



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



2015

Interim Report 中期報告

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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

Toshio Kinoshita

Takao Nakamura

Toshiyuki Fushimi

AUDIT COMMITTEE

Toshio Kinoshita (*Chairman*)

Takao Nakamura

Adam David Lindemann

REMUNERATION COMMITTEE

Takao Nakamura (*Chairman*)

Kaoru Hayashi

Toshiyuki Fushimi

NOMINATION COMMITTEE

Kaoru Hayashi (*Chairman*)

Takao Nakamura

Toshiyuki Fushimi

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

Financial Highlights

The board of directors (the “Board”) of econtext Asia Limited (the “Company”) presents the unaudited interim consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2014.

- Revenue decreased by approximately 0.7% to approximately HK\$527.7 million in Hong Kong dollar (“HK\$”) but increased by approximately 7.2% to approximately JP¥7,286.6 million in Japanese yen (“JP¥”).
- Gross profit decreased by approximately 4.1% to approximately HK\$127.5 million in Hong Kong dollar but increased by approximately 3.1% to approximately JP¥1,755.8 million in Japanese yen.
- Profit attributable to owners of the Company increased by approximately 9.8% to approximately HK\$22.4 million in Hong Kong dollar and by approximately 7.5% to approximately JP¥269.6 million in Japanese yen, respectively.

OVERALL FINANCIAL PERFORMANCE

- During the six months ended 31 December 2014, the Group recorded a decrease in its revenue and gross profit on Hong Kong dollar basis, primarily due to the depreciation of Japanese yen. However, the Group recorded stable revenue and gross profit on Japanese yen basis and continued to invest in new opportunities such as offline payment processing services and expansion in Asia.
- The profit for the period and profit attributable to owners of the Company for the six months ended 31 December 2014 increased as compared to those for the six months ended 31 December 2013, which was primarily resulted from a decrease in selling, general and administrative expenses mainly due to absence of one-off initial public offering (the “IPO”) expenses, partially offset by an increase in income tax expense primarily due to withholding taxes on dividends and certain undistributed earnings of the Company’s overseas subsidiaries.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in online payment services, advertising related services and other e-commerce services. During the six months ended 31 December 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 fees for advertising related services. The Group's revenue for the six months ended 31 December 2014 decreased by approximately 0.7% to approximately HK\$527.7 million from approximately HK\$531.2 million for the six months ended 31 December 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 six months ended 31 December 2014 was approximately HK\$435.1 million, representing approximately 82.5% 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 2.1% from approximately HK\$444.3 million for the six months ended 31 December 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. The revenue from advertising related services for the six months ended 31 December 2014 was approximately HK\$31.1 million, representing approximately 5.9% of total revenue of the Group. The revenue from advertising related services increased by approximately 24.8% from approximately HK\$24.9 million for the six months ended 31 December 2013 due to an increase in agency advertising fees provided by NaviPlus Co., Ltd. ("NaviPlus").

Recent investments

During the period under review, the Group made certain investments to take advantage of a significant growth of the e-commerce market in Asia.

Additional investment in PT. Midtrans

In December 2014, the Company subscribed additional 460,000 shares of Indonesian Rupiah ("IDR") 8,890 each of PT. Midtrans, a company incorporated in the Republic of Indonesia ("Indonesia") in which the Company owns 23% interest, at a consideration of approximately IDR4,089 million (approximately HK\$3.6 million). The Company's interest in PT. Midtrans remains 23% after the subscription.

Investment in Sendo

In December 2014, the Company entered into a subscription agreement to acquire a 13.89% interest in Sen Do Technology Joint Stock Company ("Sendo"), a company established in Vietnam at a consideration of approximately United States dollar ("US\$") 1.5 million (approximately HK\$11.6 million). Sendo is indirectly owned by FPT Corporation, a leading technology company in Vietnam, and is primarily engaged in online marketplace business and online payment business in Vietnam. Vietnam becomes the fifth country in the Group's outreach strategy to develop its business in Asia after Japan, China, Indonesia and India.

OUTLOOK

The Group intends to expand both its domestic and international businesses by establishing a leading position in emerging, high growth and mature e-commerce markets throughout Asia. Following the investments in China, Indonesia and India made by the Group in 2013, in December 2014, the Company entered into a subscription agreement to invest in Sendo, which is one of the primary operators of online marketplace and online payment business in Vietnam.

In addition, the Group formed econtext ASIA EC Fund Investment LPS ("EC Fund") in March 2014, the purpose of which is to invest in (i) Japanese e-commerce companies targeting emerging markets in Asia, (ii) Asian e-commerce companies, and (iii) other Japanese limited partnerships of similar purposes. The main focus of EC Fund is to invest in e-commerce businesses including online marketplace and to develop and support such businesses that will open up more opportunities for online payment businesses. The Company anticipates that an investment of EC Fund would bring a good synergy with our future expansion of e-commerce in Asia as well as Japan.

The Group will continue to further strengthen market leadership in Japan by penetrating the small and medium enterprises market, and expand in emerging markets in Asia through joint venture and/or mergers and acquisitions. The Group will also develop offline payment business and value-added services both in Japan and Asia.

