.1%, or JP¥60.5 million, from approximately JP¥664.7 million for the year ended 30 June 2013 to approximately JP¥725.2 million for the year ended 30 June 2014, primarily as a result of the acquisition of Kotohako. As the Group acquired a controlling interest in Kotohako on 28 December 2012, the revenue derived by Kotohako for the year ended 30 June 2014 has been fully consolidated in the results of the Group for the same year while the only partial revenue of Kotohako for the year ended 30 June 2013 was consolidated in the results of the Group for the same year.

### *Information security services*

Revenue from information security services decreased by approximately 30.5%, or HK\$6.0 million, from approximately HK\$19.6 million for the year ended 30 June 2013 to approximately HK\$13.6 million for the year ended 30 June 2014, primarily due to the depreciation of Japanese yen. The revenue from information security services in Japanese yen equivalent decreased by approximately 18.6%, or JP¥40.6 million, from approximately JP¥218.2 million for the year ended 30 June 2013 to approximately JP¥177.6 million for the year ended 30 June 2014, primarily due to the renewal of a service contract in the first six months in 2013, where revenue is recognised only at the time of the contract renewal once every two years.

### **Gross profit**

Gross profit decreased by approximately 11.3%, or HK\$35.3 million, from approximately HK\$313.2 million for the year ended 30 June 2013 to approximately HK\$277.9 million for the year ended 30 June 2014, primarily due to the depreciation of Japanese yen. Gross profit represented in Japanese yen prior to conversion into Hong Kong dollar for the purpose of the Group's consolidated financial statements increased by approximately 3.0%, or JP¥105.7 million, from approximately JP¥3,513.0 million for the year ended 30 June 2013 to approximately JP¥3,618.7 million for the year ended 30 June 2014. Gross profit margin in Hong Kong dollar calculated based on the Group's gross profit and revenue decreased from 26.9% for the year ended 30 June 2013 to 25.5% for the year ended 30 June 2014, primarily due to the increase in depreciation expense for the information data centre invested in April 2013.

### **Other income and gains**

Other income and gains increased from approximately HK\$2.0 million for the year ended 30 June 2013 to approximately HK\$12.4 million for the year ended 30 June 2014, primarily due to the disposal of an available-for-sale investment, which resulted in the Group recognising a gain of approximately HK\$7.9 million (before deducting any expenses).

### **Selling, general and administrative expenses**

Selling, general and administrative expenses decreased by approximately 2.3%, or HK\$4.2 million, from approximately HK\$182.3 million for the year ended 30 June 2013 to approximately HK\$178.1 million for the year ended 30 June 2014. Selling, general and administrative expenses represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of the Group's consolidated financial statements increased by approximately 12.5%, or JP¥257.5 million, from approximately JP¥2,065.5 million for the year ended 30 June 2013 to approximately JP¥2,323.0 million for the year ended 30 June 2014, primarily due to IPO expenses incurred and the increase in wages and salaries paid to the Group's employees as the Group continued to expand its business, partially offset by the decrease in intellectual property license fees. The intellectual property license fees are charged by Digital Garage under intellectual property license agreements entered into with VeriTrans and ECONTEXT on 28 September 2012 and 1 October 2012, respectively (individually, the "IP License Agreement", collectively, the "IP License Agreements"). 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 the monthly license fee immediately after the listing of the Company's shares on the Stock Exchange. The aggregate amount of the intellectual property license fees paid to Digital Garage for the year ended 30 June 2014 was approximately HK\$16.2 million, which is equivalent to approximately 26.8% of the profit attributable to owners of the Company of the Group of approximately HK\$60.3 million.

### **Other expenses**

Other expenses decreased from approximately HK\$11.6 million for the year ended 30 June 2013 to approximately HK\$0.1 million for the year ended 30 June 2014. The other expenses for the year ended 30 June 2013 were mainly comprised of foreign exchange losses of approximately HK\$7.9 million.

