econtext Asia Limited
環亞智富有限公司

(Incorporated in Hong Kong with limited liability)
（於香港註冊成立之有限公司）

Stock Code 股份代號: 1390

2014
Annual Report 年報

A leading provider of
online payment services
and e-commerce solutions

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Kaoru Hayashi *(Chairman)*
Takashi Okita *(Chief Executive Officer)*
Tomohiro Yamaguchi *(Chief Financial Officer)*
Keizo Odori

Non-Executive Directors

Joi Okada
Adam David Lindemann

Independent Non-Executive Directors

Mamoru Ozaki
Toshio Kinoshita
Takao Nakamura

AUDIT COMMITTEE

Toshio Kinoshita *(Chairman)*
Takao Nakamura
Adam David Lindemann

REMUNERATION COMMITTEE

Takao Nakamura *(Chairman)*
Kaoru Hayashi
Mamoru Ozaki

NOMINATION COMMITTEE

Kaoru Hayashi *(Chairman)*
Mamoru Ozaki
Takao Nakamura

COMPANY SECRETARY

Sau Mei Wong

REGISTERED OFFICE

Unit 607a, Level 6, Cyberport 3
100 Cyberport Road, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKER

Sumitomo Mitsui Banking Corporation

COMPLIANCE ADVISOR

Daiwa Capital Markets Hong Kong Limited

SHARE INFORMATION

Place of Listing

The Main Board of The Stock Exchange of Hong Kong Limited

STOCK CODE

1390

WEBSITE

www.econtext.asia

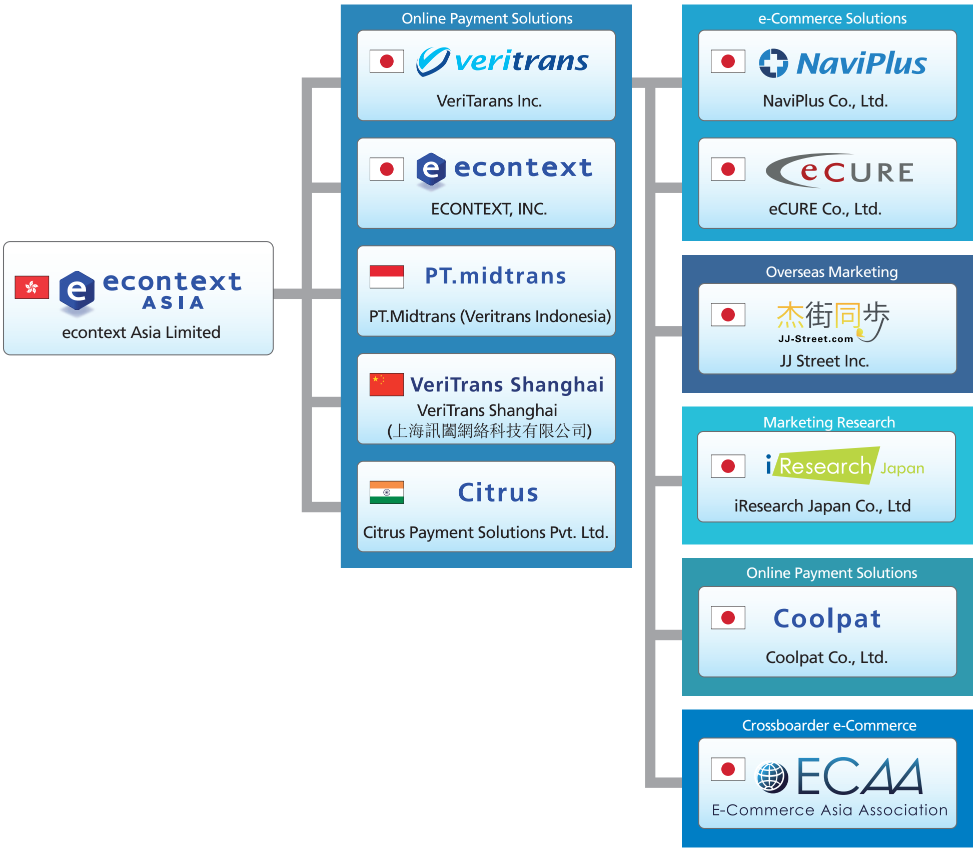
INVESTOR RELATIONS

info@econtext.asia

econtext Asia Limited (the "Company") was incorporated as a limited liability company in Hong Kong on 10 September 2012. The principal activities of the Company and its subsidiaries (collectively, the "Group") are the provision of online payment services, advertising related services and other e-commerce solutions.

The Company's issued ordinary shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 December 2013.

The following is a corporate chart of the Group.



Financial Highlights

- Revenue for the year ended 30 June 2014 decreased by approximately 6.8% to approximately HK$1,087.7 million in Hong Kong dollar ("HK$") but increased by approximately 8.0% to approximately JP¥14,163.8 million in Japanese yen ("JP¥").

- Gross profit for the year ended 30 June 2014 decreased by approximately 11.3% to approximately HK$277.9 million in Hong Kong dollar but increased by approximately 3.0% to approximately JP¥3,618.7 million in Japanese yen.

- Profit attributable to owners of the Company for the year ended 30 June 2014 decreased by approximately 7.1% to approximately HK$60.3 million in Hong Kong dollar but increased by approximately 11.3% to approximately JP¥778.5 million in Japanese yen.

Four-Year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements of the Group and the Company's prospectus dated 6 December 2013 (the "Prospectus"), is set out below:

Results

	Year ended 30 June			
	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,087,706**	1,166,509	492,437	278,656
Profit before tax	**109,786**	119,398	74,029	42,449
Income tax expense	**(49,408)**	(56,009)	(31,525)	(17,993)
Profit for the year	**60,378**	63,389	42,504	24,456
Attributable to:				
Owners of the Company	**60,305**	64,908	42,966	24,456
Non-controlling interests	**73**	(1,519)	(462)	–

Assets and liabilities

	As at 30 June			
	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,340,430**	2,970,410	3,357,481	867,797
Total liabilities	**1,545,737**	1,671,046	1,732,806	580,652

Chairman's Statement

Kaoru Hayashi
Executive Director and Chairman

Providing New Contexts to Asia

On behalf of the board of directors (the "Board") of the Company, I am pleased to present the first annual report of the Group for the year ended 30 June 2014.

The shares of the Company were successfully listed on the Stock Exchange on 19 December 2013, which marked an important milestone for the Group. It will enable the Group to strengthen its presence in Asia and provide further capital to implement expansion plans in Japan and other Asian countries.

Due to the depreciation of the Japanese yen against the Hong Kong dollar during the year, the Group recorded a decrease in its revenue and gross profit on a Hong Kong dollar basis year-on-year. However, the Group recorded stable revenue and earnings before interest, taxes, depreciation and amortisation (the "EBITDA") on a Japanese yen basis for the year ended 30 June 2014 despite an increase in operating expenses, which was mainly attributable to the Company's initial public offering ("IPO").

OVERVIEW OF THE GROUP

The Group has become a leading provider of online payment services and e-commerce solutions in Japan since it began operations in 1997. In addition to offering online payment and e-commerce solutions, the Group also operates online shopping malls and conducts overseas marketing and marketing research in Japan, China, Indonesia and India.

For the year ended 30 June 2014, the Group recorded revenue of approximately HK$1,087.7 million representing a decrease of approximately 6.8% as compared to the previous financial year. Revenue in Japanese yen was approximately JP¥14,163.8 million representing an increase of approximately 8.0%. The Group's profit for the year and profit attributable to owners of the Company was approximately HK$60.4 million and HK$60.3 million, respectively,

representing a decrease of approximately 4.8% and 7.1% as compared to the previous financial year. The unaudited adjusted net profit increased by approximately 3.5% to approximately HK$77.1 million from the previous financial year (excluding a non-recurring IPO expense of approximately HK$16.7 million). Profit for the year and profit attributable to owners of the Company in Japanese yen were approximately JP¥1,000.7 million and JP¥999.7 million, representing an increase of approximately 21.7% and 19.3%.

During the year, the Group made two successful acquisitions in order to expand its payment services and e-commerce related business in Asia. In November 2013, the Group acquired a 50% interest in VeriTrans Shanghai Co., Ltd., which offers data processing services and software to Chinese online merchants and to online merchants outside China seeking to sell products and services in China. The Group also acquired a minority stake in Citrus Payment Solutions, a major payment solutions provider in India which offers online payment solutions, including the processing of online credit transactions, bill payment services as well as providing outsourcing services to other online payment related companies that are principally located in India.

In addition, the Group entered into alliances with two leading companies in Japan, Nippon Telegraph and Telephone West Corporation and Kakaku.com, Inc., to jointly develop "mPOS", an offline payment solution using smartphones. mPOS represents a product shift from online to offline payment solutions which create a distinct competitive edge for the Group over its competitors in the online payment industry.

PROSPECTS

For the coming year, the online payment service industry will continue to be fast growing with significant opportunities in the emerging markets. Developed markets such as Japan will continue to experience stable growth in the next few years. The Group also expects significant growth in emerging markets driven by a continued e-commerce growth and an increase in online transactions.

As a leading online payment services and e-commerce solutions provider, the Group intends to increase its market share in Japan by strengthening its alliances with key convenience stores and entering into strategic partnerships with its pre-IPO investors who are reputable credit card companies in Japan. The Group also intends to strengthen its online payment platform in Asia by offering and expanding its payment services within Asia together with its partners by leveraging on experiences and achievements in Japan.

The Company's controlling shareholder, Digital Garage, Inc. ("Digital Garage"), a forerunner in the online and Internet business in Japan, will be celebrating its 20th anniversary this year, has also started a technology incubation business through its subsidiary in San Francisco in the United States.

The Company's IPO in Hong Kong will strengthen our presence and provide context in this region as a platform which seamlessly connects the east and the west.

It is clear that next-generation solutions are required in the Asian market where technology in payment services is rapidly evolving. Our mission is to provide better context for such solutions.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to our shareholders, business partners and customers for their support. I would also like to express my gratitude to our management and staff for their dedication and contributions to the Group during the year.

Kaoru Hayashi
Chairman

Hong Kong
28 August 2014

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.

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, Inc. ("ECONTEXT") and VeriTrans Inc. ("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$35.6 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. Details of the Transfer is set out in note 19 to the financial statements.

Capital Reduction

Details of the capital reduction of the Group are set out in note 30 to the financial statements.

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-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:

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

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

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 comparative financial results in both Hong Kong dollar and Japanese yen for the years presented:

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

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:

	2014 HK$	2013 HK$	Change in HK$ %
Initial setup and monthly fees	**41,242,721**	46,589,452	-11.5%
Settlement data transaction fees	**54,609,406**	66,903,322	-18.4%
Agency payment fees	**900,908,688**	948,952,898	-5.1%
Advertising related services	**55,602,168**	58,340,054	-4.7%
Information security services	**13,639,404**	19,619,306	-30.5%
Others	**21,703,348**	26,104,387	-16.9%
	1,087,705,735	1,166,509,419	-6.8%

	2014 JP¥	2013 JP¥	Change in JP¥ %
Initial setup and monthly fees	**537,522,183**	523,215,777	2.7%
Settlement data transaction fees	**711,713,723**	744,666,294	-4.4%
Agency payment fees	**11,727,913,156**	10,671,888,752	9.9%
Advertising related services	**725,158,115**	664,746,342	9.1%
Information security services	**177,634,026**	218,248,462	-18.6%
Others	**283,834,196**	292,598,549	-3.0%
	14,163,775,399	13,115,364,176	8.0%

Note: The above table also includes amounts shown in Japanese yen for the purpose of illustration only, representing the relevant amounts prior to conversion into Hong Kong dollar for the purpose 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 from 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 dollar for the purpose 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. Details of the transactions of ECONTEXT and VeriTrans are set out in "RELATED PARTY TRANSACTIONS" in note 35 to the financial statements.

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 purpose 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, 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	**167,070,676**	**15.4%**	**2,171,975,907**	**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	56,009,358		625,798,296	
	EBITDA	175,131,654	15.0%	1,884,806,664	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 of the Company (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 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Kaoru Hayashi

Executive Director and Chairman

Kaoru Hayashi, aged 54, is an executive Director, the Chairman of the Board and the Nomination Committee and a member of the Remuneration Committee of the Company. He has been an executive Director and the Chairman of the Board since the incorporation of the Company in 2012. Mr. Hayashi is primarily responsible for the strategic planning and management of the Group's overall business operations. Mr. Hayashi has also served as the representative director, chairman and president of ECONTEXT since its incorporation in 2012 and resigned as representative director and president of ECONTEXT in October 2013. He was appointed the representative director and chairman of VeriTrans in 2012, upon the acquisition of VeriTrans by Digital Garage, the Company's controlling shareholder and was appointed a director of VeriTrans in October 2013. He has also been the representative director, president and group chief executive officer ("CEO") of Digital Garage since 1995.

Mr. Hayashi also serves as a director of several companies outside the Group. He has been an external director of Monex Group, Inc., a company listed on the Tokyo Stock Exchange (the "TSE") that provides online securities brokerage services to retail investors primarily in Japan, since 2012. He has been an external director of MEDIA DO Co., Ltd., a company listed on the TSE Mothers that provides e-book distribution services to content providers primarily in Japan, since 2011. He was the representative director and chairman of Kakaku.com, a company listed on the TSE that provides price comparison services for consumers, from 2002 to 2003, and has served as the non-executive director and chairman since 2003. He served as the representative director, chairman and president of Open Network Lab, Inc., a seed stage investment company based in Tokyo, from 2012 to 2013, and has served as the representative director and chairman since April 2013. He also serves as an officer and/or director of several subsidiaries of Digital Garage.

Mr. Hayashi received a Bachelor of Sociology degree from Toyo University, Japan in 1982.

Takashi Okita

Executive Director and CEO

Takashi Okita, aged 37, is an executive Director and CEO of the Company. Mr. Okita has been an executive Director and CEO of the Company since its incorporation in 2012. Mr. Okita is primarily responsible for overseeing and managing the Group's financial services business. He has more than 15 years of experience in the electronic money settlement business and has extensive knowledge of the e-commerce business.

Mr. Okita has been an officer and/or executive director of certain subsidiaries and affiliates of the Group. Mr. Okita has been the representative director and chief operating officer of VeriTrans since 2005 and was re-appointed the representative director and CEO in 2011. He was appointed a director of ECONTEXT in October 2013. He has served as a commissioner for PT. Midtrans, a company with strategic alliance based in Indonesia that provides e-commerce solutions and online payment processing services to online merchants in Indonesia, since 2011. He has also served as a commissioner of PT. Tokopedia, a company incorporated in Indonesia that owns and operates an online e-commerce platform, since 2012. He is currently an executive director of NaviPlus, a representative director and CEO of iResearch Japan Co., Ltd. ("iResearch Japan"), eCURE Co., Ltd. ("eCure") and JJ-Street Inc. ("JJ-Street"). Mr. Okita has also been appointed a member of the investment committee of EC Fund since March 2014.

Mr. Okita was a non-executive director of SBI Holdings, Inc., a company listed on the TSE, from 2012 to June 2013, and was a director and executive officer from 2008 to 2012. Mr. Okita started his career at Softbank Finance Corporation (which has been merged into Softbank Telecom Corp.) in 1999. In March 2014, Mr. Okita was appointed an independent director of SOFTBRAIN Co, Ltd., a company listed on the TSE, which provides business support services, marketing services, and system integration services in the companies in Japan.

Mr. Okita received a Bachelor of Arts degree in management from Hitotsubashi University, Japan in 1999.

Tomohiro Yamaguchi

Executive Director and CFO

Tomohiro Yamaguchi, aged 44, is an executive Director and Chief Financial Officer ("CFO") of the Company. Mr. Yamaguchi has been an executive Director and CFO of the Company since its incorporation in 2012. Mr. Yamaguchi is primarily responsible for the overall financial operations of the Company, including accounting, tax and cash management issues. As a key member of the Company, he also directs and leads establishment of overseas business alliances through acquisitions or affiliations for the Group.

Mr. Yamaguchi has served as an officer and/or executive director of certain subsidiaries and affiliates of the Company. He served as an executive director and the CFO of Kotohako since 2012 until it merged into NaviPlus in September 2013. He has also served as an executive director and CFO of NaviPlus, an executive director and the CFO of iResearch Japan and an executive director and CFO of eCURE. He has also been a director and CFO of VeriTrans since 2006. He was primarily responsible for managing investor relations during the time VeriTrans was a publicly listed company between 2004 and 2011. Mr. Yamaguchi has been appointed a member of the investment committee of EC Fund since March 2014. He played a major role in managing corporate strategic functions, including mergers and acquisitions activities, establishing joint ventures and corporate branding. Before joining the Group, Mr. Yamaguchi was a finance manager of Softbank Finance Corporation.

Mr. Yamaguchi has been a Certified Public Tax Accountant since June 2000 and a Tokyo Certified Public Tax Accountant since June 2000. Mr. Yamaguchi received a Bachelor's degree from Meiji University, Japan in 1994 and a Master of Business Administration from Waseda University, Japan in 2010.

