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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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*If you are in any doubt as to any aspect of the Proposal, this document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.*

If you have sold or transferred all your shares in econtext Asia Limited, you should at once hand this document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This document is provided for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of econtext Asia Limited.

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Digital Garage

**Digital Garage, Inc.**

*(incorporated under the laws of Japan)*



**econtext Asia Limited**

環亞智富有限公司

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 1390)**

**PROPOSAL TO PRIVATISE  
ECONTEXT ASIA LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 673 OF THE COMPANIES ORDINANCE  
AND  
PROPOSED WITHDRAWAL OF THE LISTING OF  
ECONTEXT ASIA LIMITED**

**Financial Adviser to Digital Garage, Inc.**

**Financial Adviser to econtext Asia Limited**

**NOMURA**

**Nomura International (Hong Kong) Limited**

**Daiwa**  
Capital Markets

**Daiwa Capital Markets Hong Kong Limited**

**Independent Financial Adviser to the  
Independent Board Committee  
of econtext Asia Limited**

**OPTIMA**  
CAPITAL

**Optima Capital Limited**

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Capitalised terms used hereunder shall have the same meanings as defined in this document. A letter from the Board is set out on pages 7 to 14 of this document. The Explanatory Statement is set out on pages 53 to 71 of this document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Proposal is set out on pages 15 to 16 of this document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Proposal is set out on pages 17 to 52 of this document. **The actions to be taken by the Independent Shareholders are set out on pages 69 to 70 of this document.**

Notices convening the Court Meeting and the General Meeting to be held in Hong Kong on Thursday, 23 April 2015 are set out on pages CM-1 to GM-2 of this document. **Whether or not you are able to attend the Court Meeting or the General Meeting or any adjournment thereof in person, if you are an Independent Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly encouraged to complete and sign the enclosed white form of proxy in respect of the General Meeting, in accordance with the instructions printed respectively on them and deposit them, together with the power of attorney or other authority (if any), with the share registrar of the Company, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any case not later than the respective times stated under the section entitled "Actions to be taken" set out on pages iv to v of this document. In the case of the pink form of proxy in respect of the Court Meeting, it should be deposited not later than 10:00 a.m. on Tuesday, 21 April 2015 or it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for use at the General Meeting must be deposited not later than 10:30 a.m. on Tuesday, 21 April 2015. The completion and return of a form of proxy for each of the Court Meeting or the General Meeting will not preclude you from attending and voting in person at the Court Meeting or the General Meeting or any adjournment thereof. In such event, the returned form of proxy shall be deemed to have been revoked.** This document is issued jointly by Digital Garage and the Company. In case of inconsistency, the English language text of this document shall prevail over the Chinese language text.

2 April 2015

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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**NOTICE TO U.S. HOLDERS OF THE SHARES**

The Proposal is being made to cancel the securities of a Hong Kong company by means of a scheme of arrangement as provided for under the Companies Ordinance and this document. A transaction effected by means of a scheme of arrangement pursuant to the Companies Ordinance is not subject to the tender offer rules of the U.S. Securities Exchange Act of 1934, as amended. Accordingly, the Scheme is subject to disclosure requirements and practices applicable in Hong Kong to schemes of arrangement, which differ from the disclosure requirements of the U.S. tender offer rules. Unless otherwise stated, the financial information included in this document has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to the financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles of the U.S.

This document does not constitute an offer or invitation to purchase or subscribe for any securities of the Company in the U.S.

The receipt of cash pursuant to the Scheme of Arrangement by a U.S. holder of Scheme Shares as consideration for the cancellation of its Scheme Shares pursuant to the Scheme of Arrangement may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his/her independent professional adviser immediately regarding the tax consequences of the Scheme applicable to him/her.

It may be difficult for U.S. holders of Scheme Shares to enforce their rights and claims arising out of the U.S. federal securities laws, since the Offeror and the Company are located in a country other than the U.S. and some or all of their officers and directors may be residents of a country other than the U.S. U.S. holders of Scheme Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

**NOTICE TO JAPANESE HOLDERS OF THE SHARES**

The Proposal is being made to cancel the securities of a Hong Kong company by means of a scheme of arrangement as provided for under the Companies Ordinance and this document. A transaction effected by means of a scheme of arrangement pursuant to the Companies Ordinance is not subject to the tender offer rules of the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "FIEA"). Accordingly, the Scheme is subject to disclosure requirements and practices applicable in Hong Kong to schemes of arrangement, which differ from the disclosure requirements of the FIEA. Unless otherwise stated, the financial information included in this document has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to the financial information of Japanese companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles of Japan.

This document does not constitute an offer or invitation to purchase or subscribe for any securities of the Company nor the Offeror. None of the securities of the Company or the Offeror have been or will be registered under the FIEA. Any securities have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of Japanese Person (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others, for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person.

The receipt of cash pursuant to the Scheme of Arrangement by a Japanese holder of Scheme Shares as consideration for the cancellation of its Scheme Shares pursuant to the Scheme of Arrangement may be a taxable transaction for Japanese income tax purposes as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his/her independent professional adviser immediately regarding the tax consequences of the Scheme applicable to him/her.

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## ACTIONS TO BE TAKEN

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### ACTIONS TO BE TAKEN BY SHAREHOLDERS

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the General Meeting are enclosed with this document.

**Whether or not you are able to attend the Court Meeting or the General Meeting or any adjournment thereof in person, if you are an Independent Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly encouraged to complete and sign the enclosed white form of proxy in respect of the General Meeting, in accordance with the instructions printed respectively on them and deposit them, together with the power of attorney or other authority (if any), with the share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any case not later than the following respective times. In the case of the pink form of proxy in respect of the Court Meeting, it should be deposited not later than 10:00 a.m. on Tuesday, 21 April 2015 or it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for use at the General Meeting must be deposited not later than 10:30 a.m. on Tuesday, 21 April 2015.**

The completion and return of a form of proxy for each of the Court Meeting or the General Meeting will not preclude you from attending and voting in person at the Court Meeting or the General Meeting or any adjournment thereof. In such event, the returned form of proxy shall be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of such Court Meeting and/or General Meeting. You are therefore strongly urged to attend and vote at the Court Meeting and/or the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

If a Registered Owner or Beneficial Owner in Hong Kong has questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call the share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong at (852) 2980 1333 (general line) between 9:00 a.m. and 6:00 p.m. Monday to Friday. This helpline cannot and will not provide advice on the merits of the Proposal or the Scheme of Arrangement or give financial or legal advice.

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Thursday, 16 April 2015 to Thursday, 23 April 2015 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Wednesday, 15 April 2015.

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## **ACTIONS TO BE TAKEN**

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An announcement will be made by the Company in relation to the results of the Court Meeting and the General Meeting. Further announcements will be made regarding the Proposal in accordance with the requirements of the Takeovers Code, including in relation to the result of the hearing of the petition for the sanction of the Scheme of Arrangement by the High Court, the Effective Date, the date of withdrawal of the listing of the Shares from the Hong Kong Stock Exchange and if the Scheme of Arrangement is withdrawn or lapses.

### **ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS**

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and for such purpose the Registered Owner may appoint you as its proxy.

Alternatively, if you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you may arrange for some or all of your Shares to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the Court Meeting or the General Meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are a person admitted to participate in CCASS as an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote in respect of the Scheme of Arrangement. The procedure for voting in respect of the Scheme of Arrangement by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

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## DEFINITIONS

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In this document, the following expressions shall have the meanings respectively set opposite them unless the context requires otherwise:

“acting in concert”	has the meaning given to it in the Takeovers Code, and “parties acting in concert” and “concert parties” shall be construed accordingly
“Announcement”	the announcement dated 26 February 2015 jointly issued by the Offeror and the Company in relation to the Proposal
“Announcement Date”	26 February 2015, being the date on which the Announcement was issued
“associate(s)”	has the meaning given to it in the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings, rulings, consents, permissions, waivers, exemptions and approvals required from the Relevant Authorities or other third parties which are necessary for the Company to carry on its business
“Beneficial Owner(s)”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself
“Board”	the board of the Directors of the Company
“Cancellation Consideration”	the consideration of HK\$4.09 in cash for every Scheme Share cancelled
“CCASS”	the Central Clearing and Settlement Systems established and operated by HKSCC
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“Company” or “econtext”	econtext Asia Limited (環亞智富有限公司), a company incorporated in Hong Kong with limited liability whose shares are listed and traded on the Hong Kong Stock Exchange (Stock Code: 1390)
“Condition(s)”	the condition(s) to which the Proposal is subject, as set out on pages 56 to 60 of this document
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the High Court, notice of which is set out on pages CM-1 to CM-2 of this document, and any adjournment thereof for the purpose of approving the Scheme of Arrangement
“Credit Saison”	Credit Saison Co., Ltd., a company incorporated under the laws of Japan
“Daiwa”	Daiwa Capital Markets Hong Kong Limited, a company incorporated in Hong Kong with limited liability and the financial adviser to the Company. Daiwa is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
“Dentsu Partnership”	Dentsu Digital Investment Limited Partnership, an investment limited partnership formed under the laws of Japan



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## DEFINITIONS

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“Director(s)”	director(s) of the Company
“Disinterested Shares”	Shares in issue other than those held by: (i) the Offeror or by a nominee on its behalf; (ii) an associate (as defined in section 667(1)(b) of the Companies Ordinance) of the Offeror, except a person who falls within section 667(1)(b)(iii) of the Companies Ordinance or a person specified in section 674(4) of the Companies Ordinance; or (iii) a person who is a party to an acquisition agreement within the meaning of section 667(5) of the Companies Ordinance with the Offeror (except a person specified in section 674(4) of the Companies Ordinance), or by a nominee on behalf of the person under the acquisition agreement, as described in section 674(3)(a) of the Companies Ordinance
“Effective Date”	the date on which the Scheme of Arrangement becomes effective, which is expected to be 3 June 2015
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement in relation to the Scheme of Arrangement set out on pages 53 to 71 of this document issued in compliance with Section 671 of the Companies Ordinance
“General Meeting”	a general meeting of the Company, notice of which is set out on pages GM-1 to GM-2 of this document, and any adjournment thereof to be held immediately following the Court Meeting for the purpose of approving the reduction of the share capital of the Company and implementing the Scheme of Arrangement
“Group”	the Company and its subsidiaries from time to time
“High Court”	High Court of Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a company incorporated in Hong Kong with limited liability
“HKSCC Nominees”	HKSCC Nominees Limited, a company incorporated in Hong Kong with limited liability
“holder(s)”	registered holder(s) including any person entitled by transmission to be registered as such and joint holders
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability
“Independent Board Committee”	an independent committee of the Board established for the purpose of advising the Independent Shareholders in respect of the Proposal and comprising Mr. Toshio Kinoshita, Mr. Takao Nakamura and Mr. Toshiyuki Fushimi
“Independent Financial Adviser”	Optima Capital Limited, a company incorporated in Hong Kong with limited liability and the independent financial adviser to the Independent Board Committee, which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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## DEFINITIONS

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“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and parties acting in concert with it
“Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s)
“Irrevocable Undertakings”	the irrevocable undertakings given by each of Mr. Kaoru Hayashi, SMCC, Credit Saison, TIS, JCB and Dentsu Partnership
“JASDAQ”	the Japan Association of Securities Dealers Automated Quotation
“JCB”	JCB Co., Ltd., a company incorporated under the laws of Japan
“JPY”	Japanese yen, the lawful currency of Japan
“Last Trading Day”	23 February 2015, being the last day of trading in the Shares on the Hong Kong Stock Exchange immediately prior to the suspension of trading pending publication of the Announcement
“Latest Practicable Date”	30 March 2015, being the latest practicable date for ascertaining certain information contained in this document
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“New Shares”	new Shares to be issued to the Offeror pursuant to the Scheme of Arrangement and being the same in number as the number of the Scheme Shares
“Nomura”	Nomura International (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and the financial adviser to the Offeror. Nomura is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
“Offeror” or “Digital Garage”	Digital Garage, Inc., a company incorporated under the laws of Japan whose shares are listed on the JASDAQ market of the Tokyo Stock Exchange
“Offeror Group”	Digital Garage, Inc. and its subsidiaries
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS participant
“PRC”	the People’s Republic of China
“Proposal”	the proposed privatisation of the Company by the Offeror by way of the Scheme of Arrangement
“Record Time”	4:00 p.m. Hong Kong time on the day when the Scheme of Arrangement becomes effective, being the record time for determining entitlements of the Scheme Shareholders under the Scheme of Arrangement

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## DEFINITIONS

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“Registered Owner(s)”	any person (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Relevant Authorities”	applicable governments or governmental bodies, regulatory bodies, courts of institutions including but not limited to the SFC, the Hong Kong Stock Exchange, the Hong Kong Monetary Authority and the Hong Kong Insurance Authority
“Scheme of Arrangement”	the scheme of arrangement under Section 673 of the Companies Ordinance as set out on pages S-1 to S-5 of this document, with or subject to any modification thereof or addition thereto or condition approved or imposed by the High Court, for the implementation of the Proposal
“Scheme Share(s)”	the Share(s) in issue at the Record Time other than those beneficially owned by the Offeror
“Scheme Shareholders”	registered holders of the Scheme Shares
“SMCC”	Sumitomo Mitsui Card Company, Limited, a company incorporated under the laws of Japan
“SFC”	Securities and Futures Commission
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“TIS”	TIS Inc., a company incorporated under the laws of Japan
“Tokyo Stock Exchange”	Tokyo Stock Exchange, Inc., a company incorporated under the laws of Japan
“U.S.”	United States of America
“%”	per centum

All references in this document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

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## EXPECTED TIMETABLE

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**Shareholders should note that the timetable, which is mainly dependent on the date of the High Court hearing, is subject to change and is indicative only. Further announcements will be made in the event that there is any change to the timetable.**

### Hong Kong time

Latest time for lodging transfers of the Shares in order to be entitled to attend and vote at the Court Meeting and the General Meeting .....	4:30 p.m. on Wednesday, 15 April 2015
Closure of register of members for determination of entitlement to attend and vote at the Court Meeting and the General Meeting ( <i>Note 1</i> ) .....	Thursday, 16 April 2015 to Thursday, 23 April 2015 (both days inclusive)
Latest time for lodging forms of proxy in respect of:	
the Court Meeting ( <i>Note 2</i> ) .....	10:00 a.m. on Tuesday, 21 April 2015
the General Meeting ( <i>Note 2</i> ) .....	10:30 a.m. on Tuesday, 21 April 2015
Suspension of trading of the Shares ( <i>Note 3</i> ) .....	9:00 a.m. on Thursday, 23 April 2015
Court Meeting ( <i>Notes 2,4</i> ) .....	10:00 a.m. on Thursday, 23 April 2015
General Meeting ( <i>Notes 2,4</i> ) .....	10:30 a.m. on Thursday, 23 April 2015 (or as soon as the Court Meeting has been concluded or adjourned)
Announcement of the results of the Court Meeting and the General Meeting posted on the website of the Hong Kong Stock Exchange .....	by 7:00 p.m. on Thursday, 23 April 2015
Resumption of trading of Shares .....	9:00 a.m. on Friday, 24 April 2015
Expected latest time for trading of Shares on the Hong Kong Stock Exchange .....	4:00 p.m. on Tuesday, 26 May 2015
Suspension of trading of the Shares pending withdrawal of listing .....	9:00 a.m. on Wednesday, 27 May 2015
Latest time for lodging transfers of the Shares in order to qualify for entitlements under the Scheme of Arrangement .....	4:30 p.m. on Friday, 29 May 2015
Register of members of the Company closed for determining entitlements to qualify under the Scheme of Arrangement ( <i>Note 5</i> ) .....	from Saturday, 30 May 2015 onwards
High Court hearing of the petition for the sanction of the Scheme of Arrangement ( <i>Note 6</i> ) .....	Tuesday, 2 June 2015
Announcement of the result of the High Court hearing, the expected Effective Date and the expected date of withdrawal of the listing of the Shares on the Hong Kong Stock Exchange posted on the website of the Hong Kong Stock Exchange .....	by 7:00 p.m. on Tuesday, 2 June 2015
Record Time .....	4:00 p.m. on Wednesday, 3 June 2015
Effective Date ( <i>Note 6</i> ) .....	Wednesday, 3 June 2015

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## EXPECTED TIMETABLE

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Announcement of, among other things, the Effective Date and the withdrawal of the listing of the Shares on the Hong Kong Stock Exchange posted on the website of the Hong Kong Stock Exchange .....	Wednesday, 3 June 2015
Withdrawal of the listing of the Shares on the Hong Kong Stock Exchange becomes effective .....	9:00 a.m. on Thursday, 4 June 2015
Cheques for the cash payment under the Proposal to be despatched on or before .....	Friday, 12 June 2015

*Notes:*

- (1) The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the General Meeting. For the avoidance of doubt, this period of closure is not for determining entitlements of Scheme Shareholders under the Scheme of Arrangement.
- (2) The pink form of proxy in respect of the Court Meeting and the white form of proxy in respect of the General Meeting should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event by the times and dates stated above. In the case of the pink form of proxy in respect of the Court Meeting, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. The white form of proxy for the General Meeting must be lodged no later than the time and date stated above in order for it to be valid. Completion and return of the forms of proxy will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he so wishes. In such event, the relevant form of proxy shall be deemed to have been revoked.
- (3) Trading of the Shares will be suspended from 9:00 a.m. on Thursday, 23 April 2015 pending publication of an announcement of the results of the Court Meeting and the General Meeting. Trading of the Shares is expected to resume at 9:00 a.m. on the trading day following the announcement of these results.
- (4) If a tropical cyclone warning signal No.8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time after 7.00 a.m. on the date of the Court Meeting and the General Meeting, the Court Meeting and the General Meeting will be postponed. The Company will post an announcement on the respective websites of the Hong Kong Exchanges and Clearing Limited and the Company to notify the members of the date, time and venue of the rescheduled meetings.
- (5) The register of members of the Company will be closed during such period for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme of Arrangement.
- (6) The Scheme of Arrangement shall become effective when it is sanctioned (with or without modification) by the High Court and an office copy of the order of the High Court, together with the minute and the return containing the particulars required by Section 230 of the Companies Ordinance, are delivered to and registered by the Registrar of Companies in compliance with the procedural requirements of Section 230 and Section 673 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme of Arrangement, respectively.

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## LETTER FROM THE BOARD

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### **econtext Asia Limited**

環亞智富有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 1390)

*Executive Directors:*

Mr. Kaoru Hayashi (*Executive Director and  
Chairman*)

Mr. Takashi Okita (*Executive Director and Chief  
Executive Officer*)

Mr. Tomohiro Yamaguchi (*Executive Director and  
Chief Financial Officer*)

Mr. Keizo Odori (*Executive Director*)

*Registered Office:*

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

*Non-executive Directors:*

Mr. Joi Okada

Mr. Adam David Lindemann

Mr. Toshio Kinoshita\*

Mr. Takao Nakamura\*

Mr. Toshiyuki Fushimi\*

\* *Independent Non-executive Directors*

2 April 2015

*To the Shareholders*

Dear Sir or Madam,

**PROPOSAL TO PRIVATISE  
ECONTEXT ASIA LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 673 OF THE COMPANIES ORDINANCE  
AND  
PROPOSED WITHDRAWAL OF THE LISTING OF  
ECONTEXT ASIA LIMITED**

### **INTRODUCTION**

It was jointly announced by the Offeror and the Company on 26 February 2015 that on 23 February 2015, the Offeror had requested the Board to put forward to the Scheme Shareholders the Proposal which, if implemented, would result in the Company becoming wholly-owned by the Offeror and the withdrawal of the listing of the Shares from the Hong Kong Stock Exchange. The Offeror also confirmed in such announcement that there would be no revision to the Cancellation Consideration and that the Offeror did not reserve the right to do so.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Offeror owned approximately 58.5% of the issued share capital of the Company. The proposed privatisation of the Company will be implemented by way of a scheme of arrangement under Section 673 of the Companies Ordinance. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled and the New Shares will be issued as fully paid to the Offeror, and the listing of the Shares will be withdrawn from the Hong Kong Stock Exchange.

Rule 2.8 of the Takeovers Code prescribes that the members of an independent committee of a company's board of directors formed for the purpose of considering an offer as in the present case must comprise all of the company's non-executive directors who have no direct or indirect interest in the offer, other than as a shareholder of the company. Accordingly, the Independent Board Committee consisting of Mr. Toshio Kinoshita, Mr. Takao Nakamura and Mr. Toshiyuki Fushimi, all being independent non-executive Directors, has been formed to advise the Independent Shareholders in connection with the Proposal. In compliance with Rule 2.8 of the Takeovers Code, since Mr. Joi Okada is a director of the Offeror, he has not been included in the Independent Board Committee so as to avoid any, or any possible, conflict of interest. In addition, Mr. Adam David Lindemann was previously employed by the Offeror and shares potential business interests with the Offeror and has not been included in the Independent Board Committee so as to avoid a conflict of interest.

The Company has appointed Daiwa as its financial adviser and, with the approval of the Independent Board Committee, has appointed Optima Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee, in connection with the Proposal.

The Independent Board Committee, having considered the terms of the Proposal and taken into account the advice of the Independent Financial Adviser, considers that the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned and recommends the Independent Shareholders to vote in favour of the resolution to approve the Scheme of Arrangement at the Court Meeting and the special resolution to approve and give effect to the Scheme of Arrangement at the General Meeting.

The Offeror has appointed Nomura as its financial adviser in connection with its Proposal. The purpose of this document is to provide you with further information regarding the Proposal and, in particular, the Scheme of Arrangement, and to give you notice of the Court Meeting and the General Meeting. Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 15 to 16 of this document; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee set out on pages 17 to 52 of this document; (iii) the Explanatory Statement set out on pages 53 to 71 of this document; and (iv) the terms of the Scheme of Arrangement set out on pages S-1 to S-5 of this document.

### THE PROPOSAL

Subject to the Conditions described in the section entitled "Conditions of the Proposal and the Scheme of Arrangement" in the Explanatory Statement on pages 56 to 60 of this document being fulfilled or waived (as applicable), the proposed privatisation of the Company will be implemented by way of the Scheme of Arrangement.

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## LETTER FROM THE BOARD

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### THE SCHEME OF ARRANGEMENT

Subject to the Scheme of Arrangement becoming effective, the Scheme Shareholders will receive from the Offeror as Cancellation Consideration:

**HK\$4.09 in cash** ..... **for every Scheme Share cancelled**

**The Offeror has advised that the Cancellation Consideration will not be revised in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.**

Under the Scheme of Arrangement, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares and, immediately following such reduction, the share capital of the Company will be restored to its former amount by the allotment and issuance to the Offeror credited as fully paid of the same number of New Shares as is equal to the Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the New Shares so issued to the Offeror.

### IRREVOCABLE UNDERTAKINGS

Mr. Kaoru Hayashi, SMCC, Credit Saison, TIS, JCB and Dentsu Partnership have each given an irrevocable undertaking to the Offeror.

Under the Irrevocable Undertaking given by Mr. Kaoru Hayashi to the Offeror, Mr. Kaoru Hayashi has irrevocably undertaken to the Offeror in respect of all the Shares owned by him to abstain from voting at the Court Meeting and, to the extent permitted by applicable law and regulation, to vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement and in the manner directed by the Offeror in respect of any special resolution proposed at a general or class meeting of the Company (other than at the Court Meeting) which would assist the implementation of the Scheme of Arrangement or are necessary for the Scheme of Arrangement to become effective.

Under the Irrevocable Undertakings given by SMCC, Credit Saison, TIS, JCB and Dentsu Partnership to the Offeror, each of SMCC, Credit Saison, TIS, JCB and Dentsu Partnership has irrevocably undertaken to the Offeror in respect of all the Shares owned by each of them to vote, or to procure to vote, in favour of the Scheme of Arrangement at the Court Meeting and, to the extent permitted by applicable law and regulations, to vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement and in the manner directed by the Offeror in respect of any resolutions proposed at a general or class meeting of the Company which would assist the implementation of the Scheme of Arrangement or are necessary for the Scheme of Arrangement to become effective.

The Irrevocable Undertakings also provide that each of Mr. Kaoru Hayashi, SMCC, Credit Saison, TIS, JCB and Dentsu Partnership shall not: (i) sell, transfer, charge, encumber, create or grant any option over or otherwise dispose of any interest in any of the Shares owned by each of them; (ii) accept or give any undertaking to accept any other offer in respect of all or any of such Shares; (iii) purchase or acquire any other Shares other than with the consent of the Offeror; or (iv) enter into any arrangement which would or might restrict or impede giving effect to the Scheme of Arrangement.