### **Finance costs**

Finance costs slightly increased from approximately HK\$1.0 million for the year ended 30 June 2013 to approximately HK\$1.2 million for the year ended 30 June 2014, primarily due to an increase in interest on bank loans.

### **Share of losses of an associate and joint ventures**

Share of losses of an associate and joint ventures accounted for using equity method slightly increased from a share of losses of approximately HK\$1.0 million for the year ended 30 June 2013 to approximately HK\$1.1 million for the year ended 30 June 2014, primarily attributable to the proportional share of losses of joint ventures.

### **Profit for the year ended 30 June 2014**

As a result of the foregoing, profit for the year ended 30 June 2014 decreased by approximately 4.8%, or HK\$3.0 million, from approximately HK\$63.4 million for the year ended 30 June 2013 to approximately HK\$60.4 million for the year ended 30 June 2014. Profit for the year ended 30 June 2014 represented in Japanese yen prior to conversion into Hong Kong dollars for the purposes of the Group's consolidated financial statements increased by approximately 14.0%, or JP¥95.7 million, from approximately JP¥683.9 million for the year ended 30 June 2013 to approximately JP¥779.6 million for the year ended 30 June 2014.

The Group's consolidated profit attributable to owners of the Company for the year ended 30 June 2014, without taking into account gains from disposals of an available-for-sale investment and a business unit, was approximately 26.0% lower than the forecasted consolidated profit attributable to owners of the Company for the year ended 30 June 2014 of not less than HK\$68.1 million (the "Profit Forecast"), as disclosed in the Prospectus. The main reasons that the Group could not meet the Profit Forecast are as follows:

- (1) The Group's revenue for the year ended 30 June 2014 was lower than the forecasted revenue used as a basis of calculation for the Profit Forecast mainly due to (a) an unanticipated lower agency payment amount as compared to the amount assumed in the Profit Forecast calculation by approximately 6.0% for agency payment services, which is primarily attributable to a decline in credit card transactions by the Group's customers and (b) an increase in pricing pressure for the provision of agency payment services for credit card transactions as a result of unanticipated increased competitions, thereby resulting in the lower average fee margin of approximately 1.95% from the provision of agency payment services as compared to the assumed average fee margin of approximately 1.96% used in the Profit Forecast calculation; and
- (2) The Profit Forecast was prepared based on certain assumed exchange rates between the Japanese yen and the Hong Kong dollar and the depreciation of the Japanese yen against the Hong Kong dollar as compared to assumed exchange rates has had an adverse effect on the Group's consolidated profit attributable to owners of the Company for the year ended 30 June 2014 in Hong Kong dollars.

### Other information

To supplement the consolidated results of the Group prepared, earnings before interest, taxes, depreciation and amortisation (the "EBITDA") and EBITDA margin, have been presented as below. The Company's management believes that these information provide investors with useful supplementary information to assess the performance of the Group's core operations.

### Year ended 30 June 2014

		HK\$	Net margin	JP¥	Net margin
As reported	Profit for the year	60,377,743	5.6%	779,594,091	5.5%
Adjustments	Depreciation of property, plant and equipment	10,997,772		143,277,308	
	Amortisation of intangible assets	45,112,102		588,002,768	
	Interest expense	1,174,925		15,322,534	
	Income tax expense	49,408,134		645,779,206	
	EBITDA	<u>167,070,676</u>	15.4%	<u>2,171,975,907</u>	15.3%



Year ended 30 June 2013

		HK\$	Net margin	JP¥	Net margin
As reported	Profit for the year	63,389,089	5.4%	683,911,942	5.2%
Adjustments	Depreciation of property, plant and equipment	8,218,099		84,646,420	
	Amortisation of intangible assets	46,542,409		479,386,813	
	Interest expense	972,699		11,063,193	
	Income tax expense	<u>56,009,358</u>		<u>625,798,296</u>	
	EBITDA	<u>175,131,654</u>	15.0%	<u>1,884,806,664</u>	14.4%

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Loans and Borrowings

As at 30 June 2014, the total borrowings of the Group were approximately HK\$77.3 million. The Group's gearing ratio, as calculated by dividing the total borrowings by the total shareholders' equity plus total borrowings, was approximately 4.1% as at 30 June 2014.