Management Discussion and Analysis (Continued)

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 periods presented:

	Six months ended 31 December	
	2014 (Unaudited)	2013 (Unaudited)
Number of data transactions	73,495,627	68,879,694
Active merchant websites	13,769	13,182
Agency payment amount (HK\$)	23,144,427,611	22,779,973,060
Agency payment amount (JP¥)	319,769,547,714	293,055,265,597

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 periods presented:

	Six months ended 31 December	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Agency payment fees = (a) x (b)	435,107,777	444,281,649
(a) Agency payment amount	23,144,427,611	22,779,973,060
(b) Average fee margin	1.88%	1.95%
All other revenues	92,600,154	86,921,627
Total revenue	527,707,931	531,203,276

The increasing pricing pressure for the provision of agency payment services resulted in the lower average fee margin of approximately 1.88% for the six months ended 31 December 2014 when comparing with the one for the six months ended 31 December 2013.

To partially offset the declining gross profit margins of the online payment service business, the Group has offered various value-added services such as SumaPay, a new credit card settlement service for real estate business, mPOS, a new payment method using smartphones and BuySmartJapan, a cross border e-commerce platform which enables overseas customers to purchase Japanese products. The Group has also recently launched a new payment service, "Ceremony Pay", for funeral ceremony-related services. The principal advantage of Ceremony Pay is to address customers' urgent need of funds before and after the funeral ceremony by offering flexible payment methods and to offer payment services to funeral service companies.

Management Discussion and Analysis (Continued)

Results of operations of the Group

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

	Six months ended 31 December 2014		Six months ended 31 December 2013	
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) JP¥	(Unaudited) JP¥
REVENUE	527,707,931	531,203,276	7,286,580,436	6,799,936,943
Cost of sales	(400,162,155)	(398,225,814)	(5,530,748,367)	(5,097,629,802)
Gross profit	127,545,776	132,977,462	1,755,832,069	1,702,307,141
Other income and gains	11,421,420	2,945,116	162,411,811	39,015,802
Selling, general and administrative expenses	(79,909,414)	(101,541,557)	(1,130,031,100)	(1,311,430,250)
Other expenses	(26,478)	(19,076)	(370,351)	(250,992)
Finance costs	(445,828)	(582,640)	(6,201,592)	(7,495,035)
Share of profits/(losses) of:				
Joint ventures	2,033,361	102,849	32,993,231	422,418
An associate	(538,647)	159,744	(7,179,087)	656,095
PROFIT BEFORE TAX	60,080,190	34,041,898	807,454,981	423,225,179
Income tax expense	(37,718,709)	(14,638,016)	(538,798,478)	(184,332,287)
PROFIT FOR THE PERIOD	22,361,481	19,403,882	268,656,503	238,892,892
Attributable to:				
Owners of the Company	22,429,473	20,432,863	269,630,054	250,869,222
Non-controlling interests	(67,992)	(1,028,981)	(973,551)	(11,976,330)

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 unaudited condensed consolidated financial statements.

Management Discussion and Analysis (Continued)

Revenue

Total revenue decreased by approximately 0.7%, from approximately HK\$531.2 million for the six months ended 31 December 2013 to approximately HK\$527.7 million for the six months ended 31 December 2014. The Group's total revenue represented in Japanese yen prior to conversion into Hong Kong dollar for the purpose of the Group's unaudited condensed consolidated financial statements increased by approximately 7.2%, from approximately JP¥6,799.9 million for the six months ended 31 December 2013 to approximately JP¥7,286.6 million for the six months ended 31 December 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 periods presented:

	Six months ended		Change in HK\$ %
	31 December		
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$	
Initial setup and monthly fees	19,261,595	20,457,196	-5.8%
Settlement data transaction fees	24,100,484	27,524,370	-12.4%
Agency payment fees	435,107,777	444,281,649	-2.1%
Advertising related services	31,137,495	24,945,209	24.8%
Information security services	6,619,148	6,166,248	7.3%
Others	11,481,432	7,828,604	46.7%
	527,707,931	531,203,276	-0.7%

	Six months ended		Change in JP¥ %
	31 December		
	2014 (Unaudited) JP¥	2013 (Unaudited) JP¥	
Initial setup and monthly fees	270,636,893	262,946,878	2.9%
Settlement data transaction fees	338,598,752	353,859,831	-4.3%
Agency payment fees	5,986,597,178	5,682,819,327	5.3%
Advertising related services	437,965,745	320,441,546	36.7%
Information security services	90,862,817	79,117,690	14.8%
Others	161,919,051	100,751,671	60.7%
	7,286,580,436	6,799,936,943	7.2%

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 unaudited condensed consolidated financial statements.

Management Discussion and Analysis (Continued)

Initial setup and monthly fees

Revenue from initial setup and monthly fees decreased by approximately 5.8%, or HK\$1.2 million, from approximately HK\$20.5 million for the six months ended 31 December 2013 to approximately HK\$19.3 million for the six months ended 31 December 2014, primarily due to the depreciation of Japanese yen. The revenue from initial setup and monthly fees in Japanese yen equivalent increased by approximately 2.9%, or JP¥7.7 million, from approximately JP¥262.9 million for the six months ended 31 December 2013 to approximately JP¥270.6 million for the six months ended 31 December 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 12.4%, or HK\$3.4 million, from approximately HK\$27.5 million for the six months ended 31 December 2013 to approximately HK\$24.1 million for the six months ended 31 December 2014, primarily due to the depreciation of Japanese yen and lower transaction fee charged due to pricing pressure. The revenue from settlement data transaction fees in Japanese yen equivalent decreased by approximately 4.3%, or JP¥15.3 million, from approximately JP¥353.9 million for the six months ended 31 December 2013 to approximately JP¥338.6 million for the six months ended 31 December 2014, primarily due to lower transaction fee charged due to pricing pressure.