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## LETTER FROM THE BOARD

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The Irrevocable Undertakings given by Mr. Kaoru Hayashi, Credit Saison, TIS, JCB and Dentsu Partnership to the Offeror will lapse if the Scheme of Arrangement lapses, is withdrawn in accordance with its terms or does not become effective by 18 August 2015 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code).

The Irrevocable Undertaking given by SMCC to the Offeror will lapse and terminate and cease to have further force or effect without prejudice to any liability for antecedent breach if: (i) the Scheme of Arrangement lapses or is withdrawn in accordance with its terms or otherwise; (ii) the Scheme of Arrangement does not become unconditional or effective by 18 August 2015 (or such later date as the Offeror and SMCC may agree in writing); (iii) any of the terms of the Scheme of Arrangement is modified or amended in a manner which is economically unfavourable to SMCC without the prior written consent of SMCC; (iv) the entry into the Irrevocable Undertaking given by SMCC constitutes a material breach of the Takeovers Code, the Listing Rules, any other applicable law or order or ruling from a relevant authority; (v) the effectiveness of the Scheme of Arrangement or the Irrevocable Undertaking given by SMCC becomes illegal, unlawful or otherwise unfeasible (whether legally or practically) pursuant to applicable law or order or ruling from a relevant authority or (vi) (A) a third party other than the Offeror or a party acting in concert with the Offeror makes an offer to acquire the Shares, whether such offer is implemented by means of a voluntary general offer, scheme of arrangement or otherwise, which will be offered to all the Shareholders, on terms which are more favourable to SMCC as a whole than the terms of the Scheme of Arrangement as set out in the Announcement and which has a reasonable prospect of becoming wholly unconditional, and (B) SMCC provides written notice to the Offeror of its desire to terminate the Irrevocable Undertaking given by SMCC.

In addition, Mr. Kaoru Hayashi has undertaken to assist the implementation of the Proposal, subject to his fiduciary and director's duties owed to the Company and his duties under the Takeovers Code. In addition, Mr. Takashi Okita, an executive Director, is interested in 140,000 Shares, representing approximately 0.02% of the issued Shares as at the Latest Practicable Date. Based on the confirmation from Mr. Takashi Okita that he is not acting in concert with the Offeror and parties acting in concert with it, he will be entitled to vote at the Court Meeting since his rights under the Scheme of Arrangement will not be any different from those of any other Independent Shareholder. Mr. Takashi Okita has not irrevocably undertaken to the Offeror to vote in favour of the Scheme of Arrangement at the Court Meeting, but he has confirmed that it is his intention to do so.

### SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the issued share capital of the Company was 518,750,000 Shares.

As at the Latest Practicable Date, the Offeror beneficially owned 303,474,998 Shares, representing approximately 58.5% of the issued Shares. The Shares beneficially owned by the Offeror will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. However, the Offeror has indicated that, if the Scheme of Arrangement is approved at the Court Meeting, the Offeror will vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Nomura group (other than those members of the Nomura group that are conducting exempt principal trader activities and exempt fund manager activities), which is presumed to be acting in concert with the Offeror pursuant to class 5 of the definition of “acting in concert” in the Takeovers Code, did not hold any Shares.

As at the Latest Practicable Date, Mr. Kaoru Hayashi, chairman and an executive Director of the Company, was interested in 1,000,000 Shares representing approximately 0.2% of the issued Shares. Mr. Kaoru Hayashi is the representative director, president and chief executive officer of the Offeror and hence is presumed under the Takeovers Code to be acting in concert with the Offeror and is not entitled to vote at the Court Meeting pursuant to the Takeovers Code. In addition, Mr. Kaoru Hayashi has irrevocably undertaken to the Offeror to abstain from voting at the Court Meeting and, to the extent permitted by applicable law and regulation, to vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement. The Shares held by Mr. Kaoru Hayashi will form part of the Scheme Shares.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue.

A table setting out the shareholding structure of the Company as at the Latest Practicable Date and immediately after the Effective Date is to be found in the section entitled “Effect of the Proposal and the Scheme of Arrangement” in the Explanatory Statement on pages 63 to 65 of this document (assuming there are no other changes to the Company’s shareholding structure on or prior to the Effective Date).

Save as aforesaid, the Offeror and parties acting in concert with it (including Mr. Kaoru Hayashi) do not hold any other Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company. Mr. Kaoru Hayashi has undertaken to the Offeror that he will not deal in any Shares or any options, warrants, derivatives or securities convertible into Shares until the earlier of (i) the listing of the Shares being withdrawn from the Hong Kong Stock Exchange and (ii) the Scheme of Arrangement lapsing, being withdrawn in accordance with its terms or not becoming effective by 18 August 2015 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code).

As at the Latest Practicable Date, the Independent Shareholders were interested in an aggregate of 214,275,002 Shares, representing approximately 41.3% of the issued Shares, and they will be entitled to vote at the Court Meeting.

As at the Latest Practicable Date, there were no arrangements (whether by way of option, indemnity or otherwise) in relation to Shares or shares of the Offeror which might be material to the Proposal or the Scheme of Arrangement.

As at the Latest Practicable Date, neither the Offeror nor any person acting in concert with it had borrowed or lent any relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code).

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## LETTER FROM THE BOARD

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### COMPARISON OF VALUE

The Cancellation Consideration of HK\$4.09 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents:

- (i) a premium of approximately 41.0% over the closing price of HK\$2.90 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 59.9% over the average closing price of approximately HK\$2.56 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 60.5% over the average closing price of approximately HK\$2.55 per Share as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 51.3% over the average closing price of approximately HK\$2.70 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 43.2% over the average closing price of approximately HK\$2.86 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 4.6% over the closing price of HK\$3.91 per Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date.

### FINANCIAL RESOURCES

The total cash payment under the Proposal will be approximately HK\$880.5 million which will be funded from a new credit facility made available to the Offeror by Sumitomo Mitsui Banking Corporation.

Nomura, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to implement the Proposal in accordance with its terms.

### CONDITIONS OF THE PROPOSAL AND THE SCHEME OF ARRANGEMENT

The Proposal is subject to the satisfaction or waiver, as applicable, of the Conditions as set out in the section entitled “Conditions of the Proposal and the Scheme of Arrangement” in the Explanatory Statement appearing on pages 56 to 60 of this document.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before 18 August 2015 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code), otherwise, and subject to the requirements of the Takeovers Code, the Scheme of Arrangement will lapse. If the Scheme of Arrangement is withdrawn, not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn. If approved, the Scheme of Arrangement will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting.

**Shareholders, shareholders of the Offeror and potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented and the Scheme of**

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## **LETTER FROM THE BOARD**

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**Arrangement may or may not become effective. Shareholders, shareholders of the Offeror and potential investors are advised to exercise caution when dealing in the Shares or in securities of the Offeror, as appropriate. Persons who are in any doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.**

### **REASONS FOR AND BENEFITS OF THE PROPOSAL AND EFFECTS OF THE SCHEME OF ARRANGEMENT**

You are urged to read carefully the sections entitled “Reasons for and benefits of the Proposal”, “If the Scheme of Arrangement does not become effective” and “Effect of the Proposal and the Scheme of Arrangement” in the Explanatory Statement appearing on respectively pages 60 to 61, page 61 and pages 63 to 65 of this document.

### **COURT MEETING AND GENERAL MEETING**

For the purpose of exercising your votes at the Court Meeting and the General Meeting, you are requested to read carefully the sections entitled “Court Meeting and General Meeting” in the Explanatory Statement and “Actions to be taken” appearing on page 68 and pages 69 to 70, respectively, of this document. The notices of the Court Meeting and of the General Meeting are to be found on pages CM-1 to CM-2 and GM-1 to GM-2 respectively of this document.

### **FUTURE PLANS FOR THE COMPANY**

Your attention is drawn to the section entitled “Future Plans for the Company” in the Explanatory Statement appearing on pages 62 to 63 of this document.

### **INFORMATION ON THE OFFEROR AND THE COMPANY**

Your attention is drawn to Appendix I entitled “Financial Information relating to the Company” appearing on pages I-1 to I-79 of this document and the sections entitled “Information on the Company” and “Information on the Offeror” in the Explanatory Statement appearing on page 65 of this document.

### **OVERSEAS SCHEME SHAREHOLDERS**

Overseas Scheme Shareholders are requested to read specifically the section entitled “Overseas Scheme Shareholders” in the Explanatory Statement appearing on page 67 of this document.

### **ACTIONS TO BE TAKEN**

The actions which you are required to take in relation to the Proposal are set out under the section entitled “Actions to be taken” appearing on pages 69 to 70 of this document.

### **RECOMMENDATION**

Your attention is drawn to the recommendation of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal as set out in the letter from the Independent Financial Adviser on pages 17 to 52 of this document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal as set out in the letter from the Independent Board Committee on pages 15 to 16 of this document.

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## LETTER FROM THE BOARD

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### SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to the sections entitled “Withdrawal of the listing of the Shares and the share certificates” and “Entitlements to and payment of Cancellation Consideration” in the Explanatory Statement set out on page 66 and pages 66 to 67, respectively, of this document.

### TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of the Offeror, the Company, Nomura, Daiwa, the Independent Financial Adviser nor any of their respective directors, officers, employees, agents, associates or affiliates or any persons involved in the Proposal and the Scheme of Arrangement accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal and the Scheme of Arrangement. Accordingly, you are urged to read the section entitled “Taxation and Independent Advice” in the Explanatory Statement set out on page 68 of this document and if you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

### FURTHER INFORMATION

The Explanatory Statement, together with the appendices thereto, is set out on pages 53 to 71 of this document. In addition, the terms of the Scheme of Arrangement are set out on pages S-1 to S-5 of this document. You are advised to read such documents carefully before taking any action in respect of the Proposal.

In addition, a pink form of proxy for use by the Independent Shareholders for the Court Meeting and a white form of proxy for use by all Shareholders for the General Meeting are enclosed with copies of this document sent to the Registered Owners of the Shares.

Yours faithfully,  
For and on behalf of the Board  
**econtext Asia Limited**  
**Takashi Okita**  
*Executive Director and Chief Executive Officer*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**econtext Asia Limited**

環亞智富有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1390)**

2 April 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSAL TO PRIVATISE  
ECONTEXT ASIA LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 673 OF THE COMPANIES ORDINANCE  
AND  
PROPOSED WITHDRAWAL OF THE LISTING OF  
ECONTEXT ASIA LIMITED**

**INTRODUCTION**

We refer to the document dated 2 April 2015 jointly issued by the Company and the Offeror in relation to the Proposal (the “**Composite Document**”) of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context otherwise requires.

On 26 February 2015, the Company and the Offeror jointly announced that, on 23 February 2015, the Offeror requested the Board to put forward to the Scheme Shareholders a proposal for the privatisation of the Company by way of a scheme of arrangement under Section 673 of the Companies Ordinance.

Details of the Proposal are set out in the “Letter from the Board” on pages 7 to 14 of the Composite Document, and the Explanatory Statement on pages 53 to 71 of the Composite Document.

We have been appointed as members of the Independent Board Committee to consider the terms of the Proposal and to advise you as to whether, in our opinion, the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned. Optima Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Proposal.

We also wish to draw your attention to (i) the letter from the Independent Financial Adviser; and (ii) the additional information set out in the appendices to the Composite Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having considered the terms of the Proposal, and having taken into account the opinion of the Independent Financial Adviser and, in particular, the factors, reasons and recommendation as set out in the letter from the Independent Financial Adviser on pages 17 to 52 of the Composite Document, we consider that the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions which will be proposed at the Court Meeting and the General Meeting to approve and implement the Scheme of Arrangement.

Yours faithfully, Independent Board Committee

**Mr. Toshio Kinoshita**

Independent  
Non-executive Director

**Mr. Takao Nakamura**

Independent  
Non-executive Director

**Mr. Toshiyuki Fushimi**

Independent  
Non-executive Director

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from Optima Capital Limited, the Independent Financial Adviser, to the Independent Board Committee which has been prepared for the purpose of inclusion in the Scheme Document.*



Suite 1501, 15th Floor  
Jardine House  
1 Connaught Place  
Central, Hong Kong

2 April 2015

To: The Independent Board Committee of econtext Asia Limited

Dear Sirs,

**PROPOSAL TO PRIVATISE ECONTEXT ASIA LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 673 OF THE COMPANIES ORDINANCE**

### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the proposed privatisation (i.e. the Proposal) of the Company by Digital Garage, Inc. (i.e. the Offeror) by way of a scheme of arrangement under section 673 of the Companies Ordinance (i.e. the Scheme of Arrangement). Details of the Proposal are contained in the document to the Shareholders dated 2 April 2015 (the “**Scheme Document**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 26 February 2015, the Offeror and the Company jointly announced that on 23 February 2015, the Offeror had requested the Board to put forward to the Scheme Shareholders the Proposal by way of the Scheme of Arrangement for the cancellation of all the Scheme Shares in exchange for HK\$4.09 in cash for every Scheme Share. Upon the Scheme of Arrangement being approved and becoming effective, listing of the Shares on the Hong Kong Stock Exchange will be withdrawn.

The Board comprises nine directors, four of whom (namely, Mr. Kaoru Hayashi, Mr. Takashi Okita, Mr. Tomohiro Yamaguchi and Mr. Keizo Odori) are executive directors, two of whom (namely, Mr. Joi Okada and Mr. Adam David Lindemann) are non-executive directors and three of whom (namely, Mr. Toshio Kinoshita, Mr. Takao Nakamura and Mr. Toshiyuki Fushimi) are independent non-executive directors.

We are not associated or connected with the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Proposal. Apart from normal professional fees payable to us in connection with this appointment or other similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In formulating our opinion, we have reviewed, among other things, (i) the Announcement; (ii) the annual report (the “**Annual Report**”) of the Company for the year ended 30 June 2014 (the “**Latest Financial Year**”); (iii) the interim report (the “**Interim Report**”) of the Company for the six months ended 31 December 2014 (the “**Latest Interim Period**”); (iv) the Scheme Document; and (v) the prospectus of the Company dated 6 December 2013 (the “**Prospectus**”).

We have also relied on the information and facts supplied, and the opinions expressed, by the Directors and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of this letter. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor to doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications of the Proposal on the Independent Shareholders, since these are particular to their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

### PRINCIPAL TERMS OF THE PROPOSAL AND THE SCHEME OF ARRANGEMENT

The principal terms of the Proposal and the Scheme of Arrangement are summarised below:

The Scheme of Arrangement will provide that the Scheme Shares be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive HK\$4.09 in cash for each Scheme Share from the Offeror. The Cancellation Consideration will not be revised in the course of the Scheme of Arrangement, and the Offeror does not reserve the right to do so.

As at the Latest Practicable Date, the issued share capital of the Company was 518,750,000 Shares, of which the Scheme Shares (being 215,275,002 Shares) represented approximately 41.5%. The Company did not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue. The Offeror held 303,474,998 Shares, representing approximately 58.5% of the issued share capital of the Company as at the Latest Practicable Date. Such Shares will not form part of the Scheme Shares and will not be voted on the Scheme of Arrangement at the Court Meeting. The Nomura group (other than those members of the Nomura group that are conducting exempt principal trader activities and exempt fund manager activities), which is presumed to be acting in concert with the Offeror, did not hold any Shares as at the Latest Practicable Date. Mr. Kaoru Hayashi, chairman and executive Director of the Company, held in aggregate 1,000,000 Shares, representing approximately 0.2% of the issued share capital of the Company as at the Latest Practicable Date. As Mr. Kaoru Hayashi is also the representative director, president and chief executive officer of the Offeror and hence is acting in concert with the Offeror, he is not entitled to vote at the Court Meeting.

Such Shares in which the parties who are acting in concert with the Offeror are interested, which are the Shares held by Mr. Kaoru Hayashi, will form part of the Scheme Shares and will be

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cancelled upon the Scheme of Arrangement becoming effective. The Offeror and the concert parties will abstain from voting on the Scheme of Arrangement at the Court Meeting. However, they have indicated that, if the Scheme of Arrangement is approved at the Court Meeting, all of the Shares owned by them will be voted in favour of the special resolution to give effect to the Scheme of Arrangement at the General Meeting.

The Proposal, if implemented, would result in the Company becoming wholly-owned by the Offeror and the withdrawal of the listing of the Shares from the Hong Kong Stock Exchange. If the Scheme of Arrangement is not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn.

The Proposal will become effective subject to the fulfilment or waiver, as applicable, of the Conditions as detailed in the Explanatory Statement on or before 18 August 2015 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code), failing which the Scheme of Arrangement will lapse. Independent Shareholders are recommended to read carefully the Explanatory Statement, which contains further details of the terms of the Proposal.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Proposal, we have taken into account the principal factors and reasons set out below.

For ease of reference and unless otherwise specified in this letter, sums in HK\$ and JPY in this letter is translated at the rate of HK\$1 = JPY15.42. This does not mean that HK\$ could be converted into JPY, or vice versa, based on such exchange rate.

#### 1. Reasons for and benefits of the Proposal

As set out in the Explanatory Statement of the Scheme Document, the reasons for and benefits of the Proposal are as follows:

The e-commerce market in Asia has achieved more rapid growth than the Offeror had anticipated at the time of the initial public offering of the Shares on the Main Board of the Hong Kong Stock Exchange on 19 December 2013 (the “IPO”). The Offeror believes that the price of companies in payment related business has risen significantly due to the strong investment appetite of global investors. As a result, the Company will require substantially more funding than it previously expected in order to facilitate its ongoing acquisition strategy. Whilst the Company is currently exploring opportunities to invest in certain companies in the e-commerce industry as part of its ongoing expansion, the Offeror believes that the high valuations of these companies in the capital market make it difficult for the Company to execute acquisitions on its own.

While the Group’s core online payment service business has grown substantially since the IPO, the Offeror believes that the division of resources between the Offeror and the Company has led to the performance of the Group, as measured by key financial metrics such as revenue, growth rate and stock price, to be deficient as compared to the Group’s competitors in Japan.

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In addition, the exchange rate between HK\$ and JPY has decreased by approximately 14% since the IPO up to the Last Trading Day due to JPY's rapid depreciation, which in turn affected the price of the Shares as the Group's core business is derived from its operations in Japan. As a result of the decrease in the price of the Shares, the Company is also facing increasing difficulties in conducting acquisitions using the Shares as consideration. The Offeror believes that the Company will require substantial funding for its future development. Without being subject to the requirements relevant to being run as a standalone listed company, the Company will be able to fund future acquisitions and investments through leveraging the Offeror's greater financial strength, including the latter's access to more competitive financing terms to raising bank borrowings.

Additionally, upon becoming an unlisted wholly-owned subsidiary of the Offeror, the provision of intra-group funding from the Offeror to the Company will be facilitated. Due to the low liquidity of the Shares and the significant discount to the net asset value per Share of its trading price on the Hong Kong Stock Exchange, the public equity capital market does not provide the Company with a viable funding alternative.

The Proposal will facilitate business integration between the Offeror and the Company and will provide the Offeror with greater flexibility to support the future business of the Company. Since the Offeror already beneficially owns approximately 58.5% of the Shares as at the Latest Practicable Date, the directors of the Offeror believe that it is unlikely that the Scheme Shareholders will receive any offer from a third party to acquire the Scheme Shares, as such offer would not succeed without the approval of the Offeror. In addition, Shareholders should note that no discussions have taken place (or are taking place) with any third party regarding the disposal of any of the Shares held by the Offeror. Further, the closing price of the Shares has been below the Cancellation Consideration since 7 April 2014 and up to the Latest Practicable Date, except for only three trading days (i.e. 28 May 2014, 30 May 2014 and 3 June 2014) and the Cancellation Consideration represents a premium of approximately 38% over the average closing price per Share of HK\$2.96 during the period from 7 April 2014 to the Last Trading Day. The Offeror accordingly considers that the Scheme of Arrangement provides an opportunity for the Scheme Shareholders to dispose of their Shares and receive cash at a price significantly above the abovementioned historical market price prior to the Announcement Date. In light of the low liquidity of the Shares, it is difficult for the Scheme Shareholders to realise their Scheme Shares in the stock market without adversely affecting the market price of the Shares. The Offeror considers that the Scheme of Arrangement also affords the Scheme Shareholders with the opportunity to realise their investments in the Company as referred to above, and if they so wish, invest the monies received under the Scheme of Arrangement in alternative investments with higher liquidity than the Shares or use them for other purposes.

Having noted the sluggish performance of the Share price, the thin trading liquidity of the Shares, the absence of positive catalysts to the Share price and trading position in view of the industry and business outlook, and the premiums offered by the Cancellation Consideration compared to the current trading price of the Shares (of which the corresponding analyses are detailed in the sections below), we consider that the Proposal offers a good opportunity for the Independent Shareholders, particularly those holding a large block of the Shares, to realise their holdings through a cash exit which would not normally be available through the market, and redeploy capital invested in the Company into other investments which they consider more attractive and thus concur in the Board's view on the benefits of the Proposal.

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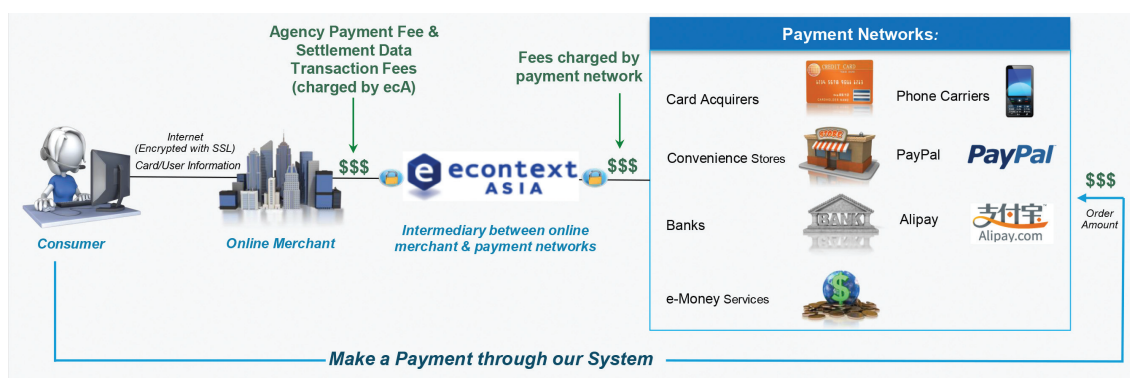
### 2. Background and information of the Company

The Company was incorporated in Hong Kong with limited liability, and the Shares have been listed on the Main Board of the Hong Kong Stock Exchange since 19 December 2013 (i.e. the IPO). The Group commenced to engage in design and provision of online payment processing solutions for e-commerce companies through one of its principal subsidiaries, VeriTrans Inc. (“VeriTrans”), which started its business operations in 1997, and has been acting as an intermediary between online merchants and financial institutions or convenience store chains to facilitate the processing of transaction data and settlement of transactions through both VeriTrans and another operating subsidiary ECONTEXT, Inc. (“ECONTEXT”).

As stated in the Prospectus, the Company was one of the leading online payment and e-commerce providers in Japan based on the aggregate revenue from online transactions. According to a research report on online payment service market in Japan in 2014 (the “2014 MIC Report”) prepared by MIC Research Institute Limited (“MIC Research Institute”), an independent market research company based in Japan with focus on the information technology and telecommunication industry, the Company was forecasted to have a combined share of 11.3% of the online payment service market in Japan in 2014 in terms of revenue, ranking third among online payments service providers.

VeriTrans has traditionally been recognised in the industry as an innovative online payment service provider and has contributed to the overall development of the online payment service industry in Japan by developing online payment systems that allow transactions to be settled by various payment methods, such as eMoney, and introducing value-added services such as transaction-linked advertisement platform (trAd) and interactive voice response (IVR). ECONTEXT has been recognised in the industry as one of the first online payment service providers in Japan with the capability of processing payments made at convenience stores throughout Japan and with the capability of acting as a convenience store interface serving four of Japan’s top ten convenience store chains.

The following is an illustration of the business model of the Group:



Source: Company’s information

The Group also provides e-commerce solutions such as online security measures and marketing solutions for merchants and financial institutions. The marketing solutions offered by the Group include services such as trAd and NaviPlus Recommend, a recommendation engine that optimises a website’s contents based on an analysis of data collected from users of a given website.