### Capital expenditures

The Group's major capital expenditures consist primarily of expenditures to enhance the Group's technologies, including software to be used in its payment services and to purchase property, plant and equipment.

For the year ended 30 June 2014, the Group's capital expenditures amounted to approximately HK\$40.4 million.

### Foreign exchange risk

The Group's consolidated financial statements are presented in Hong Kong dollars, which is also the Company's functional currency. The functional currency of the Company's operating subsidiaries, ECONTEXT and VeriTrans, is Japanese yen. Due to fluctuations in the exchange rate of Japanese yen against Hong Kong dollar, any trends associated with the financial performance of the Group's operations may not be accurately reflected in the Group's consolidated financial statements. The Japanese yen depreciated against the Hong Kong dollar by 24.4% and 2.9% during the years from 30 June 2012 to 30 June 2013 and from 30 June 2013 to 30 June 2014, respectively. Any fluctuations in the Japanese yen to Hong Kong dollar exchange rate in future reporting periods may also affect the comparability of the Group's results of operations with prior periods. 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. As the Company's functional currency is Hong Kong

dollar, the Group's 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 appreciation of the Hong Kong dollar against these foreign currencies may result in significant exchange losses.

### **Contingent liabilities**

As at 30 June 2014, the Group 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 the Group.

### **Capital commitments**

As at 30 June 2014, the Group had a commitment in respect of capital contribution of approximately JP¥200 million (equivalent to approximately HK\$15.3 million) (2013: Nil) for a joint venture engaging in fund raising, investing and exiting.

### **Charge on the group's assets**

As at 30 June 2014, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK\$0.8 million (2013: approximately HK\$1.1 million) were under finance lease.

As at 30 June 2014, a short-term loan of approximately JP¥1.0 billion (equivalent to approximately HK\$76.5 million) was secured by the equity interest in a subsidiary with carrying amount of approximately HK\$101.9 million (2013: approximately HK\$101.9 million).

### **DIVIDEND**

The Board does not recommend the payment of any dividend for the year ended 30 June 2014 (2013: Nil).

### **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2014, the Group had 192 employees. The Company's remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management of the Group.

### **MATERIAL ACQUISITIONS AND DISPOSALS**

Save as disclosed in the section under "Investments and Change to Corporate Structure" set out above and the Reorganisation as stated in the Prospectus, the Group has no other material acquisition or disposal during the year ended 30 June 2014.

## **CORPORATE GOVERNANCE**

The Board is committed to achieving high standards of corporate governance to safeguard the interests of all the shareholders of the Company (the “Shareholders”) and enhance corporate value and accountability. The Company has applied the principles and code provisions in the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Board is of the view that since 19 December 2013, the date on which dealings in the shares of the Company first commence on the Stock Exchange, and up to 30 June 2014 (the “Review Period”), the Company has complied with the applicable code provisions as set out in the CG Code.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as the Company’s code of conduct and rules governing dealings by all Directors and relevant employees in the securities of the Company. Having made specific enquiry with all the Directors, the Directors confirmed that they had been in compliance with the dealing requirements set out in the Model Code throughout the Review Period.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the Review Period.

## **REVIEW OF ANNUAL RESULTS**

The audit committee of the Company (the “Audit Committee”) comprises three members, including two independent non-executive Directors, namely Mr. Toshio Kinoshita (Chairman) and Mr. Takao Nakamura, and one non-executive Director, namely Mr. Adam David Lindemann. The Audit Committee has reviewed the Group’s consolidated financial statements and annual results for the year ended 30 June 2014.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the “AGM”) is scheduled to be held on or around 24 October 2014. A notice convening the AGM together with the Company’s annual report will be despatched to the Shareholders in due course.

By Order of the Board  
**econtext Asia Limited**  
**Kaoru Hayashi**  
*Chairman*

Hong Kong, 28 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.*