Agency payment fees

Revenue from agency payment fees decreased by approximately 2.1%, or HK\$9.2 million, from approximately HK\$444.3 million for the six months ended 31 December 2013 to approximately HK\$435.1 million for the six months ended 31 December 2014, primarily due to the depreciation of Japanese yen. The revenue from agency payment fees in Japanese yen equivalent increased by approximately 5.3%, or JP¥303.8 million, from approximately JP¥5,682.8 million for the six months ended 31 December 2013 to approximately JP¥5,986.6 million for the six months ended 31 December 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 increased by approximately 24.8%, or HK\$6.2 million, from approximately HK\$24.9 million for the six months ended 31 December 2013 to approximately HK\$31.1 million for the six months ended 31 December 2014, primarily due to an increase in agency advertising fees provided by NaviPlus. The revenue from advertising related services in Japanese yen equivalent increased by approximately 36.7%, or JP¥117.6 million, from approximately JP¥320.4 million for the six months ended 31 December 2013 to approximately JP¥438.0 million for the six months ended 31 December 2014, primarily due to an increase in agency advertising fees provided by NaviPlus.

Information security services

Revenue from information security services increased by approximately 7.3%, or HK\$0.4 million, from approximately HK\$6.2 million for the six months ended 31 December 2013 to approximately HK\$6.6 million for the six months ended 31 December 2014, primarily due to an increase in the number of SSL Certificate coupon packages sold. The revenue from information security services in Japanese yen equivalent increased by approximately 14.8%, or JP¥11.8 million, from approximately JP¥79.1 million for the six months ended 31 December 2013 to approximately JP¥90.9 million for the six months ended 31 December 2014, primarily due to an increase in the number of SSL Certificate coupon packages sold.

Gross profit

Gross profit decreased by approximately 4.1%, or HK\$5.5 million, from approximately HK\$133.0 million for the six months ended 31 December 2013 to approximately HK\$127.5 million for the six months ended 31 December 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 unaudited condensed consolidated financial statements increased by approximately 3.1%, or JP¥53.5 million, from approximately JP¥1,702.3 million for the six months ended 31 December 2013 to approximately JP¥1,755.8 million for the six months ended 31 December 2014. Gross profit margin in Hong Kong dollar calculated based on the Group's gross profit and revenue decreased from 25.0% for the six months ended 31 December 2013 to 24.2% for the six months ended 31 December 2014, primarily due to intensifying price competition among online payment solution providers in Japan.

Other income and gains

Other income and gains increased from approximately HK\$2.9 million for the six months ended 31 December 2013 to approximately HK\$11.4 million for the six months ended 31 December 2014, primarily due to management fee and performance fee received from EC Fund.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased by approximately 21.3%, or HK\$21.6 million, from approximately HK\$101.5 million for the six months ended 31 December 2013 to approximately HK\$79.9 million for the six months ended 31 December 2014. Selling, general and administrative expenses represented in Japanese yen prior to conversion into Hong Kong dollar for the purpose of the Group's unaudited condensed consolidated financial statements decreased by approximately 13.8%, or JP¥181.4 million, from approximately JP¥1,311.4 million for the six months ended 31 December 2013 to approximately JP¥1,130.0 million for the six months ended 31 December 2014, mainly due to absence of one-off IPO expenses.

Share of profits/(losses) of an associate and joint ventures

Share of profits/(losses) of an associate and joint ventures accounted for using equity method increased from a share of profit of approximately HK\$0.3 million for the six months ended 31 December 2013 to a share of profit of approximately HK\$1.5 million for the six months ended 31 December 2014, primarily attributable to the proportional share of profit of a joint venture.

Income tax expense

Income tax expense increased from approximately HK\$14.6 million for the six months ended 31 December 2013 to approximately HK\$37.7 million for the six months ended 31 December 2014, primarily due to withholding taxes on dividends and certain undistributed earnings of the Company's overseas subsidiaries.

Profit for the six months ended 31 December 2014

As a result of the foregoing, profit for the six months ended 31 December 2014 increased by approximately 15.2%, or HK\$3.0 million, from approximately HK\$19.4 million for the six months ended 31 December 2013 to approximately HK\$22.4 million for the six months ended 31 December 2014. Profit for the six months ended 31 December 2014 represented in Japanese yen prior to conversion into Hong Kong dollar for the purpose of the Group's unaudited condensed consolidated financial statements increased by approximately 12.5%, or JP¥29.8 million, from approximately JP¥238.9 million for the six months ended 31 December 2013 to approximately JP¥268.7 million for the six months ended 31 December 2014.

Management Discussion and Analysis (Continued)

Other information

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

Six months ended 31 December 2014

		HK\$	Net margin	JP¥	Net margin
As reported	Profit for the period	22,361,481	4.2%	268,656,503	3.7%
Adjustments	Depreciation of property, plant and equipment	5,227,740		73,478,056	
	Amortisation of intangible assets	21,406,553		300,909,160	
	Interest expense	445,828		6,201,592	
	Income tax expense	37,718,709		538,798,478	
	EBITDA	87,160,311	16.5%	1,188,043,789	16.3%

Six months ended 31 December 2013

		HK\$	Net margin	JP¥	Net margin
As reported	Profit for the period	19,403,882	3.7%	238,892,892	3.5%
Adjustments	Depreciation of property, plant and equipment	5,745,362		73,829,526	
	Amortisation of intangible assets	22,358,990		287,441,462	
	Interest expense	582,640		7,495,035	
	Income tax expense	14,638,016		184,332,287	
	EBITDA	62,728,890	11.8%	791,991,202	11.6%

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Loans and borrowings

As at 31 December 2014, the total borrowings of the Group were approximately HK\$0.6 million (30 June 2014: 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 0.0% as at 31 December 2014 (30 June 2014: approximately 4.1%).