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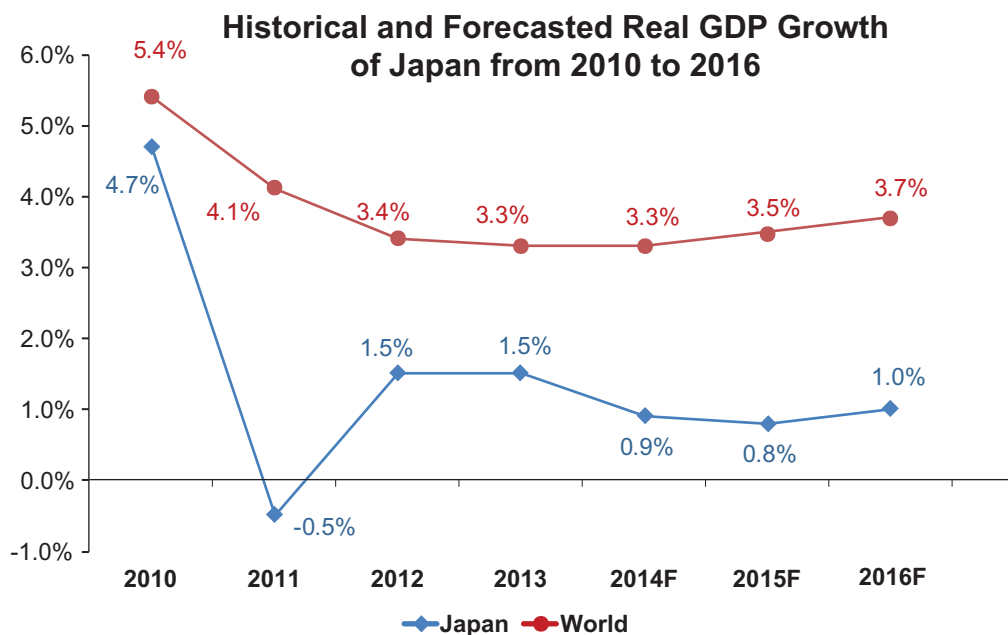
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As at 30 June 2013, the Group had 12,284 active merchant websites, including among other things Sony Computer Entertainment and SBI Life Living. As at 31 December 2014, the Group had 13,769 active merchant websites.

Detailed analyses of the financial performance and position of the Group and the Share price performance since the IPO are set out respectively in sections 5 and 9 below, and detailed review of the Company's strategies adopted by the Group since the IPO is set out in section 6 below.

### 3. Overview of Japan's economy

According to the World Economic Outlook 2014 Report (the "WEO 2014 Report") issued by the International Monetary Fund ("IMF") in October 2014, the world output measured by gross domestic products in real terms (the "Real GDP") is expected to grow by an increasing rate from 3.3% to 3.7% annually from 2014 to 2016, whilst the corresponding growth in Japan is projected to be lower than the world average at 0.9%, 0.8% and 1.0% for 2014, 2015 and 2016 respectively. Set out below is the actual or projected (as the case may be) Real GDP growth of Japan from 2010 to 2016 against the world's output in the same period:



Source: the WEO 2014 Report

According to the WEO 2014 Report, it is expected that Japan's economy would be revived from 2016, with a projected Real GDP growth rising up to 1.0% after experiencing the decreasing trend since the slump in 2011. However, according to the briefing on the world economic outlook update by the Economic Counsellor and Director of Research Department of International Monetary Fund, Mr. Oliver Blanchard ("Mr. Blanchard") in January 2015, sustained growth in Japan requires two conditions including (i) more private demand in the short run to boost output; and (ii) higher potential growth in the medium run, but at this stage, potential growth in Japan is very low, and both private domestic and foreign demand in Japan have been disappointing. The Deputy Managing Director of IMF also claimed in a conference in February 2015 that Japan today faces three interrelated problems: low growth, low inflation, and high public debt, which requires a multi-faceted approach combining a concrete fiscal plan to reduce public debt, monetary stimulus, and major structural

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reforms. However, Mr. Blanchard asserted that the structural reforms currently adopted by Japanese government for reviving the economy are not sufficient, and it is expected to have a substantial impact on the medium term and the future of Japan. Against the backdrop of the above, IMF has revised the projected growth of Japan from 0.8% (as shown on the graph above) down to 0.6% for 2015.

Along with the sluggishness of Japan's economy since the nuclear crisis emerged after the earthquake and tsunami in 2011, JPY has declined against the U.S. dollar ("USD" or "US\$") by 18.2% in 2013 and 7.9% in 2014, according to the Country Forecast Report on Japan published in February 2015 by The Economist Intelligence Unit Limited, the research and analysis division of The Economist Group. In the last quarter of 2014 alone, JPY declined against the USD by 8%. The decline has boosted domestic exports but at the same time hurt the performance on the books of overseas subsidiaries which are holding receivables denominated in JPY.

The chart below illustrates the historical movement of JPY against USD over the last five years:



Source: Bloomberg's data as at the Latest Practicable Date

Japan has been struggling to lower its public debt over the years. Public gross debt of the nation has been consistently hovering above the rate of 210% of its nominal GDP over the past 5 years. Despite continuous effort from the Japanese government to cut down its debt level, the 2011 earthquake and tsunami in Fukushima brought additional stress to the nation's existing deflating economy and the gross debt level escalated to 237.3% of its nominal GDP in the following year, or about US\$14,090.5 billion. Despite the implementation of various economic policies by the Japanese government, according to the statistics published by the IMF, the nominal GDP reduced substantially in 2013. The gross debt level of the nation is estimated to reach approximately 243.2% of its nominal GDP which is about US\$11,600.2 billion and 242.7% of its nominal GDP which is about US\$11,848.4 billion in 2014 and 2015, respectively.

#### 4. Overview of online payment service industry in Japan

Japan has a large internet presence with an internet user population of more than 100 million people. The percentage of the number of internet users as compared to the country's total population (i.e. the internet penetration rate) is also very high in Japan. Data from the World Bank shows that Japan ranked around the top in the global ranking of internet penetration in 2013 with a rate of 86.3%, which is even higher than that in other technologically advanced countries, including the U.S. and Germany.

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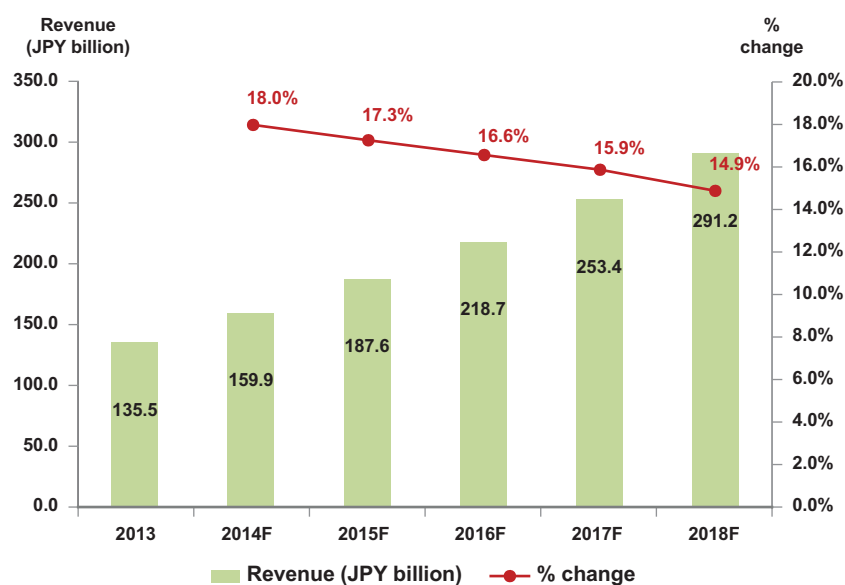
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Buttressed by the large population of internet users and high internet penetration, Japan has a busy internet retailing market with a substantial amount of value transacted online. In 2013, the transaction value of internet retailing in the country totaled JPY4.5 trillion (equivalent to approximately HK\$291.8 billion). The robust market scale of domestic internet retailing has driven a vast demand for online payment services. Currently, there are 60 companies in Japan providing internet payment services which, together, generated revenue of over JPY130 billion (equivalent to approximately HK\$8.4 billion) in 2013.

The online payment service industry is well-developed in Japan. However, the industry is seeing signs of waning growth momentum. According to the 2014 MIC Report, while the total revenue generated by the online payment service players is forecasted to reach approximately JPY291.2 billion (equivalent to approximately HK\$18.9 billion) in 2018, MIC Research Institute is expecting a reduced annual growth rate of less than 15% in that year, compared to the annual growth rate of over 18% attained in 2014. Over the forecast period from 2014 to 2018, the growth rate is expected to decline by an average of almost 1 percentage point annually. The chart below illustrates the forecasted trend in revenue generated by online payment service providers in Japan from 2013 to 2018.

**Revenue Generated by  
Online Payment Service Providers in Japan**



Source: the 2014 MIC Report

The dimming growth prospect in the online payment service industry in terms of total revenue can be attributable to a number of factors, as detailed below:

(a) *Fragmented market and intensifying competition*

The online payment service industry is fragmented in Japan. As discussed above, there are currently around 60 companies in Japan providing internet payment services and this unveils a fragmented and hence competitive landscape in the industry. Meanwhile, according to the 2014 MIC Report, the online payment service providers are increasingly pressurised to reduce their prices (such as processing charges and monthly charges) by their customers, being the online merchants, which hope to secure their profits by reducing fixed costs. This added pressure to the revenue growth of the online payment service providers.

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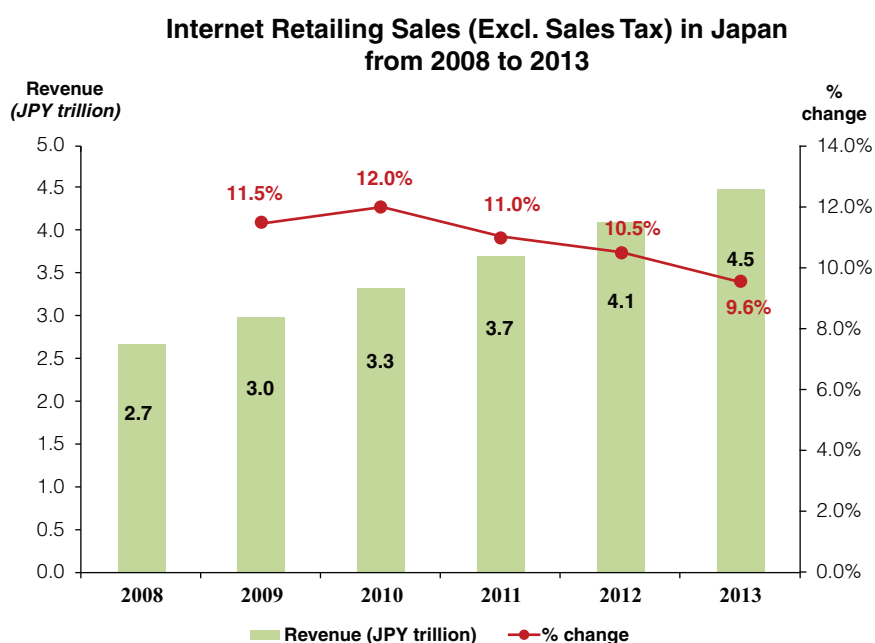
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In addition, existing online payment service providers are facing potential competition from their suppliers, for instance, financial institutions. There are already certain financial institutions which compete in the provision of payment processing services to online merchants and the barrier to entry for companies wishing to enter the online payment service industry is low and is probably lowering. There have been market reports from both local and international reputable sources, including Thomson Reuters, The Economic Times and Nikkei, in February 2015 that Japan's Financial Services Agency was considering relaxing rules for banks to invest more freely in information technology ventures and would start discussion on such rule changes in March 2015. The rule changes, if implemented, are expected to enhance flexibility for Japanese banks to be engaged in the online payment service industry, which may lead to fiercer competition in the industry.

(b) *Uncertainty in overall retail industry recovery*

The research report on internet retailing in Japan (the “**Euromonitor Japan Internet Retailing Report**”) issued in March 2014 and prepared based on the data sources from official statistics, trade associations, trade press, company research, trade interviews and trade sources by Euromonitor International Limited (“**Euromonitor**”), an independent globally recognised market research company covering research on a wide variety of industries, sectors and customers with analysts in more than 80 countries, shows that from 2008 to 2013, the internet retailing grew with a double-digit compounded annual growth rate of approximately 10.9%, which could be thanks to the expanding business-to-consumer (“**B2C**”) e-commerce market. According to the annual surveys conducted by Japan's Ministry of Economy, Trade and Industry (“**METI**”), the domestic market size of B2C e-commerce transaction value almost doubled during the same period from approximately JPY6.1 trillion in 2008 (approximately HK\$395.6 billion) to approximately JPY11.2 trillion (approximately HK\$726.3 billion) in 2013.

Nevertheless, the growth impetus in the internet retailing segment has been diminishing with the annual growth continually declining from approximately 11.5% in 2009 to less than 10% in 2013. The chart below illustrates the historical trend in the internet retailing sales (excluding sales tax) in Japan from 2008 to 2013.



Source: the Euromonitor Japan Internet Retailing Report

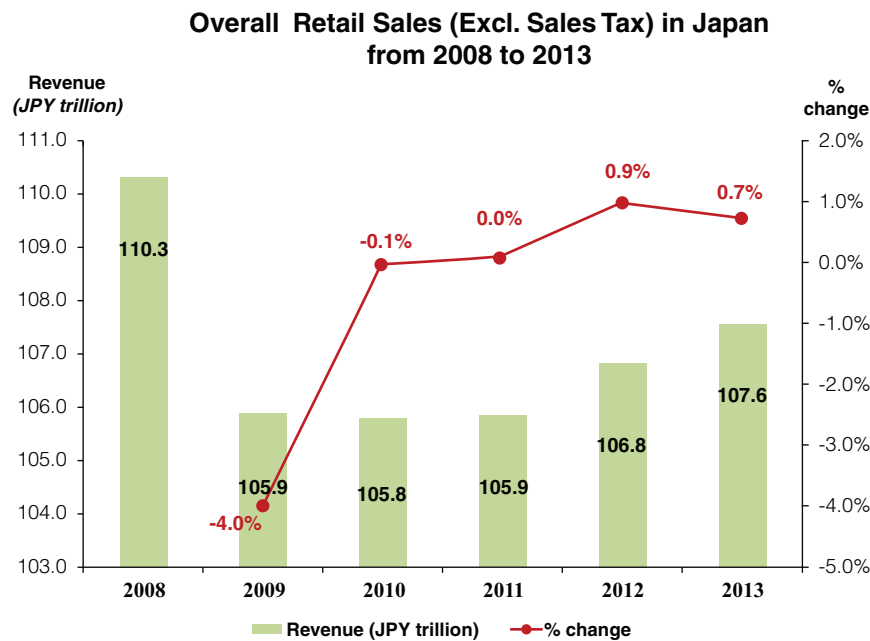


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The dwindling growth in internet retailing sales can be due to the consistently low consumer consumption sentiment amid the country's sluggish macro-economic environment (as discussed in section 3 above) which has already caused a weak performance in the overall retail industry. From 2008 to 2013, the total retail sales dropped from approximately JPY110.3 trillion (equivalent to approximately HK\$7.2 trillion) to approximately JPY107.6 trillion (equivalent to approximately HK\$7.0 trillion). Despite the implementation of a series of economic policies advocated by Shinzō Abe, the current Prime Minister of Japan, commonly known as “*Abenomics*” since late 2012 aiming to revive the country's economy, retail sales remained below 2008-level, casting uncertainty as to whether the economic policies could help resume retail consumption. The chart below illustrates the historical trend in the overall retail sales (excluding sales tax) in Japan from 2008 to 2013.



Source: the Euromonitor Japan Internet Retailing Report

The consumption tax hike enacted in April 2014 added doubt on the recovery of retail consumption. In the month of the tax policy coming into effect, Japan's retail sales witnessed the sharpest month-on-month drop of almost 14% in at least 14 years. According to the latest public data from METI, the national retail sales remained weak in January 2015 with a slide of approximately 2.0%, as compared to the same in the previous year.

Such prolonged low retail consumption sentiment and the uncertainty in its recovery are causing concerns on whether the overall retail industry, including the internet retailing segment, can restore fuel for massive growth in near term.

(c) *Migration to consumer-to-consumer (“C2C”) e-commerce*

Online payment service providers in Japan, which primarily serve the B2C online merchants, are also seeing threats on a shrinking B2C internet retailing segment as C2C e-commerce has been emerging as a competitor to the B2C online merchants.

According to the Euromonitor Japan Internet Retailing Report, C2C internet retailing was once dominated by an online auction website operated by Yahoo Japan Corp. With the increasing popularity

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of smartphones, which broadens access to the internet among young women in Japan, an increasing number of Japanese companies have launched C2C smartphone applications targeting young women, one of the key customer groups of internet retailing segment. Based on our independent searches on the internet and social media, we found evidence of many of such C2C smartphone applications targeting young women in Japan, including Mercari, Line Mall, Stulio, to name but a few, in support of the findings in the Euromonitor Japan Internet Retailing Report that there has been a rapid development in the C2C e-commerce market.

The consumption tax increase being in effect may support further growth in C2C e-commerce as more Japanese consumers may opt to transact on C2C e-commerce platforms since C2C transactions are not subject to regular sales tax. As the barriers to entering C2C e-commerce market are being reduced in Japan, the B2C online retail platforms are expected to be further blurred by the C2C e-commerce market.

As indicated above, we have made reference to the information and analyses set out in the 2014 MIC Report and the Euromonitor Japan Internet Retailing Report produced respectively by MIC Research and Euromonitor, both being independent market research companies, in studying the e-commerce market and online payment service industry in Japan. To ascertain that the context set out therein is not ungrounded, we have cross-checked the findings between the said reports and have also independently conducted extensive internet searches on reputable news websites (e.g. Bloomberg, Thomson Reuters, The Economic Times, etc.) and government's or global authorities' websites (e.g. METI, the World Bank, IMF, etc.). Based on the aforesaid due diligence work, we are not aware of any contradictions between the data from these sources that could lead us to doubt the truth and accuracy of the contents in the 2014 MIC Report and the Euromonitor Japan Internet Retailing Report.

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**5. Analysis of the financial information of the Group**

(a) *Financial performance*

Set out below are the summarised audited consolidated/combined statement of profit or loss of the Group for the years ended 30 June 2014, 2013 and 2012 and the unaudited condensed consolidated statement of profit or loss of the Group for the six months ended 31 December 2014 and 2013.

	For the year ended 30 June			For the six months ended 31 December	
	2014	2013	2012	2014	2013
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>REVENUE</b> .....	1,087,705,735	1,166,509,419	492,437,415	527,707,931	531,203,276
Cost of sales .....	(809,836,432)	(853,279,507)	(352,920,137)	(400,162,155)	(398,225,814)
Gross profit .....	277,869,303	313,229,912	139,517,278	127,545,776	132,977,462
Other income and gains .....	12,409,739	2,015,737	174,744	11,421,420	2,945,116
Selling, general and administrative expenses .....	(178,101,364)	(182,252,471)	(65,218,442)	(79,909,414)	(101,541,557)
Other expenses .....	(118,521)	(11,584,557)	(326,101)	(26,478)	(19,076)
Finance costs .....	(1,174,925)	(972,699)	(102,323)	(445,828)	(582,640)
Share of profits/(losses) of:					
Joint ventures .....	(1,005,120)	—	—	2,033,361	102,849
An associate .....	(93,235)	(1,037,475)	(16,312)	(538,647)	159,744
<b>PROFIT BEFORE TAX</b> .....	<b>109,785,877</b>	<b>119,398,447</b>	<b>74,028,844</b>	<b>60,080,190</b>	<b>34,041,898</b>
Income tax expense .....	(49,408,134)	(56,009,358)	(31,525,203)	(37,718,709)	(14,638,016)
<b>PROFIT FOR THE YEAR / PERIOD</b> .....	<b>60,377,743</b>	<b>63,389,089</b>	<b>42,503,641</b>	<b>22,361,481</b>	<b>19,403,882</b>
Attributable to:					
Owners of the Company .....	60,305,096	64,908,390	42,965,617	22,429,473	20,432,863
Non-controlling interests .....	72,647	(1,519,301)	(461,976)	(67,992)	(1,028,981)
	<u>60,377,743</u>	<u>63,389,089</u>	<u>42,503,641</u>	<u>22,361,481</u>	<u>19,403,882</u>

Source: the Prospectus, the Annual Report and the Interim Report

(i) Revenue

The Group's revenue was generated from its principal businesses including (i) online payment services; (ii) advertising related services; and (iii) other e-commerce services.

During the Latest Financial Year (i.e. the year ended 30 June 2014), the largest revenue stream of the Group is the fees of its online payment services, including initial setup and monthly fees, settlement data transaction fees and agency payment fees, which amounted to approximately HK\$996.8 million representing approximately 91.6% of the total revenue of the Group. Other revenue was generated from advertising related services, information security services and others.

Notwithstanding that the total revenue of the Group in HK\$ for the Latest Financial Year decreased by approximately 6.8% from approximately HK\$1,166.5 million to approximately HK\$1,087.7 million, it is worth noting that the Group's revenue in JPY equivalent in fact increased by approximately 8.0%, which was mainly attributable to the increase in both agency payment fees and

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advertising related services. Set out below is the detailed breakdown of the Group's revenue by category of services for the years represented in JPY equivalent:

<u>Revenue (JPY)</u>	<u>For the year ended</u>		
	<u>30 June 2014</u>	<u>30 June 2013</u>	<u>Change (%)</u>
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
	<u>14,163,775,399</u>	<u>13,115,364,176</u>	8.0

*Source: the Annual Report*

As noted from the above, revenue from initial setup and monthly fees in JPY equivalent increased modestly by approximately 2.7% to approximately JPY537.5 million, which is primarily due to slight increase in number of active merchant websites from 12,284 to 12,962. Revenue from agency payment fees and advertising related services also increased by approximately 9.9% and approximately 9.1% respectively, which was mainly attributable to growth in volume and amount of online merchant transactions in Japan and the revenue contributed by a subsidiary of the Company acquired in December 2012. Significant decrease in revenue generated from information security services was due to the renewal of a service contract in the first six months in 2013, where revenue was recognised only at the time of the contract renewal once every two years.

The Group's revenue in JPY equivalent for the Latest Interim Period (i.e. the six months ended 31 December 2014) also showed an increase of approximately 7.2% as compared to the corresponding period, primarily due to a growth in volume and amount of merchant transactions in Japan in respect of the Group's agency payment business.

Set out below is the operating statistics relating to the Group's principal business segment (i.e. online payment services) for the periods represented:

	<u>For the year ended 30 June</u>			<u>For the six months ended 31 December</u>	
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014</u>	<u>2013</u>
Number of transactions . . . . .	140,049,937	123,031,259	26,032,799	73,495,627	68,879,694
Active merchant websites . . . . .	12,962	12,284	10,213	13,769	13,182
Agency transaction amount (JPY, mil) . . .	600,957	546,216	186,034	319,770	293,055
Average fee margin (%) . . . . .	1.95	1.96	2.3	1.88	1.95

*Source: the Prospectus, the Annual Report and the Interim Report*

The volume and amount of online transactions, the number of active merchant websites, and the average fee margin are the major factors determining the revenue of the Group from online payment services. From the above statistics, despite the positive growths in the volume and amount of online transactions and the number of active merchant websites in the past three years, the average fee margin has been decreasing since 2012. The increase in agency transaction amount sets off the negative effect of decreasing margin and therefore the agency payment fees of the Group in JPY equivalent for the Latest Financial Year increased by approximately 9.9% as compared to the previous year. The active merchant websites adopting the Group's online payment system also showed a growth from 6,704 in

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2011 to 13,769 as at 31 December 2014. These statistics show a fair positive sign of the Group's business performance in the past few years.

Against the backdrop of the positive signs of the Group's business performance, it is, nevertheless, worth noting that the Group's revenue as shown in the Annual Report and the Interim Report for the Latest Financial Year and the Latest Interim Period still recorded a decrease of approximately 6.8% and approximately 0.7%, respectively. The major reason for the quasi-stagnancy of the Group's business was the significant depreciation of JPY since around 2013.