Keizo Odori

Executive Director

Keizo Odori, aged 44, is an executive Director who is primarily responsible for the development of business and capital alliances. Mr. Odori has been an executive Director of the Company since its incorporation in 2012. He was a director of Kotohako since its acquisition by the Group in 2012 until it merged into NaviPlus in September 2013. Mr. Odori has also served as a director of ECONTEXT since its incorporation in 2012. He has served as non-executive director of VeriTrans, and director of eCURE, iResearch Japan and NaviPlus since 2012. Mr. Odori was re-appointed a representative director and president of ECONTEXT in October 2013.

Mr. Odori has been a director of Digital Garage since 2010. Before joining the Group, he was an executive director of Faith Inc. ("Faith"), a Japanese company listed on the TSE mainly engaged in the provision of digital content distribution services and electronic money business, from 2005 to 2010. As an executive director of Faith, Mr. Odori directed and led the development of the global content distribution business and mergers and acquisitions transactions. He also served as the president and CEO of GIGA Networks Inc., a subsidiary of Faith, and was responsible for the overall operations of the company from 2006 to 2009.

Mr. Odori was a director of the Association of Musical Electronics Industry, a Japanese organisation where companies work together to set the standards for compatibility among electronic musical instruments, from 2006 to 2010. He had also been a director of Mobile Content Forum, a Japanese corporate association which provides support to strengthen a healthy mobile content industry since 2009, and had served as its managing director from 2011 to 2013.

Mr. Odori graduated from Komae Senior High School in 1989.

NON-EXECUTIVE DIRECTORS

Joi Okada
Non-executive Director

Joi Okada, aged 44, is a non-executive Director of the Company. Mr. Okada has been a non-executive Director of the Company since September 2012. He was also appointed a director of Digital Garage and its San Francisco based US subsidiary, Digital Garage US. He served as the deputy head of the Group CEO's Office from 2012 to 2013.

Mr. Okada worked as a broker for different companies within GFI Group Inc., a company which provides brokerage and execution services for institutional wholesale customers, from 2003 to 2012. He was a senior broker and the branch representative of the distressed debt section of GFI Securities Limited from 2008 to 2012, and acted as the head of brokerage desk for the Japanese credit derivatives section from 2007 to 2008. He was a senior broker at GFI Group LLC from 2003 to 2005, and was seconded to GFI Securities Limited from 2005 to 2007. Mr. Okada was a senior broker of the equity derivatives section of Nittan Brokers Inc. in 2000. He started his career working as a broker specialising in government bond options and United States treasury options at the New York office of GFI Group Inc. in 1993.

Mr. Okada was awarded JSDA 1 and 2 by the Japanese Securities Dealers Association in June 2005. Mr. Okada received a Bachelor of Arts degree in philosophy and economics from Boston College in 1992.

Adam David Lindemann
Non-executive Director

Adam David Lindemann, aged 40, is a non-executive Director and a member of the Audit Committee of the Company. He was appointed a non-executive Director of the Company in April 2013. Mr. Lindemann has been a director and managing partner of Mind Fund Ltd. since 2010 and the managing director and CEO of Source of Inspiration Ltd. since 1994. Mr. Lindemann is the managing partner of Imaginal Capital Ltd which was established in April 2013. He has been appointed chairman of the board of Qiosk Ltd, which is incorporated in Hong Kong, since June 2014.

Mr. Lindemann received a Bachelor of Arts degree in Japanese and law from the University of London in 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mamoru Ozaki

Independent Non-executive Director

Mamoru Ozaki, aged 79, is an independent non-executive Director and a member of the Remuneration Committee and the Nomination Committee of the Company. Dr. Ozaki was appointed an independent non-executive Director of the Company with effect from 19 December 2013, being the date of the listing of the shares of the Company on the Stock Exchange.

Dr. Ozaki has been a non-executive director of several listed companies in Japan. He has served as a non-executive director of Kikkoman Corporation, a Japanese company whose shares are listed on the TSE that produces and markets soy sauce, alcoholic beverages, and other food products, since 2005. He has been a non-executive director of Wacoal Holdings Corp., a Japanese company whose shares are listed on the TSE that designs, manufactures and markets primarily women's intimate apparel, since 2005. He has also been a non-executive director of Fuji Kyuko Co., Ltd., a Japanese company whose shares are listed on the TSE that provides passenger railway, bus transportation and taxi services in Japan, since 2005. Dr. Ozaki was a member of the advisory board of Nippon Yusen Kabushiki Kaisha, a Japanese company whose shares are listed on the TSE that provides ocean, land, and air transportation services, from 2006 to 2008. Dr. Ozaki has been an adviser to the Yazaki Corporation, a Japanese company which develops and manufactures automotive components for automotive use globally, since 2003. Dr. Ozaki began his career working for the Ministry of Finance Japan in 1958.

Dr. Ozaki was the Director-General of the Tax Bureau from 1988 to 1991, the commissioner of the National Tax Agency from 1991 to 1992 and the Administrative Vice Minister of the Ministry of Finance from 1992 to 1993. He was the governor of the Japan Finance Corporation, a public corporation wholly owned by the Japanese government that offers business funds for small and medium enterprises and various management consulting services, from 1994 to 1999. He was a member of the Japanese National Tax Council and the governor of the National Life Finance Corporation, a Japanese governmental institution which provides various kinds of business loans to small enterprises, from 1999 to 2003. He was an extraordinary member of the Tax Commission of the Ministry of Finance Japan from 2003 to 2006.

He was a visiting professor at the Graduate School of Commerce at Waseda University, Japan from 2003 to 2006. He was also an adviser to The National Tax College Japan from 1996 to 2009.

Dr. Ozaki received a Bachelor of Laws degree from Tokyo University, Japan in 1958 and a degree of Doctor of Laws from Waseda University, Japan in 2002.

Toshio Kinoshita

Independent Non-executive Director

Toshio Kinoshita, aged 65, is an independent non-executive Director and the Chairman of the Audit Committee of the Company. Mr. Kinoshita was appointed an independent non-executive Director of the Company with effect from 19 December 2013, being the date of the listing of the shares of the Company on the Stock Exchange.

Mr. Kinoshita was the chief executive officer of the Japanese Institute of Certified Public Accountants from 2007 to July 2013. He taught at the Graduate School of Professional Accountancy of Aoyama Gakuin University from 2005 to 2011. He also taught at the Graduate School of Professional Accountancy of Meiji University from 2005 to 2008. He was a member of the management board and firm council of Misuzu PricewaterhouseCoopers from 2005 to 2007. He was a senior managing partner of the North America-Japanese Business Network of PricewaterhouseCoopers L.L.P. from 1998 to 2005. He was the managing partner of the US-Japanese Business Network of Coopers & Lybrand L.L.P. from 1995 to 1998, the managing partner of the US West Coast-Japanese Business Group of Coopers & Lybrand L.L.P. from 1992 to 1995 and the managing partner of the US Midwest-Japanese Business Group of Coopers & Lybrand L.L.P. from 1985 to 1991. He started his career working at Coopers & Lybrand L.L.P. in 1980.

Mr. Kinoshita has been appointed an Audit & Supervisory Board Member of Panasonic Corporation since 26 June 2014, a company listed on the TSE that manufactures and markets electric products. Mr. Kinoshita has been a Certified Public Accountant in Japan since 1983. He has also been a Certified Public Accountant in California since 1995 (California Board of Accountancy) and New York since 1997 (New York Board of Accountancy).

Takao Nakamura

Independent Non-executive Director

Takao Nakamura, aged 49, is an independent non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Nakamura was appointed an independent non-executive Director of the Company with effect from 19 December 2013, being the date of listing of the shares of the Company on the Stock Exchange.

Mr. Nakamura has been a non-executive director of several listed companies in Japan. He currently serves as a non-executive director of PA Co., Ltd., a Japanese company listed on the TSE that provides information services, and previously served as a non-executive director from 2004 to 2007. He served as a non-executive director of United, Inc., a Japanese company listed on the TSE that provides internet-based media solutions in Japan, in 2007. He has been acting as a non-executive director of Paraca Inc., a Japanese company listed on the TSE that engages in the operation and management of parking lots in Japan, since 2009.

Mr. Nakamura has been an attorney-at-law at the Torikai Law Office since 2009. He has been an outside corporate auditor of tab, Inc. (formerly known as Tonchidot Corporation), a Japanese company which develops and provides social applications and services for mobile devices, since 2012. He was an auditor of Japan Sailing Federation from 2011 to June 2014. He was the representative director and president of Infoseek Japan K.K., a Japanese company that provided data processing and preparation services, from 1999 to 2003. He was a director of Digital Garage from 1996 to 1999. Mr. Nakamura started his career working for the Bank of Japan in 1989.

Mr. Nakamura became a member of The Japan Federation of Bar Association in 2008. He received a Bachelor of Laws degree from Tokyo University, Japan, in 1989. He also received a Master of Business Administration from University of California, Los Angeles, in 1994 and a Juris Doctor degree from Tokyo University, Japan in 2007.

SENIOR MANAGEMENT

Katsuo Miyagi, aged 48, is an executive director and chief operating officer ("COO") of ECONTEXT and he has held these roles since its incorporation in 2012. Mr. Miyagi was a non-executive director of NEXDG GO., Ltd., a company engaged in the e-commerce logistics services, from 2012 to 2013. He was also COO of ECONTEXT from 2010 to 2012, before it was demerged from Digital Garage and incorporated as a separate stock company in Japan in 2012. He was a manager of Japan Post Holdings Co., Ltd., a Japanese state-owned corporation which, through its subsidiaries, provides postal services throughout Japan, from 2007 to 2010. He headed the information technology department of ECONTEXT from 2002 to 2007.

Mr. Miyagi received a Bachelor's degree from the Department of Technology of Osaka Electro-Communication University, Japan in 1989.

Yoshitaka Sakai, aged 41, is an executive director of ECONTEXT. Mr. Sakai has been an executive director of ECONTEXT since incorporation in 2012. Before ECONTEXT was demerged from Digital Garage, Mr. Sakai was a senior operating officer of Digital Garage from 2008 to 2011 and deputy general manager of its corporate strategy division in 2012. He was the head of the business development group of ECONTEXT from 2002 to 2009. Mr. Sakai left Digital Garage on 1 January 2013 to independently assume his role at ECONTEXT. Mr. Sakai was appointed as a statutory auditor of VeriTrans in October 2013. Mr. Sakai began his career in 1996 working at the sales and marketing division of Iwatani Corporation, a Japanese company listed on the TSE that operates as an energy service provider in Japan.

Mr. Sakai received a Bachelor of Management degree from Dokkyo University, Japan in 1996.

Kiyotaka Harada, aged 41, is an executive director of ECONTEXT and he has held this role since incorporation in 2012. He was a director of VeriTrans from 2012 to March 2013. Mr. Harada joined ECONTEXT in 2005 and took charge of the new business development department, and subsequently held several management positions across different departments after ECONTEXT was merged into Digital Garage. Mr. Harada was the executive producer of the business management office of ECONTEXT. He was the general manager of the business development office that is responsible for new business development from 2009 to 2010. He was the general manager of the marketing division from 2008 to 2009 and was appointed as the general manager of the sales division in October 2013. Mr. Harada began his career in 1996 at Mitsubishi Corporation, a major Japanese trading company listed on the TSE that operates businesses across industrial finance, energy, metals, machinery, chemicals, foods, and environmental sectors. Mr. Harada had been seconded to ECONTEXT from Mitsubishi Corporation from 2000 to 2004.

Mr. Harada received a Bachelor of Arts degree in law from Waseda University, Japan in 1996.

Haruto Oshima, aged 54, is an executive officer of ECONTEXT and he has held such role since July 2013. He was the head of the new business promotion office of ECONTEXT from 2012 to 2013. Before ECONTEXT was demerged from Digital Garage, Mr. Oshima was the deputy director-general of the business management office from 2011 to 2012, and the deputy director-general of the merchant sales department from 2010 to 2011. Mr. Oshima was the director-general of plan headquarters of Willer Travel, Inc., a Japanese company engaged in website creation and maintenance for travel and tourism services, from 2008 to 2010. He was the president of Brooklands Asia (Thailand) Co., Ltd, a company engaged in export and import business, from 2001 to 2004. He was the president of Be Net Japan, Co., Ltd, a company engaged in advertising and trading related business, from 1999 to 2004. He was the president of Office Devi, Inc., a company engaged in export and import business, from 1994 to 2004.

Mr. Oshima received a Bachelor's degree in economics from Aoyama Gakuin University, Japan in 1986.

Kohei Akao, aged 41, is an executive director, chief technology officer ("CTO") and COO of VeriTrans. He was appointed CTO of VeriTrans in 2008, and was appointed COO in April 2013. He is also the general manager of technical division of VeriTrans. Mr. Akao was an executive director of VeriTrans from 2008 to March 2013. He worked for Fujitsu Business Systems Ltd. from April 1998 to October 2001.

Mr. Akao received a Bachelor of Science degree and a Master of Science degree from Ibaraki University in 1996 and 1998, respectively.

Hiroshi Shino, aged 38, is an executive director of VeriTrans and he has held this role since April 2013. He is also the general manager of the business development division of VeriTrans. He has been an executive director and CEO of NaviPlus since April 2013 and was an executive director of Kotohako from April 2013 until it merged into NaviPlus in September 2013. Mr. Shino has also served as an executive director of iResearch Japan since 2011. He was an executive director of VeriTrans from 2011 to 2013.

Mr. Shino received a Bachelor of Business Administration degree from the Science University of Tokyo, Japan in 1999.

Lei Wang (also known as Rai Ou), aged 38, has been a senior executive officer of VeriTrans since 2011. He is also the general manager of the global strategy division of VeriTrans. Mr. Wang is responsible for the global strategy and Asia payment development of VeriTrans. Mr. Wang has also been an executive director of iResearch Japan since 2009.

Mr. Wang received a Bachelor of Engineering degree from the Northeast Dianli University, China in 1996.

Hiroyuki Nakamura, aged 54, is a senior executive officer of VeriTrans since August 2013. In this position, Mr. Nakamura is responsible for the management of global operations of the credit card business and for the development and management of all international business alliances. He is involved with developing the marketing strategy and overseeing its execution, managing legal issues with our global partners and managing relationships with financial institutions. Prior to joining VeriTrans, Mr. Nakamura was the president, chief operating officer and an executive director of SBI Card Co., Ltd., Japan from January 2012 to June 2013. He joined JCB International Co., Ltd. as a manager in April 1990 and has served as an executive director and executive vice president from June 2006 to November 2011. Mr. Nakamura was the assistant manager of the lighting division and relationship manager at Philips Corporation Japan from October 1987 to March 1990.

Mr. Nakamura received an Associates in Arts degree majoring in Business Administration from Taft College, United States in 1980.

Ryuji Yamanaka, aged 40, is an executive officer of VeriTrans since February 2014. He is also the general manager of the sales division of VeriTrans. Mr. Yamanaka is responsible for acquiring new merchants and maintaining relationship with current merchants. He is also responsible for finding merchant's demands and planning new services for them. Mr. Yamanaka joined VeriTrans as a manager of business development division in November 2008. Mr. Yamanaka received a Diploma in Culture and General Education from CHUOU HOURITU SENMON GAKKOU (formerly known as TOKYO HOURITU KOUGAKUIN), a vocational college of law, Tokyo in 1995.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high standard of corporate governance to safeguard the interests of the shareholders of the Company (the "Shareholders") and to enhance corporate value and accountability.

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained 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 (the "Shares") first commence on the Stock Exchange (the "Listing Date"), 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out 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 enquiries by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Review Period.

BOARD OF DIRECTORS

The Board currently comprises nine members, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors
Mr. Kaoru Hayashi, *Chairman of the Board*
Mr. Takashi Okita, *Chief Executive Officer*
Mr. Tomohiro Yamaguchi, *Chief Financial Officer*
Mr. Keizo Odori

Non-executive Directors
Mr. Joi Okada
Mr. Adam David Lindemann

Independent Non-executive Directors
Dr. Mamoru Ozaki
Mr. Toshio Kinoshita
Mr. Takao Nakamura

The biographical information of the Directors and the relationships between the members of the Board are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 19 to 25 of this annual report.

Chairman and Chief Executive Officer
The positions of Chairman and Chief Executive Officer are held by Mr. Kaoru Hayashi and Mr. Takashi Okita respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

BOARD OF DIRECTORS *(Continued)*

Independent Non-executive Directors

Since the Listing Date, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Directors are of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code Provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas Code Provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is appointed for a specific term of one year from the Listing Date and is subject to retirement by rotation in accordance with the Articles of Association of the Company.

The Company's Articles of Association provides that at each annual general meeting, one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number of Directors nearest to but not greater than one third of the total number of Directors, shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Any new Director appointed by the Board to fill a casual vacancy or as additional Director shall hold office only until the next following annual general meeting and be eligible for re-election by the Shareholders at the next annual general meeting after appointment.

At the forthcoming annual general meeting, Mr. Keizo Odori, Mr. Joi Okada and Mr. Adam David Lindemann will retire by rotation pursuant to the Company's Articles of Association and, being eligible, will offer themselves for re-election as Directors.

The Board, upon the recommendation from the Nomination Committee, has proposed to nominate Mr. Toshiyuki Fushimi as an independent non-executive Director at the forthcoming annual general meeting.