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 six months ended 31 December 2014, the Group's capital expenditures amounted to approximately HK\$19.7 million (six months ended 31 December 2013: approximately HK\$3.8 million).

Foreign exchange risk

The Group's unaudited condensed 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 unaudited condensed consolidated financial statements. The Japanese yen depreciated against the Hong Kong dollar by 17.8% and 12.5% during the periods from 31 December 2012 to 31 December 2013 and from 31 December 2013 to 31 December 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 31 December 2014, the Group had no material contingent liabilities and was not involved in any material legal proceedings (30 June 2014: Nil). 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 31 December 2014, the Group had a commitment in respect of capital contribution of approximately JP¥200 million (equivalent to approximately HK\$12.9 million) (30 June 2014: approximately JP¥200 million (equivalent to approximately HK\$15.3 million)) for a joint venture engaging in fund raising, investing and exiting.

As at 31 December 2014, the Company had a commitment in respect of capital contribution of approximately US\$1.5 million (equivalent to approximately HK\$11.6 million) (30 June 2014: Nil) for subscription of shares in a company engaging in online marketplace business and online payment business in Vietnam.

Charge on the group's assets

As at 31 December 2014, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK\$0.6 million (30 June 2014: approximately HK\$0.8 million) were under finance lease.

As at 31 December 2014, the Group did not have any interest-bearing bank borrowing. As at 30 June 2014, a short-term loan of JP¥1,000 million (equivalent to approximately HK\$76.5 million) was secured by the equity interest in a subsidiary with a carrying amount of approximately HK\$101.9 million.

Management Discussion and Analysis (Continued)

DIVIDEND

At a meeting of the Board held on 30 December 2014, the Directors resolved to pay a special dividend of HK\$0.12 per share of the Company (the "Shares"), totalling HK\$62,250,000 (six months ended 31 December 2013: Nil). The special dividend was paid on 20 January 2015 to the shareholders of the Company (the "Shareholders") whose names appeared on the register of members of the Company on 16 January 2015.

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2014 (six months ended 31 December 2013: Nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2014, the Group had 185 employees (30 June 2014: 192). 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.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new Shares at the time of its listing on The Stock Exchange of Hong Kong Limited (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 six months ended 31 December 2014 in accordance with the proposed applications set out in the prospectus of the Company dated 6 December 2013 (the "Prospectus"). As at 31 December 2014, part of the proceeds had been applied as follows:

- approximately HK\$3.6 million was used for expanding international operations in early stage, mature and large markets in Asia; and
- approximately HK\$8.0 million was used for working capital and other general corporate activities.

EVENTS AFTER THE REPORTING PERIOD

On 26 February 2015, the Company and Digital Garage, Inc. ("Digital Garage"), the Company's controlling shareholder, jointly announced that on 23 February 2015, Digital Garage requested the Company to put forward to the Shareholders a proposal for the privatisation of the Company which, if approved, would result in, among other things, the withdrawal of listing of the Shares on the Stock Exchange (the "Proposal"). The Proposal will be implemented by way of a scheme of arrangement under section 673 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Scheme of Arrangement"). Upon the Scheme of Arrangement becoming effective, the Shares not already owned by Digital Garage will be cancelled and the new Shares equal to the number of the Shares cancelled will be issued as fully paid to Digital Garage. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), with effect from the date on which the Scheme of Arrangement becomes effective. The relevant scheme document including, among other things, further details of the Proposal and the Scheme of Arrangement, an explanatory statement, the expected timetable relating to the Proposal, the recommendations of the independent board committee, the letter of advice from the independent financial adviser and notices of the relevant court meeting and the general meeting as well as other particulars required by The Codes on Takeovers and Mergers and Share Buy-backs (the "Takeovers Code") will be despatched to the Shareholders within 21 days from the date of the aforesaid announcement or such later date as may be permitted under the Takeovers Code.

Condensed Consolidated Statement of Profit or Loss

Six months ended 31 December 2014

	Notes	Six months ended 31 December	
		2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
REVENUE	4	527,707,931	531,203,276
Cost of sales		(400,162,155)	(398,225,814)
Gross profit		127,545,776	132,977,462
Other income and gains	4	11,421,420	2,945,116
Selling, general and administrative expenses		(79,909,414)	(101,541,557)
Other expenses		(26,478)	(19,076)
Finance costs	6	(445,828)	(582,640)
Share of profits/(losses) of:			
Joint ventures		2,033,361	102,849
An associate		(538,647)	159,744
PROFIT BEFORE TAX	5	60,080,190	34,041,898
Income tax expense	7	(37,718,709)	(14,638,016)
PROFIT FOR THE PERIOD		22,361,481	19,403,882
Attributable to:			
Owners of the Company		22,429,473	20,432,863
Non-controlling interests		(67,992)	(1,028,981)
		22,361,481	19,403,882
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic			
— For profit for the period		0.04	0.05
Diluted			
— For profit for the period		0.04	0.05

Details of the dividend proposed and payable for the six months ended 31 December 2014 are disclosed in note 8 to the condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