(ii) Gross profit

In tandem with the effect of the depreciating JPY, the Group's gross profit decreased by approximately 11.3% to approximately HK\$277.9 million for the Latest Financial Year and approximately 4.1% to approximately HK\$127.5 million for the Latest Interim Period. If eliminating the depreciating effect of JPY, the Group's gross profit for the Latest Financial Year and the Latest Interim Period increased slightly by approximately 3.0% and approximately 3.1% to approximately JPY3,618.7 million and approximately JPY1,755.8 million respectively.

Notwithstanding that the gross profit of the Group in JPY equivalent recorded an increase, the Group's profit margin in HK\$ decreased from 26.9% to 25.5% for the Latest Financial Year and further decreased to 24.2% for the Latest Interim Period, showing a sign of reducing profitability due to intensifying price competition among online payment service providers in Japan.

(iii) Selling, general and administrative expenses

The Group's selling, general and administrative expenses decreased by approximately 2.3% to approximately HK\$178.1 million for the Latest Financial Year but if taking into account the effect of depreciating JPY, the Group recorded a significant increase of approximately 12.5% to approximately JPY2,323.0 million for the same financial year. It was primarily due to the IPO expenses incurred and the increase in wages and salaries paid to the Group's employees. Nevertheless, in the absence of the one-off IPO expenses, the selling, general and administrative expenses of the Group for the Latest Interim Period decreased by approximately 21.3% and approximately 13.8% in HK\$ and JPY equivalent respectively.

(iv) Other income and gains

The Group's other income and gains increased from approximately HK\$2.0 million to approximately HK\$12.4 million for the Latest Financial Year and from approximately HK\$2.9 million to approximately HK\$11.4 million for the Latest Interim Period. The former increase was primarily due to gain from a disposal of an available-for-sale investment whilst the latter one was mainly due to the management fee and performance fee received from the econtext ASIA EC Fund Investment LPS (the "EC Fund") set up by the Group as detailed in the paragraph (vii) below.

(v) Other expenses

Other expenses of the Group for the Latest Financial Year decreased from approximately HK\$11.6 million to approximately HK\$0.1 million, which was mainly due to the absence of foreign exchange losses of approximately HK\$7.9 million as recorded for previous financial year. No significant other expenses were recorded for the Latest Interim Period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(vi) Finance costs

Due to the increase in bank loans, the finance costs of the Group slightly increased from approximately HK\$1.0 million to approximately HK\$1.2 million for the Latest Financial Year. The Group's finance costs for the Latest Interim Period were insignificant.

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

The Group has two material joint ventures including (i) the EC Fund, which was established under the laws of Japan whose general partners are VeriTrans and SBI Investment Co., Ltd., and 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 purpose; and (ii) VeriTrans Shanghai Co., Ltd, which was incorporated on 11 December 2012 and was held as to 50% by the Company. The Group also held 23% equity interest in an associated company namely PT. Midtrans, which was incorporated in Indonesia. The profits or losses of the joint ventures and an associate were accounted for using equity method.

(viii) Profit for the Latest Financial Year (i.e. the year ended 30 June 2014)

In line with the Group's increased revenue in JPY equivalent, the Group's profit in JPY equivalent rose by approximately 14.0% to approximately JPY779.6 million for the Latest Financial Year, whereas the Group's profit in Hong Kong dollar decreased by approximately 4.8% to approximately HK\$60.4 million. The Group's profit attributable to owners of the Company for the Latest Financial Year was approximately 11.5% lower than the forecasted consolidated profit (i.e. not less than HK\$68.1 million) as disclosed in the Prospectus. If without taking into account the gains from disposals of an available-for-sale investment and a business unit, the Group's profit attributable to owners of the Company for the Latest Financial Year was approximately 26.0% lower than the forecasted consolidated profit as disclosed in the Prospectus. The major reasons for the failure to meet the forecasted profit were as follows:

- (1) the Group's revenue was lower than the forecasted revenue mainly due to (a) an unanticipated lower agency transaction amount as compared to the forecasted one 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 and thus lower average fee margin; and
- (2) the profit forecast was prepared based on certain assumed exchange rates and the significant depreciation of JPY against HK\$ had an adverse effect on the Group's profit.

(ix) Profit for the Latest Interim Period (i.e. the six months ended 31 December 2014)

The Group's profit for the Latest Interim Period increased by approximately 15.2% in Hong Kong dollar and approximately 12.5% in JPY equivalent primarily due to the absence of one-off IPO expense and the removal of the obligation of VeriTrans to pay the monthly intellectual property licence fee to the Offeror of its non-exclusive rights to use its trade name and certain trademarks and registered domains upon listing of the Shares on the Hong Kong Stock Exchange. The effects were partially offset by the increase in income tax expense, which was mainly due to the withholding taxes on dividends and certain undistributed earnings of the Company's overseas subsidiaries and the absence of the recognition of deferred tax arising from previously unrecognised tax losses of prior periods.

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(b) *Financial position*

Set out below are the summarised audited consolidated/combined statement of financial position of the Group as at 30 June 2014 and 2013, and the unaudited condensed consolidated statement of financial position as at 31 December 2014 and 2013.

	As at 30 June		As at 31 December	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	37,100,171	46,641,288	30,600,674	38,915,927
Goodwill	398,830,436	410,440,730	335,695,304	383,863,258
Other intangible assets	668,184,008	695,304,549	558,118,276	648,029,540
Investments in joint ventures	18,124,280	—	20,503,322	4,099,305
Investment in an associate	4,357,551	3,309,541	10,837,540	7,832,653
Available-for-sale investment	35,649,999	5,670,942	35,649,999	41,358,302
Commercial bonds	15,290,520	15,735,641	12,870,020	14,716,703
Rental deposits	5,385,244	5,448,601	4,313,204	5,190,648
Deferred tax assets	12,865,442	10,915,071	11,636,062	11,116,781
Restricted cash	861,616	884,396	726,738	825,184
Other non-current assets	5,589,908	1,097,742	4,071,988	6,248,924
<b>Total non-current assets</b>	<b>1,202,239,175</b>	<b>1,195,448,501</b>	<b>1,025,023,127</b>	<b>1,162,197,225</b>
<b>CURRENT ASSETS</b>				
Accounts receivable	24,719,444	25,376,372	19,745,252	20,657,731
Payment processing receivables	554,332,997	628,824,456	612,633,393	709,791,045
Prepayments, deposits and other receivables	13,457,100	30,524,048	16,256,544	33,729,055
Cash and cash equivalents	1,545,681,589	1,090,236,735	1,742,276,271	1,515,380,992
<b>Total current assets</b>	<b>2,138,191,130</b>	<b>1,774,961,611</b>	<b>2,390,911,460</b>	<b>2,279,558,823</b>
<b>CURRENT LIABILITIES</b>				
Accounts payable, other payables and accruals	50,613,447	61,370,386	109,660,623	62,149,101
Payment processing payables	1,157,380,675	1,362,977,494	1,515,805,656	1,494,715,952
Interest-bearing bank borrowings	76,452,600	217,703	—	—
Finance lease payables	227,058	228,953	193,074	216,320
Tax payable	38,288,315	19,721,071	25,812,053	25,080,823
Other current liabilities	11,205,426	4,806,170	27,954,948	7,093,795
Long-term advance received	—	—	—	1,742,274
<b>Total current liabilities</b>	<b>1,334,167,521</b>	<b>1,449,321,777</b>	<b>1,679,426,354</b>	<b>1,590,998,265</b>
<b>NET CURRENT ASSETS</b>	<b>804,023,609</b>	<b>325,639,834</b>	<b>711,485,106</b>	<b>688,560,558</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
	<b>2,006,262,784</b>	<b>1,521,088,335</b>	<b>1,736,508,233</b>	<b>1,850,757,783</b>
<b>NON-CURRENT LIABILITIES</b>				
Finance lease payables	648,842	901,398	449,100	734,318
Provisions	1,021,485	1,016,310	868,226	978,705
Deferred tax liabilities	205,771,685	217,920,174	176,446,353	200,886,719
Other non-current liabilities	4,127,070	1,886,667	5,603,986	1,748,491
<b>Total non-current liabilities</b>	<b>211,569,082</b>	<b>221,724,549</b>	<b>183,367,665</b>	<b>204,348,233</b>
<b>Net assets</b>	<b>1,794,693,702</b>	<b>1,299,363,786</b>	<b>1,553,140,568</b>	<b>1,646,409,550</b>

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	As at 30 June		As at 31 December	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Issued capital .....	2,095,487,067	1,623,234,910	2,095,487,067	5,000,000
Reserves .....	(306,269,285)	(329,340,065)	(547,386,703)	1,636,585,331
Equity attributable to owners of the Company .....	1,789,217,782	1,293,894,845	1,548,100,364	1,641,585,331
Non-controlling interests .....	5,475,920	5,468,941	5,040,204	4,824,219
<b>Total equity</b> .....	<b><u>1,794,693,702</u></b>	<b><u>1,299,363,786</u></b>	<b><u>1,553,140,568</u></b>	<b><u>1,646,409,550</u></b>

*Source: the Prospectus, the Annual Report and the Interim Report*

(i) Property, plant and equipment

As at 30 June 2014, the property, plant and equipment of the Group mainly comprise fixtures, fittings and equipment, and leasehold improvements. The property, plant and equipment of the Group were stated at historical cost of approximately HK\$64.5 million less accumulated depreciation of approximately HK\$27.4 million. As at 31 December 2014, the total net book value of the fixtures, fittings and equipment, and leasehold improvements of the Group was approximately HK\$30.6 million, representing approximately 0.9% of total assets only. Based on our discussion with the management of the Group, the fair value change (being the difference between the market value and the book value), if any, of the building, leasehold and building improvements of the Group will not be significant as compared to the total assets of the Group.

(ii) Goodwill

Goodwill of the Group for the Latest Financial Year arisen primarily from the acquisitions of VeriTrans and Kotohako in April and December 2012, respectively and the useful life of goodwill is indefinite. As at 31 December 2014, the goodwill amounted to approximately HK\$335.7 million.

(iii) Other intangible assets

Intangible assets including goodwill constitute the most significant component of the total assets of the Group (save for the cash and cash equivalents), representing approximately 26.2% of the total assets, and approximately 87.2% of the non-current assets of the Group as at 31 December 2014.

The Group's other intangible assets mainly comprise software, software development in progress, trademarks, customer relationships and others, mainly arising as a result of the acquisition of VeriTrans and Kotohako in April and December 2012, respectively. The major components of other intangible assets are trademarks and customer relationships. As advised by the management of the Company, the Group's trademarks and customer relationships that had been acquired via the acquisition of VeriTrans in April 2012, amounted to approximately HK\$310.2 million and approximately HK\$169.0 million as at 31 December 2014 respectively.

(iv) Available-for-sale investment

The Group's available-for-sale financial investments are non-derivative financial assets in unlisted equity investments.



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As at 30 June 2013, the available-for-sale financial investment of the Group amounted to approximately HK\$5.7 million, which represented cost (less any impairment losses) for the transfer of the entire interest in PT. Tokopedia, a company incorporated in Indonesia, from VeriTrans to the Company in May 2013. Such equity interest was subsequently transferred to the EC Fund in June 2014.

During the Latest Financial Year, the Company acquired 15.59% equity interest in Citrus Payment Solutions Pte. Ltd. (“**Citrus Payment**”), a major payment solutions provider in India, as an unlisted equity investment, at a consideration of US\$4.6 million (equivalent to approximately HK\$35.6 million). The carrying amount of the unlisted equity interest has been booked under the Group’s available-for-sale financial investments at its cost less any impairment losses as the Directors consider its fair value cannot be measured reliably. As at 31 December 2014, the available-for-sale investment, representing the carrying amount of the unlisted equity interest in Citrus Payment, amounted to approximately HK\$35.6 million. The Group had no intention to dispose of such unlisted equity interest in the near future, as at the Latest Practicable Date.

(v) Payment processing receivables and payables

The payment processing receivables and payables arose from the payment processing business of the Group where the Group receives cash remittances from consumers paying for goods and services at convenience stores, by credit cards and other means and the Group remits these amounts to the providers of those goods and services, such as the online merchants. As the timing of the receipt and payment may not always match, the payment processing receivables and payables fluctuates every day. As at 31 December 2014, the payment processing receivables and payables amounted to approximately HK\$612.6 million and approximately HK\$1,515.8 million respectively.

(vi) Cash and cash equivalents

Commensurate to the time difference in settlement for the payment processing receivables and payables, the Group maintains a considerable amount of cash reserves. As at 31 December 2014, the total of cash and cash equivalents of approximately HK\$1,742.3 million represented approximately 72.9% and approximately 51.0% of total current assets and total assets respectively. Taking into account the net effect of the payment processing receivables and payables (being a net amount of payment processing payables of approximately HK\$903.2 million as at 31 December 2014), the free cash and cash equivalents balance (the “**Free Cash**”) would be substantially reduced to approximately HK\$839.1 million, compared to the Free Cash of approximately HK\$942.6 million as at 30 June 2014 and approximately HK\$356.1 million as at 30 June 2013 (before the IPO). The Free Cash has increased substantially since the IPO, primarily due to the net proceeds arising therefrom (the “**IPO Proceeds**”) of approximately HK\$448.3 million, the majority of which has remained unutilised as at the Latest Practicable Date (to be discussed in section 7 below).

(vii) Net asset value and net tangible asset value

The net asset value (the “**NAV**”) attributable to the equity owners of the Company was approximately HK\$1,548.1 million as at 31 December 2014. Based on the 518,750,000 issued Shares outstanding, as at the Latest Practicable Date, the NAV per Share was approximately HK\$2.98. On the same basis, the net tangible asset value (the “**NTAV**”), being the NAV less goodwill and other intangible assets, was approximately HK\$654.3 million, and the NTAV per Share was approximately HK\$1.26.

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### 6. Review of strategies adopted by the Group since the IPO

At the time of the IPO, the Group intended to enhance its position as a leading provider of online payment services and e-commerce solutions by way of certain strategies stated in the Prospectus. Set out below is the review of the progress and efficacy of the Group's strategies having been adopted since the IPO:

- (a) To increase the market share of the Group in Japan by targeting small to medium enterprises ("SMEs")

Prior to the IPO, the Group launched the mobile point-of-sale payment system, namely "mPOS", which targeted SME merchants. Further to this effort targeting SMEs, the Group had intended to launch another new line of services for SMEs and optimise service features and the fee structure to stay competitive within the industry by reducing initial set up fees and monthly fixed fees after the IPO. The Group believed at the time of the IPO that the profit margin can be improved by changing the fee structure so as to serve a larger number of customers.

According to the public news release of the Group, the Group in March 2014, launched the "VeriTrans Air Direct", a new payment service targeting SMEs, by which the customers of the online merchants can complete their purchases within the merchants' own websites, reducing the risk of leakage of the customers' information. However, the new service has not contributed much to the Group's business since its launch. As advised by the management of the Company, as at 28 February 2015, there were merely 81 merchants using such service as compared to the mPOS system launched prior to the IPO, which retains a larger pool of merchants to 577 as at 28 February 2015.

Further, the number of merchant websites in aggregate using these two SME-targeted services totaled only 658 as at 28 February 2015, representing only a small number of the total amount of active merchant websites of over 13,000 of the Group. In addition, according to the market estimate or forecast in the 2014 MIC Research Report, the Group's market share merely increased from 11.1% in 2013 to 11.3% in 2014, during which period the mPOS and the VeriTrans Air Direct had been launched.

In view of the above, it is worth noting that the efficacy of the Group's strategy to increase its market share by targeting SMEs is minimal so far.

- (b) To optimise the fee structure by forming strategic alliances with credit card merchant acquirers and offering value-added services

At the time of the IPO, the Group intended to strengthen its relationships with credit card merchant acquirers by forming strategic alliances in order to attract medium to large e-commerce businesses. By entering into strategic alliances with the credit card merchant acquirers, the Group expected to optimise its fee structure and promote its services through credit card merchant acquirers to attract new customers.

In view of the stated strategy, in December 2014, the Group partnered with Sumitomo Mitsui Card Company, Limited, a reputable credit card issuer in Japan, to enhance the online shopping platform operated by the Group. Further, in February 2015, the Group collaborated with certain Japanese companies to launch a new payment service for funeral customers, namely, "Ceremony Pay", under which the Group will provide the technical support for the payment system.

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While the Group has seemingly been progressing well in establishing strategic relationships as planned, the revenue contribution under the business segments corresponding to these strategic alliances has so far accounted for only a negligible portion of the total revenue of the Group since the IPO. As the businesses associated with these strategic alliances have been established by the Group for less than a year, it is immature to assess the efficacy of this strategy.

- (c) To expand the business through selective acquisitions, investment, licensing arrangements or partnerships

The Group intended to expand both its domestic and international businesses through selective acquisitions, investments, licensing arrangements or partnerships such that the Group can expand the customer and revenue base, widen the geographic coverage and presence, enhance the content and services offerings, advance the technology and strengthen the talents pool.

Since the IPO, the Group has made only two acquisitions on the market or investments, including the subscription of additional shares in PT. Midtrans (an Indonesian-incorporated company which primarily provides online payment processing services to online merchants in Indonesia and in which the Company originally owned 23% interest) and the entering into of a subscription agreement to acquire certain interest in Sen Do Technology Joint Stock Company (“**Sendo**”) (a Vietnam-incorporated company which is primarily engaged in online marketplace business and online payment business in Vietnam) in December 2014 respectively.

Notwithstanding that the investments lead to the Group’s progression in one of the Company’s existing markets (i.e. Indonesia) and entry into a new market (i.e. Vietnam), the respective size of the investments was trivial, with a consideration of approximately HK\$3.6 million and HK\$11.6 million, and the shareholding obtained by the Group through such investments was also limited, signifying the limited purchasing power of the Group in the capital market given the underperformance of the Share price compared to market and the rising valuations of e-commerce companies in the capital market in the past year. It is worth noting that the restricted purchasing power of the Company on the capital market hinders the business expansion of the Group through acquisitions or other investments.

In addition to the aforesaid, the Group formed the EC Fund with SBI Investment Co., Ltd., for the purpose of investing in Japanese e-commerce companies targeting emerging markets in Asia and Asian e-commerce companies. However, as at the Latest Practicable Date, the EC Fund had holding in the equity interest in PT. Tokopedia, as transferred to it from the Company in June 2014, and investment in a certain Japanese limited partnership which is an investment fund in Japanese e-commerce companies targeting emerging markets in Asia. Save and other than these, the EC Fund had not made any other acquisitions or investments. This, again, indicated that the Group had not been able to implement its business expansion strategy as intended.

- (d) To capitalise on high growth opportunities and expand operations throughout Asia

As discussed in paragraph (c) above, the Company expanded into Vietnam in December 2014 by entering into the subscription agreement to acquire certain equity interest in Sendo, making Vietnam become the fifth country in the Group’s outreach strategy to develop its business in Asia after Japan, China, Indonesia and India. Nevertheless, in view of the size of such investment and the limited shareholding (thereby exposure to the underlying earning

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potential), coupled with the absence of any material acquisitions or investments by the Group since the IPO, it has not been demonstrated that the Group has managed to capitalise on high growth opportunities and expand its operations throughout Asia.

- (e) To introduce offline payment processing services to broaden the scope of business

Since the IPO, the Group intended to establish a market share in the offline payment processing segment by drawing on the online payment services know-how and planned to launch offline payment processing services in Japan and throughout Asia and the Ad-to-Commerce solution.

As advised by the management of the Company, since the IPO, the Group has launched two new offline payment solutions including “SumaPay”, a credit card settlement service for the real estate industry; and “tabelog Pay”, a new credit card settlement service for restaurants in Japan which uses mPOS and makes credit card payment service available via a user’s smartphone or tablet in May 2014. The Group has also launched “Ceremony Pay”, the new payment service, for funeral ceremony-related services in 2015 as discussed in paragraph (b) above. As these services have been launched by the Group for less than a year and have yet to contribute any notable revenue to the Group, it is immature to assess the efficacy of this strategy.

### 7. Use of the IPO Proceeds

The Company had raised the IPO Proceeds of approximately HK\$448.3 million in total (including the exercise of over-allotment in full in January 2014 which raised additional net proceeds of approximately HK\$64.9 million).

As disclosed in the Prospectus, at the time of the IPO, the Directors had intended to use the IPO Proceeds as follows:

- (a) approximately 3% to carry out additional marketing and promotional activities to facilitate and support the plans of the Group to attract more SME merchants in Japan;
- (b) approximately 10% to sustain development and improvement of technologies used in the Group’s payment services in Japan;
- (c) approximately 15% to expand the Group’s operations in Japan by acquiring and investing in e-commerce or online payment service companies with good earning and growth potential;
- (d) approximately 50% to expand the Group’s international operations in early stage, mature and large markets in Asia (either through joint venture arrangements with local third parties or through the establishment of new companies or acquisitions of or investing in locally established operations);
- (e) approximately 12% to expand the Group’s offline payment service business in Japan and Asia; and
- (f) approximately 10% to fund working capital and other general corporate activities.

The intended use of the IPO Proceeds is in line with the business strategies of the Group as planned at the time of the IPO. In particular, approximately 65% of the IPO Proceeds was intended to

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be used for domestic and international expansion, in correspondence with the Group's plan to expand its business through, among other things, selective acquisitions and investment in Japan and throughout Asia. While the Group has no specific timetable disclosed in the Prospectus with respect to the implementation of the business strategies and the use of the IPO Proceeds, the Group has been deploying the IPO Proceeds in accordance with its purposes as set out in the Prospectus. However, the IPO Proceeds have remained substantially under-utilised since the IPO in over a year ago as one of the major purposes of the use of the IPO Proceeds (being the expansion of the Group through mergers and acquisitions) has yet to be achieved. As discussed with the management of the Company, we understand that the Company was not convinced that it was a prime time to apply substantial amounts of its internal resources (including the IPO Proceeds) on acquiring target companies in the Asia-Pacific region, having considered that the Company may only be able to acquire a minority equity interest in the target companies amid rising valuations of such companies in the capital market. Market data from Mergermarket, an independent globally recognised data provider specialising in mergers and acquisitions intelligence, solidified the management's reasoning. Based on the available data from Mergermarket, the sizes and valuations of the acquisitions in the e-commerce sector in the Asia-Pacific region have, in general, displayed a significant upward trend since 2013 (i.e. the year of the IPO) as signified by the average transaction value which tripled from US\$62 million in 2013 to US\$204 million in 2014 and the average reported price-to-earnings multiple (the "PE") rising from 22 times in 2013 to 58 times in 2014. A detailed discussion in this respect is set out in section 12 below.

Based on the information of the Group as at 28 February 2015, the Group had used a total of approximately HK\$23.5 million (i.e. approximately 5.2% of the total IPO Proceeds), of which approximately HK\$19.9 million (i.e. approximately 4.4% of the total IPO Proceeds) had been used for working capital and other general corporate activities, and only approximately HK\$3.6 million (i.e. approximately 0.8% of the total IPO Proceeds) had been used directly for the implementation of the business expansion strategies of the Group. Such amount of approximately HK\$3.6 million had merely been deployed for the subscription of additional shares in PT. Midtrans, an existing investment of the Group. The balance of the IPO Proceeds, being an amount of approximately HK\$424.8 million, had remained idle. An additional amount of approximately HK\$11.6 million may be deployed for the acquisition of shares in Sendo in 2015 as mentioned above. Net of such amount, the residual amount remained substantial at approximately HK\$413.2 million.

### **8. Future prospects of the Group**

The online payment service industry in Japan has been well-developed and the total revenue generated by the industry players is forecasted to grow from JPY135.5 billion in 2013 to JPY159.9 billion in 2014. In view of the growth in the total revenue generated from the whole market, it is not surprising to see that the Group's financial performance in JPY measured by its revenue, gross profit and profit for the year during the Latest Financial Year has recorded positive growth compared to the corresponding precedent year.

Notwithstanding this, as discussed in section 4 above, it is highlighted that the future outlook and prospects of the online payment service industry may not be as promising as in the previous years in view of the waning growth momentum attributable to, among other things, the existing fragmented market and intensifying competition, uncertainty in the overall retail industry recovery, and the consumers' migration to the C2C e-commerce platforms. The decline in the profit margin and the average fee margin of the Group during the Latest Financial Year and the Latest Interim Period could

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be one of the indicators supporting the views that the Group is facing signs of decelerating growth. Such decline also shows a trend analogous to the analysis as set out in the 2014 MIC Report that the online payment service providers are facing rising pressure from customers to reduce fees.

In addition, the Group, being a Hong Kong-listed company, will continue to be subject to the negative impacts arising from the depreciation of JPY against HK\$ which is expected to continue amid uncertainty in the reversal of the economic policies in Japan.