The biographical details of the Directors proposed to be re-elected or elected at the annual general meeting are set out in the accompanying circular.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

BOARD OF DIRECTORS *(Continued)*

Responsibilities, Accountabilities and Contributions of the Board and Management *(Continued)*

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of the Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

The Directors keep abreast of responsibilities as a Director and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for the Directors will be arranged from time to time and reading materials on relevant topics will be issued to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Review Period, the Company organised training sessions on policy and procedures on disclosure of inside information as well as updates on development of related industries to facilitate execution of their responsibilities.

In addition, relevant reading materials were provided to the Directors for their reference and studying.

The following Directors pursued continuous professional development and relevant details are set out below:

Directors	Type of Training (See Remarks)
Mr. Kaoru Hayashi	A, C
Mr. Takashi Okita	A, C
Mr. Tomohiro Yamaguchi	A, B, C
Mr. Keizo Odori	A, C
Mr. Joi Okada	A, C
Mr. Adam David Lindemann	A, C
Dr. Mamoru Ozaki	A, C
Mr. Toshio Kinoshita	A, C
Mr. Takao Nakamura	A, C

Remarks:

A: attending seminars and/or training sessions organised by the Company

B: attending seminar organised by the Stock Exchange

C: reading books, articles and/or materials relating to laws and regulations/accounting and finance/corporate governance/business

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Stock Exchange and the Company and are available to the Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held its first meeting in February 2014 to review the unaudited interim financial results of the Group for the six months ended 31 December 2013. The Audit Committee also met with the external auditors once during the Review Period to discuss the audit plan and the issues arising from the audit and financial reporting matters.

The Group's results for the year ended 30 June 2014 have been reviewed by the Audit Committee on 28 August 2014. The Audit Committee has considered and reviewed the significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

No meeting of the Remuneration Committee was held during the Review Period. However, a meeting of the Remuneration Committee was held in September 2014 for reviewing the remuneration policy and structure and making recommendations to the Board on determining the annual remuneration packages of the Directors and the senior management and other related matters.

Pursuant to Code Provision B.1.5, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 30 June 2014 is set out below:

	Number of individuals
Nil to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	1

Details of the remuneration of each of the Directors for the year ended 30 June 2014 are set out in note 8 to the financial statements of the Group.

BOARD COMMITTEES *(Continued)*

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of the Directors, making recommendations to the Board on the appointment and succession planning of the Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve diversity of the Board, where appropriate, before making recommendation to the Board.

The Nomination Committee did not meet during the Review Period. However, a meeting of the Nomination Committee was held in September 2014 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring Directors standing for election at the forthcoming annual general meeting and to consider and recommend to the Board on the appointment of a new Director. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in Code Provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held during the Review Period is set out in the table below:

	Attendance / Number of Meetings			
Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Kaoru Hayashi	8/8	–	0/0	0/0
Mr. Takashi Okita	8/8	–	–	–
Mr. Tomohiro Yamaguchi	7/8	–	–	–
Mr. Keizo Odori	8/8	–	–	–
Mr. Joi Okada	8/8	–	–	–
Mr. Adam David Lindemann	8/8	2/2	–	–
Dr. Mamoru Ozaki	7/8	–	0/0	0/0
Mr. Toshio Kinoshita	7/8	2/2	–	–
Mr. Takao Nakamura	8/8	2/2	0/0	0/0

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS *(Continued)*

Since the Company's Shares were only listed on 19 December 2013, no Nomination Committee meeting and Remuneration Committee meeting were held during the Review Period. The Company will schedule such number of committee meetings as required under the respective terms of reference to carry out the functions of such committees.

Under Code Provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Chairman did not hold any such meeting during the Review Period. However, such meeting was held in August 2014.

On 15 November 2013, the Company held its annual general meeting for the purpose of approving, among other things, the audited consolidated financial statements of the Company, re-election of retiring Directors and appointment of new Directors, adoption of new Articles of Association and other matters in preparation for the listing of the Shares on the Stock Exchange. No general meeting was held during the Review Period.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 30 June 2014.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 45 to 46.

AUDITORS' REMUNERATION

The fees paid/payable to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 30 June 2014 amounted to HK$2,668,646 and HK$3,767,500 respectively.

An analysis of the fees paid/payable to the external auditors of the Company, Ernst & Young Hong Kong, in respect of audit services and non-audit services for the year ended 30 June 2014 is set out below:

Service Category	Fees Paid/Payable HK$
Audit Services	2,668,646
Non-audit Services*	3,767,500
	6,436,146

* Including assurance services in connection with the Company's IPO.

INTERNAL CONTROLS

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

Ms. Wong Sau Mei of Tricor Services Limited, an external service provider, has been engaged by the Company as its company secretary. The primary contact person at the Company, whom Ms. Wong can contact, is Mr. Tomohiro Yamaguchi, an executive Director and CFO of the Company.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Stock Exchange and of the Company after each general meeting.

Right to Call a General Meeting

General meetings may be convened by the Board/Directors on requisition of the Shareholder(s) representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings or by such Shareholder(s) who made the requisition (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"). The Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening a general meeting.

Right to Circulate Resolution at Annual General Meeting

Pursuant to Section 615 of the Companies Ordinance, the Shareholders representing at least 2.5% of the total voting rights of all Shareholders; or at least 50 Shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at the annual general meeting. The Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for annual general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company for the attention of the Board by mail to Unit 607a, Level 6, Cyberport 3, 100 Cyberport Road, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries.

For the avoidance of doubt, the Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The Shareholders' information may be disclosed as required by law.

Enquiries about Shareholdings

The Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Investor Services Limited, via its online enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, the Directors (or their delegates as appropriate) are available to meet the Shareholders and answer their enquiries.

The Company has established a Shareholders' Communication Policy which is available on the Company's website.

The Company has not made any changes to its Articles of Association since the Listing Date. In response to the introduction of the new Companies Ordinance which became effective on 3 March 2014, the Board has proposed to adopt new Articles of Association by the Company at the forthcoming annual general meeting of the Company to bring them in line with the new Articles of Association. Details of the proposed changes brought by the new Articles of Association are set out in the accompanying circular to the Shareholders.

Report of Directors

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 30 June 2014.

PRINCIPAL ACTIVITIES

During the year, the principal activities of the Company were the holding of its subsidiaries, joint ventures and an associate, and investment holding. Details of the principal activities of its principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 30 June 2014 and the state of affairs of the Company and the Group as at 30 June 2014 are set out in the consolidated financial statements on pages 47 to 122.

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new Shares at the time of its listing on the Stock Exchange in December 2013, after deduction of related issuance expenses (before the full exercise of over-allotment option), amounted to approximately HK$383.4 million. The over-allotment option was exercised in full on 9 January 2014 with additional net proceeds of approximately HK$64.9 million. These proceeds were applied during the year ended 30 June 2014 in accordance with the proposed applications set out in the Prospectus, as follows:

* approximately HK$8.3 million was used for working capital and other general corporate activities

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements and the Prospectus, is set out on page 5. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 30 to the financial statements.

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2014, the Company had no reserves available for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 30 June 2014, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors
Mr. Kaoru Hayashi *(Chairman)*
Mr. Takashi Okita *(Chief Executive Officer)*
Mr. Tomohiro Yamaguchi *(Chief Financial Officer)*
Mr. Keizo Odori

Non-Executive Directors
Mr. Joi Okada
Mr. Adam David Lindemann

Independent Non-Executive Directors

Dr. Mamoru Ozaki	(appointed with effect from 19 December 2013)
Mr. Toshio Kinoshita	(appointed with effect from 19 December 2013)
Mr. Takao Nakamura	(appointed with effect from 19 December 2013)

Pursuant to Article 73(1) of the Company's Articles of Association, Mr. Keizo Odori, Mr. Joi Okada and Mr. Adam David Lindemann will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election as Directors.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the Directors are set out on pages 19 to 25 of this annual report. Other particulars of the same are contained elsewhere in this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The emoluments of the Directors are determined by the Board with reference to the recommendation of the Remuneration Committee, having regard to the Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' emoluments are set out in note 8 to the financial statements.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as disclosed in note 35 to the financial statements, no Director had a material interest, where directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Review Period was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of the shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 35 to the financial statements and the section headed "Continuing Connected Transactions" of this report, at no time during the year ended 30 June 2014 had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2014, the interests or short positions of the Directors and chief executive of the Company or their respective associates (as defined under the Listing Rules) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES *(Continued)*

Long positions in the Shares

Name of Director	Capacity in which the Shares are held	Number of the Shares held	Approximate percentage of total interests in the issued Shares
Kaoru Hayashi	Beneficial owner	550,000	0.10%
Takashi Okita	Beneficial owner	140,000	0.02%

Long positions in the shares of associated corporations

(a) Digital Garage, Inc.

Name of Director	Capacity in which the shares are held	Number of common shares held	Approximate percentage of total interests in the issued shares
Kaoru Hayashi	Beneficial owner	6,760,100	14.31%
Keizo Odori	Beneficial owner	1,300	0.002%

(b) VeriTrans Inc.

Name of Director	Capacity in which the shares are held	Number of common shares held	Approximate percentage of total interests in the issued shares
Kaoru Hayashi	Beneficial owner	162	0.10%
Takashi Okita	Beneficial owner	112	0.06%
Tomohiro Yamaguchi	Beneficial owner	50	0.03%

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executive of the Company or their respective associates had, or was deemed to have, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2014, so far as it was known by or otherwise notified by any Director or chief executive of the Company, the following persons (other than the Directors and chief executives of the Company) had 5% or more interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company.

Long positions in the Shares

Name of Shareholders	Capacity in which the Shares are held	Number of the Shares held	Approximate percentage of total interests in the issued Shares
Digital Garage, Inc. (Note 1)	Beneficial owner	303,474,998	58.50%
Sumitomo Mitsui Card Company, Limited (Note 2)	Beneficial owner	37,500,002	7.22%
SMFG Card & Credit, Inc. (Note 2)	Interest in a controlled corporation	37,500,002	7.22%
Sumitomo Mitsui Financial Group, Inc. (Note 2)	Interest in controlled corporations	37,500,002	7.22%
Credit Saison Co., Ltd.	Beneficial owner	28,125,000	5.42%

Notes:

(1) Mr. Kaoru Hayashi, an executive Director and Chairman of the Company, held 6,760,100 common shares of Digital Garage. Mr. Keizo Odori, an executive Director, held 1,300 common shares of Digital Garage.

(2) Sumitomo Mitsui Card Company, Limited ("SMCC") was a subsidiary of SMFG Card & Credit, Inc. ("SMFGCC") which was wholly owned by Sumitomo Mitsui Financial Group, Inc. ("SMFG"). Thus, SMFGCC and SMFG were deemed to be interested in such Shares which SMCC was interested in pursuant to Part XV of the SFO.

(3) The total number of issued Shares as at 30 June 2014 was 518,750,000 which has been used in the calculation of the approximate percentage.

Save as disclosed above, as at 30 June 2014, there were no other persons who were recorded in the register of the Company as having interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company.

CONTINUING CONNECTED TRANSACTIONS

The Group had certain continuing connected transactions during the year ended 30 June 2014, brief particulars of which are as follows:

Non-Exempt Continuing Connected Transactions

Continuing Connected Transactions Subject to the Reporting and Announcement Requirements

1. *Sub-lease Agreements and Office Equipment and Facilities Agreements*

   On 1 February 2013, each of VeriTrans and ECONTEXT, being subsidiaries of the Company, entered into sub-lease agreements (as amended by addenda dated 28 June 2013) (the "Sub-lease Agreements") with Digital Garage to sub-lease the entire 5th floor and part of the premises situated on the 9th to 12th floors, as well as the rooftop of Daikanyama DG Building, located at 3-5-7 Ebisu Minami, Shibuya-ku, Tokyo, Japan from Digital Garage for use as office space (the "Digital Garage Premises"). The total gross floor area sub-leased by VeriTrans and ECONTEXT pursuant to the Sub-lease Agreements is approximately 880 square meters and 594 square meters, respectively. The landlord of the Digital Garage Premises is an independent third party.

   The term of the Sub-lease Agreements is from 1 February 2013 to 31 October 2014. The Sub-lease Agreements may be terminated prior to 31 October 2014 by either party by giving the other party at least one month's notice.

   On 28 June 2013, each of VeriTrans and ECONTEXT also entered into office equipment and facilities agreements (the "Office Equipment and Facilities Agreements") with Digital Garage incidental to the Sub-lease Agreements, pursuant to which Digital Garage has agreed to sub-lease certain office equipment and facilities (the "Office Equipment and Facilities") situated at the Digital Garage Premises to VeriTrans and ECONTEXT.

   The terms of the Office Equipment and Facilities Agreements are from 1 March 2013 to 31 October 2014 and will be automatically renewed for successive periods of one year upon expiry unless either party notifies the other party of its intention to terminate the agreement no later than one month before the expiry date. Notwithstanding the foregoing, upon the termination of the lease agreement between Digital Garage and the lender of the Office Equipment and Facilities, an independent third party, the Office Equipment and Facilities Agreements will also be terminated.

   As the Office Equipment and Facilities Agreements are incidental and related to the Sub-lease Agreements, the transactions under these agreements are aggregated in accordance with Rule 14A.81 of the Listing Rules.

   The aggregate monthly rent payable by VeriTrans and ECONTEXT to Digital Garage under the Sub-lease Agreements and the Office Equipment and Facilities Agreements is ¥8,784,618 and ¥5,939,035 (approximately HK$666,138 and HK$450,357), respectively. The monthly rent was determined on the basis of the actual floor area occupied by VeriTrans and ECONTEXT, respectively, in proportion to the rent payable by Digital Garage to the landlord for the Digital Garage Premises.

   VeriTrans and ECONTEXT paid Digital Garage deposits of ¥36,097,200 and ¥24,064,800 (approximately HK$2,737,251 and HK$1,824,834), respectively, in relation to the Sub-lease Agreements. The deposits paid by VeriTrans and ECONTEXT to Digital Garage were determined on the basis of the actual floor area occupied by VeriTrans and ECONTEXT in proportion to the deposits paid by Digital Garage to the landlord for the Digital Garage Premises. Each deposit is refundable upon expiration or termination of the respective Sub-lease Agreement and within three months of all outstanding amounts owed to Digital Garage being settled and the premises being vacated. No interest will accrue on the deposits. Each of VeriTrans and ECONTEXT has also agreed to pay a cleaning fee and restoration fee when it vacates the Digital Garage Premises.

   Since Digital Garage is the controlling shareholder of the Company, the transactions contemplated under the Sub-lease Agreements and the Office Equipment and Facilities Agreements constitute continuing connected transactions of the Company, which are subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Continuing Connected Transactions Subject to the Reporting and Announcement Requirements *(Continued)*

1. *Sub-lease Agreements and Office Equipment and Facilities Agreements (Continued)*

   The annual cap under the Sub-lease Agreements and the Office Equipment and Facilities Agreements for the year ended 30 June 2014 is HK$17,250,000.

   The amount paid by VeriTrans and ECONTEXT to Digital Garage under the Sub-lease Agreements and the Office Equipment and Facilities Agreements for the year ended 30 June 2014 was approximately HK$12,883,000.

2. *Secondment Agreements with Digital Garage*

   On 1 July 2012, 1 October 2012 and 1 March 2013, respectively, VeriTrans, ECONTEXT and NaviPlus entered into secondment agreements (the "Secondment Agreements") (as amended by addenda dated 1 July 2013) with Digital Garage pursuant to which Digital Garage has agreed to second certain of its employees to VeriTrans, ECONTEXT and NaviPlus (the "Seconded Employees"). The Seconded Employees, which include recent university graduates, provide non-skill based services to the Group. For the year ended 30 June 2014, five Seconded Employees were seconded to the Group.

   The term of the Secondment Agreements is from 1 July 2012 to 30 June 2014, which have been renewed and will continue to be automatically renewed for successive periods of one year upon expiry unless either party notifies the other party in writing of its intention to terminate the agreement no later than one month before the expiry date.

   Pursuant to the Secondment Agreements, VeriTrans, ECONTEXT and NaviPlus have agreed to reimburse Digital Garage for the salary, social insurance and other employment benefits (the "Salary and Other Benefits") that Digital Garage pays to the Seconded Employees on a cost basis.

   Since Digital Garage is the controlling shareholder of the Company, the transactions contemplated under the Secondment Agreements constitute continuing connected transactions of the Company, which are subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

   The annual cap for the Salary and Other Benefits for the financial year ended 30 June 2014 is HK$5,000,000.

   The amount of Salary and Other Benefits paid by the Group to Digital Garage under the Secondment Agreements for the year ended 30 June 2014 was approximately HK$2,679,000.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Continuing Connected Transactions Subject to the Reporting, Announcement and Independent Shareholders' Approval Requirements

The following transactions are regarded as continuing connected transactions subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Intellectual Property License Agreements

On 28 September 2012 and 1 October 2012, respectively, VeriTrans and ECONTEXT entered into the IP License Agreements (as amended by addenda dated 1 August 2013 and 17 October 2013) with Digital Garage whereby Digital Garage granted VeriTrans and ECONTEXT the non-exclusive right to use its trade name "Digital Garage" (including the Japanese characters representing the same) and certain trademarks and registered domains (the "Licensed IP").