Six months ended 31 December 2014

	Six months ended 31 December	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
PROFIT FOR THE PERIOD	22,361,481	19,403,882
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	(198,293,212)	(77,667,451)
Share of other comprehensive income/(loss) of joint ventures	(53,578)	18,231
Share of other comprehensive loss of an associate	(3,317,825)	(1,600,179)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(201,664,615)	(79,249,399)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(179,303,134)	(59,845,517)
Attributable to:		
Owners of the Company	(178,867,418)	(59,200,795)
Non-controlling interests	(435,716)	(644,722)
	(179,303,134)	(59,845,517)

Condensed Consolidated Statement of Financial Position

31 December 2014

	Notes	31 December 2014 (Unaudited) HK\$	30 June 2014 (Audited) HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		30,600,674	37,100,171
Goodwill		335,695,304	398,830,436
Other intangible assets	10	558,118,276	668,184,008
Investments in joint ventures		20,503,322	18,124,280
Investment in an associate		10,837,540	4,357,551
Available-for-sale investment		35,649,999	35,649,999
Commercial bonds		12,870,020	15,290,520
Rental deposits		4,313,204	5,385,244
Deferred tax assets		11,636,062	12,865,442
Restricted cash		726,738	861,616
Other non-current assets		4,071,988	5,589,908
Total non-current assets		1,025,023,127	1,202,239,175
CURRENT ASSETS			
Accounts receivable	11	19,745,252	24,719,444
Payment processing receivables		612,633,393	554,332,997
Prepayments, deposits and other receivables		16,256,544	13,457,100
Cash and cash equivalents		1,742,276,271	1,545,681,589
Total current assets		2,390,911,460	2,138,191,130
CURRENT LIABILITIES			
Accounts payable, other payables and accruals	12	109,660,623	50,613,447
Payment processing payables		1,515,805,656	1,157,380,675
Interest-bearing bank borrowings	13	–	76,452,600
Finance lease payables		193,074	227,058
Tax payable		25,812,053	38,288,315
Other current liabilities		27,954,948	11,205,426
Total current liabilities		1,679,426,354	1,334,167,521
NET CURRENT ASSETS		711,485,106	804,023,609
TOTAL ASSETS LESS CURRENT LIABILITIES		1,736,508,233	2,006,262,784

Condensed Consolidated Statement of Financial Position (Continued)

31 December 2014

	Notes	31 December 2014 (Unaudited) HK\$	30 June 2014 (Audited) HK\$
NON-CURRENT LIABILITIES			
Finance lease payables		449,100	648,842
Provisions		868,226	1,021,485
Deferred tax liabilities		176,446,353	205,771,685
Other non-current liabilities		5,603,986	4,127,070
Total non-current liabilities		183,367,665	211,569,082
Net assets		1,553,140,568	1,794,693,702
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	2,095,487,067	2,095,487,067
Reserves		(547,386,703)	(306,269,285)
		1,548,100,364	1,789,217,782
Non-controlling interests		5,040,204	5,475,920
Total equity		1,553,140,568	1,794,693,702

Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2014

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Issued capital	Share premium account	Other reserves ^{*^}	Retained profits [^]	Exchange fluctuation reserve [^]	Total			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
At 1 July 2013 (Audited)	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 period	-	-	-	20,432,863	-	20,432,863	(1,028,981)	19,403,882	
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	(79,633,658)	(79,633,658)	384,259	(79,249,399)	
Total comprehensive income/(loss) for the period	-	-	-	20,432,863	(79,633,658)	(59,200,795)	(644,722)	(59,845,517)	
Capital reduction	(1,621,611,675)	1,621,611,675	-	-	-	-	-	-	
Capitalisation issue	2,126,765	(2,126,765)	-	-	-	-	-	-	
Issue of shares in an initial public offering	1,250,000	447,500,000	-	-	-	448,750,000	-	448,750,000	
Share issue expenses	-	(41,858,719)	-	-	-	(41,858,719)	-	(41,858,719)	
At 31 December 2013 (Unaudited)	5,000,000	2,025,126,191	(153,747,631)	74,347,680	(309,140,909)	1,641,585,331	4,824,219	1,646,409,550	
At 1 July 2014 (Audited)	2,095,487,067	-	(153,747,631)	114,219,913	(266,741,567)	1,789,217,782	5,475,920	1,794,693,702	
Profit for the period	-	-	-	22,429,473	-	22,429,473	(67,992)	22,361,481	
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	(201,296,891)	(201,296,891)	(367,724)	(201,664,615)	
Total comprehensive income/(loss) for the period	-	-	-	22,429,473	(201,296,891)	(178,867,418)	(435,716)	(179,303,134)	
Dividend declared (Note 8)	-	-	-	(62,250,000)	-	(62,250,000)	-	(62,250,000)	
At 31 December 2014 (Unaudited)	2,095,487,067	-	(153,747,631)	74,399,386	(468,038,458)	1,548,100,364	5,040,204	1,553,140,568	

* Other reserves mainly represented contributions from less distributions to the ultimate holding company and other reserves arising from a group reorganisation that the Company underwent in 2013 (the "Reorganisation").

^ These reserve accounts comprise the consolidated reserves with a debit balance of HK\$547,386,703 (30 June 2014: HK\$306,269,285) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2014

	Six months ended 31 December	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
NET CASH FLOWS FROM OPERATING ACTIVITIES	506,298,545	137,605,728
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(24,459,095)	(46,147,538)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(64,006,012)	421,888,618
NET INCREASE IN CASH AND CASH EQUIVALENTS	417,833,438	513,346,808
Cash and cash equivalents at beginning of period	1,545,681,589	1,090,236,735
Effect of foreign exchange rate changes, net	(221,238,756)	(88,202,551)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,742,276,271	1,515,380,992

1. CORPORATE INFORMATION

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 on 19 December 2013 (the "Listing Date").