These all bring inevitable pressure to the Share price. Since the beginning of 2014, the Share price has been declining substantially and generally underperformed compared to the Hang Seng Index, which will be discussed further in section 9 below.

The catalyst for a robust augmentation in the Share price will in future largely rely on the successful implementation of the business strategies to expand into other promising markets or business segments. However, the business strategies have not been implemented effectively as at the Latest Practicable Date and the low utilisation rate of the IPO Proceeds have vindicated that the Group has not been able to align itself with any suitable growth opportunities since the IPO over a year ago (as discussed in sections 6 and 7 above respectively). Further, as detailed in the Group in the Scheme Document, the valuations of suitable acquisition targets have been increasing substantially due to the booming global investment sentiment, making it more difficult to execute and fund acquisitions. This has reduced the probability of the Group executing any considerable acquisitions or investments in the near term. The absence of a possible expansion opportunity is likely to further hinder the growth of the Group, and hence the Share price.

### **9. Analysis of the price performance and trading liquidity of the Shares**

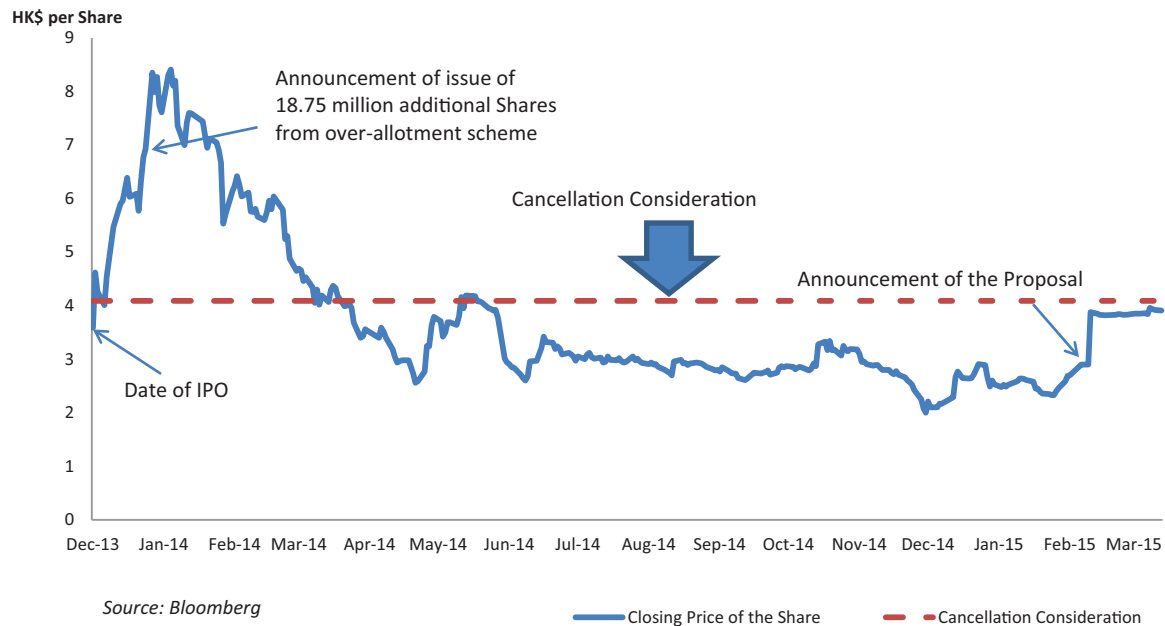
#### *(a) Price performance*

The Cancellation Consideration of HK\$4.09 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents:

- (i) a premium of approximately 41.0% over the closing price of HK\$2.90 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 59.9% over the average closing price of approximately HK\$2.56 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 60.5% over the average closing price of approximately HK\$2.55 per Share as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 51.3% over the average closing price of approximately HK\$2.70 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 43.2% over the average closing price of approximately HK\$2.86 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 4.6% over the closing price of HK\$3.91 per Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the movement of the closing price of the Shares from 19 December 2013, being the first trading day of the Company at the IPO, up to and including the Latest Practicable Date (the “**Review Period**”):



The IPO price of the Shares was HK\$3.59, which represented the prospective PE of 26.4 times on a pro forma basis (based on the profit forecast for the Latest Financial Year). As shown in the chart above, the closing price of the Shares surged significantly after the IPO and reached historical high of HK\$8.41 on 21 January 2014 and has subsequently been declining to a historical low of HK\$2 on 17 December 2014. The Cancellation Consideration represents a discount of 51.4% to the highest closing price of the Shares of HK\$8.41 on 21 January 2014, a premium of approximately 104.5% over the lowest closing price of the Shares of HK\$2 on 21 December 2014 and a premium of 10.0% over the average closing price of the Shares for the period from 19 December 2013 (the date on which dealings in the Shares commenced on the Hong Kong Stock Exchange) to the Last Trading Day. It is noted that the closing price of the Shares has been below the Cancellation Consideration since 7 April 2014 and up to the Latest Practicable Date, except for only three trading days (i.e. 28 May 2014, 30 May 2014 and 3 June 2014). Moreover, as shown in the chart above, from 7 April 2014 up to the Last Trading Day, the closing price of the Shares had been falling relatively persistently by approximately 27.3% from HK\$3.99 to HK\$2.9.

The closing price of the Shares was HK\$2.9 on the Last Trading Day. As set out in the chart above, the closing price of the Shares surged to HK\$3.88 on 27 February 2015, the first trading date after publication of the Announcement. We believe the recent rise in the Share price has been supported by the Proposal and is unlikely to be sustained if the Proposal lapses. We consider the Cancellation Consideration of HK\$4.09 represents a significant premium over the historical market price of the Shares during the period from June 2014 until the release of the Announcement. From the Independent Shareholders’ perspective, the Cancellation Consideration represents an immediate uplift in shareholder’s value as compared to the recent Share price.

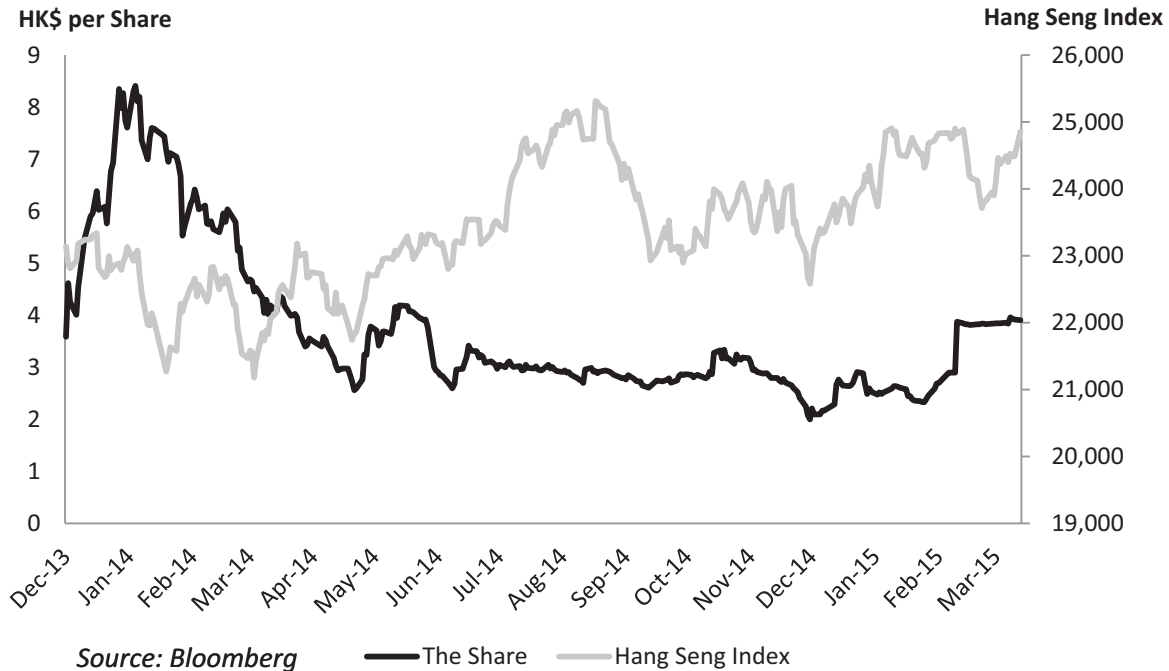
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(b) *Comparison with the stock market*

Set out below is the comparison between the movement of the closing price of the Shares and the Hang Seng Index from 19 December 2013 (the date on which dealings in the Shares commenced on the Hong Kong Stock Exchange) to and including the Latest Practicable Date:



As shown in the chart above, the Share price has been in a declining trend and generally underperformed compared to the Hang Seng Index. The IPO price of the Shares was HK\$3.59 and the closing price of the Share as at the Last Trading Day was HK\$2.9, representing a considerable decrease of 19.2%; whereas the closing price of the Hang Seng Index increased by approximately 8.5% from 22,888.8 points recorded on 19 December 2013 (the IPO date, on which dealings in the Shares commenced on the Hong Kong Stock Exchange) to 24,836.8 points recorded on the Last Trading Day. The past performance of the Shares shows that there has been a lack of significant retail and/or institutional investors' interest in the Company. Since its IPO, the Group has not raised any capital from the capital market. Taking into account the abundant unutilised IPO Proceeds as mentioned above, it is considered that the Company will unlikely be able to take advantage of its listing status on the Hong Kong Stock Exchange to raise funds from the capital markets on terms acceptable to the Group in the foreseeable future or enjoy other benefits that outweigh the costs associated with maintaining the listing.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(c) *Trading liquidity*

Set out in the table below are the average daily trading volumes and the monthly total trading volumes of the Shares and the comparison of such trading volumes to the total issued share capital of the Company during the 12 whole months immediately prior to the Last Trading Day:

	Average daily trading volume of the Shares	Percentage of the average daily trading volume of the Shares to the issued Shares (Note 1)	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 2)
<b>2014</b>				
March	3,491,000	0.67%	73,311,000	14.13%
April	1,483,313	0.29%	29,666,269	5.72%
May	3,924,550	0.76%	78,491,000	15.13%
June	4,480,814	0.86%	89,616,286	17.28%
July	1,789,045	0.34%	39,359,000	7.59%
August	974,190	0.19%	20,458,000	3.94%
September	918,335	0.18%	19,285,040	3.72%
October	1,040,720	0.20%	21,855,120	4.21%
November	1,477,800	0.28%	29,556,000	5.70%
December	1,398,619	0.27%	29,371,000	5.66%
<b>2015</b>				
January	853,095	0.16%	17,915,000	3.45%
February	527,352	0.10%	7,382,930	1.42%

Source: the Hong Kong Stock Exchange's website

Notes:

1. The calculation is based on the average daily trading volume of the Shares of each month divided by the total issued share capital of the Company at the end of each month during the 12 whole months immediately prior to the Last Trading Day.
2. The calculation is based on the monthly total trading volume of the Shares divided by the total issued share capital of the Company at the end of each month during the 12 whole months immediately prior to the Last Trading Day.

As shown in the above table, the trading liquidity of the Shares was generally thin during the 12-month period immediately prior to the Last Trading Day, save for the periods between 5 March 2014 to 28 March 2014 and 8 May 2014 to 4 July 2014, and the trading volume of the Shares since the IPO has been, in general, decreasing. The average daily trading volume of the Shares for the six months ended 31 August 2014 was 2.67 million Shares (representing approximately 0.51% of the Shares in issue as at the Announcement Date) whereas that for the six months immediately prior to the Last Trading Day was 1.07 million Shares (representing approximately 0.21% of the Shares in issue as at the Announcement Date). On this basis, we do not consider that the Shares have been consistently actively traded during the 12-month period immediately prior to the Last Trading Day. It follows that Scheme Shareholders who wish to sell a significant number of the Shares in the market may cause downward pressure on the market price of the Shares. We consider the Proposal provides the Independent Shareholders, especially those holding a large block of the Shares, a cash exit to realise their holdings which would not normally be available through the market if the Scheme of Arrangement is not effected. A further analysis of the trading liquidity of the Company as compared to that of its peers is set out in section 10 of this letter below.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (d) *Return on investment (the “ROI”) for the Shareholders who have held the Shares since the IPO (the “IPO Shareholders”)*

If the IPO Shareholders accept the Proposal, the Cancellation Consideration would offer them an ROI of approximately 13.9% based on the IPO price of HK\$3.59 per Share, which is well above the underlying ROI of the Hang Seng Index over the period from the IPO date of the Company (i.e. 19 December 2013) to the Last Trading Day (i.e. 23 February 2015) of approximately 8.5%.

It is further noted that the Hang Seng Composite Small Cap Index (the constituent stocks of which include companies with similar market capitalisation to the Company) recorded negative return over the aforesaid period with a negative ROI of approximately 6.5%.

In view of the above comparison with the ROI of the benchmark indices, the Cancellation Consideration offers the IPO Shareholders a better return relative to the market average.

### **10. Peer comparison**

- (a) *Comparable Companies*

The Group is principally engaged in the business of providing online payment services, advertising related services and other e-commerce solutions. The Company acts as an intermediary between online merchants and financial institutions or convenience store chains to facilitate the processing of transaction data and settlement of transaction and its principal business operations are in Japan. For comparison purpose, we have identified three comparable companies (the “**Comparable Companies**”) selected exhaustively on best effort basis from Bloomberg based on the criteria that the company (i) is listed on the Hong Kong Stock Exchange or other stock exchanges; (ii) is principally engaged in electronic payment and settlement services which are directly comparable or highly similar to the principal businesses of the Company; (iii) is of principal operation in Japan; and (iv) has derived about half or above of its revenue from electronic payment and settlement services for the latest financial year. Notwithstanding there are only three Comparable Companies having been identified, we consider the sample is fair and representative given the selection criteria set out above are highly restrictive and customised with a view to identifying the most similar and direct comparable companies for a more representative comparison.

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The table below sets out the companies which we consider comparable to the Company based on the aforementioned criteria.

<u>Name</u>	<u>Headquarter</u>	<u>Stock code</u>	<u>Stock Exchange</u>	<u>Principal activities</u>	<b>Market capitalisation as at the Latest Practicable Date</b> <b>HK\$ (million)</b>
GMO Payment Gateway Inc. (“GMO”)	Japan	3769	Tokyo Stock Exchange	GMO provides credit card payment processing services in Japan. It provides payment process services, such as credit card, convenience store, Pay-easy, Edy, and Suica services. GMO also offers a range of services comprising recurring billing, man to man consultation, and system integration services	(Note) 6,536
Wellnet Corporation (“Wellnet”)	Japan	2428	Tokyo Stock Exchange	Wellnet provides internet transaction services, such as electronic settlement, electronic bill payment, and transaction support for mobile phones.	1,718
Densan System Co., Ltd. (“Densan”)	Japan	3630	Tokyo Stock Exchange	Densan provides information system services including data processing, system development and integration, and sales of system equipment. It also offers bill payment and payment settlement services at convenience stores.	1,007

Source: Bloomberg

Note: The market capitalisation figures of the Comparable Companies are based on the market capitalisation of the respective companies as at the Latest Practicable Date. The market capitalisation figures denominated in JPY have been converted to HK\$ using foreign currency exchange rates of HK\$1 = JPY15.42, which is for the purpose of illustration only.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *Comparison of the PEs*

Set out below are the PEs of the Comparable Companies:

<u>The Comparable Companies</u>	<u>PE (times)</u>
GMO .....	61.6
Wellnet ( <i>Note 1</i> ) .....	29.1
Densan .....	22.0
Simple average (mean) .....	37.6
Median .....	29.1
Maximum .....	61.6
Minimum .....	22.0
<b>Cancellation Consideration (<i>Note 2</i>) .....</b>	<b>31.5</b>

Source: Bloomberg

Notes:

- The PEs of GMO and Densan are quoted from Bloomberg as computed based on their respective closing share price as at the Latest Practicable Date divided by their basic earnings per share in 2014. As the basic earnings per share of Wellnet for 2014 is absent from Bloomberg's database, the PE of Wellnet is calculated by its market capitalisation as at the Latest Practicable Date divided by its net profit as shown in its latest available annual report for the year ended 30 June 2014.
- The implied PE of the Cancellation Consideration is computed based on the Cancellation Consideration of HK\$4.09 divided by the earnings per Share. The earnings per Share of HK\$0.13 is calculated based on the consolidated net profit attributable to the equity owners of the Company for the Latest Financial Year divided by basic weighted average Shares outstanding for the year.

As set out in the table above, the PEs of the Comparable Companies range from 22.0 times to 61.6 times. The simple average PE of the Comparable Companies is approximately 37.6 times. The implied PE of the Cancellation Consideration of approximately 31.5 times is within the range of those of the Comparable Companies and above the median PE but below the simple average PE of the Comparable Companies.

For comparison purposes, we have also reviewed the annual reports or filings of the Comparable Companies. Set out below is the increase/(decrease) in revenue and net income after taxation of the Comparable Companies and the Company in 2014 and 2013:

	<u>Increase/(decrease) in revenue</u>		<u>Increase/(decrease) in net income after taxation</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
GMO .....	25%	22%	25%	27%
Wellnet .....	15%	12%	20%	4%
Densan .....	8%	5%	15%	15%
Company (in JPY equivalent) .....	8%	163%	16%	14%
(in HK\$) .....	(7%)	137%	(5%)	49%

As discussed in section 5 above, the significant growth in revenue of the Group in 2013 was mainly due to the acquisition of VeriTrans in 2012 as part of the reorganisation carried out prior to the IPO. We consider the exceptionally high PE of GMO is primarily due to its out-performance as compared to the other Comparable Companies as shown in the chart above. The simple average PE of the Comparable Companies would decrease to 25.6 times if excluding the PE of GMO and the implied PE of the Cancellation Consideration is above the simple average PE of the Comparable Companies (excluding GMO). On this basis, we consider that the Cancellation Consideration is fair and reasonable.

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(c) *Comparison of price to book multiples (the “PB(s)”)*

As part of our analysis, we have found the trading PBs of the Comparable Companies range from 2.0 times to 14.8 times with an average of 6.6 times as at the Latest Practicable Date. As discussed in section 5 above, the Company had an intangible assets to total assets ratio of 26.2% as at 31 December 2014 which is higher than that of the Comparable Companies of 2.2% on average. This leads to an abnormally low implied PB of the Cancellation Consideration of 1.37 times which is below the range of that of the Comparable Companies. If we normalise the Group’s assets to exclude intangible assets, the implied PB of the Cancellation Consideration would increase to 3.2 times which is within the range of those of the Comparable Companies.

In addition, we consider the valuation basis for companies in e-commerce industry would be largely based on earnings rather than net asset backing. We therefore would place less reliance on the above analysis on PBs and believe that emphasis should be given to our comparison analysis of PEs in the above paragraph.

(d) *Comparison of trading liquidity*

Set out in the table below is a comparison of trading liquidity of the Shares and the shares of the Comparable Companies during the 12 whole months immediately prior to the Last Trading Day:

<u>The Comparable Companies</u>	<b>Average monthly trading volume as a percentage of the total number of outstanding shares</b>
	<i>(Note)</i>
GMO .....	9.6%
Wellnet .....	11.7%
Densan .....	6.1%
Simple average (mean) .....	9.1%
Maximum .....	11.7%
Minimum .....	6.1%
The Company .....	7.3%

*Source: Bloomberg*

*Note: The average monthly trading percentage figures are calculated by taking the average of the quotient of the monthly trading volume of the shares of the Comparable Companies and the Company for each month from March 2014 to February 2015 (being the 12 whole months immediately prior to the Last Trading Day) divided by the total number of outstanding shares of the respective companies as at the end of the respective months.*

As shown in the table above, the average monthly trading percentage of the Company during the 12-month period up to February 2015 is below the simple mean of that of the Comparable Companies and is close to the low end of that of the Comparable Companies.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 11. Precedent privatisations

We have compared the Cancellation Consideration with other privatisations in Hong Kong. Set out in the table below is a list of the precedent privatisations (the “**Precedent Privatisations**”), which (i) involved offeree companies listed on the Hong Kong Stock Exchange; and (ii) were first announced and successfully completed during the period from 1 January 2013 up to the Latest Practicable Date, selected by us exhaustively as shown below:

Date of initial announcement	Company	Market capitalisation based on the offer / cancellation consideration (HK\$ million)	Premium/(discount) of the offer price to average closing price before and including the last trading day before the initial announcement				
			10-day share price average	30-day share price average	60-day share price average	90-day share price average	180-day share price average
17 January 2013 . .	Trauson Holdings Company Limited (stock code: 325)	5,807.5	82.5%	81.7%	83.8%	96.4%	121.0%
31 January 2013 . .	PCD Stores (Group) Limited (stock code: 331)	5,052.4	12.9%	20.7%	30.0%	45.5%	59.4%
15 August 2013 . . .	Magic Holdings International Ltd. (stock code: 1633)	6,538.7	31.7%	26.2%	30.1%	39.8%	64.7%
16 December 2013 . . . . .	Great Wall Technology Company Limited (stock code: 74)	1,452.4	63.3%	74.9%	92.0%	95.8%	99.8%
1 April 2014 . . . . .	OCBC Wing Hang Bank Ltd. (stock code: 302)	38,547.5	7.7%	11.6%	11.7%	18.9%	22.3%
15 April 2014 . . . .	CapitaMalls Asia Limited (“CMA”) (stock code: 6813) <i>(Note 1)</i>	56,810.5	32.7%	33.8%	32.5%	28.9%	24.0%
8 May 2014 . . . . .	Regent Manner International Holdings Ltd. (stock code: 1997)	3,869.6	33.6%	37.5%	39.0%	38.5%	35.3%
11 December 2014 . . . . .	Hunan Nonferrous Metals Corporation Limited (stock code: 2626)	6,857.5	60.5%	55.8%	50.0%	58.4%	70.2%
	Average	15,617.0	41.7%	42.8%	46.1%	52.8%	62.1%
	Maximum	56,810.5	82.5%	81.7%	92.0%	96.4%	121.0%
	Minimum	1,452.4	7.7%	11.6%	11.7%	18.9%	22.3%
	Median	6,173.1	33.6%	35.6%	35.7%	42.6%	62.1%
<b>26 February 2015 Cancellation Consideration . . . .</b>		<b>2,121.7</b>	<b>62.9%</b>	<b>59.9%</b>	<b>60.5%</b>	<b>51.3%</b>	<b>43.2%</b>

Source: Data from Bloomberg and the Hong Kong Stock Exchange’s website

Note:

1. CMA’s primary listing is in Singapore where its secondary listing is on the Hong Kong Stock Exchange. CMA’s initial offer price was SGD2.22 per share which was later revised to SGD2.35 per share. The calculation of premiums is based on the revised offer price.

As set out in the table above, the offer prices of all of the Precedent Privatisations are at a premium to the 10-day, 30-day, 60-day, 90-day and 180-day average share prices of the respective offeree companies. The premiums offered by the Precedent Privatisations respectively range (i) from approximately 7.7% to approximately 82.5% with a simple mean of approximately 41.7% as compared to the 10-day average share price; (ii) from approximately 11.6% to approximately 81.7% with a simple mean of approximately 42.8% as compared to the 30-day average share price; (iii) from approximately 11.7% to approximately 92.0%, with a simple mean of approximately 46.1%, as

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compared to the 60-day average share price; (iv) from approximately 18.9% to approximately 96.4%, with a simple mean of approximately 52.8%, as compared to the 90-day average share price; and (v) from approximately 22.3% to approximately 121.0%, with a simple mean of approximately 62.1%, as compared to the 180-day average share price.

In comparison, the Cancellation Consideration represents a premium of approximately 62.9%, 59.9% and 60.5% as compared to the 10-day average Share price, the 30-day average Share price and the 60-day average Share price, respectively, which are well above the corresponding average premium represented by the Precedent Privatisations. As compared to 90-day average Share price, the Cancellation Consideration represents a premium of approximately 51.3% which is slightly below the corresponding average premium of the Precedent Privatisations. The Cancellation Consideration represents a premium of approximately 43.2% as compared to the 180-day average Share price which is within the range of the corresponding average premium represented by the Precedent Privatisations, and below the mean and the median of that of the Precedent Privatisations.