Under the IP License Agreements, Digital Garage has agreed not to (i) register any trademark or service mark which is the same or similar to the Licensed IP, (ii) act in any way that could diminish the brand image of the Licensed IP and (iii) grant any other license or transfer the Licensed IP to any other third party.

The original terms of the IP License Agreements were from 1 October 2012 to 30 June 2013, which have been renewed and will continue to be automatically renewed for successive periods of one year upon expiry unless the relevant IP License Agreements are terminated. With respect to the termination of the IP License Agreements, VeriTrans or ECONTEXT may terminate the relevant IP License Agreement by one month's written notice to Digital Garage (1) without any cause, one month prior to expiry of a one year term; or (2) at any time with reasonable cause, which shall include but not be limited to (i) any Licensed IP no longer being used by VeriTrans or ECONTEXT, respectively, (ii) VeriTrans or ECONTEXT ceasing to be subsidiaries of the Company, and (iii) Digital Garage's indirect shareholding in VeriTrans or ECONTEXT falling below 20%. Digital Garage may only terminate the IP License Agreements with the Company's prior consent unless:

(i) Digital Garage ceases to hold or have the right to exercise (directly or indirectly) more than 50% of the voting rights in the Company, in which case Digital Garage may give one month's written notice to VeriTrans or ECONTEXT (as the case may be) to terminate the relevant IP License Agreement;

(ii) Digital Garage's direct or indirect shareholding in VeriTrans or ECONTEXT (as the case may be) falls below 20%, in which case the relevant IP License Agreement is terminated automatically; or

(iii) there is a material breach of, or non-compliance with the terms of, the relevant IP License Agreement by VeriTrans or ECONTEXT.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Continuing Connected Transactions Subject to the Reporting, Announcement and Independent Shareholders' Approval Requirements *(Continued)*

Intellectual Property License Agreements (Continued)

Where prior consent of the Company is required for Digital Garage to terminate the relevant IP License Agreement, the determination as to whether such consent will be granted shall be made by the Board, provided that any Director who is at that time also a director of Digital Garage shall be precluded from voting on any resolution of the Board relating to the granting of such consent.

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 listing of the Shares on the Stock Exchange.

As the intellectual property license fee is calculated as a percentage of the monthly revenue of ECONTEXT, any proposed monetary cap for the intellectual property license fee could be interpreted as a forecast of the revenue of ECONTEXT or the Company. As such, the Directors, including the independent non-executive Directors are of the view that the IP License Agreements should not be subject to an annual cap amount expressed in monetary terms. Accordingly, the Company has applied for and the Stock Exchange has granted a waiver from complying with the requirement of setting annual caps for the transactions contemplated under the IP License Agreements.

The aggregate amount of the intellectual property license fee paid to Digital Garage under the IP License Agreements 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 approximately HK$60.3 million.

Under the terms of the Secondment Agreements and the IP License Agreements, each of these agreements is automatically renewable for successive periods of one year upon expiry unless either party thereto notifies the other party of its intention to terminate the agreement before the expiry date. Any renewal of the Secondment Agreement and the IP License Agreements for the financial year beginning 1 July 2016 will be subject to compliance with the applicable provisions of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Non-Exempt Continuing Connected Transactions *(Continued)*

Continuing Connected Transactions Subject to the Reporting, Announcement and Independent Shareholders' Approval Requirements *(Continued)*

Directors' Confirmation

The independent non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Independent Auditors' Confirmation

Messrs. Ernst & Young, the Company's independent auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Messrs. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules and confirming that the continued connected transactions set out above:

(a) have been approved by the Board;

(b) have been entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and

(c) have not exceeded the caps disclosed in the Prospectus.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued capital was held by the public as at the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and at the date of this report, the following Director is considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

Mr. Adam David Lindemann ("Mr. Lindemann") held shareholding interest and directorship in a company engaged in developing on a comprehensive platform for crypto currency, payments and customer engagement.

However, the Board is independent from the board of directors of the aforesaid company and Mr. Lindemann cannot personally control the Board. Further, Mr. Lindemann is aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its Shareholders as a whole. Therefore, the Group is capable of carrying on its business independently of, and at arm's length from the business of such company.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practice are set out in the Corporate Governance Report on pages 26 to 33 of this annual report.

REVIEW BY AUDIT COMMITTEE

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 accounting principles and practice adopted by the Group and the audited consolidated financial statements of the Group for the year ended 30 June 2014.

INDEPENDENT AUDITORS

The consolidated financial statements have been audited by Messrs. Ernst & Young, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be proposed to re-appoint Messrs. Ernst & Young as the independent auditors of the Company.

On behalf of the Board

Kaoru Hayashi
Chairman

Hong Kong, 28 August 2014

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INDEPENDENT AUDITORS' REPORT

To the shareholders of econtext Asia Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of econtext Asia Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 122, which comprise the consolidated and company statements of financial position as at 30 June 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
28 August 2014

Consolidated Statement of Profit or Loss

Year ended 30 June 2014

	Notes	2014 HK$	2013 HK$
REVENUE	5	**1,087,705,735**	1,166,509,419
Cost of sales		**(809,836,432)**	(853,279,507)
Gross profit		**277,869,303**	313,229,912
Other income and gains	5	**12,409,739**	2,015,737
Selling, general and administrative expenses		**(178,101,364)**	(182,252,471)
Other expenses		**(118,521)**	(11,584,557)
Finance costs	7	**(1,174,925)**	(972,699)
Share of losses of:			
Joint ventures	17	**(1,005,120)**	–
An associate	18	**(93,235)**	(1,037,475)
PROFIT BEFORE TAX	6	**109,785,877**	119,398,447
Income tax expense	10	**(49,408,134)**	(56,009,358)
PROFIT FOR THE YEAR		**60,377,743**	63,389,089
Attributable to:			
Owners of the Company	11	**60,305,096**	64,908,390
Non-controlling interests		**72,647**	(1,519,301)
		60,377,743	63,389,089
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic			
— For profit for the year		**0.13**	0.17
Diluted			
— For profit for the year		**0.13**	0.17

Consolidated Statement of Comprehensive Income

Year ended 30 June 2014

	2014 HK$	2013 HK$
PROFIT FOR THE YEAR	**60,377,743**	63,389,089
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	**(669,373)**	(225,113)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(37,299,984)**	(286,972,201)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**23,077,759**	(223,583,112)
Attributable to:		
Owners of the Company	**23,070,780**	(220,522,299)
Non-controlling interests	**6,979**	(3,060,813)
	23,077,759	(223,583,112)

Consolidated Statement of Financial Position

30 June 2014

	Notes	2014 HK$	2013 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	13	**37,100,171**	46,641,288
Goodwill	14	**398,830,436**	410,440,730
Other intangible assets	15	**668,184,008**	695,304,549
Investments in joint ventures	17	**18,124,280**	–
Investment in an associate	18	**4,357,551**	3,309,541
Available-for-sale investment	19	**35,649,999**	5,670,942
Commercial bonds	20	**15,290,520**	15,735,641
Rental deposits		**5,385,244**	5,448,601
Deferred tax assets	29	**12,865,442**	10,915,071
Restricted cash	23	**861,616**	884,396
Other non-current assets		**5,589,908**	1,097,742
Total non-current assets		**1,202,239,175**	1,195,448,501
CURRENT ASSETS			
Accounts receivable	21	**24,719,444**	25,376,372
Payment processing receivables	28	**554,332,997**	628,824,456
Prepayments, deposits and other receivables	22	**13,457,100**	30,524,048
Cash and cash equivalents	23	**1,545,681,589**	1,090,236,735
Total current assets		**2,138,191,130**	1,774,961,611
CURRENT LIABILITIES			
Accounts payable, other payables and accruals	24	**50,613,447**	61,370,386
Payment processing payables	28	**1,157,380,675**	1,362,977,494
Interest-bearing bank borrowings	25	**76,452,600**	217,703
Finance lease payables	26	**227,058**	228,953
Tax payable		**38,288,315**	19,721,071
Other current liabilities		**11,205,426**	4,806,170
Total current liabilities		**1,334,167,521**	1,449,321,777
NET CURRENT ASSETS		**804,023,609**	325,639,834
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,006,262,784**	1,521,088,335

	Notes	2014 HK$	2013 HK$
NON-CURRENT LIABILITIES			
Finance lease payables	26	**648,842**	901,398
Provisions	27	**1,021,485**	1,016,310
Deferred tax liabilities	29	**205,771,685**	217,920,174
Other non-current liabilities		**4,127,070**	1,886,667
Total non-current liabilities		**211,569,082**	221,724,549
Net assets		**1,794,693,702**	1,299,363,786
EQUITY			
Equity attributable to owners of the Company			
Issued capital	30	**2,095,487,067**	1,623,234,910
Reserves	31(a)	**(306,269,285)**	(329,340,065)
		1,789,217,782	1,293,894,845
Non-controlling interests		**5,475,920**	5,468,941
Total equity		**1,794,693,702**	1,299,363,786

Takashi Okita
Director

Tomohiro Yamaguchi
Director

Consolidated Statement of Changes in Equity

Year ended 30 June 2014

	Attributable to owners of the Company							
	Issued capital HK$	Share premium account HK$	Other reserves*^ HK$	Retained profits^ HK$	Exchange fluctuation reserve^ HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
At 1 July 2012	–	–	1,455,527,898	104,489,499	55,923,438	1,615,940,835	8,734,533	1,624,675,368
Profit for the year	–	–	–	64,908,390	–	64,908,390	(1,519,301)	63,389,089
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	(285,430,689)	(285,430,689)	(1,541,512)	(286,972,201)
Total comprehensive income/(loss) for the year	–	–	–	64,908,390	(285,430,689)	(220,522,299)	(3,060,813)	(223,583,112)
Dividend paid by a subsidiary to the ultimate holding company and non-controlling interests (note 35)	–	–	(102,021,203)	–	–	(102,021,203)	(204,779)	(102,225,982)
Issue of shares upon incorporation (note 30)	100,000,000	–	–	–	–	100,000,000	–	100,000,000
Issue of shares for the Reorganisation (note 30)	1,523,234,910	–	(1,523,234,910)	–	–	–	–	–
Distribution to the ultimate holding company (note 35)	–	–	–	(99,502,488)	–	(99,502,488)	–	(99,502,488)
Transfer arising from the Reorganisation	–	–	15,980,584	(15,980,584)	–	–	–	–
At 30 June 2013	1,623,234,910	–	(153,747,631)	53,914,817	(229,507,251)	1,293,894,845	5,468,941	1,299,363,786

Consolidated Statement of Changes in Equity (Continued)

Year ended 30 June 2014

	Attributable to owners of the Company							
	Issued capital HK$	Share premium account HK$	Other reserves*^ HK$	Retained profits^ HK$	Exchange fluctuation reserve^ HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
At 1 July 2013	1,623,234,910	–	(153,747,631)	53,914,817	(229,507,251)	1,293,894,845	5,468,941	1,299,363,786
Profit for the year	–	–	–	60,305,096	–	60,305,096	72,647	60,377,743
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	(37,234,316)	(37,234,316)	(65,668)	(37,299,984)
Total comprehensive income/(loss) for the year	–	–	–	60,305,096	(37,234,316)	23,070,780	6,979	23,077,759
Capital reduction (note 30)	(1,621,611,675)	1,621,611,675	–	–	–	–	–	–
Capitalisation issue (note 30)	2,126,765	(2,126,765)	–	–	–	–	–	–
Issue of shares in an initial public offering (note 30)	1,437,500	514,625,000	–	–	–	516,062,500	–	516,062,500
Share issue expenses	–	(43,810,343)	–	–	–	(43,810,343)	–	(43,810,343)
Transfer to issued capital (note 30)	2,090,299,567	(2,090,299,567)	–	–	–	–	–	–
At 30 June 2014	2,095,487,067	–	(153,747,631)	114,219,913	(266,741,567)	1,789,217,782	5,475,920	1,794,693,702

* Other reserves mainly represented contributions from less distributions to the ultimate holding company and other reserves arising from the Reorganisation.

^ These reserve accounts comprise the consolidated reserves with a debit balance of HK$306,269,285 (2013: HK$329,340,065) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 30 June 2014

	Notes	2014 HK$	2013 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**109,785,877**	119,398,447
Adjustments for:			
Finance costs	7	**1,174,925**	972,699
Interest income	5	**(385,316)**	(471,041)
Gain on disposal of available-for-sale investment	5	**(7,939,177)**	–
Gain on disposal of a business unit		**(1,968,792)**	–
Share of loss of an associate		**93,235**	1,037,475
Share of losses of joint ventures		**1,005,120**	–
Loss on disposals/retirements of property, plant and equipment	6	**12,718**	1,960,800
Loss on disposals/retirements of intangible assets	6	**736**	771,035
Depreciation of property, plant and equipment	6	**10,997,772**	8,218,099
Amortisation of intangible assets	6	**45,112,102**	46,542,409
		157,889,200	178,429,923
Decrease/(increase) in other non-current assets		**(4,541,077)**	68,357
Increase in rental deposits		**(90,361)**	(1,705,335)
Increase in accounts receivable		**(50,803)**	(604,565)
Decrease/(increase) in payment processing receivables		**56,889,084**	(141,336,203)
Decrease/(increase) in prepayments, deposits and other receivables		**7,736,013**	(14,619,268)
Increase/(decrease) in accounts payable, other payables and accruals		**(8,669,370)**	12,973,722
Increase/(decrease) in payment processing payables		**(167,620,613)**	319,444,496
Increase in other current liabilities		**6,066,404**	1,450,769
Increase in other non-current liabilities		**2,301,689**	1,274,837
Increase/(decrease) in provisions		**11,000**	(983,586)
Cash generated from operations		**49,921,166**	354,393,147
Interest received		**366,596**	438,229
Interest paid		**(1,174,925)**	(972,699)
Overseas taxes paid		**(39,214,436)**	(38,201,750)
Net cash flows from operating activities		**9,898,401**	315,656,927

	Notes	2014 HK$	2013 HK$
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(2,745,393)**	(34,491,703)
Additions to other intangible assets		**(37,983,037)**	(61,270,093)
Loans to the ultimate holding company		**–**	(19,447,816)
Repayment of loans to the ultimate holding company		**–**	162,652,345
Acquisition of a subsidiary	32	**–**	(13,029,960)
Purchase of available-for-sale investment and commercial bonds		**(35,649,999)**	(18,950,388)
Disposal of available-for-sale investment		**20,513,013**	–
Disposal of a business unit		**1,518,602**	–
Investment in an associate		**(2,673,750)**	–
Investments in joint ventures		**(26,730,445)**	–
Net cash flows from/(used in) investing activities		**(83,751,009)**	15,462,385
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	30	**516,062,500**	100,000,000
Share issue expenses		**(43,810,343)**	–
Dividend paid by a subsidiary to the ultimate holding company	35	**–**	(102,021,203)
Dividend paid by a subsidiary to non-controlling interests	35	**–**	(204,779)
Distribution to the ultimate holding company	35	**–**	(99,502,488)
Capital element of finance lease rental payments		**(223,312)**	(55,260)
Repayment of short-term bank loans		**(2,732,358,545)**	(2,248,837,366)
New short-term bank loans		**2,806,003,990**	2,247,787,611
Net cash flows from/(used in) financing activities		**545,674,290**	(102,833,485)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**471,821,682**	228,285,827
Cash and cash equivalents at beginning of year		**1,090,236,735**	1,087,056,179
Effect of foreign exchange rate changes, net		**(16,376,828)**	(225,105,271)
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**1,545,681,589**	1,090,236,735

Major non-cash transactions:

Save as disclosed elsewhere in these financial statements, including the issue of shares of the Company during the year ended 30 June 2013 in connection with the Reorganisation as further detailed in notes 1 and 30 to the financial statements, the Group had the following non-cash transaction:

- During the year ended 30 June 2013, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$1,127,359.

Statement of Financial Position

30 June 2014

	Notes	2014 HK$	2013 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	13	**331,534**	–
Other intangible assets	15	**1,489,534**	329,427
Investments in subsidiaries	16	**1,523,234,910**	1,523,234,910
Investments in joint ventures	17	**3,939,795**	–
Investment in an associate	18	**7,314,230**	4,640,480
Available-for-sale investment	19	**35,649,999**	5,670,942
Rental deposits		**108,829**	13,865
Total non-current assets		**1,572,068,831**	1,533,889,624
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	**743,608**	8,763,200
Cash and cash equivalents	23	**527,449,361**	71,316,681
Total current assets		**528,192,969**	80,079,881
CURRENT LIABILITIES			
Due to subsidiaries	16	**4,637**	315
Payment processing payables	28	**653,949**	–
Accounts payable, other payables and accruals	24	**1,122,514**	11,681,829
Total current liabilities		**1,781,100**	11,682,144
NET CURRENT ASSETS		**526,411,869**	68,397,737
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,098,480,700**	1,602,287,361
NON-CURRENT LIABILITIES			
Due to a subsidiary	16	**528,651**	–
Loan from a subsidiary	16	**38,750,000**	–
Provisions	27	**23,535**	–
Total non-current liabilities		**39,302,186**	–
Net assets		**2,059,178,514**	1,602,287,361

	Notes	2014 HK$	2013 HK$
EQUITY			
Issued capital	30	**2,095,487,067**	1,623,234,910
Accumulated losses	31(b)	**(36,308,553)**	(20,947,549)
Total equity		**2,059,178,514**	1,602,287,361

Takashi Okita
Director

Tomohiro Yamaguchi
Director

1. CORPORATE INFORMATION AND GROUP REORGANISATION

econtext Asia Limited (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 of the Company, 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 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

These 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") and 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 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 the Group obtains control, and continue to be consolidated until the date that such control ceases. As explained above, the combination of entities or businesses 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.