During the six months ended 31 December 2014, the principal activities of the Company were the holding of its subsidiaries, joint ventures and an associate, and investments holding. The principal activities of the Group include the provision of online payment services and e-commerce solutions.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, and applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed consolidated financial statements have not been audited by the Company's independent auditors but have been reviewed by the audit committee of the Company (the "Audit Committee").

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2014, except for the application of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that are adopted for the first time in the current period:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>
<i>Annual Improvements 2010–2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements 2011–2013 Cycle</i>	Amendments to a number of HKFRSs

2. BASIS OF PREPARATION *(Continued)*

The adoption of these new and revised HKFRSs has had no significant financial effect on the condensed consolidated financial statements.

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

However, the Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies and changes in presentation and measurement of certain items of the condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION (Continued)

	Six months ended 31 December 2014 / as at 31 December 2014			
	Payment segment (Unaudited) HK\$	All other segments (Unaudited) HK\$	Adjustments and eliminations (Unaudited) HK\$	Total (Unaudited) HK\$
Segment revenue:				
Revenue from external customers	496,570,436	31,137,495	–	527,707,931
Inter-segment revenue	–	42,736	(42,736)	–
	496,570,436	31,180,231	(42,736)	527,707,931
Segment results	68,040,483	115,303,623	(123,263,916)	60,080,190
Segment assets	2,747,386,819	709,585,989	(41,038,221)	3,415,934,587
Segment liabilities	1,789,077,188	114,755,052	(41,038,221)	1,862,794,019
Other segment information:				
Investment in an associate	10,837,540	–	–	10,837,540
Investments in joint ventures	20,503,322	–	–	20,503,322
Share of profits/(losses) of:				
Joint ventures	2,033,361	–	–	2,033,361
An associate	(538,647)	–	–	(538,647)
Capital expenditure*	18,420,950	1,238,379	–	19,659,329
Depreciation and amortisation	(24,660,971)	(1,973,322)	–	(26,634,293)
Impairment of accounts receivable	(895,821)	–	–	(895,821)
Interest income	646,100	28,536	(472,722)	201,914
Finance costs	(445,828)	(472,722)	472,722	(445,828)

* Capital expenditure consists of additions to property, plant and equipment, and intangible assets (other than goodwill).

For the six months ended 31 December 2014 / as at 31 December 2014, 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.

Notes to Condensed Consolidated Financial Statements (Continued)

31 December 2014

3. OPERATING SEGMENT INFORMATION (Continued)

	Six months ended 31 December 2013 / as at 30 June 2014			
	Payment segment (Unaudited) HK\$	All other segments (Unaudited) HK\$	Adjustments and eliminations (Unaudited) HK\$	Total (Unaudited) HK\$
Segment revenue:				
Revenue from external customers	506,258,067	24,945,209	–	531,203,276
Inter-segment revenue	–	46,680	(46,680)	–
	506,258,067	24,991,889	(46,680)	531,203,276
Segment results	50,456,499	(16,414,601)	–	34,041,898
Segment assets (Audited)	2,772,275,476	617,755,208	(49,600,379)	3,340,430,305
Segment liabilities (Audited)	1,536,677,914	58,659,068	(49,600,379)	1,545,736,603
Other segment information:				
Investment in an associate (Audited)	4,357,551	–	–	4,357,551
Investments in joint ventures (Audited)	18,124,280	–	–	18,124,280
Share of profits of:				
Joint ventures	102,849	–	–	102,849
An associate	159,744	–	–	159,744
Capital expenditure*	2,863,645	932,406	–	3,796,051
Depreciation and amortisation	(26,270,018)	(1,834,334)	–	(28,104,352)
Impairment of accounts receivable	(112,838)	–	–	(112,838)
Interest income	435,118	16,505	(255,783)	195,840
Finance costs	(582,640)	(255,783)	255,783	(582,640)

* Capital expenditure consists of additions to property, plant and equipment, and intangible assets (other than goodwill).

For the six months ended 31 December 2013 / as at 30 June 2014, 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.

3. OPERATING SEGMENT INFORMATION (Continued)**Geographical information****(a) Revenue from external customers**

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

(b) Non-current assets

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

Information about major customers

The Group had no external customer whose revenue amount exceeded 10% or more of the external customers' revenue of the Group for the six months ended 31 December 2014 and 2013.

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 31 December	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Revenue		
Initial setup and monthly fees	19,261,595	20,457,196
Settlement data transaction fees	24,100,484	27,524,370
Agency payment fees	435,107,777	444,281,649
Advertising related services	31,137,495	24,945,209
Information security services	6,619,148	6,166,248
Others	11,481,432	7,828,604
	527,707,931	531,203,276
Other income and gains		
Bank interest income	98,955	83,180
Other interest income	102,959	112,660
Deferred gain on disposal of an available-for-sale investment	2,556,417	233,281
Foreign exchange gains, net	6,456,160	2,439,620
Others	2,206,929	76,375
	11,421,420	2,945,116

Notes to Condensed Consolidated Financial Statements (Continued)