While the Privatisation Precedents comparison could provide an insight to the Independent Shareholders on the general market appetite to the privatisation transactions completed during the relevant period since 2013 (i.e. the year of the IPO) up to the Latest Practicable Date, we wish to remind the Independent Shareholders that the Precedent Privatisations may be conducted under different market conditions and the offeree companies involved do not entirely operate in the same industry and business segment as the Group. Consequently, Independent Shareholders should take the Precedent Privatisations for reference only and should note that the premiums of offer or cancellation consideration in the Precedent Privatisations may be different from that of the Proposal.

### **12. Past acquisitions of e-commerce companies in the Asia-Pacific region**

As set out in the “Explanatory Statement” of the Scheme Document, one of the reasons for the Proposal is the significant rise in the price of companies in e-commerce business due to the strong investment appetite of global investors and as a result of which, the Company will require substantially more funding than it previously expected in order to facilitate its ongoing acquisition strategy. As discussed with the management of the Company, we understand that the Company had intended to execute acquisitions of suitable e-commerce companies in the Asia-Pacific region with the IPO Proceeds. However, in view of the rising valuations of such companies, the management of the Company was not convinced that it was a prime time to apply such substantial amounts of its internal resources on acquiring target companies, with a view that, in particular, the amount of the IPO Proceeds to be utilised may only be able to acquire a minority equity interest in the target companies.

In assessing the aforesaid reasoning by the Company, we have compiled, through the available data on the database of Mergermarket, a list of acquisitions (the “**Past Announced Acquisitions**”) which (i) involved the target companies (a) based in the Asia-Pacific region, and (b) engaged in the field of internet / e-commerce with focus on e-retailing and trading / procurement system (as defined by Mergermarket); (ii) had been announced since 1 January 2013 up to the Latest Practicable Date; (iii) had not been lapsed or withdrawn; and (iv) excluded pure asset acquisitions. Mergermarket is an independent globally recognised data provider with over 1,000 staff in 65 locations across Europe, North and South America, and the Asia-Pacific region whose publications, including the regularly compiled global merger and acquisition league tables, have been frequently cited in public domains by different capital market practitioners, including internationally renowned multinational law firms and financial institutions, and reputable financial news websites, The Economic Times, The Wall Street

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Journal and Forbes, to name a few. In view of the independence of Mergermarket and the high recognition of its data publications among bulge-brackets and renowned financial news providers, we have no reason to doubt the reliability of Mergermarket's database. In addition, we have independently conducted broad internet searches for high-profile acquisitions in e-commerce industry in the Asia-Pacific region over the relevant research period and are able to identify all such transactions among the Past Announced Acquisitions as extracted from Mergermarket. Reciprocally, we have conducted broad internet searches to ascertain the existence of the other remarkable Past Announced Acquisitions as identified by us on Mergermarket's database and are not aware of any findings that could lead us to doubt the authenticity of such Past Announced Acquisitions.

Based on our findings from the available data of Mergermarket, it is noted that the acquirers in the Past Announced Acquisitions had been dynamic geographically and came from around the globe, including Japan, the U.S., Russia, Australia, France, Sweden, among others. These acquirers have become increasingly eager to acquire target companies in the e-commerce sector as signified by the increased range and average of the reported underlying PEs of the Past Announced Acquisitions in 2014 relative to 2013. In 2013, while there was a single transaction with respect to the acquisition of an online bus ticketing business in India with an abnormally high reported PE of over 1,000 times, all the other Past Announced Acquisitions during the year were made at PEs ranging from approximately 5 to 44 times with an average of only around 22 times. In 2014, the average reported PEs of the Past Announced Acquisitions increased to 58 times.

The deal sizes (or transaction values) of the Past Announced Acquisitions were also bigger in 2014 compared to those in 2013. In 2013, an acquisition with a deal size of approximately US\$400 million was highest among the Past Announced Acquisitions, with an average deal size of approximately US\$62 million. In 2014, a few of the Past Announced Acquisitions had been reported to amount to more than US\$1,000 million in transaction value and the average of the Past Announced Acquisitions in 2014 reached US\$204 million. The rising reported PEs and deal sizes of the Past Announced Acquisitions reflected that the global investors targeting to acquire e-commerce businesses in the Asia-Pacific region have become more willing to offer higher prices (denoted by the PE) and larger amount of consideration (denoted by the deal size), which consequently pushed up the valuations of the e-commerce companies in the region.

The positive global investment sentiment in the e-commerce field in the Asia-Pacific region is also demonstrated by the almost doubled number of the Past Announced Acquisitions in 2014 (i.e. 83) compared to 2013 (i.e. 44). As at the Latest Practicable Date, the number of the Past Announced Acquisitions in 2015 exceeded 20. Should this trend continue positively, the number of acquisitions in the market announced by the end of 2015 could surpass the corresponding figure in 2014.

In light of the aforesaid, the valuations of the e-commerce companies in the Asia-Pacific region have risen significantly since 2013 due to the augmented appetite of the global investors seeking entry or expansion into the field and that the cost of acquisitions has increased correspondingly, which has added challenges to the Company in funding the acquisition of such companies with its own internal resources as originally intended.

### **13. Intentions of the Offeror regarding the Group**

As set out in the letter from the Board contained in the Scheme Document, the Offeror intends to continue the existing business of the Group upon successful implementation of the Scheme of



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Arrangement and the Proposal. The Offeror has no intention to make any major changes to the existing operations and business, or to discontinue the employment of the employees of the Group after implementation of the Scheme of Arrangement and the Proposal. However, the Offeror will continue to assess business opportunities as they arise.

If the Scheme of Arrangement and Proposal are successfully implemented, the Offeror intends to implement the following steps as part of the Offeror and the Group's ongoing growth strategy.

- (a) Create a comprehensive service package and to capitalise on the synergies between the Offeror Group and the Group

The Group's core businesses are focused on serving the entire electronic payments market, which includes the e-commerce market. In particular, the Group is actively developing its business in areas that require face-to-face payment, such as restaurants and the real estate leasing businesses. The Offeror believes that the Company can capitalise on the Offeror's existing client base and the Group can offer its electronic payment services to complement the Offeror's marketing services. The Offeror believes that offering a service package that includes marketing services will help attract customers to its electronic payment businesses.

Also, as part of the Offeror's incubation segment, the Offeror actively invests in and supports the development of companies that operate in the IT services sector. The Offeror intends to create synergies for its incubation segment by leveraging its marketing and payment solutions. The Offeror believes that this will maximise the value of both the Group and the Offeror Group as a whole.

- (b) Strengthen the Company and the Offeror's ability to raise capital and acquisition strategy in Asia

As the recent prices for potential acquisition targets have increased recently, the Offeror believes that it should develop an acquisition strategy for the Offeror Group as a whole rather than for the Company on a stand-alone basis. By doing so, the Company would be able to utilise the Offeror Group's financial strength and business credibility to negotiate favourable terms when raising the necessary funding for such acquisitions. With additional financial resources as a consolidated group, the Offeror Group will also be able to make acquisitions of a larger scale. The Offeror believes that this would help accelerate the growth of the Group and the Offeror Group as a whole.

### DISCUSSION AND ANALYSIS

The Group is currently one of the leading providers of online payment services in Japan. Ever since the IPO in late 2013, the Group has been focusing on, among others, the volume and transaction amount processed through its online payment system as well as the active merchant websites that adopt the Group's online payment system. These three parameters have been growing at a satisfactory pace in last few years but the average fee margin for transaction amount processed by the Group's online payment system has been declining from 2.3% in 2012 to 1.95% in 2014 in view of the fierce competition. Since the growth in the active merchant websites that adopt the online payment system of the Group of 52.3% from 6,704 websites in 2011 to 10,213 websites in 2012, the growth rate in the number of the active merchant websites has dropped from 52.3% in 2012 to merely 5.5% in 2014 as compared to the corresponding previous financial year. The significant growth in the number of active

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merchant websites in 2012 was primarily due to the acquisition of VeriTrans by the Company in 2012 whereas the growth rate in 2014 represented an organic growth in absence of any major acquisition of other payment service providers during the year. However, in view of the moderate single-digit growth rate recorded in 2014, the number of active merchant websites, one of the most important key performance indicators, is experiencing various degrees of decelerating growth.

Since the outbreak of earthquake and tsunami in March 2011, the stagnancy of Japan's economy has cast doubts and uncertainties on the prospects of the Group's business. The depreciation of JPY has also been deteriorating the purchasing power of the Group in the capital market, which together with the high valued e-commerce companies in the stock markets in recent years and the disappointing Share performance since the IPO, have limited the Group's ability to expand through mergers and acquisitions by taking advantage of its listing platform in Hong Kong. This is evidenced by the low utilisation rate of the IPO Proceeds of only 5.2% even taking into account the relatively short duration since the IPO. The proven surge in the valuations of the e-commerce companies in the Asia-Pacific region and the augmentation in the deal sizes for acquiring such companies since 2013 (as detailed in section 12) also supports the Company's reasoning of not applying substantial amounts of its internal resources (including the IPO Proceeds) on acquiring target e-commerce companies in the Asia-Pacific region as initially intended at the time of the IPO.

The rationale of the Proposal is to facilitate business integration between the Offeror and the Company, providing the Offeror with greater flexibility to support the future business of the Company. Following the initial hype of the IPO back in 2013 fueled by the strong market sentiment on e-commerce stock globally, the Shares are now trading at a sharp discount to their peak of HK\$8.41 shortly after the IPO. Recent performance of the Share price has also not been particularly encouraging. The new business strategy adopted at the time of the IPO may continue to change the investment profile of the Shares. During the past 12 months prior to the Last Trading Day, the Shares traded in a range between HK\$2 and HK\$6.11, with an average of approximately HK\$3.21. In almost 58% of the trading days during the past 12 months immediately prior to the Last Trading Day, the Shares traded at below HK\$3 and the Share price is generally underperforming against the Hang Seng Index before the Last Trading Day.

In short to medium term, the strategy of business expansion through mergers and acquisitions and new initiatives pursued by the Group may continue to cast uncertainty on the Group's future growth and financial performance. The intensifying competition signified by the margin squeezing and disappointing result of core business for the Latest Interim Period may further worsen future prospects of the Group. We consider the principal benefits of the Proposal to the Scheme Shareholders arise from the sluggish performance of the Share price and trading liquidity.

As discussed in section 9 above, the Cancellation Consideration of HK\$4.09 represents a premium of approximately 43.2% over the average closing price of approximately HK\$2.86 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Day. The return of approximately 13.9% represented by the Cancellation Consideration over the IPO price of HK\$3.59 outperforms that of Hang Seng Index of approximately 8.5% for the corresponding period from the IPO date to the Last Trading Day. From the Independent Shareholders' perspective, the Cancellation Consideration represents a substantial uplift in Shareholder value compared to the recent prices of the Shares. We believe the prices of the Shares since the Announcement Date are supported by the Proposal and are unlikely to be sustained if the Proposal lapses. Based on the financial results of the Group for the Latest Financial Year, the Cancellation

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Consideration of HK\$4.09 represents implied PE of approximately 31.5 times, which is within the range of the PEs of the Comparable Companies.

In our view, the Proposal will provide a good opportunity, if the Proposal is approved, for the Independent Shareholders to realise their large block of holdings through a cash exit which would not normally be available through the market given the trading liquidity of the Shares is thin. The cash payment also gives the Independent Shareholders flexibility to redeploy capital invested in the Company into other investments that they consider more attractive.

The directors of the Offeror believe that it is unlikely that the Independent Shareholders will receive any offer from a third party to acquire the Shares, as such offer would not succeed without the approval of the Offeror holding a controlling block of the Shares. In the absence of the Proposal, the Independent Shareholders could only look to the market to realise their investment in the Company. Independent Shareholders should note that the Cancellation Consideration will not be revised in the course of the Scheme of Arrangement, and the Offeror does not reserve the right to do so.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Proposal, as the case may be, since these are particular to their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

### OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, which include, among others:

- (i) the inability of the Company to capitalise on its listing status and utilise the IPO Proceeds for business growth and expansion through acquisitions due to deteriorating purchasing power amid depreciation of JPY and the high valuations of the target companies and the considerations required;
- (ii) the above-market premiums offered by the Cancellation Consideration over the IPO Price and the historical average Share price respectively as well as the fair implied PE which is within the range of the PEs of the Comparable Companies; and
- (iii) the cash exit opportunity for the Shareholders to realise their holdings offered under the Proposal, amid thin trading liquidity and weak price performance of the Shares,

we consider the terms of the Proposal to be fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions which will be proposed at the Court Meeting and the General Meeting to approve and implement the Scheme of Arrangement.

Yours faithfully,  
for and on behalf of  
**OPTIMA CAPITAL LIMITED**  
**Benny Ng**  
*Director*

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## EXPLANATORY STATEMENT

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*This Explanatory Statement constitutes the statement required under Section 671 of the Companies Ordinance.*

### INTRODUCTION

On 26 February 2015, the Offeror and the Company jointly announced that on 23 February 2015, the Offeror had requested the Board to put forward to the Scheme Shareholders the Proposal which, if implemented, would result in the Company becoming wholly-owned by the Offeror and the withdrawal of the listing of the Shares from the Hong Kong Stock Exchange. The Offeror also confirmed in such announcement that there would be no revision to the Cancellation Consideration and that the Offeror did not reserve the right to do so.

As at the Latest Practicable Date, the Offeror owned approximately 58.5% of the issued share capital of the Company. The Board, having reviewed the Proposal, agreed to put it forward by way of this document to the Scheme Shareholders for consideration.

The primary purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and, specifically, to provide the Scheme Shareholders with additional information in relation to the Scheme of Arrangement.

The proposed privatisation of the Company will be implemented by way of a scheme of arrangement under Section 673 of the Companies Ordinance. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled and the New Shares will be issued as fully paid to the Offeror, and the listing of the Shares will be withdrawn from the Hong Kong Stock Exchange.

### THE PROPOSAL

Subject to the Conditions being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme of Arrangement between the Company and the Scheme Shareholders.

### SCHEME OF ARRANGEMENT

The Scheme of Arrangement involves a reduction of the issued share capital of the Company by the cancellation of the Scheme Shares. Upon the reduction of capital taking effect, the issued share capital of the Company will be restored to its former amount by the allotment and issuance to the Offeror credited as fully paid of the same number of New Shares as is equal to the number of the Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the New Shares so issued to the Offeror. The Scheme of Arrangement provides that, in consideration of the cancellation of the Scheme Shares, the Scheme Shareholders whose names appear on the register of members of the Company at the Record Time, which is expected to be 4:00 p.m. on Wednesday, 3 June 2015, will be entitled to receive from the Offeror:—

HK\$4.09 in cash ..... for every Scheme Share cancelled

**The Offeror has advised that the Cancellation Consideration will not be revised in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.**

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## EXPLANATORY STATEMENT

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### IRREVOCABLE UNDERTAKINGS

Mr. Kaoru Hayashi, SMCC, Credit Saison, TIS, JCB and Dentsu Partnership have each given an irrevocable undertaking to the Offeror.

Under the Irrevocable Undertaking given by Mr. Kaoru Hayashi to the Offeror, Mr. Kaoru Hayashi has irrevocably undertaken to the Offeror in respect of all the Shares owned by him to abstain from voting at the Court Meeting and, to the extent permitted by applicable law and regulation, to vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement and in the manner directed by the Offeror in respect of any resolutions proposed at a general or class meeting of the Company (other than at the Court Meeting) which would assist the implementation of the Scheme of Arrangement or are necessary for the Scheme of Arrangement to become effective.

Under the Irrevocable Undertakings given by SMCC, Credit Saison, TIS, JCB and Dentsu Partnership to the Offeror, each of SMCC, Credit Saison, TIS, JCB and Dentsu Partnership has irrevocably undertaken to the Offeror in respect of all the Shares owned by each of them to vote, or to procure to vote, in favour of the Scheme of Arrangement at the Court Meeting and, to the extent permitted by applicable law and regulations, to vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement and in the manner directed by the Offeror in respect of any resolutions proposed at a general or class meeting of the Company which would assist the implementation of the Scheme of Arrangement or are necessary for the Scheme of Arrangement to become effective.

The Irrevocable Undertakings also provide that each of Mr. Kaoru Hayashi, SMCC, Credit Saison, TIS, JCB and Dentsu Partnership shall not: (i) sell, transfer, charge, encumber, create or grant any option over or otherwise dispose of any interest in any of the Shares owned by each of them; (ii) accept or give any undertaking to accept any other offer in respect of all or any of such Shares; (iii) purchase or acquire any other Shares other than with the consent of the Offeror; or (iv) enter into any arrangement which would or might restrict or impede giving effect to the Scheme of Arrangement.

The Irrevocable Undertakings given by Mr. Kaoru Hayashi, Credit Saison, TIS, JCB and Dentsu Partnership to the Offeror will lapse if the Scheme of Arrangement lapses, is withdrawn in accordance with its terms or does not become effective by 18 August 2015 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code).

The Irrevocable Undertaking given by SMCC to the Offeror will lapse and terminate and cease to have further force or effect without prejudice to any liability for antecedent breach if: (i) the Scheme of Arrangement lapses or is withdrawn in accordance with its terms or otherwise; (ii) the Scheme of Arrangement does not become unconditional or effective by 18 August 2015 (or such later date as the Offeror and SMCC may agree in writing); (iii) any of the terms of the Scheme of Arrangement is modified or amended in a manner which is economically unfavourable to SMCC without the prior written consent of SMCC; (iv) the entry into the Irrevocable Undertaking given by SMCC constitutes a material breach of the Takeovers Code, the Listing Rules, any other applicable law or order or ruling from a relevant authority; (v) the effectiveness of the Scheme of Arrangement or the Irrevocable Undertaking given by SMCC becomes illegal, unlawful or otherwise unfeasible (whether legally or practically) pursuant to applicable law or order or ruling from a relevant authority or (vi) (A) a third party other than the Offeror or a party acting in concert with the Offeror makes an offer to acquire the

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## EXPLANATORY STATEMENT

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Shares, whether such offer is implemented by means of a voluntary general offer, scheme of arrangement or otherwise, which will be offered to all the Shareholders, on terms which are more favourable to SMCC as a whole than the terms of the Scheme of Arrangement as set out in the Announcement and which has a reasonable prospect of becoming wholly unconditional, and (B) SMCC provides written notice to the Offeror of its desire to terminate the Irrevocable Undertaking given by SMCC.

In addition, Mr. Kaoru Hayashi has undertaken to assist the implementation of the Proposal, subject to his fiduciary and director's duties owed to the Company and his duties under the Takeovers Code. In addition, Mr. Takashi Okita, an executive Director, is interested in 140,000 Shares, representing approximately 0.02% of the issued Shares as at the Latest Practicable Date. Based on the confirmation from Mr. Takashi Okita that he is not acting in concert with the Offeror and parties acting in concert with it, he will be entitled to vote at the Court Meeting since his rights under the Scheme of Arrangement will not be any different from those of any other Independent Shareholder. Mr. Takashi Okita has not irrevocably undertaken to the Offeror to vote in favour of the Scheme of Arrangement at the Court Meeting, but he has confirmed that it is his intention to do so.

### SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the issued share capital of the Company was 518,750,000 Shares.

As at the Latest Practicable Date, the Offeror beneficially owned 303,474,998 Shares, representing approximately 58.5% of the issued Shares. The Shares beneficially owned by the Offeror will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. However, the Offeror has indicated that, if the Scheme of Arrangement is approved at the Court Meeting, the Offeror will vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled.

As at the Latest Practicable Date, the Nomura group (other than those members of the Nomura group that are conducting exempt principal trader activities and exempt fund manager activities), which is presumed to be acting in concert with the Offeror pursuant to class 5 of the definition of "acting in concert" in the Takeovers Code, does not hold any Shares.

As at the Latest Practicable Date, Mr. Kaoru Hayashi, chairman and an executive Director of the Company, was interested in 1,000,000 Shares representing approximately 0.2% of the issued Shares. Mr. Kaoru Hayashi is the representative director, president and chief executive officer of the Offeror and hence is presumed under the Takeovers Code to be acting in concert with the Offeror and is not entitled to vote at the Court Meeting pursuant to the Takeovers Code. In addition, Mr. Kaoru Hayashi has irrevocably undertaken to the Offeror to abstain from voting at the Court Meeting and, to the extent permitted by applicable law and regulation, to vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement. The Shares held by Mr. Kaoru Hayashi will form part of the Scheme Shares.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue.

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Save as aforesaid, the Offeror and parties acting in concert with it (including Mr. Kaoru Hayashi) do not hold any other Shares or any options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company. Mr. Kaoru Hayashi has undertaken to the Offeror that he will not deal in any Shares or any options, warrants, derivatives or securities convertible into Shares until the earlier of (i) the listing of the Shares being withdrawn from the Hong Kong Stock Exchange and (ii) the Scheme of Arrangement lapsing, being withdrawn in accordance with its terms or not becoming effective by 18 August 2015 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code).

As at the Latest Practicable Date, the Independent Shareholders were interested in an aggregate of 214,275,002 Shares, representing approximately 41.3% of the issued Shares, and they will be entitled to vote at the Court Meeting.

As at the Latest Practicable Date, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to Shares or shares of the Offeror which might be material to the Proposal or the Scheme of Arrangement.

As at the Latest Practicable Date, neither the Offeror nor any person acting in concert with it has borrowed or lent any relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code).

### CONDITIONS OF THE PROPOSAL AND THE SCHEME OF ARRANGEMENT

Under the repealed section 166 of the previous Companies Ordinance (Chapter 32 of the Laws of Hong Kong), a scheme of arrangement was required to be approved by a majority in number of the shareholders present and voting in person or by proxy at the court meeting (the so-called “headcount test”). Under the Companies Ordinance, which came into effect on 3 March 2014, the headcount test does not apply to a scheme of arrangement that involves a takeover offer. Pursuant to section 674(2) of the Companies Ordinance, for a scheme of arrangement that involves a takeover offer to be approved, the votes cast against the scheme of arrangement must not exceed 10% of the voting rights attached to all Disinterested Shares. This requirement is in addition to the requirement under the Companies Ordinance that the scheme of arrangement must be approved by shareholders representing at least 75% of the voting rights of the shareholders present and voting, in person or by proxy, at the court meeting, and to similar voting threshold requirements under the Takeovers Code.

The Proposal will become effective and binding on the Company, the Offeror and all the Scheme Shareholders subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the approval of the Scheme of Arrangement at the Court Meeting (by way of poll) by Scheme Shareholders representing at least 75% of the votes attaching to the Scheme Shares held by Scheme Shareholders that are cast, in person or by proxy, at the Court Meeting, and the number of votes cast (by way of poll) against the Scheme of Arrangement at the Court Meeting not exceeding 10% of the total voting rights attached to all Disinterested Shares, provided that:
  - (i) the Scheme of Arrangement is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and

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## EXPLANATORY STATEMENT

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- (ii) the number of votes cast (by way of poll) against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Independent Shareholders;
- (b) the passing of a special resolution by a majority of not less than 75% of the votes cast by the Shareholders present and voting in person or by proxy at the General Meeting (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance) to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled;
- (c) the sanction of the Scheme of Arrangement (with or without modifications) and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme of Arrangement by the High Court and the registration of a copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance;
- (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme of Arrangement, respectively;
- (e) all necessary authorisations, consents and approvals (including approval in-principle) of any governmental or regulatory body in relation to the Proposal (including its implementation) having been obtained and remaining in full force and effect pursuant to the provisions of any laws or regulations in Hong Kong, Japan and other relevant jurisdictions;
- (f) all necessary third party consents in relation to the Proposal required pursuant to any agreement to which any member of the Group is a party having been obtained or waived by the relevant party(ies) and remaining in full force and effect without modification;
- (g) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Proposal void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the Proposal;
- (h) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any of the Relevant Authorities which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each case up to and at the time when the Scheme of Arrangement becomes effective;



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## EXPLANATORY STATEMENT

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- (i) there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which as a consequence of the Proposal or the Scheme of Arrangement would result in (in each case to an extent which is material in the context of the Group as a whole and in the context of the Proposal):
- (i) any monies borrowed by or any other indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or earlier than their or its stated maturity date or repayment date;
  - (ii) any such agreement, arrangement, licence, permit or instrument (or the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability arising or any material action being taken thereunder); or
  - (iii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Group or any such security (whenever arising) becoming enforceable,
- and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Group is a party or by which any such member or all or any of its assets may be bound, entitled or subject, would result in any of the events or circumstances as are referred to in subparagraphs (i) to (iii) of this paragraph (i) (in each case to an extent which is material in the context of the Group as a whole and in the context of the Proposal);
- (j) no event having occurred which would make the Proposal, the cancellation of the Scheme Shares or the issue of the New Shares void, unenforceable or illegal or which would prohibit the implementation of the Proposal or impose any additional material conditions or obligations with respect to the Proposal or any part thereof, on the cancellation of the Scheme Shares or the issue of the New Shares; and
- (k) since the date of the Announcement:
- (i) there having been no adverse change in the business, assets, financial or trading, positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal); and
  - (ii) there not having been instituted or remaining outstanding any litigation, arbitration, proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

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## EXPLANATORY STATEMENT

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Condition (a) to the Scheme of Arrangement takes into account the approval requirements under Rule 2.10 of the Takeovers Code, in addition to the statutory requirements under Section 673 of the Companies Ordinance. Under Section 673 of the Companies Ordinance, the Scheme of Arrangement will, subject to the sanction of the High Court, be binding on the Company and all the Scheme Shareholders if the Scheme of Arrangement is approved by at least 75% of the votes attaching to the Scheme Shares held by Scheme Shareholders that are cast either in person or by proxy at the Court Meeting; and the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Disinterested Shares. Based on the 215,275,002 Disinterested Shares as at the Latest Practicable Date, 10% of such Disinterested Shares would amount to 21,527,500 Disinterested Shares. Under Rule 2.10 of the Takeovers Code, however, the Scheme of Arrangement has to be approved by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and the number of votes cast against the resolution to approve the Scheme of Arrangement at the Court Meeting is not more than 10% of the votes attaching to all of the Shares held by such Independent Shareholders. Based on 214,275,002 Shares held by the Independent Shareholders as at the Latest Practicable Date, 10% of such Shares would amount to 21,427,500 Shares.