2.2 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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 described in the accounting policy for subsidiaries below. 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.

Merger accounting for common control combinations

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

Where the combining entities or businesses include an entity or a business previously acquired from a third party, the financial statement items of such entity or business are only included in the consolidated financial statements of the combined entity from the date of the previous acquisition using the acquisition values recognised at that date.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognises the assets, liabilities and equity of the combining entities or businesses at the existing book values from the controlling party's or parties' perspective prior to the common control combination. There is no recognition of any additional goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination to the extent of the continuation of the controlling party's or parties' interests. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the combined entity.

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

Other than as further explained below regarding the impact of the amendments to HKAS 36, 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 these 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	*Financial Instruments*[5]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[5]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Joint Arrangements — Accounting for Acquisitions of Interests in Joint Operations*[3]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[4]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets — Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 *Property, Plant and Equipment* and HKAS 41 *Agriculture — Bearer Plants*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 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.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with Section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). The Group is in the process of making an assessment of the impact of these changes.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries
A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., the existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investments in an associate and joint ventures
An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of an associate and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint ventures are eliminated to the extent of the Group's investments in the associate or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associate or joint ventures is included as part of the Group's investments in an associate or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in an associate and joint ventures *(Continued)*
The results of an associate and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in an associate and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill
Business combinations (except for combinations of entities or businesses under common control) are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRSs. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at the end of the reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*
For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

For assets excluding goodwill and other intangible assets with indefinite useful lives, an assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period which it arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*
Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal useful lives used for this purpose are as follows:

Leasehold improvements	Over the expected underlying lease arrangement and not exceeding 10 to 15 years
Fixtures, fittings and equipment	2 to 15 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. The Group's intangible assets with indefinite useful lives represent trademarks. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software
Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Software under development is not amortised.

Customer relationships
Customer relationships are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 17 years.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets of the Group are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement or profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

Available-for-sale financial investments

The Group's available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively, and are recognised in the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Available-for-sale financial investments (Continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of services, when the related services are rendered or on a time proportion basis over the terms of the respective arrangements; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme for the employees in Hong Kong

The Company operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Other post-retirement benefit obligations

For other defined contribution plans, the Group pays contributions to publicly or privately administered pension plans. Once the contributions have been paid, the Group, as employer, has no further payment obligations. The Group's contributions are charged to the statement of profit or loss in the reporting period. The assets of the pension plans are held separately from those of the Group and independently administered.

Payment processing receivables and payables

Payment processing receivables in the statement of financial position comprise cash in transit from convenience stores and credit card companies for purchases made by customers. The term of these receivables are normally less than one month. Payment processing payables, on the other hand, comprise scheduled payments to online merchants for money received from customers for the purchases made. The payments are usually made to online merchants within one month from the receipts of cash from customers. These receivables and payables are transitory in nature and subject to substantial fluctuation from one reference date to another.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currencies of overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at exchange rates prevailing at the dates of the transactions or at exchange rates that approximate the exchange rates at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at exchange rates prevailing at the dates of the transactions or at exchange rates that approximate the exchange rates at the dates of the transactions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Consolidation of a subsidiary, JJ-Street Inc. (formerly Shareee-China, Inc.)

The Group holds a 49.9% equity interest in this entity. Management has concluded that the Group controls this entity as the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currency of each entity or operating unit of the Group, judgment is required to determine and consider the currency that mainly influences sales prices of goods and services and of the country/jurisdiction whose competitive forces and regulations mainly determines the sales prices of goods and services; the currency that mainly influences labour, material and other costs of providing goods and services; the currency in which funds from financing activities are generated; and the currency in which receipts from operating activities are usually retained. The functional currency of each entity or operating unit of the Group is determined based on management's assessment of the primary economic environment in which the entities/operating units operate. When the indicators are mixed and the functional currency is not obvious, management uses judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 29 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimates uncertainty *(Continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group 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 reporting period is disclosed in note 14 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets and intangible assets not yet available for use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An 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 costs of disposal and its value in use. The calculation of the fair value less costs of disposal 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, management must estimate the expected future cash flows from the asset or CGU 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 (i.e., intangible assets other than goodwill) is amortised on a straight-line basis over the other intangible assets' estimated economic useful lives. Management estimates the useful lives of the Group's other intangible asset to be within five to seventeen years. Changes in the expected level and/or pattern of consumption of the future economic benefits of the other intangible assets; technical, technological and commercial developments; the market demand for the products or services relating to the other intangible assets; and expected actions by competitors or potential competitors could impact the economic useful lives of these assets and, therefore, future amortisation charges could be revised. The carrying amounts of the Group's and the Company's other intangible assets at the end of the reporting period are disclosed in note 15 to the financial statements.

4. 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			
	Payment segment HK$	All other segments HK$	Adjustments and eliminations HK$	Total HK$
Segment revenue:				
Revenue from external customers	1,032,103,567	55,602,168	–	1,087,705,735
Inter-segment revenue	–	92,096	(92,096)	–
	1,032,103,567	55,694,264	(92,096)	1,087,705,735
Segment results	115,512,606	(5,726,729)	–	109,785,877
Segment assets	2,772,275,476	617,755,208	(49,600,379)	3,340,430,305
Segment liabilities	1,536,677,914	58,659,068	(49,600,379)	1,545,736,603
Other segment information:				
Investment in an associate	4,357,551	–	–	4,357,551
Investments in joint ventures	18,124,280	–	–	18,124,280
Share of losses of:				
Joint ventures	(1,005,120)	–	–	(1,005,120)
An associate	(93,235)	–	–	(93,235)
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)

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Year ended 30 June 2013 / as at 30 June 2013			
	Payment segment HK$	All other segments HK$	Adjustments and eliminations HK$	Total HK$
Segment revenue:				
Revenue from external customers	1,108,169,365	58,340,054	–	1,166,509,419
Inter-segment revenue	–	107,022	(107,022)	–
	1,108,169,365	58,447,076	(107,022)	1,166,509,419
Segment results	136,059,512	(16,661,065)	–	119,398,447
Segment assets	2,837,325,375	133,084,737	–	2,970,410,112
Segment liabilities	1,643,980,387	27,065,939	–	1,671,046,326
Other segment information:				
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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

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 (the "PRC"), 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.

5. 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 HK$	2013 HK$
Revenue		
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
	1,087,705,735	1,166,509,419
Other income and gains		
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
	12,409,739	2,015,737

* During the year ended 30 June 2014, the Group disposed of a business unit for a cash consideration of HK$1,518,602, resulting in a gain on disposal of HK$1,968,792. The amounts of the assets and liabilities of the business unit disposed of are not significant and no cash and cash equivalents were disposed of.

6. PROFIT BEFORE TAX

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

	Notes	2014 HK$	2013 HK$
Cost of services provided		**809,836,432**	853,279,507
Depreciation of property, plant and equipment**	13	**10,997,772**	8,218,099
Amortisation of intangible assets**	15	**45,112,102**	46,542,409
Minimum lease payments under operating leases in respect of:			
Land and buildings		**12,892,875**	11,925,991
Equipment		**678,879**	417,221
		13,571,754	12,343,212
Auditors' remuneration		**2,668,646**	3,813,193
Employee benefit expense (including directors' and chief executive's remunerations (note 8)):			
Salaries, allowances, bonuses and benefits in kind*		**81,545,644**	74,283,020
Social security costs*		**7,882,353**	10,285,470
Pension scheme contributions*^		**2,083,098**	2,309,388
Less: Amount capitalised		**(8,106,072)**	(5,076,939)
		83,405,023	81,800,939
Foreign exchange losses/(gains), net		**(1,112,028)**	7,850,413
Impairment of accounts receivable	21	**626,176**	602,782
Loss on disposals/retirements of property, plant and equipment		**12,718**	1,960,800
Loss on disposals/retirements of intangible assets		**736**	771,035

^ 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.

** The depreciation of property, plant and equipment of HK$8,122,109 (2013: HK$5,508,046) and amortisation of intangible assets of HK$30,545,157 (2013: HK$29,353,001) for the year are also included in the "Cost of services provided" above.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2014 HK$	2013 HK$
Interest on bank loans wholly repayable within five years	**1,154,457**	966,737
Interest on finance lease	**20,468**	5,962
	1,174,925	972,699

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), is as follows:

	Group 2014 HK$	2013 HK$
Fees	**852,504**	60,000
Other emoluments:		
Salaries, allowances and benefits in kind	**6,148,936**	7,489,578
Social security costs	**90,950**	129,336
Performance related bonuses	**–**	294,406
Pension scheme contributions	**142,590**	158,395
	7,234,980	8,131,715

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

	Fees HK$	Salaries, allowances and benefits in kind HK$	Social security costs HK$	Performance related bonuses HK$	Pension scheme contributions HK$	Total remuneration HK$
2014						
Executive directors:						
Kaoru Hayashi	**–**	**1,686,330**	**–**	**–**	**–**	**1,686,330**
Takashi Okita	**–**	**1,500,105**	**36,697**	**–**	**65,551**	**1,602,353**
Tomohiro Yamaguchi	**–**	**1,551,210**	**35,621**	**–**	**60,401**	**1,647,232**
Keizo Odori	**–**	**1,411,291**	**18,632**	**–**	**16,638**	**1,446,561**
Non-executive directors:						
Joi Okada	**172,587**	**–**	**–**	**–**	**–**	**172,587**
Adam David Lindemann	**240,000**	**–**	**–**	**–**	**–**	**240,000**
Independent non-executive directors:						
Mamoru Ozaki	**146,639**	**–**	**–**	**–**	**–**	**146,639**
Toshio Kinoshita	**146,639**	**–**	**–**	**–**	**–**	**146,639**
Takao Nakamura	**146,639**	**–**	**–**	**–**	**–**	**146,639**
	852,504	**6,148,936**	**90,950**	**–**	**142,590**	**7,234,980**
2013						
Executive directors:						
Kaoru Hayashi	–	2,622,045	–	–	–	2,622,045
Takashi Okita	–	1,625,160	60,818	98,135	78,071	1,862,184
Tomohiro Yamaguchi	–	1,256,799	68,518	196,271	80,324	1,601,912
Keizo Odori	–	1,985,574	–	–	–	1,985,574
Non-executive directors:						
Yasuyuki Rokuyata	–	–	–	–	–	–
Joi Okada	–	–	–	–	–	–
Adam David Lindemann	60,000	–	–	–	–	60,000
	60,000	7,489,578	129,336	294,406	158,395	8,131,715

The appointment of Mamoru Ozaki, Toshio Kinoshita and Takao Nakamura as independent non-executive directors of the Company was effective from the Listing Date. There were no fees or other emoluments paid or payable to the independent non-executive directors of the Company during the year ended 30 June 2013.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Kaoru Hayashi, Takashi Okita, Tomohiro Yamaguchi and Keizo Odori were appointed as executive directors of the Company with effect from 10 September 2012. Their remuneration as disclosed above represented the amounts in respect of their services rendered to the companies and businesses now 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.

Yasuyuki Rokuyata and Joi Okada were appointed as non-executive directors of the Company with effect from 10 September 2012. Yasuyuki Rokuyata was resigned on 31 March 2013 and Adam David Lindemann was appointed as a non-executive director of the Company with effect from 1 April 2013.

Takashi Okita is also the chief executive officer of the Company.

During the year, no remuneration was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil). There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2013: four) directors, details of whose remuneration are set out in note 8 above.

Details of the remuneration for the year of the remaining one (2013: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	Group	
	2014	2013
	HK$	HK$
Salaries, allowances and benefits in kind	**1,214,264**	1,367,264
Social security costs	**54,064**	63,708
Pension scheme contributions	**48,619**	55,299
	1,316,947	1,486,271

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employee	
	2014	2013
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	1
	1	1

During the year, no remuneration was paid or payable by the Group to the non-director and non-chief executive highest paid employee as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

10. 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 (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2014 HK$	2013 HK$
Group:		
Current — Japan		
Charge for the year	**57,485,854**	63,663,850
Deferred (note 29)	**(8,077,720)**	(7,654,492)
Total tax charge for the year	**49,408,134**	56,009,358

A reconciliation of the tax expense applicable to profit before tax at the Company's statutory tax rate to the tax expense at the Group's effective tax rate is as follows:

	2014 HK$	2013 HK$
Profit before tax	**109,785,877**	119,398,447
Tax at the Hong Kong statutory tax rate of 16.5% (2013: 16.5%)	**18,114,670**	19,700,744
Higher tax rates for overseas subsidiaries enacted by local authorities	**28,414,802**	32,021,481
Effect on opening deferred tax of decrease in rates	**(669,147)**	–
Profits and losses attributable to joint ventures and an associate	**181,229**	171,183
Expenses not deductible for tax	**3,863,241**	3,739,480
Tax losses not recognised	**190,056**	751,187
Tax losses utilised from previous periods	**(184,431)**	(435,695)
Effect on deferred tax arising from previously unrecognised tax losses of prior periods	**(689,179)**	–
Others	**186,893**	60,978
Tax charge at the Group's effective tax rate	**49,408,134**	56,009,358

The Group has tax losses which arose from overseas subsidiaries of approximately HK$16.1 million (2013: HK$20.9 million), that will expire in one to nine years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits of other companies within the Group and they have arisen in subsidiaries that have been loss-making for some time and/or it is currently not considered probable that taxable profits will be available against which the tax losses can be utilised.

The share of tax attributable to joint ventures and an associate amounting to HK$26,044 (2013: Nil) and HK$2,883 (2013: Nil), respectively, is included in "Share of losses of joint ventures and an associate" in the consolidated statement of profit or loss.

10. INCOME TAX *(Continued)*

Changes in tax rates

Japan's corporate tax rate varies according to the company type. As a result, different taxation rates are applied to VeriTrans and ECONTEXT, the key operating subsidiaries of the Group.

The following table outlines the changes in the corporate tax rate, and similar taxes, through the reporting period. Additionally, there will be changes in the tax rates from 1 April 2014, which are shown below:

	Fiscal years starting from 1 April 2014	Fiscal years starting from 1 April 2012 to 31 March 2014
Corporate tax rate		
VeriTrans	**25.5%**	**25.5%**
ECONTEXT	**25.5%**	**25.5%**
Residence tax rate		
VeriTrans	**20.7%**	**20.7%**
ECONTEXT	**20.7%**	**20.7%**
Enterprise tax rate		
VeriTrans	**3.26%**	**3.26%**
ECONTEXT	**5.78%**	**5.78%**
Special corporate tax for reconstruction		
VeriTrans	**–**	**10%**
ECONTEXT	**–**	**10%**
Local special corporate tax rate		
VeriTrans	**4.292%**	**4.292%**
ECONTEXT	**4.293%**	**4.293%**
Total tax rate		
VeriTrans	**35.64%**	**38.01%**
ECONTEXT	**37.11%**	**39.43%**

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 30 June 2014 includes a loss of HK$15,361,004 (2013: HK$20,947,549), which has been dealt with in the financial statements of the Company (note 31(b)).