31 December 2014

5. PROFIT BEFORE TAX

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

	Six months ended	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Cost of services provided	400,162,155	398,225,814
Depreciation of property, plant and equipment**	5,227,740	5,745,362
Amortisation of intangible assets**	21,406,553	22,358,990
Minimum lease payments under operating leases in respect of:		
Land and buildings	6,605,759	6,626,763
Equipment	469,785	283,230
	7,075,544	6,909,993
Employee benefit expense (including the Directors' and chief executive's remunerations):		
Salaries, allowances, bonuses and benefits in kind*	37,172,504	36,121,292
Social security costs*	3,405,711	5,131,276
Pension scheme contributions*^	1,205,416	1,751,426
Less: Amount capitalised	(1,702,490)	(2,807,044)
	40,081,141	40,196,950
Foreign exchange gains, net	(6,456,160)	(2,439,620)
Impairment of accounts receivable	895,821	112,838
Loss on disposals/retirements of property, plant and equipment	–	12,086

^ As at 31 December 2014 and 30 June 2014, 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\$3,913,294 (six months ended 31 December 2013: HK\$3,450,211) and amortisation of intangible assets of HK\$14,632,224 (six months ended 31 December 2013: HK\$14,954,059) for the period are also included in the "Cost of services provided" above.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 December	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Interest on bank loans wholly repayable within five years	437,916	571,694
Interest on finance lease	7,912	10,946
	445,828	582,640

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 31 December 2014 (six months ended 31 December 2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 31 December	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Group:		
Current — Japan		
Charge for the period	34,050,754	25,810,260
Deferred	3,667,955	(11,172,244)
Total tax charge for the period	37,718,709	14,638,016

8. DIVIDEND

On 30 December 2014, the Board resolved to pay a special dividend of HK\$0.12 per Share, totalling HK\$62,250,000 (six months ended 31 December 2013: Nil).

The Board does not recommend the payment of any interim dividend for the six months ended 31 December 2014 (six months ended 31 December 2013: Nil).

Notes to Condensed Consolidated Financial Statements (Continued)

31 December 2014

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

The calculation of basic and diluted earnings per share attributable to ordinary equity holders of the Company is based on the following data:

Earnings for the purpose of basic and diluted earnings per share

	Six months ended 31 December	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Profit for the period attributable to owners of the Company (a)	22,429,473	20,432,863

Number of shares for the purpose of basic and diluted earnings per share

	Six months ended 31 December	
	2014 (Unaudited)	2013 (Unaudited)
Issued ordinary shares as at 1 July	518,750,000	375,000,000*
Effect of shares issued pursuant to the placing and public offering	–	8,831,522
Weighted average number of ordinary shares as at 31 December for the purpose of basic earnings per share (b)	518,750,000	383,831,522
Effect of dilutive potential ordinary shares: — over-allotment option	–	1,324,728
Weighted average number of ordinary shares as at 31 December for the purpose of diluted earnings per share (c)	518,750,000	385,156,250
Basic earnings per share attributable to ordinary equity holders of the Company (a)/(b)	0.04	0.05
Diluted earnings per share attributable to ordinary equity holders of the Company (a)/(c)	0.04	0.05

* 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.

10. OTHER INTANGIBLE ASSETS

During the six months ended 31 December 2014, the Group acquired other intangible assets of HK\$16,744,901 (six months ended 31 December 2013: HK\$3,411,395).

11. ACCOUNTS RECEIVABLE

	31 December 2014 (Unaudited) HK\$	30 June 2014 (Audited) HK\$
Accounts receivable	20,959,808	25,127,499
Impairment	(1,214,556)	(408,055)
	19,745,252	24,719,444

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. 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 as follows:

	31 December 2014 (Unaudited) HK\$	30 June 2014 (Audited) HK\$
Within 30 days	15,776,105	23,014,274
31 to 60 days	2,162,506	295,491
61 to 90 days	409,224	436,439
91 to 120 days	52,907	80,961
Over 120 days	1,344,510	892,279
	19,745,252	24,719,444

12. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	31 December 2014 (Unaudited) HK\$	30 June 2014 (Audited) HK\$
Accounts payable	8,911,921	8,923,288
Other payables	33,681,906	36,133,767
Accruals	4,816,796	5,556,392
Dividend payable	62,250,000	–
	109,660,623	50,613,447

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

Notes to Condensed Consolidated Financial Statements (Continued)

31 December 2014

12. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS (Continued)

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.

Dividend was paid on 20 January 2015.

13. INTEREST-BEARING BANK BORROWINGS

	31 December 2014			30 June 2014		
	Contractual Interest rate (%)	Maturity	(Unaudited) HK\$	Contractual Interest rate (%)	Maturity	(Audited) HK\$
Current						
Bank loan — secured (note a)	—	—	—	1.475%	July 2014	76,452,600

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.

	31 December 2014 (Unaudited) HK\$	30 June 2014 (Audited) HK\$
Analysed into:		
Bank loans repayable:		
Within one year	—	76,452,600

VeriTrans has unsecured lines of credit with two banks in Japan up to an amount of JP¥5,000 million (approximately HK\$321.8 million) (30 June 2014: JP¥5,000 million (approximately HK\$382.3 million)) and JP¥2,000 million (approximately HK\$128.7 million) (30 June 2014: JP¥2,000 million (approximately HK\$152.9 million)), respectively, with interest rates of Japanese yen Tokyo Interbank Offered Rate ("TIBOR") plus a spread of 0.5% (30 June 2014: 1.475% per annum) and TIBOR plus a spread of 0.55% (30 June 2014: 1.475% per annum), respectively.

ECONTEXT also has a line of credit with a bank in Japan up to an amount of JP¥4,000 million (approximately HK\$257.4 million) (30 June 2014: JP¥4,000 million (approximately HK\$305.8 million)) and JP¥1,000 million (approximately HK\$64.4 million) (30 June 2014: Nil), respectively, with interest rates of TIBOR plus a spread of 0.5% (30 June 2014: 1.475% per annum) and TIBOR plus a spread of 0.55% (30 June 2014: Nil), respectively, which is secured by the Group's equity interest in VeriTrans.