The Offeror reserves the right to waive all or any of the conditions (except for the conditions referred to in paragraphs (a) to (g) and (j) above) in whole or in part. The Company does not have the right to waive any of the conditions. All of the above conditions will have to be fulfilled or waived, as applicable, on or before 18 August 2015 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code), otherwise the Scheme of Arrangement will lapse. If the Scheme of Arrangement is withdrawn, not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn. In accordance with Note 2 to Rule 30.1 of the Takeovers Code, the Offeror will not be permitted to invoke all or any of the conditions of the Proposal so as to cause the Scheme of Arrangement to lapse unless the circumstances which give rise to the right to invoke the condition are of material significance to the Offeror in the context of the Proposal. If approved, the Scheme of Arrangement will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting.

To the best of the knowledge of the Offeror and the Company, none of the Conditions has been satisfied as at the Latest Practicable Date and, save that the Conditions referred to in paragraphs (g) to (k) above are continuing conditions, none of such Conditions is capable of being revoked.

As at the Latest Practicable Date, there are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

In accordance with Rule 31.1 of the Takeovers Code, except with the consent of the Executive, neither the Offeror nor any person who acted in concert with it in the course of the Proposal, nor any person who is subsequently acting in concert with any of them, may within 12 months from the date on which the Proposal is withdrawn or lapses, either announce an offer or possible offer for the Company or acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer.

Assuming that the above conditions are fulfilled or, as applicable, waived, the Scheme of Arrangement will become effective on the Effective Date, which is expected to be 3 June 2015, and the

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## EXPLANATORY STATEMENT

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listing of the Shares on the Hong Kong Stock Exchange is expected to be withdrawn at 9:00 a.m. on 4 June 2015 pursuant to Rule 6.15 of the Listing Rules.

An announcement will be made by the Company in relation to the results of the Court Meeting and the General Meeting. Further announcements will be made regarding the Proposal in accordance with the requirements of the Takeovers Code, including in relation to the result of the hearing of the petition for the sanction of the Scheme of Arrangement by the High Court, the Effective Date, the date of withdrawal of the listing of the Shares from the Hong Kong Stock Exchange and if the Scheme of Arrangement is withdrawn or lapses.

**Shareholders, shareholders of the Offeror and potential investors should be aware that the implementation of the Proposal and the Scheme of Arrangement is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented and the Scheme of Arrangement may or may not become effective. Shareholders, shareholders of the Offeror and potential investors are advised to exercise caution when dealing in the Shares or in securities of the Offeror, as appropriate. Persons who are in any doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.**

### FINANCIAL RESOURCES

The total cash payment under the Proposal will be approximately HK\$880.5 million which will be funded from a new credit facility made available to the Offeror by Sumitomo Mitsui Banking Corporation.

Nomura, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to implement the Proposal in accordance with its terms.

### REASONS FOR AND BENEFITS OF THE PROPOSAL

The e-commerce market in Asia has achieved more rapid growth than the Offeror had anticipated at the time of the Company's public listing. The Offeror believes that the price of companies in payment related businesses has risen significantly due to the strong investment appetite of global investors. As a result, the Company will require substantially more funding than it previously expected in order to facilitate its ongoing acquisition strategy. While the Company is currently exploring opportunities to invest in certain companies as part of its ongoing expansion, the Offeror believes that the current valuations of these companies make it difficult for the Company to execute acquisitions on its own.

While the Company's core online payment services businesses have grown substantially since listing on the Hong Kong Stock Exchange, the Offeror believes that the division of resources between the Offeror and the Company has led to the performance of the Company, as measured by key financial metrics such as revenue, growth rate and stock price, to be deficient as compared to the Company's competitors in Japan. In addition, the exchange rate between Hong Kong dollars and Japanese yen has decreased by approximately 15% since the listing of the Shares due to the yen's rapid depreciation. This has also affected the price of the Shares as the Company's core business is derived from its operations in Japan. As a result of the decrease in the price of the Shares, the Company is also facing increasing difficulties in conducting acquisitions using the Shares as consideration.

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## EXPLANATORY STATEMENT

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The Offeror believes that the Company will require substantial funding for its future development. Without being subject to the requirements relevant to being run as a standalone listed company, the Company will be able to fund future acquisitions and investments through leveraging the Offeror's greater financial strength, including the latter's access to more competitive financing terms to raising bank borrowings. Additionally, upon becoming an unlisted wholly-owned subsidiary of the Offeror, the provision of intra-group funding from the Offeror to the Company will be facilitated. Due to the low liquidity of the Shares and the significant discount to the net asset value per Share of its trading price on the Hong Kong Stock Exchange, the public equity capital market does not provide the Company with a viable funding alternative.

The Proposal will facilitate business integration between the Offeror and the Company and will provide the Offeror with greater flexibility to support the future business of the Company. Since the Offeror already beneficially owns approximately 58.5% of the Shares as at the Latest Practicable Date, the directors of the Offeror believe that it is unlikely that the Scheme Shareholders will receive any offer from a third party to acquire the Scheme Shares, as such offer would not succeed without the approval of the Offeror. In addition, Shareholders should note that no discussions have taken place (or are taking place) with any third party regarding the disposal of any of the Shares held by the Offeror.

The Offeror accordingly considers that the Scheme of Arrangement provides an opportunity for the Scheme Shareholders to dispose of their Shares and receive cash at a price significantly above the historical market price prior to the Announcement. In light of the low liquidity of the Shares, it is difficult for the holders of the Scheme Shares to realise their Scheme Shares in the stock market without adversely affecting the market price of the Shares. The Offeror considers that the Scheme of Arrangement also affords the Scheme Shareholders with the opportunity to realise their investments in the Company as referred to above, and if they so wish, invest the monies received under the Scheme of Arrangement in alternative investments with higher liquidity than the Shares or use them for other purposes.

### **IF THE SCHEME OF ARRANGEMENT DOES NOT BECOME EFFECTIVE**

If the Scheme of Arrangement does not become effective, the ongoing compliance with the relevant regulatory requirements to maintain the listing status of the Company, including continuing connected transaction and minimum public float requirements, could restrict the future business development of the Company and thereby adversely affect Shareholders in realising the value of their investment. At the same time, the Company may need to consider increasing its capital through methods which are feasible under its existing shareholding structure (including but not limited to a rights issue) and implementing measures such as appropriately controlling the distribution of any dividend to satisfy the Company's future business needs. The Offeror has no intention of disposing any of its approximately 58.5% interest in the Company if the Scheme of Arrangement does not become effective. Considering that the Offeror was interested in approximately 58.5% of the issued Shares of the Company as at the Latest Practicable Date, the Directors (other than the members of the Independent Board Committee, whose recommendation in respect of the Proposal is set out in the letter from the Independent Board Committee on pages 15 to 16 of this document) are of the belief that it is unlikely for the Independent Shareholders to receive any other offer from a third party to acquire their Shares if the Scheme of Arrangement does not become effective. Further information about the future plans for the Company is set out in the section below headed "Future Plans for the Company".

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## EXPLANATORY STATEMENT

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### CANCELLATION CONSIDERATION

#### **Cancellation Consideration is final**

The Cancellation Consideration of HK\$4.09 in cash for every Scheme Share cancelled as announced on 26 February 2015 is final and will not be revised by the Offeror.

### COMPARISON OF VALUE AND FINANCIAL EFFECTS

#### *Comparison of value*

The Cancellation Consideration of HK\$4.09 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents:

- (i) a premium of approximately 41.0% over the closing price of HK\$2.90 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 59.9% over the average closing price of approximately HK\$2.56 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 60.5% over the average closing price of approximately HK\$2.55 per Share as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 51.3% over the average closing price of approximately HK\$2.70 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 43.2% over the average closing price of approximately HK\$2.86 per Share as quoted on the Hong Kong Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 4.6% over the closing price of HK\$3.91 per Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date.

#### *Dividends*

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, totalling HK\$62,250,000. The special dividend was paid on 20 January 2015.

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2014.

### FUTURE PLANS FOR THE COMPANY

The Offeror intends to continue the existing business of the Company upon successful implementation of the Scheme of Arrangement and the Proposal. The Offeror has no intention to make any major changes to the existing operations and business, or to discontinue the employment of the employees of the Group after implementation of the Scheme of Arrangement and the Proposal. However, the Offeror will continue to assess business opportunities as they arise.

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## EXPLANATORY STATEMENT

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If the Scheme of Arrangement and Proposal are successfully implemented, the Offeror intends to implement the following steps as part of the Offeror and the Company's ongoing growth strategy.

**(1) Create a comprehensive service package and to capitalise on the synergies between the Offeror Group and the Company**

The Company's core businesses is focused on serving the entire electronic payments market, which includes the e-commerce market. In particular, the Company is actively developing its business in areas that require face-to-face payment, such as restaurants and the real estate leasing businesses. The Offeror believes that the Company can capitalise on the Offeror's existing client base and the Company can offer its electronic payment services to complement the Offeror's marketing services. The Offeror believes that offering a service package that includes marketing services will help attract customers to its electronic payment businesses. Also, as part of the Offeror's incubation segment, the Offeror actively invests in and supports the development of companies that operate in the IT services sector. The Offeror intends to create synergies for its incubation segment by leveraging its marketing and payment solutions. The Offeror believes that this will maximise the value of both the Company and the Offeror Group as a whole.

**(2) Strengthen the Company and the Offeror's ability to raise capital and acquisition strategy in Asia**

As the recent prices for potential acquisition targets have increased recently, the Offeror believes that it should develop an acquisition strategy for the Offeror Group as a whole rather than for the Company on a stand-alone basis. By doing so, the Company would be able to utilise the Offeror Group's financial strength and business credibility to negotiate favourable terms when raising the necessary funding for such acquisitions. With additional financial resources as a consolidated group, the Offeror Group will also be able to make acquisitions of a larger scale. The Offeror believes that this would help accelerate the growth of the Company and the Offeror Group as a whole.

**(3) Streamlining management resources through organisational restructuring with the Offeror Group**

The Offeror believes that the e-commerce and electronic payments market will continue to grow and the number of competitors will continue to increase. In order to remain competitive, the Offeror believes that the streamlining of management resources is essential as part of its growth strategy. The Offeror intends to combine the marketing related business segments in order to consolidate management resources, as well as managing the Company's investments through the Offeror's incubation business.

The Board notes that the Offeror has stated its intention in respect of the businesses, assets and employees of the Group upon the successful implementation of the Scheme of Arrangement and the Proposal as described above in this section, and welcomes such intention.

### **EFFECT OF THE PROPOSAL AND THE SCHEME OF ARRANGEMENT**

If the Scheme of Arrangement is approved at the Court Meeting in accordance with the requirements of Section 673 of the Companies Ordinance and Rule 2.10 of the Takeovers Code and is sanctioned by the High Court and the other Conditions are either fulfilled or (to the extent permitted) waived, then the Scheme of Arrangement will become binding on the Company and all the Scheme Shareholders.

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## EXPLANATORY STATEMENT

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If the Scheme of Arrangement becomes effective:

- (i) all the Scheme Shares will be cancelled, whereupon the issued share capital of the Company will be reduced from approximately 518,750,000 Shares to 303,474,998 Shares (assuming that there are no changes to its shareholding structure on or prior to the Effective Date) and all share certificates representing holdings of those Scheme Shares cancelled shall cease to have effect as evidence of title;
- (ii) the issued share capital of the Company will then be restored to 518,750,000 Shares by the creation of the same number of New Shares as is equal to the number of the Scheme Shares cancelled;
- (iii) on the Effective Date, the credit which will arise in the Company's books of account as a result of the said reduction of capital will be applied in paying up in full the number of New Shares created (equal to the number of Scheme Shares cancelled) and such New Shares will be allotted and issued, credited as fully paid, to the Offeror; and
- (iv) the Offeror will pay the Cancellation Consideration of HK\$4.09 per Scheme Share to the Scheme Shareholders for each Scheme Share held by them at the Record Time.

Pursuant to Rule 2.3 of the Takeovers Code, if the Proposal is either not recommended by the Independent Board Committee or is not recommended as fair and reasonable by the Independent Financial Adviser, all expenses incurred by the Company in connection with the Proposal shall be borne by the Offeror if the Scheme of Arrangement is not approved. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Company has agreed that it will bear its own expenses incurred in connection with the Scheme of Arrangement, irrespective of whether the Scheme of Arrangement will become effective.

## EXPLANATORY STATEMENT

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme of Arrangement becoming effective (assuming there are no other changes to the Company's shareholding structure on or prior to the Effective Date):

Shareholders	As at the Latest Practicable Date		Upon the Scheme of Arrangement becoming effective	
	Number of Shares	Approximate % of the issued share capital	Number of Shares	Approximate % of the issued share capital
<b>The Offeror</b> .....	303,474,998	58.5	518,750,000	100
<b>Parties acting in concert with the Offeror:</b>				
Mr. Kaoru Hayashi .....	1,000,000	0.2	0	0
<b>Aggregate number of Shares held by parties acting in concert with the Offeror:</b> .....	<u>1,000,000</u>	<u>0.2</u>	<u>0</u>	<u>0</u>
<b>Aggregate number of Shares held by the Offeror and parties acting in concert with it</b> .....	304,474,998	58.7	518,750,000	100
<b>Independent Shareholders:</b>				
SMCC .....	37,500,002	7.2	0	0
Credit Saison .....	28,125,000	5.4	0	0
TIS .....	10,414,000	2.0	0	0
JCB .....	7,500,000	1.5	0	0
Dentsu Partnership .....	1,949,000	0.4	0	0
Other Independent Shareholders .....	128,787,000	24.8	0	0
<b>Aggregate number of Shares held by Independent Shareholders</b> .....	<u>214,275,002</u>	<u>41.3</u>	<u>0</u>	<u>0</u>
<b>Total issued share capital</b> .....	<u><u>518,750,000</u></u>	<u><u>100</u></u>	<u><u>518,750,000</u></u>	<u><u>100</u></u>

### INFORMATION ON THE COMPANY

The Company was established in 2012 as the holding company and regional headquarters for its operating subsidiaries in Japan in order to further expand its business throughout Asia, and its Shares are listed and traded on the Hong Kong Stock Exchange. The Company is principally engaged in the business of providing online payment services, advertising related services and other e-commerce solutions. The Company acts as an intermediary between online merchants and financial institutions or convenience store chains to facilitate the processing of transaction data and settlement of transactions. The Company's principal business operations are in Japan.

The attention of the Scheme Shareholders is drawn to Appendix I to this document which sets out the financial information relating to the Group.

### INFORMATION ON THE OFFEROR

The Offeror was established in 1995 and its shares are listed and traded on the JASDAQ market of the Tokyo Stock Exchange. The Offeror is principally engaged in the internet business in Japan with three business segments: (i) incubation, which focuses on the promotion of investment opportunities in information technology related venture businesses, (ii) marketing, which focuses on the provision of online marketing tools for advertising and sales promotions targeted at customers, and (iii) payment, which focuses on the provision of online payment and e-commerce solutions. As part of the reorganisation of the Company prior to the listing of the Shares on the Hong Kong Stock Exchange, all of the business of the Offeror's payment segment was transferred to the Company.



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## **EXPLANATORY STATEMENT**

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### **WITHDRAWAL OF THE LISTING OF THE SHARES AND THE SHARE CERTIFICATES**

Upon the Scheme of Arrangement becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. If the Scheme of Arrangement becomes effective, the Company intends for the listing of the Shares to be withdrawn from the Hong Kong Stock Exchange. The Company will make an application for the listing of the Shares to be withdrawn from the Hong Kong Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect from the date on which the Scheme of Arrangement becomes effective.

Conditional upon the approval of the Scheme of Arrangement at the Court Meeting and the passing of the special resolution to give effect to the Scheme of Arrangement at the General Meeting, the listing of the Shares from the Hong Kong Stock Exchange will be withdrawn in accordance with Rule 6.15 of the Listing Rules as soon as practicable. If the Scheme of Arrangement becomes effective on 3 June 2015, the listing of the Shares on the Hong Kong Stock Exchange is expected to be withdrawn at 9:00 a.m. on 4 June 2015.

Subject to the requirements of the Takeovers Code, the Scheme of Arrangement will lapse if any of the conditions described in the section headed “Conditions of the Proposal and the Scheme of Arrangement” has not been fulfilled or waived, as applicable, on or before 18 August 2015 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct and as may be permitted under the Takeovers Code). The Scheme Shareholders will be notified by way of an announcement of the dates of the last day for dealing in the Shares and on which the Scheme of Arrangement and the withdrawal of the listing of the Shares on the Hong Kong Stock Exchange will become effective.

If the Scheme of Arrangement is withdrawn or not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn.

### **ENTITLEMENTS TO AND PAYMENT OF CANCELLATION CONSIDERATION**

All transferees of the Shares must lodge the duly completed transfer forms, together with the relevant certificate for the Shares, with the share registrar of the Company, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:30 p.m. on Friday, 29 May 2015, being the day immediately prior to the date of the closure of the register of members of the Company.

Upon the Scheme of Arrangement becoming effective, the Cancellation Consideration will be paid to the Scheme Shareholders whose names appear on the register of members of the Company at the Record Time as soon as possible but in any event within seven business days of the Effective Date. On the basis that the Scheme of Arrangement becomes effective on 3 June 2015, the cheques for the payment of the Cancellation Consideration will be despatched on or before 12 June 2015, in compliance with Rule 20.1 of the Takeovers Code. The cheques for the payment of the Cancellation Consideration will be sent to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first on the register of members in respect of the joint holding. All such cheques will be sent at the risk of the persons entitled thereto and none of the Offeror, the Company and any of their respective officers or agents will be responsible for any loss or delay in despatch.

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## **EXPLANATORY STATEMENT**

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On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cause the cancellation of any cheque which has not been cashed or has been returned uncashed and shall place all monies represented by the cheque in a deposit or custodian account in the Offeror's name with a licensed bank in Hong Kong selected by the Company.

Before the expiry of six years from the Effective Date, the Offeror shall make payments from the deposit or custodian account of the sums, together with interest thereon, to persons who satisfy the Company that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme of Arrangement and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Settlement of the Cancellation Consideration to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

### **OVERSEAS SCHEME SHAREHOLDERS**

This document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

The making of the Proposal to those Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any overseas Scheme Shareholders wishing to accept the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

In the event that the receipt of this document by overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of the Offeror regard as unduly onerous or burdensome (or otherwise not in the best interests of the Offeror or the shareholders of the Offeror), this document will not be despatched to such overseas Scheme Shareholders.

The Offeror reserves the right to make arrangements in respect of Scheme Shareholders who are not resident in Hong Kong in relation to the terms of the Proposal. Such arrangements may include notifying any matter in connection with the Proposal to the Scheme Shareholders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such persons are resident. The notice will be deemed to have been sufficiently given, despite any failure by such Scheme Shareholders to receive or see that notice.

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## **EXPLANATORY STATEMENT**

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### **TAXATION AND INDEPENDENT ADVICE**

As the cancellation of the Scheme Shares upon the Scheme of Arrangement becoming effective does not involve the sale and purchase of any Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong, in this respect.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Consideration will make them liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Company, the Offeror, Nomura, Daiwa, the Independent Financial Adviser, any of their respective officers or advisers and any other person involved in the Proposal accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal.

### **COURT MEETING AND GENERAL MEETING**

The High Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme of Arrangement (with or without modification). Only the Independent Shareholders will be entitled to attend and vote at the Court Meeting under Rule 2.10 of the Takeovers Code. Such Independent Shareholders include Mr. Takashi Okita, an executive Director, holding an aggregate of 140,000 Shares as at the Latest Practicable Date. Mr. Takashi Okita has indicated that he intends to vote his Shares in favour of the resolution for the approval of the Scheme of Arrangement at the Court Meeting. Shares owned by concert parties of the Offeror, including Mr. Kaoru Hayashi, will not be voted at the Court Meeting. Other than Mr. Kaoru Hayashi and Mr. Takashi Okita, none of the other Directors are interested in any Shares.

Immediately following the conclusion of the Court Meeting, the General Meeting will be held for the purpose of considering and, if thought fit, passing the special resolution to give effect to the Scheme of Arrangement, including the reduction of the issued share capital of the Company. All Shareholders will be entitled to attend and vote in respect of the special resolution at the General Meeting. If the Scheme of Arrangement is approved at the Court Meeting, the Offeror and Mr. Kaoru Hayashi have indicated that their respective Shares will be voted in favour of the special resolution to be proposed at the General Meeting.

Notice of the Court Meeting is set out on pages CM-1 to CM-2 of this document. The Court Meeting will be held on 23 April 2015 at the time and place specified in the notice.

Notice of the General Meeting is set out on pages GM-1 to GM-2 of this document. The General Meeting will be held at the same place and date at 10:30 a.m. or immediately after the conclusion or adjournment of the Court Meeting.

For the avoidance of doubt, the articles of association of the Company relating to general meetings do not apply to the Court Meeting, which must be convened and held in accordance with the directions of the High Court.

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## EXPLANATORY STATEMENT

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### ACTIONS TO BE TAKEN

#### Actions to be taken by Shareholders

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the General Meeting are enclosed with this document.

**Whether or not you are able to attend the Court Meeting or the General Meeting or any adjournment thereof in person, if you are an Independent Shareholder, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and if you are a Shareholder, you are strongly encouraged to complete and sign the enclosed white form of proxy in respect of the General Meeting, in accordance with the instructions printed respectively on them and deposit them, together with the power of attorney or other authority (if any), with the share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any case not later than the following respective times. In the case of the pink form of proxy in respect of the Court Meeting, it should be deposited not later than 10:00 a.m. on Tuesday, 21 April 2015 or it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the white form of proxy for use at the General Meeting must be deposited not later than 10:30 a.m. on Tuesday, 21 April 2015.**

The completion and return of a form of proxy for each of the Court Meeting or the General Meeting will not preclude you from attending and voting in person at the Court Meeting or the General Meeting or any adjournment thereof. In such event, the returned form of proxy shall be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of such Court Meeting and/or General Meeting. You are therefore strongly urged to attend and vote at the Court Meeting and/or the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

If a Registered Owner or Beneficial Owner in Hong Kong has questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call the share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong at (852) 2980 1333 (general line) between 9:00 a.m. and 6:00 p.m. Monday to Friday. This helpline cannot and will not provide advice on the merits of the Proposal or the Scheme of Arrangement or give financial or legal advice.

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Thursday, 16 April 2015 to Thursday, 23 April 2015 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Wednesday, 15 April 2015.

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## EXPLANATORY STATEMENT

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An announcement will be made by the Company in relation to the results of the Court Meeting and the General Meeting. Further announcements will be made regarding the Proposal in accordance with the requirements of the Takeovers Code, including in relation to the result of the hearing of the petition for the sanction of the Scheme of Arrangement by the High Court, the Effective Date, the date of withdrawal of the listing of the Shares from the Hong Kong Stock Exchange and if the Scheme of Arrangement is withdrawn or lapses.