12. 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.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$	Fixtures, fittings and equipment HK$	Total HK$
30 June 2014			
At 30 June 2013 and at 1 July 2013:			
Cost	**3,853,012**	**59,815,650**	**63,668,662**
Accumulated depreciation	**(237,034)**	**(16,790,340)**	**(17,027,374)**
Net carrying amount	**3,615,978**	**43,025,310**	**46,641,288**
At 1 July 2013, net of accumulated depreciation	**3,615,978**	**43,025,310**	**46,641,288**
Additions	**160,147**	**2,585,246**	**2,745,393**
Depreciation provided during the year	**(287,125)**	**(10,710,647)**	**(10,997,772)**
Disposals/retirements	**–**	**(12,718)**	**(12,718)**
Exchange realignment	**(101,365)**	**(1,174,655)**	**(1,276,020)**
At 30 June 2014, net of accumulated depreciation	**3,387,635**	**33,712,536**	**37,100,171**
At 30 June 2014:			
Cost	**3,903,191**	**60,556,640**	**64,459,831**
Accumulated depreciation	**(515,556)**	**(26,844,104)**	**(27,359,660)**
Net carrying amount	**3,387,635**	**33,712,536**	**37,100,171**

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

	Leasehold improvements HK$	Fixtures, fittings and equipment HK$	Total HK$
30 June 2013			
At 1 July 2012:			
Cost	2,219,717	27,597,250	29,816,967
Accumulated depreciation	(77,153)	(10,351,299)	(10,428,452)
Net carrying amount	2,142,564	17,245,951	19,388,515
At 1 July 2012, net of accumulated depreciation	2,142,564	17,245,951	19,388,515
Additions	2,842,910	37,602,078	40,444,988
Acquisition of a subsidiary (note 32)	–	249,117	249,117
Depreciation provided during the year	(226,392)	(7,991,707)	(8,218,099)
Disposals/retirements	(1,807,438)	(476,815)	(2,284,253)
Exchange realignment	664,334	(3,603,314)	(2,938,980)
At 30 June 2013, net of accumulated depreciation	3,615,978	43,025,310	46,641,288
At 30 June 2013:			
Cost	3,853,012	59,815,650	63,668,662
Accumulated depreciation	(237,034)	(16,790,340)	(17,027,374)
Net carrying amount	3,615,978	43,025,310	46,641,288

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements HK$	Fixtures, fittings and equipment HK$	Total HK$
30 June 2014			
At 1 July 2012, 30 June 2013 and at 1 July 2013			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net carrying amount	–	–	–
At 1 July 2012, 30 June 2013 and 1 July 2013	–	–	–
Additions	132,413	240,021	372,434
Depreciation provided during the year	(12,138)	(28,762)	(40,900)
At 30 June 2014, net of accumulated depreciation	120,275	211,259	331,534
At 30 June 2014:			
Cost	132,413	240,021	372,434
Accumulated depreciation	(12,138)	(28,762)	(40,900)
Net carrying amount	120,275	211,259	331,534

The net carrying amount of the Group's property, plant and equipment held under a finance lease, included in the total amount of fixtures, fittings and equipment at 30 June 2014 amounted to HK$821,602 (2013: HK$1,070,992).

14. GOODWILL

Group

	HK$
At 1 July 2012:	
Cost and net carrying amount	495,334,123
Cost at 1 July 2012	495,334,123
Acquisition of a subsidiary (note 32)	13,821,573
Exchange realignment	(98,714,966)
At 30 June 2013	410,440,730
At 30 June 2013:	
Cost and net carrying amount	410,440,730
Cost at 1 July 2013	410,440,730
Exchange realignment	(11,610,294)
Cost and net carrying amount at 30 June 2014	398,830,436
At 30 June 2014:	
Cost and net carrying amount	398,830,436

Impairment testing of goodwill, trademarks with indefinite useful lives and software development in progress not yet available for use

Goodwill acquired through business combinations and other intangible assets with indefinite useful lives/not yet available for use have been allocated to the payment cash-generating unit ("Payment CGU") and the marketing cash-generating unit ("Marketing CGU") for impairment testing.

The Group tests goodwill and other intangible assets with indefinite useful lives/not yet available for use annually for impairment, or more frequently if there are indications that goodwill and other intangible assets with indefinite useful lives/not yet available for use might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for value in use calculations are those regarding the discount rates, growth rates and expected changes to gross margin and direct costs. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are estimated with reference to industry growth forecasts and historical growth rates (as adjusted if appropriate). Changes in gross margin and direct costs are based on past experience and expectations of future changes in the market.

14. GOODWILL *(Continued)*

Impairment testing of goodwill, trademarks with indefinite useful lives and software development in progress not yet available for use *(Continued)*

Payment CGU

The recoverable amount of the Payment CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets/forecasts covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 8.6% (2013: 14.6%) for the recoverable amount at 30 June 2014, and cash flows beyond the five-year period are extrapolated using a growth rate of 2.0% (2013: 2.0%) for the recoverable amount at 30 June 2014.

Marketing CGU

The recoverable amount of the Marketing CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets/forecasts covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11.9% (2013: 14.6%) for the recoverable amount at 30 June 2014, and cash flows beyond the five-year period are extrapolated using a growth rate of 2.0% (2013: 2.0%) for the recoverable amount at 30 June 2014.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

	2014 HK$	2013 HK$
Payment CGU	**387,309,022**	398,293,842
Marketing CGU	**11,521,414**	12,146,888
Total	**398,830,436**	410,440,730

Assumptions were used in the value in use calculation of the Payment CGU and Marketing CGU for 30 June 2014 and 30 June 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the 2 years preceding the start of the budget period.

Discount rates — The discount rates used reflect management's estimate of return on capital employed ("ROCE") required in each unit. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals.

Market demand — Market demand is based on anticipated market penetration relative to the Group's competitors and how this will affect volume sales over the budget period.

Growth rates — Management has projected cash flows for a period of 5 years. A growth rate has been used to extrapolate cash flows beyond the period covered by the more recent forecasts.

The values assigned to the key assumptions on market development of payment processing and marketing industries, discount rates, market demand and growth rates are consistent with external information sources.

15. OTHER INTANGIBLE ASSETS

Group

	Software HK$	Software development in progress HK$	Trademarks HK$	Customer relationships HK$	Others HK$	Total HK$
30 June 2014						
Cost at 1 July 2013, net of accumulated amortisation	**74,400,761**	**12,912,186**	**379,307,632**	**228,263,217**	**420,753**	**695,304,549**
Additions — internal development	**–**	**8,106,072**	**–**	**–**	**–**	**8,106,072**
Additions — acquired separately	**–**	**29,401,987**	**–**	**–**	**141,434**	**29,543,421**
Amortisation provided during the year	**(31,062,597)**	**–**	**–**	**(14,008,815)**	**(40,690)**	**(45,112,102)**
Transfers	**43,212,412**	**(43,212,412)**	**–**	**–**	**–**	**–**
Disposals/retirements	**–**	**–**	**–**	**–**	**(736)**	**(736)**
Exchange realignment	**(2,182,862)**	**(275,717)**	**(10,729,618)**	**(6,456,967)**	**(12,032)**	**(19,657,196)**
At 30 June 2014	**84,367,714**	**6,932,116**	**368,578,014**	**207,797,435**	**508,729**	**668,184,008**
At 30 June 2014:						
Cost	**173,771,145**	**6,932,116**	**368,578,014**	**238,149,868**	**558,731**	**787,989,874**
Accumulated amortisation	**(89,403,431)**	**–**	**–**	**(30,352,433)**	**(50,002)**	**(119,805,866)**
Net carrying amount	**84,367,714**	**6,932,116**	**368,578,014**	**207,797,435**	**508,729**	**668,184,008**
30 June 2013						
At 1 July 2012:						
Cost	130,826,503	6,375,720	471,722,114	304,794,520	1,093,612	914,812,469
Accumulated amortisation	(46,143,057)	–	–	(2,988,182)	(545,615)	(49,676,854)
Net carrying amount	84,683,446	6,375,720	471,722,114	301,806,338	547,997	865,135,615
Cost at 1 July 2012, net of accumulated amortisation	84,683,446	6,375,720	471,722,114	301,806,338	547,997	865,135,615
Additions — internal development	–	5,076,939	–	–	–	5,076,939
Additions — acquired separately	–	43,952,691	–	–	58,028	44,010,719
Acquisition of a subsidiary (note 32)	–	–	–	–	130,771	130,771
Amortisation provided during the year	(30,176,256)	–	–	(16,319,362)	(46,791)	(46,542,409)
Transfers	36,998,009	(36,998,009)	–	–	–	–
Disposals/retirements	(950,648)	(110,336)	–	–	(169,554)	(1,230,538)
Exchange realignment	(16,153,790)	(5,384,819)	(92,414,482)	(57,223,759)	(99,698)	(171,276,548)
At 30 June 2013	74,400,761	12,912,186	379,307,632	228,263,217	420,753	695,304,549
At 30 June 2013 and at 1 July 2013:						
Cost	134,569,143	12,912,186	379,307,632	245,082,612	435,815	772,307,388
Accumulated amortisation	(60,168,382)	–	–	(16,819,395)	(15,062)	(77,002,839)
Net carrying amount	74,400,761	12,912,186	379,307,632	228,263,217	420,753	695,304,549

15. OTHER INTANGIBLE ASSETS *(Continued)*

Company

	Software HK$
30 June 2014	
Cost at 1 July 2013, net of accumulated amortisation	**329,427**
Additions — acquired separately	**1,264,067**
Amortisation provided during the year	**(103,960)**
At 30 June 2014	**1,489,534**
At 30 June 2014:	
Cost	**1,630,097**
Accumulated amortisation	**(140,563)**
Net carrying amount	**1,489,534**
30 June 2013	
Cost at 1 July 2012, net of accumulated amortisation	–
Additions — acquired separately	366,030
Amortisation provided during the year	(36,603)
At 30 June 2013	329,427
At 30 June 2013 and at 1 July 2013:	
Cost	366,030
Accumulated amortisation	(36,603)
Cost and net carrying amount	329,427

Software and software development in progress

Expenditure incurred on a project to develop software, including internal expenditure and costs of third party contractors incurred for development of the software, is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the software so that it will be available for use, its intention to complete and its ability to use the asset, how the software will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Software development expenditure which does not meet these criteria is expensed when incurred. After the completion of the development, the software development expenditure is transferred to software account.

All research costs are charged to profit or loss as incurred.

15. OTHER INTANGIBLE ASSETS *(Continued)*

Software and software development in progress *(Continued)*
Software costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the estimated useful lives of the underlying software not exceeding five years, commencing from the date when the software is put into use. Software under development is not amortised, but is assessed for impairment where appropriate, as further detailed in note 14 to the financial statements.

Trademarks
Trademarks were acquired in the acquisition of VeriTrans. Trademarks have been assessed as having an indefinite useful life. Management reviews this assessment on a regular basis. Trademarks are reviewed for impairment annually and where appropriate, as further detailed in note 14 to the financial statements.

Customer relationships
Customer relationships were acquired in the acquisition of VeriTrans. The relationships refer to acquired customer portfolio and those resulting from companies being consolidated. Customer relationships are amortised on the straight-line basis over their estimated useful lives of 17 (2013: 17) years. The useful lives were determined based on the estimated period of economic benefit to be derived from the portfolio.

The carrying amounts of trademarks with indefinite lives and software development in progress not yet available for use allocated to each of the CGUs are as follows:

	2014		2013	
	Software development in progress HK$	**Trademarks HK$**	Software development in progress HK$	Trademarks HK$
Payment CGU	**6,932,116**	**368,578,014**	12,842,949	379,307,632
Marketing CGU	**–**	**–**	69,237	–
	6,932,116	**368,578,014**	12,912,186	379,307,632

Details of the impairment testing of trademarks with indefinite useful lives and software development in progress not yet available for use are set out in note 14 to the financial statements.

16. INVESTMENTS IN SUBSIDIARIES

	Company 2014 HK$	2013 HK$
Unlisted investments, at cost	**1,523,234,910**	1,523,234,910

The amounts due to subsidiaries included in the Company's current liabilities of HK$4,637 (2013: HK$315), are unsecured, interest-free and have no fixed terms of repayment. The amount due to a subsidiary included in the Company's non-current liabilities of HK$528,651 (2013: Nil) is unsecured, interest-free and is repayable during the year ending 30 June 2019. The loan from a subsidiary included in the Company's non-current liabilities of HK$38,750,000 (2013: Nil), is unsecured, bears interest at 2% per annum and is repayable during the year ending 30 June 2019.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity/ ownership interest attributable to the Company Direct	Indirect	Principal activities
ECONTEXT, Inc. (note (b))	Japan	Japanese yen ("JPY") 100,000,000	100	–	Online payment service provider
VeriTrans Inc. (note (a))	Japan	JPY 1,068,450,000	99.8	–	Online payment service provider
eCURE Co., Ltd. (note (b))	Japan	JPY 75,000,000	–	99.8	Provision of internet security services
NaviPlus Co., Ltd. (notes (b) and (f))	Japan	JPY 145,000,000	–	94.8	Provision of online marketing and advertisement
iResearch Japan Co., Ltd. (note (b))	Japan	JPY 30,000,000	–	66.6	Provision of research and data analysis
JJ-Street Inc. (notes (b) and (c))	Japan	JPY 100,000,000	–	49.9*	Operation of information website for Chinese tourists in Japan
Coolpat Co., Ltd. (notes (b))	Japan	JPY 1,000,000	–	99.8	Online payment service provider
Kotohako, Inc. (notes (b) and (f))	Japan	JPY 63,500,000	–	94.8	Provision of online marketing and advertisement
E-Commerce Asia Association (notes (b), (d) and (e))	Japan	Not applicable Note (e)	–	99.8	Provision of e-commerce promotion in Asia

* JJ-street Inc. is accounted for as a subsidiary of the Group even though the Group has only a 49.9% equity interest in this company based on the factors explained in note 3 to the financial statements.

16. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Notes:

(a) The financial statements of this entity for the year ended 30 June 2014 and the period from 1 April 2012 to 30 June 2013, prepared under Japanese generally accepted accounting principles ("J-GAAP"), were audited by Ernst & Young ShinNihon LLC.

(b) These entities were not subject to statutory audit requirements in Japan.

(c) Shareee-China, Inc. was renamed as JJ-Street Inc. on 28 June 2013.

(d) E-Commerce Asia Association ("ECAA") has a different fiscal year end date from 30 June. The fiscal year end date of ECAA is 31 March. These financial statements included the financial information of this subsidiary from the earliest date presented or since the date when the subsidiary first came under the common control of the controlling shareholder, where this is a shorter period, and such financial information is prepared using the same reporting date as the Company.

(e) ECAA is an incorporated association established in Japan, which does not have issued share capital.

(f) 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. The merger of Kotohako into NaviPlus had no significant financial effect on the consolidated financial statements.

17. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Unlisted investments, at cost	**–**	–	**3,939,795**	–
Share of net assets	**18,124,280**	–	**–**	–
	18,124,280	–	**3,939,795**	–

Particulars of the Group's joint ventures are as follows:

Name	Particulars of investment/ registered capital held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
econtext ASIA EC Fund Investment LPS ("EC Fund")	Contribution of JPY606,000,000	Japan	49.5	50.0	49.5	Fund raising, investing and exiting
VeriTrans Shanghai Co., Ltd. ("VT Shanghai")	Registered capital of RMB200,000	PRC/ Mainland China	50.0	50.0	50.0	Online payment services

EC Fund is held by VeriTrans, a subsidiary of the Company, and VT Shanghai is directly held by the Company.

17. INVESTMENTS IN JOINT VENTURES *(Continued)*

EC Fund was established under the laws of Japan whose general partners are VeriTrans, a subsidiary of the Company, and SBI Investment Co., Ltd., a company incorporated under the laws of Japan and a subsidiary of SBI Holdings, Inc.

VT Shanghai was incorporated on 11 December 2012. 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 the registered capital of VT Shanghai for a consideration of RMB3,128,562.38 (approximately HK$3.9 million), and the Company became a shareholder of VT Shanghai with a 50% equity interest in November 2013.

EC Fund, which is considered a material joint venture of the Group, acts as the Group's investment fund in Japanese e-commerce companies targeting emerging markets in Asia, Asian e-commerce companies and other Japanese limited partnerships of similar purposes, and is accounted for using the equity method.

The following table illustrates the summarised financial information of EC Fund adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	2014 HK$
Cash and cash equivalents	**5,076,132**
Other current assets	**1,129,174**
Total current assets	**6,205,306**
Non-current assets — investments	**39,660,564**
Other current liabilities	**(810,780)**
Net assets	**45,055,090**

17. INVESTMENTS IN JOINT VENTURES *(Continued)*

	2014 HK$
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	**49.5%**
Group's share of net assets of the joint venture, excluding goodwill	**22,302,270**
Unrealised gain on disposal of available-for-sale investment to the joint venture (note 19)	**(7,784,276)**
Carrying amount of the investment	**14,517,994**
Selling, general and administrative expenses	**(1,257,705)**
Other comprehensive loss	**(17,482)**
Loss and total comprehensive loss for the year	**(1,275,187)**

The following table illustrates the aggregate financial information of the Group's other joint venture, VT Shanghai, that is not individually material:

	2014 HK$	2013 HK$
Share of the joint venture's loss for the year	**(382,494)**	–
Share of the joint venture's other comprehensive income	**48,984**	–
Share of the joint venture's total comprehensive loss	**(333,510)**	–
Aggregate carrying amount of the Group's investment in the joint venture	**3,606,286**	–

18. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Unlisted shares, at cost	**–**	–	**7,314,230**	4,640,480
Share of net assets	**4,357,551**	3,309,541	**–**	–
	4,357,551	3,309,541	**7,314,230**	4,640,480

On 15 March 2013, VeriTrans transferred its entire interest in PT. Midtrans, being 598,000 shares of Indonesian Rupiah ("IDR") 8,890 each (approximately 23% of the issued share capital of PT. Midtrans), to the Company for a consideration of approximately IDR5,316 million (approximately HK$4.6 million). In November 2013, the Company further subscribed 345,000 shares of IDR8,890 each of PT. Midtrans at a consideration of approximately IDR3,067 million (approximately HK$2.7 million).

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
PT. Midtrans *	943,000 ordinary shares of IDR8,890 each	the Republic of Indonesia	23	Online payment service provider

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The following table illustrates the financial information of the Group's associate:

	2014	2013
	HK$	HK$
Share of the associate's loss for the year	**(93,235)**	(1,037,475)
Share of the associate's other comprehensive loss	**(669,373)**	(225,113)
Share of the associate's total comprehensive loss#	**(762,608)**	(1,262,588)
Aggregate carrying amount of the Group's investment in an associate	**4,357,551**	3,309,541

Representing the Group's share of the post-acquisition results and other comprehensive loss of the associate.