At 31 December 2014, the total amounts utilised under these lines of credit were nil (30 June 2014: HK\$76,452,600).

14. SHARE CAPITAL

	31 December 2014 (Unaudited) HK\$	30 June 2014 (Audited) HK\$
Issued and fully paid: 518,750,000 (30 June 2014: 518,750,000) ordinary shares	2,095,487,067	2,095,487,067

15. 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 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2014 (Unaudited) HK\$	30 June 2014 (Audited) HK\$
Within one year	420,372	826,115
In the second to fifth years, inclusive	115,978	353,860
	536,350	1,179,975

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15 above, the Group had capital commitment contracted, but not provided for at 31 December 2014 in respect of capital contribution of approximately JPY200 million (equivalent to approximately HK\$12.9 million) (30 June 2014: approximately JPY200 million (equivalent to approximately HK\$15.3 million)) for a joint venture engaging in fund raising, investing and exiting.

At 31 December 2014, the Company had a commitment in respect of capital contribution of approximately US\$1.5 million (equivalent to approximately HK\$11.6 million) (30 June 2014: Nil) for subscription of shares in a company engaging in online marketplace business and online payment business in Vietnam.

Notes to Condensed Consolidated Financial Statements (Continued)

31 December 2014

17. RELATED PARTY TRANSACTIONS

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

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

	Notes	Six months ended 31 December 2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Income and expenses:			
Intellectual property license fees	(1)	4,584,925	11,421,361
Salaries and other benefits paid for secondment arrangements	(2)	890,866	1,330,145
Office rental and related expenses	(3)	2,628,863	4,693,149
Business support expense		1,025,662	2,011,867
Directors' remuneration	(4)	–	499,640
Salaries, allowances and benefits in kind for employees	(4)	–	43,044

Notes:

- (1) VeriTrans and ECONTEXT entered into intellectual property license agreements with Digital Garage on 28 September 2012 and 1 October 2012, respectively (individually, the "IP License Agreement", collectively, the "IP License Agreements", as amended by addenda dated 1 August 2013 and 17 October 2013) 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, pursuant to which 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.

17. RELATED PARTY TRANSACTIONS (Continued)**(b) Transactions with Kakaku.com, Inc. ("Kakaku.com")**

	Six months ended 31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Sales to Kakaku.com	2,078,002	3,360,120
Purchases from Kakaku.com	1,039,001	1,680,060

Kakaku.com is an associate company of Digital Garage during the six months ended 31 December 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) Compensation of key management personnel of the Group

Compensation of key management personnel of the Group mainly represented Directors' remuneration as below:

	Six months ended 31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Short term employee benefits	3,029,228	3,397,627
Post-employment benefits	71,853	74,793
	3,101,081	3,472,420

In the opinion of the Directors, the related party transactions in respect of items (a)(i)(1), (a)(i)(2) and (a)(i)(3) above during the six months ended 31 December 2014 also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and the Company has complied with the applicable requirements under that Chapter.

Notes to Condensed Consolidated Financial Statements (Continued)

31 December 2014

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

Management has assessed that, at 31 December 2014 and 30 June 2014, except for an available-for-sale investment in which its fair value cannot be measured reliably, the fair values of the Group'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 financial 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 did not have any financial assets and financial liabilities measured at fair value at 31 December 2014 (30 June 2014: Nil).

19. EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2014 and up to the date of this report.

20. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board on 26 February 2015.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

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	1,000,000	0.19%
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	6,763,600	14.31%
Keizo Odori	Beneficial owner	1,500	0.003%

(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 31 December 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.

Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 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 6,763,600 common shares of Digital Garage. Mr. Keizo Odori, an executive Director, held 1,500 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 31 December 2014 was 518,750,000 which has been used in the calculation of the approximate percentage.

Save as disclosed above, as at 31 December 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.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high standard of corporate governance to safeguard the interests of 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 Listing Rules.

The Board is of the view that the Company has complied with the applicable code provisions as set out in the CG Code during the six months ended 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 six months ended 31 December 2014.

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 six months ended 31 December 2014.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules. The primary 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 of the Group. 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 unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2014.

Other Information (Continued)

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's annual report for the year ended 30 June 2014 are set out below:

(1) Save for Mr. Toshiyuki Fushimi who was appointed an independent non-executive Director in October 2014, the initial term of office of each Director under the original service agreement/letter of appointment was one year from the Listing Date (i.e. 19 December 2013). During the reporting period, the original service agreement/letter of appointment of each Director (other than Mr. Toshiyuki Fushimi) has been amended and the term of office has been extended for one year.

(2) With effect from 1 October 2014, the annual remuneration of certain Directors have been revised as follows:

Mr. Takashi Okita	annual fixed salary has been adjusted from JP¥19,500,000 to JP¥18,525,000
Mr. Tomohiro Yamaguchi	annual fixed salary has been adjusted from JP¥16,000,000 to JP¥15,520,000
Mr. Joi Okada	annual fee has been adjusted from JP¥3,000,000 to JP¥3,300,000
Mr. Toshio Kinoshita	annual fee has been adjusted from JP¥3,000,000 to JP¥8,800,000
Mr. Takao Nakamura	annual fee has been adjusted from JP¥3,000,000 to JP¥4,400,000

By order of the Board
econtext Asia Limited
Kaoru Hayashi
Chairman

Hong Kong, 26 February 2015



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