19. AVAILABLE-FOR-SALE INVESTMENT

	Group		Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Unlisted equity investment	**35,649,999**	5,670,942	**35,649,999**	5,670,942

As at 30 June 2014, unlisted equity investment with a carrying amount of HK$35,649,999 (2013: HK$5,670,942) was stated at cost less any impairment losses because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

During the year, the Company acquired 15.59% equity interest in Citrus Payment Solutions Pte. Ltd., an unlisted equity investment, at a consideration of US$4,599,999 (equivalent to HK$35,649,999).

On 2 May 2013, VeriTrans transferred its entire interest in PT. Tokopedia, being 178 shares of IDR1,000,000 (approximately HK$779) each, to the Company for a consideration of US$730,791 (approximately HK$5.7 million).

On 3 June 2014, the Company entered into a share sale and purchase agreement with EC Fund, a joint venture of the Group, in relation to the transfer of 178 shares of PT. Tokopedia, which represents approximately 6.62% equity interest.

20. COMMERCIAL BONDS

Group

	2014	2013
	HK$	HK$
Commercial bonds	**15,290,520**	15,735,641

The commercial bonds are unsecured, interest-bearing at 1.19% per annum and will mature on 31 July 2023.

21. ACCOUNTS RECEIVABLE

Group

	2014 HK$	2013 HK$
Accounts receivable	**25,127,499**	25,789,954
Impairment	**(408,055)**	(413,582)
	24,719,444	25,376,372

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. Save as disclosed in note 38 below, in view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of debtors, there is no significant concentration of credit risk. 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 each reporting period, based on the invoice date and net of provisions, is follows:

Group

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

The movements in provision for impairment of accounts receivable are as follows:

Group

	2014 HK$	2013 HK$
At beginning of year	**413,582**	9,129
Impairment losses recognised (note 6)	**626,176**	602,782
Amount written off as uncollectible	**(595,860)**	(79,803)
Exchange realignment	**(35,843)**	(118,526)
At end of year	**408,055**	413,582

Included in the above provision for impairment of accounts receivable is a provision for collectively impaired accounts receivable of HK$408,055 (2013: HK$413,582) with a carrying amount before provision of HK$25,127,499 (2013: HK$25,789,954).

21. ACCOUNTS RECEIVABLE *(Continued)*

An aged analysis of the accounts receivable that are not individually considered to be impaired is as follows:

Group

	2014 HK$	2013 HK$
Neither past due nor impaired	**22,772,352**	22,930,560
Less than 30 days past due	**1,002,393**	1,168,755
31 to 60 days past due	**3,322**	199,161
61 to 90 days past due	**70,512**	102,521
91 to 120 days past due	**110,729**	126,177
Over 120 days	**760,136**	849,198
	24,719,444	25,376,372

Receivables that were neither past due nor impaired relate to a large number of debtors for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	2014 HK$	2013 HK$	**2014 HK$**	2013 HK$
Prepayments and deferred initial public offering costs	**12,259,133**	30,303,235	**737,212**	8,763,200
Deposits and other receivables	**1,197,967**	220,813	**6,396**	–
	13,457,100	30,524,048	**743,608**	8,763,200

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Cash and bank balances	**1,546,543,205**	1,091,121,131	**527,449,361**	71,316,681
Less: Restricted cash*	**(861,616)**	(884,396)	**–**	–
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	**1,545,681,589**	1,090,236,735	**527,449,361**	71,316,681

* The balance represented deposits placed in trust accounts with certain banks, which are restricted to use in accordance with the payment settlement arrangements with those banks.

At 30 June 2014, the cash and cash equivalents of the Group denominated in JPY and United States dollars ("US$") amounted to HK$1,018,082,192 (2013: HK$1,043,664,731) and HK$40,670,520 (2013: HK$31,687,052), respectively.

At 30 June 2014, the cash and cash equivalents of the Company denominated in JPY and US$ amounted to Nil (2013: HK$24,894,477) and HK$40,539,079 (2013: HK$31,555,481), respectively.

Cash at banks earns interest at floating rates based on daily or short-term bank deposit rates. The bank deposits are deposited with creditworthy banks with no recent history of default.

24. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Accounts payable	**8,923,288**	8,958,834	**–**	–
Other payables	**36,133,767**	46,018,011	**1,122,514**	11,681,829
Accruals	**5,556,392**	6,393,541	**–**	–
	50,613,447	61,370,386	**1,122,514**	11,681,829

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 30 days.

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

25. INTEREST-BEARING BANK BORROWINGS

Group

	2014			2013		
	Contractual interest rate (%)	**Maturity**	**HK$**	Contractual interest rate (%)	Maturity	HK$
Current						
Bank loan — unsecured			**–**	1.80%	July 2013	217,703
Bank loan — secured (note a)	**1.475%**	**July 2014**	**76,452,600**			–
			76,452,600			217,703

Note a: The loan was secured by the equity interest in a subsidiary with a carrying amount of approximately HK$101.9 million at 30 June 2014.

	Group	
	2014 HK$	2013 HK$
Analysed into:		
Bank loan repayable:		
Within one year	**76,452,600**	217,703
	76,452,600	217,703

VeriTrans has unsecured lines of credit with two banks in Japan up to an amount of JPY5,000 million (approximately HK$382.3 million) (2013: JPY5,000 million (approximately HK$393.4 million)) and JPY2,000 million (approximately HK$152.9 million) (2013: JPY2,000 million (approximately HK$157.4 million)), respectively, with an interest rate of 1.475% per annum.

ECONTEXT also has a line of credit with a bank in Japan up to an amount of JPY4,000 million (approximately HK$305.8 million) (2013: JPY3,000 million (approximately HK$236.0 million)), with an interest rate of 1.475% per annum, which is secured by the Group's equity interest in VeriTrans.

The total amounts utilised under these lines of credit were HK$76,452,600 (2013: Nil).

26. FINANCE LEASE PAYABLES

The Group leases certain of its equipment for its business. These leases are classified as finance leases and have remaining lease terms of 4 years and do not have contingent rent or escalation clauses.

At 30 June 2014, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2014 HK$	Minimum lease payments 2013 HK$	**Present value of minimum lease payments 2014 HK$**	Present value of minimum lease payments 2013 HK$
Amounts payable:				
Within one year	**242,848**	249,918	**227,058**	228,953
In the second year	**242,848**	249,918	**231,739**	233,668
In the third to fifth years, inclusive	**424,987**	687,275	**417,103**	667,730
Total minimum finance lease payments	**910,683**	1,187,111	**875,900**	1,130,351
Future finance charges	**(34,783)**	(56,760)		
Total net finance lease payables	**875,900**	1,130,351		
Portion classified as current liabilities	**(227,058)**	(228,953)		
Non-current portion	**648,842**	901,398		

27. PROVISIONS

	Group Dilapidation provisions HK$	Company Dilapidation provisions HK$
At 1 July 2012	1,172,766	–
Additions	1,037,970	–
Amounts utilised during the year	(1,003,872)	–
Exchange realignment	(190,554)	–
At 30 June 2013 and at 1 July 2013	1,016,310	–
Additions	33,924	23,535
Amounts utilised during the year	–	–
Exchange realignment	(28,749)	–
At 30 June 2014	1,021,485	23,535
Portion classified as current liabilities	–	–
Non-current portion	1,021,485	23,535

In the opinion of the directors of the Company, both the dilapidation provisions at 30 June 2014 and 2013 are considered to be non-current.

Dilapidation provisions

The Group and the Company have entered into a number of leases/sub-lease arrangements for office spaces. As part of these arrangements, the Group and the Company are required to return the leased properties to their original condition at the end of the respective leases. Accordingly, dilapidation provisions were made for the estimated costs to reinstate those leased properties to their original condition at the end of the respective leases.

28. PAYMENT PROCESSING RECEIVABLES AND PAYABLES

During the course of its payment processing business, the Group receives cash remittances from consumers paying for goods and services at convenience stores, by credit cards and other means. In turn, the Group remits these amounts to the providers of those goods and services, such as online merchants. The timing of these receipts and payments does not always match, and thus the related assets and liabilities may fluctuate on a daily basis.

Additionally included in the tables below are pre-payments made to online merchants before the Group receives cash settlements from customers through credit card companies.

These assets and liabilities are transitory in nature and subject to substantial fluctuation from one reference date to another.

Payment processing receivables

	Group		Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Agency payment services — cash in transit from convenience stores	**423,407,606**	504,313,841	**–**	–
Advance payments made to online merchants (note a)	**124,122,570**	124,510,615	**–**	–
Advance payments made to convenience stores/end users	**6,802,821**	–	**–**	–
	554,332,997	628,824,456	**–**	–

Note a: The advance payments made to online merchants will be offset when the Group receives cash from credit card companies.

Payment processing receivables are non-interest-bearing and normally receivable within 30 business days. An aged analysis of the above receivables is neither past due nor impairment.

Payment processing payables

	Group		Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Agency payment services — to be paid to online merchants	**1,157,380,675**	1,362,977,494	**653,949**	–

Payment processing payables are non-interest-bearing and normally payable within 30 business days. An aged analysis of the above payables is within 30 days.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Difference in depreciation allowance for tax purposes and related depreciation HK$	Fair value adjustments to intangible assets arising from acquisition of subsidiaries HK$	Total HK$
At 1 July 2012	(1,492,865)	(278,218,079)	(279,710,944)
Deferred tax credited to the statement of profit or loss during the year	476,993	7,043,965	7,520,958
Exchange realignment	207,724	53,253,940	53,461,664
Gross deferred tax liabilities as at 30 June 2013 and at 1 July 2013	(808,148)	(217,920,174)	(218,728,322)
Deferred tax credited to the statement of profit or loss during the year	172,257	5,863,943	6,036,200
Exchange realignment	26,389	6,284,546	6,310,935
Gross deferred tax liabilities at 30 June 2014	(609,502)	(205,771,685)	(206,381,187)

29. DEFERRED TAX *(Continued)*

Deferred tax assets

Group

	Difference in depreciation allowance for tax purposes and related depreciation HK$	Accrued Japanese enterprise tax HK$	Accrued bonuses HK$	Vacation accruals HK$	Fair value adjustments to intangible assets arising from acquisition of subsidiaries HK$	Revenue recognition HK$	Others HK$	Losses available for offsetting against future taxable profits HK$	Total HK$
At 1 July 2012	279,988	2,740,211	1,037,354	1,491,715	1,563,134	6,150,928	1,179,567	–	14,442,897
Deferred tax credited/(charged) to the statement of profit or loss during the year*	(84,806)	(609,657)	(150,731)	81,736	(498,485)	716,720	678,757	–	133,534
Exchange realignment	(45,141)	(436,828)	(176,478)	(306,745)	(216,395)	(1,332,211)	(339,414)	–	(2,853,212)
Gross deferred tax assets at 30 June 2013 and at 1 July 2013	150,041	1,693,726	710,145	1,266,706	848,254	5,535,437	1,518,910	–	11,723,219
Deferred tax credited/(charged) to the statement of profit or loss during the year*	71,628	938,547	(125,972)	194,556	(501,656)	(35,537)	41,212	1,458,742	2,041,520
Exchange realignment	(2,776)	(28,682)	(22,668)	(31,846)	(34,272)	(157,311)	(42,124)	29,884	(289,795)
Gross deferred tax assets at 30 June 2014	218,893	2,603,591	561,505	1,429,416	312,326	5,342,589	1,517,998	1,488,626	13,474,944

* Net deferred tax credited to the statement of profit or loss during the year amounted to HK$8,077,720 (2013: HK$7,654,492) (note 10).

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2014 HK$	2013 HK$
Net deferred tax assets recognised in the consolidated statement of financial position	**12,865,442**	10,915,071
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(205,771,685)**	(217,920,174)
	(192,906,243)	(207,005,103)

29. DEFERRED TAX *(Continued)*

Management of the Company intends to reinvest certain undistributed earnings of the Company's foreign subsidiaries for an indefinite period of time. As a result, no deferred tax liabilities have been recognised on pre-acquisition and post-acquisition undistributed earnings of these subsidiaries not expected to be remitted in the foreseeable future, aggregating approximately HK$61.7 million (2013: HK$61.7 million) and HK$185.1 million (2013: HK$101.5 million), respectively, (including any restricted amount as detailed below) at 30 June 2014. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Deferred tax liabilities will be recognised when management of the Company expects that it will realise those undistributed earnings in a taxable manner, such as through receipts of dividends or sale of the investments.

Included in the above balances, aggregate amounts of approximately HK$24.7 million (2013: HK$24.7 million) and HK$0.4 million (2013: HK$0.2 million) of pre-acquisition and post-acquisition undistributed earnings, respectively, of the subsidiaries are non-distributable earnings in accordance with the Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act"). Pursuant to the Companies Act, upon distribution of dividends, certain subsidiaries of the Group had/have to set aside the smaller amount of (i) 10% of the earnings so distributed, or (ii) an amount equal to one quarter of the respective subsidiaries' issued share capital less the aggregate amount of share premium and legal reserve. No additional provision is required to be set aside if the aggregate amount of respective subsidiaries' share premium and legal reserve reaches 25% of the respective issued share capital.

Deferred tax assets have been recognised to the extent that it is probable that future taxable profits will be available against which the carryforward of unused tax losses can be utilised based on management's forecasted future taxable profits, which are based on (i) whether it is probable that the relevant entity will have taxable profits before the unused tax losses expire; (ii) whether the unused tax losses result from identifiable causes which are unlikely to recur; and (iii) whether opportunities are availability to the relevant entity that will create taxable profit in the period in which the unused tax losses can be utilised. Based on the foregoing and in light of the availability of opportunities and the plan that the Group contemplated during the year, including, inter alia, actions that the relevant entity would take in order to create or increase taxable profits in a particular period before the expiry of unused tax losses carryforward, the directors of the Company consider that the future taxable profits of the relevant taxable entity will be improved and it is probable that sufficient taxable profits will be available against which the carryforward of unused tax losses in which deferred tax assets had been recognised at the end of the reporting period can be utilised.

At the end of each reporting period, the Group reassesses unrecognised deferred tax assets for the relevant entity. The entity recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

30. SHARE CAPITAL

	2014 HK$	2013 HK$
Issued and fully paid:		
518,750,000 upon incorporation and for the Reorganisation (2013: 162,323,491) ordinary shares	**2,095,487,067**	1,623,234,910

A summary of the transactions during the year in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$	Share premium account HK$	Total HK$
At 1 July 2012	–	–	–	–
Issue of shares upon incorporation and for the Reorganisation (note (a))	162,323,491	1,623,234,910	–	1,623,234,910
At 30 June and 1 July 2013	162,323,491	1,623,234,910	–	1,623,234,910
Capital reduction (note (b))	–	(1,621,611,675)	1,621,611,675	–
Capitalisation issue (note (c))	212,676,509	2,126,765	(2,126,765)	–
Issue of shares in an initial public offering (note (d))	143,750,000	1,437,500	514,625,000	516,062,500
Share issue expenses	–	–	(43,810,343)	(43,810,343)
Transfer to issued capital (note (e))	–	2,090,299,567	(2,090,299,567)	–
At 30 June 2014	518,750,000	2,095,487,067	–	2,095,487,067

30. SHARE CAPITAL *(Continued)*

During the years ended 30 June 2014 and 2013, the movements in share capital were as follows:

(a) 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. On the same date,10,000,000 ordinary shares of the Company of HK$10 each were allotted and issued at par for cash to Digital Garage.

On 1 December 2012, the authorised share capital was increased from HK$100,000,000 to HK$6,492,939,640 by the creation of 639,293,964 additional ordinary shares at 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 of HK$10 each 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.

(b) Capital reduction

Pursuant to written resolutions of the shareholders of the Company passed on 9 August 2013 in accordance with section 58 of the predecessor Hong Kong Companies Ordinance (Cap. 32), the issued share capital of the Company was reduced from HK$1,623,234,910 divided into 162,323,491 shares of par value HK$10.00 each to HK$1,623,234.91 divided into 162,323,491 shares of par value HK$0.01 each by cancelling the paid up capital of the Company to the extent of HK$9.99 on each issued share of the Company. The amount arising from the reduction, being HK$1,621,611,675.09, was credited to the share premium account of the Company. The reduction of the capital of the Company became effective on 22 October 2013. In addition, the authorised share capital of the Company was reduced from HK$6,492,939,640 divided into 649,293,964 shares of par value HK$10.00 each to HK$6,492,939.64 divided into 649,293,964 shares of par value HK$0.01 each.

(c) Capitalisation issue

Pursuant to written resolutions of the shareholders of the Company passed on 15 November 2013, the authorised share capital of the Company was increased from HK$6,492,939.64 divided into 649,293,964 ordinary shares of par value HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 ordinary shares of par value HK$0.01 each (the "Shares"). In addition, the directors were authorised to capitalise HK$2,126,765.09 standing to the credit of the share premium account of the Company and apply such sum in paying up in full at par 212,676,509 Shares for allotment and issue to the shareholders of the Company whose names appear on the register of members of the Company as of the close of business on 18 December 2013 in proportion (or as near as possible) to their then existing shareholdings in the Company and such Shares to be allotted and issued shall rank pari passu in all respects with the existing issued Shares. Those Shares were issued following the completion of the Global Offering (as defined in note 30(d) below). Further details of the capitalisation issue are set out in the Prospectus.

(d) Issue of shares of an initial public offering

On 19 December 2013, 125,000,000 Shares were issued and offered for subscription at a price of HK$3.59 each under a Hong Kong public offering (the "Hong Kong Public Offering") and an international placing (the "International Placing") of the Company (collectively, the "Global Offering"), upon the listing of the Shares on the Stock Exchange, for a total cash consideration, before share issue expenses, of HK$448,750,000.

In connection with the Global Offering, the Company granted an over-allotment option (the "Over-allotment Option") to the underwriters of the International Placing (the "International Underwriters"), exercisable by the sole global coordinator (the "Sole Global Coordinator") of the Global Offering (on behalf of the International Underwriters) for up to 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to 18,750,000 additional new Shares (representing in aggregate 15% of the initial offer shares) to cover over-allocations in the International Placing, if any.

30. SHARE CAPITAL *(Continued)*

(d) Issue of shares of an initial public offering *(Continued)*

On 9 January 2014, the Over-allotment Option was exercised in full by the Sole Global Coordinator on behalf of the International Underwriters, to require the Company to issue 18,750,000 additional new Shares (the "Over-allotment Shares"), representing approximately 15% of the offer Shares initially available under the Global Offering, to cover over-allocations in the International Placing. On 13 January 2014, the Over-allotment Shares were allotted and issued by the Company at HK$3.59 per Share, for a total cash consideration, before share issue expenses, of HK$67,312,500.

Further details of the Global Offering and Over-allotment Option are set out in the Prospectus.

(e) Abolishment of Share capital

Pursuant to the transitional provisions for the abolition of the nominal value of share capital included in the new Hong Kong Companies Ordinance (Cap. 622) which became effective on 3 March 2014, the balance of the share premium account as at 3 March 2014 has been transferred to issued capital.

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Notes	Share premium account HK$	Accumulated losses HK$	Total HK$
Balance at 1 July 2012		–	–	–
Loss and total comprehensive loss for the year		–	(20,947,549)	(20,947,549)
At 30 June and at 1 July 2013		–	(20,947,549)	(20,947,549)
Loss and total comprehensive loss for the year		–	(15,361,004)	(15,361,004)
Capital reduction	30(b)	1,621,611,675	–	1,621,611,675
Capitalisation issue	30(c)	(2,126,765)	–	(2,126,765)
Issue of shares of an initial public offering	30(d)	514,625,000	–	514,625,000
Share issue expenses		(43,810,343)	–	(43,810,343)
Transfer to issued capital (note)	30(e)	(2,090,299,567)	–	(2,090,299,567)
At 30 June 2014		–	(36,308,553)	(36,308,553)

Note: Pursuant to the transitional provisions for the abolition of the nominal value of share capital included in the new Hong Kong Companies Ordinance (Cap. 622) which became effective on 3 March 2014, the balances of the share premium account as at 3 March 2014 have been transferred to issued capital.

32. BUSINESS COMBINATION

2013

Acquisition of Kotohako

On 28 December 2012, the Group acquired 100% of the voting shares of Kotohako, an unlisted company incorporated and based in Japan, specialising in online marketing and advertisement, for a consideration of JPY217 million (approximately HK$19.4 million).

The fair value of the identifiable net assets acquired at the date of acquisition totalled JPY62.7 million (approximately HK$5.6 million) and the excess amount paid over the fair value of the net assets acquired was JPY154 million (approximately HK$13.8 million), which was recorded as goodwill.

The fair values of the identifiable assets and liabilities of Kotohako as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$
Assets	
Cash and cash equivalents	6,404,239
Accounts receivable	832,529
Property, plant and equipment (note 13)	249,117
Other intangible assets (note 15)	130,771
Other current and non-current assets	125,297
Total assets	7,741,953
Liabilities	
Interest-bearing bank borrowings	1,441,809
Other current liabilities	687,518
Total liabilities	2,129,327
Total identifiable net assets at fair value	5,612,626
Goodwill on acquisition (note 14)	13,821,573
Purchase consideration satisfied by cash	19,434,199

	HK$
An analysis of the cash flows in respect of the acquisition of Kotohako is as follows:	
Cash consideration	(19,434,199)
Cash and cash equivalents acquired	6,404,239
Net outflow of cash and cash equivalents included in cash flows from investing activities	(13,029,960)

32. BUSINESS COMBINATION *(Continued)*

The goodwill mainly comprises the value of expected synergies arising from the acquisition. The acquisition was made as part of the Group's strategy to expand its market share.

Since the date of acquisition, Kotohako contributed HK$3,878,346 to the revenue and HK$2,534,632 to the profit before tax of the Group for the year ended 30 June 2013. Had the combination taken place at the beginning of that year, the revenue of the Group would have been HK$1,183,480,137 and the profit before tax of the Group would have been HK$124,308,415 for the year ended 30 June 2013.

33. OPERATING LEASE ARRANGEMENTS

The Group leases certain properties and equipment under operating lease arrangements. These leases are negotiated for terms ranging from one to five years. Certain property leases have renewal options, whereby leases can be extended at market rental rate.

At 30 June 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Within one year	**826,115**	337,449	**123,257**	–
In the second to fifth years, inclusive	**353,860**	144,113	**30,814**	–
	1,179,975	481,562	**154,071**	–

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had capital commitment contracted, but not provided for at 30 June 2014 in respect of capital contribution of approximately JPY200 million (equivalent to approximately HK$15.3 million) (2013: Nil) for a joint venture engaging in fund raising, investing and exiting.

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions, arrangements and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties at terms agreed between the relevant parties during the year:

(i) Transactions and arrangements with the ultimate holding company, Digital Garage

		Group	
		2014	2013
	Notes	**HK$**	HK$
Income and expenses:			
Intellectual property license fees	(1)	**16,184,679**	20,533,112
Salaries and other benefits paid for secondment arrangements	(2)	**2,678,731**	765,665
Office rental and related expenses	(3)	**12,883,000**	8,496,260
Business support expense		**3,351,647**	5,248,995
Directors' remuneration	(4)	**999,280**	4,607,619
Salaries, allowances and benefits in kind for employees	(4)	**–**	866,199
Outsourcing expense		**23,512**	402,840
Dividend paid by a subsidiary to the ultimate holding company	(5)	**–**	102,021,203
Distribution to the ultimate holding company	(6)	**–**	99,502,488

Digital Garage has provided an irrevocable undertaking to the Company under which it has agreed to the following:

- it would not sell any of its shares of the Company as part of the Company's initial public offering (the "IPO"); and
- it would not sell any of its shares of the Company for a period of at least three years from the date of the IPO of the Company.

Notes:

(1) VeriTrans and ECONTEXT entered into intellectual property license agreements (collectively, the "IP License Agreements" and individually, the "IP License Agreement") with Digital Garage, whereby Digital Garage granted VeriTrans and ECONTEXT the non-exclusive rights to use its trade name and certain trademarks and registered domains. The monthly license fees paid to Digital Garage by VeriTrans and ECONTEXT were charged at 2.5% of their respective monthly revenue. The original terms of the IP License Agreements were from 1 October 2012 to 30 June 2013, which were renewed for one year and will continue to be automatically renewed for successive periods of one year upon expiry unless the relevant IP License Agreements are terminated. During the year ended 30 June 2014, Digital Garage and VeriTrans agreed to amend the relevant IP License Agreement to remove the obligation of VeriTrans to pay a monthly license fee to Digital Garage conditional upon the listing of the Shares on the Stock Exchange. Further details of the IP License Agreements and the underlying arrangements are set out in the Prospectus.

(2) VeriTrans, ECONTEXT and NaviPlus entered into secondment agreements with Digital Garage. Digital Garage has agreed to second certain of its employees to the Group. Further details of the secondment agreements and the underlying arrangements are set out in the Prospectus.

(3) The office rental and related expenses are related to sub-lease arrangements with Digital Garage. Further details of the underlying sub-lease agreements, office equipment and facilities agreements and related arrangements are set out in the Prospectus.

(4) Being amounts attributable to the Group allocated from Digital Garage and certain social security costs and pension scheme contributions of such individuals were borne by Digital Garage.

(5) Being dividend paid by VeriTrans to Digital Garage.

(6) Being cash distribution to Digital Garage.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with Kakaku.com, Inc. ("Kakaku.com")

	Group	
	2014	2013
	HK$	HK$
Sales to Kakaku.com	**6,254,801**	6,076,201
Purchases from Kakaku.com	**3,127,400**	3,038,100

Kakaku.com is an associate company of Digital Garage during the years ended 30 June 2014 and 2013.

The sales to/purchases from Kakaku.com were made with reference to prices generally offered to other customers of the Group/Kakaku.com or at agreed terms.

(c) Dividend paid by a subsidiary to non-controlling interests

Dividend in the aggregate of HK$204,779 was paid by VeriTrans to non-controlling interests during the year ended 30 June 2013.

(d) Transfer of equity interest in PT. Tokopedia to a joint venture

On 3 June 2014, the Company entered into a share sale and purchase agreement with EC Fund in relation to the transfer of 178 shares of PT. Tokopedia, which then represented approximately 6.62% equity interest in PT. Tokopedia, for a total consideration of approximately HK$20.5 million.

(e) Compensation of key management personnel of the Group

Compensation of key management personnel of the Group mainly represented directors' remuneration as further detailed in note 8 to the financial statements.

In the opinion of the directors of the Company, the related party transactions in respect of items (a)(i)(1), (a)(i)(2) and (a)(i)(3) above during the appropriate period for the year also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

	2014 **HK$**	2013 HK$
Financial assets		
Available-for-sale financial asset		
Available-for-sale investment	**35,649,999**	5,670,942
Loans and receivables		
Commercial bonds	**15,290,520**	15,735,641
Rental deposits	**5,385,244**	5,448,601
Restricted cash	**861,616**	884,396
Accounts receivable	**24,719,444**	25,376,372
Agency payment services — cash in transit from convenience stores (note 28)	**423,407,606**	504,313,841
Financial assets included in prepayments, deposits and other receivables	**1,197,967**	220,813
Cash and cash equivalents	**1,545,681,589**	1,090,236,735
	2,016,543,986	1,642,216,399
	2,052,193,985	1,647,887,341
Financial liabilities		
Financial liabilities at amortised cost		
Financial liabilities included in accounts payable, other payables and accruals	**45,057,055**	54,976,845
Payment processing payables (note 28)	**1,157,380,675**	1,362,977,494
Interest-bearing bank borrowings	**76,452,600**	217,703
Finance lease payables	**875,900**	1,130,351
	1,279,766,230	1,419,302,393

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

	2014 HK$	2013 HK$
Financial assets		
Available-for-sale financial asset		
Available-for-sale investment	**35,649,999**	5,670,942
Loans and receivables		
Investments in subsidiaries (note 16)	**1,523,234,910**	1,523,234,910
Investments in joint ventures (note 17)	**3,939,795**	–
Investment in an associate (note 18)	**7,314,230**	4,640,480
Rental deposits	**108,829**	13,865
Financial assets included in prepayments, deposits and other receivables	**6,396**	–
Cash and cash equivalents	**527,449,361**	71,316,681
	2,062,053,521	1,599,205,936
	2,097,703,520	1,604,876,878
Financial liabilities		
Financial liabilities at amortised cost		
Loan from a subsidiary	**38,750,000**	–
Due to subsidiaries	**533,288**	315
Payment processing payables	**653,949**	–
Accounts payable, other payables and accruals	**1,122,514**	11,681,829
	41,059,751	11,682,144

37. FAIR VALUES OF FINANCIAL INSTRUMENTS

Management has assessed that, at 30 June 2014 and 2013, except for an available-for-sale investment in which its fair value cannot be measured reliably as detailed in note 19 to the financial statements, the fair values of the Group's and the Company's financial assets and financial liabilities approximated to their carrying amounts or are not materially different from their carrying amounts largely due to the short term maturities of these instruments or as the effect of discounting is not material.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group and the Company did not have any financial assets and financial liabilities measured at fair value at 30 June 2014 (2013: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents and bank borrowings. The main purpose of these financial instruments is to finance/raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as accounts receivable, accounts payable and other financial assets and financial liabilities which mainly arise directly from the Group's operations. The Group's policy is not to undertake speculative trading in financial instruments. The Group is exposed to financial risks within the scope of its ordinary business activities. The main risks arising from the Group's financial instruments are specified below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to bank deposits and bank borrowings. The Group also holds commercial bonds; however, the rate of interest is fixed until 2023. The Group has minimal loans and borrowings that exposure the Group to significant interest rate risk. Interest charges for the years presented were insignificant.

The Group manages its interest rate risk by keeping loans and borrowings that exposure the Group to significant interest rate risk at a minimum level. As a result, management believes that interest rate risk is not a significant risk for the Group.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (i.e., exposures arising from foreign currency transactions and balances of monetary assets and liabilities of the Group's operating units denominated in currencies other than the units' functional currencies). At 30 June 2013, the Group's exposure to the risk of changes in foreign exchange rates related primarily to the Company's bank deposits denominated in JPY, which was different from the Company's functional currency (Hong Kong dollar). At 30 June 2014, no significant foreign currency risk exposure was noted, since the Company's bank deposits were denominated primarily in US$ and Hong Kong dollar, and management closely monitors the Group's exposure to such risk on an ongoing basis. As the Hong Kong dollar is pegged to the US$, the Group does not anticipate significant movements in the exchange rate.

The following table demonstrates the sensitivity at 30 June 2013 to a reasonably possible change in the JPY exchange rate (due to changes in the value of the Company's bank deposits at 30 June 2013 denominated in JPY), with all other variables held constant, of the Group's profit before tax.

	Change in exchange rate	Increase/ (decrease) in profit before tax for the year ended 30 June 2013 HK$
If the JPY weakens against HK$	–5%	(1,185,451)
If the JPY strengthens against HK$	5%	1,310,236

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for accounts receivable) and from its other activities, including deposits with banks and financial institutions, commercial bonds and other financial instruments.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Accounts receivable

Customer credit risk is managed at the subsidiary level subject to the Group's established policy, procedures and control relating to customer credit risk management. The Group primarily operates in the online payment processing business, and so receivables are largely due from major banking institutions and credit card companies, on short credit terms, and thus the risk is generally low. Outstanding accounts receivable are regularly monitored. The Group had no customer and one customer as at 30 June 2014 and 2013, respectively, which owed the Group more than 10% of total accounts receivable each and accounted for approximately nil and 15%, respectively, of all the accounts receivable owed. The requirement for impairment is analysed at the end of each reporting period on an individual basis for individually significant debtors. Additionally, a large number of receivables that are not individually significant are grouped into homogenous groups and assessed for impairment collectively. The maximum exposure to credit risk of the Group's receivables at the end of each reporting period is the carrying amounts of these instruments.

Other financial assets

The credit risk of the Group's other financial assets, including balances with banks, is managed by the Group's management in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's management on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Group's exposure to credit risk of these financial assets as at 30 June 2014 and 2013 arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds by reviewing cash flow projections on a regular basis, and monitoring cash deposits against management's expectation. Additionally, the Group has lines of credit with two banks, including overdraft facilities of JPY11,000 million (approximately HK$841.0 million) and JPY10,000 million (approximately HK$786.8 million) with two banks as at 30 June 2014 and 2013, respectively. The Group had no significant liabilities at the end of the reporting period other than short term payables and interest-bearing bank borrowings.

The maturity profile of the Group's short-term interest-bearing bank borrowings as at the end of the reporting period is disclosed in note 25. The maturity profile of the Group's finance lease payables, based on the contractual undiscounted payments, amounted to HK$60,712, HK$182,136 and HK$667,835 as at 30 June 2014 and HK$62,480, HK$187,438 and HK$937,193 as at 30 June 2013 are repayable less than 3 months, within 3 months to 12 months and more than 12 months, respectively. The maturity profile of the other financial liabilities of the Group and the Company including payment processing payables, accounts payable, other payables and accruals, and amounts due to subsidiaries as at the end of the reporting period, based on the contractual undiscounted payments, is either repayable on demand/have no fixed terms of repayment or repayable in less than 3 months.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2014 and 2013.

The Group monitors capital using a gearing ratio, which is total borrowings divided by the total shareholders' equity plus total borrowings. Total borrowings include interest-bearing bank and other borrowings. Total shareholders' equity comprises all components of equity attributable to ordinary equity holders of the Company. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at 30 June 2014 was as follows:

Group

	2014 HK$	2013 HK$
Total borrowings	**77,328,500**	1,348,054
Total shareholders' equity	**1,789,217,782**	1,293,894,845
Total borrowings and total shareholders' equity	**1,866,546,282**	1,295,242,899
Gearing ratio	**4.1%**	0.1%

39. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified/regrouped to conform with the current year's presentation.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 August 2014.

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