### **Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner or deposited in CCASS**

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and for such purpose the Registered Owner may appoint you as its proxy.

Alternatively, if you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you may arrange for some or all of your Shares to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the Court Meeting or the General Meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are a person admitted to participate in CCASS as an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote in respect of the Scheme of Arrangement. The procedure for voting in respect of the Scheme of Arrangement by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

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## **EXPLANATORY STATEMENT**

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### **FURTHER INFORMATION**

Further information in relation to the Proposal is set out in the Appendices in this document, all of which form part of this Explanatory Statement.

Shareholders and Scheme Shareholders should rely only on the information contained in this document. None of the Company, Nomura, Daiwa, the Independent Financial Adviser nor any of their respective directors, officers, employees, agents, affiliates or any persons involved in the Proposal has authorised anyone to provide you with information that is different from what is contained in this document.

### **LANGUAGE**

In case of any inconsistency, the English language text of this document and the accompanying forms of proxy shall prevail over the Chinese language.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**I. FINANCIAL SUMMARY**

The following summary financial information for each of the three financial years ended 30 June 2012, 2013, 2014 and for the six months ended 31 December 2014 is extracted from the respective published audited combined/consolidated financial statements of the Group as set forth in the Prospectus and the annual report for the year ended 30 June 2014, and the unaudited condensed consolidated financial statements in the interim report of the Group for the six months ended 31 December 2014.

The auditors of the Company did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 30 June 2012, 2013 and 2014. There are no exceptional items because of size, nature or incidence that are required to be disclosed in the financial statements of the Group for each of the three years ended 30 June 2012, 2013 and 2014.

	<u>31 Dec 2014</u>	<u>30 Jun 2014</u>	<u>30 Jun 2013</u>	<u>30 Jun 2012</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
<b>Revenue</b> .....	527,708	1,087,706	1,166,509	492,437
<b>Profit before tax</b> .....	60,080	109,786	119,398	74,029
<b>Income tax expense</b> .....	(37,719)	(49,408)	(56,009)	(31,525)
<b>Profit for the period/year</b> .....	<u>22,361</u>	<u>60,378</u>	<u>63,389</u>	<u>42,504</u>
<b>Attributable to:</b>				
Owners of the Company .....	22,429	60,305	64,908	42,966
Non-controlling interests .....	(68)	73	(1,519)	(462)
<b>Earnings per share attributable to ordinary equity holders of the Company</b>				
Basic and diluted .....	<u>HK\$0.04</u>	<u>HK\$0.13</u>	<u>HK\$0.17</u>	<u>HK\$0.11</u>
<b>Dividends</b>				<i>(Note 1)</i>
Interim dividend .....	—	—	—	—
Final dividend .....	—	—	—	—
Special dividend .....	62,250	—	—	—
<b>Dividends per share</b> .....	<u>HK\$0.12</u>	<u>—</u>	<u>—</u>	<u>—</u>

*Note 1: The calculation of basic and diluted earnings per Share attributable to ordinary equity holders of the Company for the year ended 30 June 2012 is based on the profit for the year ended 30 June 2012 attributable to owners of the Company of HK\$42,965,617 and a deemed weighted average number of Shares of 375,000,000 in issue during the year. In determining the weighted average number of Shares in issue, a total of 375,000,000 Shares issued pursuant to the Reorganisation and a capitalisation issue were deemed to have been completed since 1 July 2011.*

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Set out below is financial information of the Group as extracted from the published audited financial statements of the Group for the year ended 30 June 2014.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

**Year ended 30 June 2014**

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



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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**Year ended 30 June 2014**

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

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

**II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**30 June 2014**

	Notes	2014 HK\$	2013 HK\$
<b>NON-CURRENT ASSETS</b>			
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		<u>1,202,239,175</u>	<u>1,195,448,501</u>
<b>CURRENT ASSETS</b>			
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		<u>2,138,191,130</u>	<u>1,774,961,611</u>
<b>CURRENT LIABILITIES</b>			
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		<u>1,334,167,521</u>	<u>1,449,321,777</u>
<b>NET CURRENT ASSETS</b>		<u>804,023,609</u>	<u>325,639,834</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,006,262,784</u>	<u>1,521,088,335</u>
<b>NON-CURRENT LIABILITIES</b>			
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		<u>211,569,082</u>	<u>221,724,549</u>
Net assets		<u>1,794,693,702</u>	<u>1,299,363,786</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	30	2,095,487,067	1,623,234,910
Reserves	31(a)	(306,269,285)	(329,340,065)
		<u>1,789,217,782</u>	<u>1,293,894,845</u>
<b>Non-controlling interests</b>		<u>5,475,920</u>	<u>5,468,941</u>
Total equity		<u>1,794,693,702</u>	<u>1,299,363,786</u>

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

### II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2014

	Attributable to owners of the Company							
	Issued capital	Share premium account	Other reserves* <sup>^</sup>	Retained profits <sup>^</sup>	Exchange fluctuation reserve <sup>^</sup>	Total	Non-controlling interests	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	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
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.

<sup>^</sup> 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.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**Year ended 30 June 2014**

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

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

**Year ended 30 June 2014**

	Notes	2014 HK\$	2013 HK\$
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
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)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	23	<b>1,545,681,589</b>	<b>1,090,236,735</b>

**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.

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

**II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**STATEMENT OF FINANCIAL POSITION**

**30 June 2014**

	Notes	2014 HK\$	2013 HK\$
<b>NON-CURRENT ASSETS</b>			
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		<u>1,572,068,831</u>	<u>1,533,889,624</u>
<b>CURRENT ASSETS</b>			
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		<u>528,192,969</u>	<u>80,079,881</u>
<b>CURRENT LIABILITIES</b>			
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		<u>1,781,100</u>	<u>11,682,144</u>
<b>NET CURRENT ASSETS</b>		<u>526,411,869</u>	<u>68,397,737</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,098,480,700</u>	<u>1,602,287,361</u>
<b>NON-CURRENT LIABILITIES</b>			
Due to a subsidiary	16	528,651	—
Loan from a subsidiary	16	38,750,000	—
Provisions	27	23,535	—
Total non-current liabilities		<u>39,302,186</u>	<u>—</u>
Net assets		<u>2,059,178,514</u>	<u>1,602,287,361</u>
<b>EQUITY</b>			
Issued capital	30	2,095,487,067	1,623,234,910
Accumulated losses	31(b)	(36,308,553)	(20,947,549)
Total equity		<u>2,059,178,514</u>	<u>1,602,287,361</u>

**Notes to the Financial Statements  
30 June 2014****1. CORPORATE INFORMATION AND GROUP REORGANISATION**

ecomtext 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,

**Notes to the Financial Statements  
30 June 2014****2.1 BASIS OF PRESENTATION (continued)**

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.

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.



**Notes to the Financial Statements  
30 June 2014****2.2 BASIS OF PREPARATION (continued)****Basis of consolidation (continued)**

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.

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

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### Notes to the Financial Statements 30 June 2014

#### 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

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### Notes to the Financial Statements 30 June 2014

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

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

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

(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

**Notes to the Financial Statements****30 June 2014****2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)**

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.

**Notes to the Financial Statements**  
**30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Investments in an associate and joint ventures (continued)**

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.

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.

**Notes to the Financial Statements  
30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Business combinations and goodwill (continued)**

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.

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

**Notes to the Financial Statements****30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Fair value measurement (continued)**

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

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

**Notes to the Financial Statements  
30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of non-financial assets (continued)**

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.

**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).



**Notes to the Financial Statements  
30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

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

**Notes to the Financial Statements  
30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Intangible assets (other than goodwill) (continued)**

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.

**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.

**Notes to the Financial Statements****30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Investments and other financial assets (continued)***Initial recognition and measurement (continued)*

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 of 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.

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.

**Notes to the Financial Statements****30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Investments and other financial assets (continued)*****Subsequent measurement (continued)******Available-for-sale financial investments (continued)***

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.

**Notes to the Financial Statements  
30 June 2014****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.

**Notes to the Financial Statements**  
**30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of financial assets (continued)***Available-for-sale financial investments (continued)*

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.

**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.

**Notes to the Financial Statements****30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

**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

**Notes to the Financial Statements****30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Income tax (continued)**

- 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.

**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.



**Notes to the Financial Statements****30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

**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

**Notes to the Financial Statements****30 June 2014****2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Foreign currencies (continued)**

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

**Notes to the Financial Statements****30 June 2014****3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)****Judgements (continued)*****Determination of functional currency (continued)***

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.

***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

**Notes to the Financial Statements****30 June 2014****3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)****Estimation uncertainty (continued)*****Impairment of non-financial assets (other than goodwill) (continued)***

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.

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

**Notes to the Financial Statements**  
**30 June 2014**

**4. OPERATING SEGMENT INFORMATION (continued)**

	Year ended 30 June 2014 / as at 30 June 2014			
	Payment segment	All other segments	Adjustments and eliminations	Total
	HK\$	HK\$	HK\$	HK\$
<b>Segment revenue:</b>				
Revenue from external customers . . . . .	1,032,103,567	55,602,168	—	1,087,705,735
Inter-segment revenue . . . . .	—	92,096	(92,096)	—
	<u>1,032,103,567</u>	<u>55,694,264</u>	<u>(92,096)</u>	<u>1,087,705,735</u>
<b>Segment results . . . . .</b>	<u>115,512,606</u>	<u>(5,726,729)</u>	<u>—</u>	<u>109,785,877</u>
<b>Segment assets . . . . .</b>	<u>2,772,275,476</u>	<u>617,755,208</u>	<u>(49,600,379)</u>	<u>3,340,430,305</u>
<b>Segment liabilities . . . . .</b>	<u>1,536,677,914</u>	<u>58,659,068</u>	<u>(49,600,379)</u>	<u>1,545,736,603</u>
<b>Other segment information:</b>				
Investment in an associate . . . . .	4,357,551	—	—	4,357,551
Investments in joint ventures . . . . .	18,124,280	—	—	18,124,280
Share of losses of:				
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)

	Year ended 30 June 2013 / as at 30 June 2013			
	Payment segment	All other segments	Adjustments and eliminations	Total
	HK\$	HK\$	HK\$	HK\$
<b>Segment revenue:</b>				
Revenue from external customers . . . . .	1,108,169,365	58,340,054	—	1,166,509,419
Inter-segment revenue . . . . .	—	107,022	(107,022)	—
	<u>1,108,169,365</u>	<u>58,447,076</u>	<u>(107,022)</u>	<u>1,166,509,419</u>
<b>Segment results . . . . .</b>	<u>136,059,512</u>	<u>(16,661,065)</u>	<u>—</u>	<u>119,398,447</u>
<b>Segment assets . . . . .</b>	<u>2,837,325,375</u>	<u>133,084,737</u>	<u>—</u>	<u>2,970,410,112</u>
<b>Segment liabilities . . . . .</b>	<u>1,643,980,387</u>	<u>27,065,939</u>	<u>—</u>	<u>1,671,046,326</u>
<b>Other segment information:</b>				
Investment in an associate . . . . .	3,309,541	—	—	3,309,541
Share of loss of an associate . . . . .	(1,037,475)	—	—	(1,037,475)
Capital expenditure* . . . . .	83,313,922	6,598,612	—	89,912,534
Depreciation and amortisation . . . . .	(50,498,014)	(4,262,494)	—	(54,760,508)
Impairment of accounts receivable . . . . .	(602,782)	—	—	(602,782)
Interest income . . . . .	558,018	10,262	(97,239)	471,041
Finance costs . . . . .	(945,538)	(124,400)	97,239	(972,699)

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

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
**30 June 2014**

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

### Notes to the Financial Statements 30 June 2014

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

<sup>^</sup> 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	<b>1,154,457</b>	966,737
Interest on finance lease	<b>20,468</b>	5,962
	<b>1,174,925</b>	972,699

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

### Notes to the Financial Statements 30 June 2014

#### 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	2013
	HK\$	HK\$
Fees .....	<b>852,504</b>	60,000
Other emoluments:		
Salaries, allowances and benefits in kind .....	<b>6,148,936</b>	7,489,578
Social security costs .....	<b>90,950</b>	129,336
Performance related bonuses .....	—	294,406
Pension scheme contributions .....	<b>142,590</b>	158,395
	<b><u>7,234,980</u></b>	<u>8,131,715</u>

	Fees	Salaries, allowances and benefits in kind	Social security costs	Performance related bonuses	Pension scheme contributions	Total remuneration
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>2014</b>						
Executive directors:						
Kaoru Hayashi .....	—	<b>1,686,330</b>	—	—	—	<b>1,686,330</b>
Takashi Okita .....	—	<b>1,500,105</b>	<b>36,697</b>	—	<b>65,551</b>	<b>1,602,353</b>
Tomohiro Yamaguchi .....	—	<b>1,551,210</b>	<b>35,621</b>	—	<b>60,401</b>	<b>1,647,232</b>
Keizo Odori .....	—	<b>1,411,291</b>	<b>18,632</b>	—	<b>16,638</b>	<b>1,446,561</b>
Non-executive directors:						
Joi Okada .....	<b>172,587</b>	—	—	—	—	<b>172,587</b>
Adam David Lindemann .....	<b>240,000</b>	—	—	—	—	<b>240,000</b>
Independent non-executive directors:						
Mamoru Ozaki .....	<b>146,639</b>	—	—	—	—	<b>146,639</b>
Toshio Kinoshita .....	<b>146,639</b>	—	—	—	—	<b>146,639</b>
Takao Nakamura .....	<b>146,639</b>	—	—	—	—	<b>146,639</b>
	<b><u>852,504</u></b>	<b><u>6,148,936</u></b>	<b><u>90,950</u></b>	<b><u>—</u></b>	<b><u>142,590</u></b>	<b><u>7,234,980</u></b>
<b>2013</b>						
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
	<b><u>60,000</u></b>	<b><u>7,489,578</u></b>	<b><u>129,336</u></b>	<b><u>294,406</u></b>	<b><u>158,395</u></b>	<b><u>8,131,715</u></b>

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.



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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
**30 June 2014**

**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).

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
**30 June 2014**

**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.

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

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:

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

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.

**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.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
**30 June 2014**

**10. INCOME TAX (continued)**

**Changes in tax rates (continued)**

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:

	<u>Fiscal years starting from 1 April 2014</u>	<u>Fiscal years starting from 1 April 2012 to 31 March 2014</u>
<i>Corporate tax rate</i>		
VeriTrans .....	25.5%	25.5%
ECONTEXT .....	25.5%	25.5%
<i>Residence tax rate</i>		
VeriTrans .....	20.7%	20.7%
ECONTEXT .....	20.7%	20.7%
<i>Enterprise tax rate</i>		
VeriTrans .....	3.26%	3.26%
ECONTEXT .....	5.78%	5.78%
<i>Special corporate tax for reconstruction</i>		
VeriTrans .....	—	10%
ECONTEXT .....	—	10%
<i>Local special corporate tax rate</i>		
VeriTrans .....	4.292%	4.292%
ECONTEXT .....	4.293%	4.293%
<b>Total tax rate</b>		
VeriTrans .....	<u>35.64%</u>	<u>38.01%</u>
ECONTEXT .....	<u>37.11%</u>	<u>39.43%</u>

**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.

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

**Notes to the Financial Statements**  
**30 June 2014**

**13. PROPERTY, PLANT AND EQUIPMENT**

**Group**

	<u>Leasehold improvements</u>	<u>Fixtures, fittings and equipment</u>	<u>Total</u>
	HK\$	HK\$	HK\$
<b>30 June 2014</b>			
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 .....	<u>3,615,978</u>	<u>43,025,310</u>	<u>46,641,288</u>
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 .....	<u>3,387,635</u>	<u>33,712,536</u>	<u>37,100,171</u>
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 .....	<u>3,387,635</u>	<u>33,712,536</u>	<u>37,100,171</u>
<b>30 June 2013</b>			
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 .....	<u>2,142,564</u>	<u>17,245,951</u>	<u>19,388,515</u>
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 .....	<u>3,615,978</u>	<u>43,025,310</u>	<u>46,641,288</u>
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 .....	<u>3,615,978</u>	<u>43,025,310</u>	<u>46,641,288</u>

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**

**30 June 2014**

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

**Company**

	<u>Leasehold improvements</u>	<u>Fixtures, fittings and equipment</u>	<u>Total</u>
	HK\$	HK\$	HK\$
<b>30 June 2014</b>			
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 .....	<u>120,275</u>	<u>211,259</u>	<u>331,534</u>
At 30 June 2014:			
Cost .....	132,413	240,021	372,434
Accumulated depreciation .....	(12,138)	(28,762)	(40,900)
Net carrying amount .....	<u>120,275</u>	<u>211,259</u>	<u>331,534</u>

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**

	<u>HK\$</u>
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 .....	<u>410,440,730</u>
At 30 June 2013:	
Cost and net carrying amount .....	<u>410,440,730</u>
Cost at 1 July 2013 .....	410,440,730
Exchange realignment .....	(11,610,294)
Cost and net carrying amount at 30 June 2014 .....	<u>398,830,436</u>
At 30 June 2014:	
Cost and net carrying amount .....	<u>398,830,436</u>

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

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### Notes to the Financial Statements 30 June 2014

#### 14. GOODWILL (continued)

##### 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.

##### *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:

	<u>2014</u>	<u>2013</u>
	HK\$	HK\$
Payment CGU .....	<b>387,309,022</b>	398,293,842
Marketing CGU .....	<b>11,521,414</b>	12,146,888
Total .....	<b><u>398,830,436</u></b>	<u>410,440,730</u>

**Notes to the Financial Statements  
30 June 2014**

**14. GOODWILL (continued)**

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

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.

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

**Notes to the Financial Statements**  
**30 June 2014**

**15. OTHER INTANGIBLE ASSETS**

**Group**

	Software	Software development in progress	Trademarks	Customer relationships	Others	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>30 June 2014</b>						
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 . . . . .	<u>84,367,714</u>	<u>6,932,116</u>	<u>368,578,014</u>	<u>207,797,435</u>	<u>508,729</u>	<u>668,184,008</u>
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 . . .	<u>84,367,714</u>	<u>6,932,116</u>	<u>368,578,014</u>	<u>207,797,435</u>	<u>508,729</u>	<u>668,184,008</u>
<b>30 June 2013</b>						
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 . . .	<u>84,683,446</u>	<u>6,375,720</u>	<u>471,722,114</u>	<u>301,806,338</u>	<u>547,997</u>	<u>865,135,615</u>
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 . . . . .	<u>74,400,761</u>	<u>12,912,186</u>	<u>379,307,632</u>	<u>228,263,217</u>	<u>420,753</u>	<u>695,304,549</u>
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 . . .	<u>74,400,761</u>	<u>12,912,186</u>	<u>379,307,632</u>	<u>228,263,217</u>	<u>420,753</u>	<u>695,304,549</u>



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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**

**30 June 2014**

**15. OTHER INTANGIBLE ASSETS (continued)**

**Company**

	<b>Software</b>
	<b>HK\$</b>
<b>30 June 2014</b>	
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
<b>30 June 2013</b>	
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)
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.

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.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
**30 June 2014**

**15. OTHER INTANGIBLE ASSETS (continued)**

**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	Trademarks	Software development in progress	Trademarks
	HK\$	HK\$	HK\$	HK\$
Payment CGU .....	<b>6,932,116</b>	<b>368,578,014</b>	12,842,949	379,307,632
Marketing CGU .....	—	—	69,237	—
	<u><b>6,932,116</b></u>	<u><b>368,578,014</b></u>	<u>12,912,186</u>	<u>379,307,632</u>

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	2013
	HK\$	HK\$
Unlisted investments, at cost .....	<u><b>1,523,234,910</b></u>	<u>1,523,234,910</u>

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.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

### Notes to the Financial Statements 30 June 2014

#### 16. INVESTMENTS IN SUBSIDIARIES (continued)

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		Principal activities
			Direct	Indirect	
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.

*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.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
**30 June 2014**

**17. INVESTMENTS IN JOINT VENTURES**

	Group		Company	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
Unlisted investments, at cost .....	—	—	<b>3,939,795</b>	—
Share of net assets .....	<b>18,124,280</b>	—	—	—
	<b><u>18,124,280</u></b>	<u>—</u>	<b><u>3,939,795</u></b>	<u>—</u>

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	Voting power	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.

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.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

### Notes to the Financial Statements 30 June 2014

#### 17. INVESTMENTS IN JOINT VENTURES (continued)

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:

	<u>2014</u>
	<u>HK\$</u>
Cash and cash equivalents . . . . .	5,076,132
Other current assets . . . . .	1,129,174
Total current assets . . . . .	<u>6,205,306</u>
Non-current assets—investments . . . . .	<u>39,660,564</u>
Other current liabilities . . . . .	<u>(810,780)</u>
Net assets . . . . .	<u>45,055,090</u>
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) . . . . .	<u>(7,784,276)</u>
Carrying amount of the investment . . . . .	<u>14,517,994</u>
Selling, general and administrative expenses . . . . .	<u>(1,257,705)</u>
Other comprehensive loss . . . . .	<u>(17,482)</u>
Loss and total comprehensive loss for the year . . . . .	<u>(1,275,187)</u>

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

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

#### 18. INVESTMENT IN AN ASSOCIATE

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
Unlisted shares, at cost . . . . .	—	—	7,314,230	4,640,480
Share of net assets . . . . .	<u>4,357,551</u>	3,309,541	—	—
	<u>4,357,551</u>	<u>3,309,541</u>	<u>7,314,230</u>	<u>4,640,480</u>

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).

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

### Notes to the Financial Statements 30 June 2014

#### 18. INVESTMENT IN AN ASSOCIATE (continued)

Particulars of the associate are as follows:

<u>Name</u>	<u>Particulars of issued shares held</u>	<u>Place of incorporation/ registration and business</u>	<u>Percentage of ownership interest attributable to the Group</u>	<u>Principal activity</u>
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:

	<u>2014</u>	<u>2013</u>
	<u>HK\$</u>	<u>HK\$</u>
Share of the associate's loss for the year	<b>(93,235)</b>	(1,037,475)
Share of the associate's other comprehensive loss	<b>(669,373)</b>	(225,113)
Share of the associate's total comprehensive loss <sup>#</sup>	<b>(762,608)</b>	(1,262,588)
Aggregate carrying amount of the Group's investment in an associate	<b>4,357,551</b>	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

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
Unlisted equity investment	<b>35,649,999</b>	5,670,942	<b>35,649,999</b>	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.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
**30 June 2014**

**20. COMMERCIAL BONDS**

**Group**

	2014	2013
	HK\$	HK\$
Commercial bonds .....	<b>15,290,520</b>	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	2013
	HK\$	HK\$
Accounts receivable .....	<b>25,127,499</b>	25,789,954
Impairment .....	<b>(408,055)</b>	(413,582)
	<b>24,719,444</b>	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	2013
	HK\$	HK\$
Within 30 days .....	<b>23,014,274</b>	20,539,481
31 to 60 days .....	<b>295,491</b>	2,916,365
61 to 90 days .....	<b>436,439</b>	831,143
91 to 120 days .....	<b>80,961</b>	49,747
Over 120 days .....	<b>892,279</b>	1,039,636
	<b>24,719,444</b>	25,376,372

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

### Notes to the Financial Statements 30 June 2014

#### 21. ACCOUNTS RECEIVABLE (continued)

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

##### Group

	2014	2013
	HK\$	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 . . . . .	<u>408,055</u>	<u>413,582</u>

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).

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

##### Group

	2014	2013
	HK\$	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
	<u>24,719,444</u>	<u>25,376,372</u>

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	2013	2014	2013
	HK\$	HK\$	HK\$	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	—
	<u>13,457,100</u>	<u>30,524,048</u>	<u>743,608</u>	<u>8,763,200</u>

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.



## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

### Notes to the Financial Statements 30 June 2014

#### 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 . . . . .	<u>1,545,681,589</u>	<u>1,090,236,735</u>	<u>527,449,361</u>	<u>71,316,681</u>

\* 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	—	—
	<u>50,613,447</u>	<u>61,370,386</u>	<u>1,122,514</u>	<u>11,681,829</u>

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.

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

**Notes to the Financial Statements**  
**30 June 2014**

**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			—
			<u>76,452,600</u>			<u>217,703</u>

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	2013
	HK\$	HK\$
Analysed into:		
Bank loan repayable:		
Within one year . . . . .	<u>76,452,600</u>	217,703
	<u>76,452,600</u>	<u>217,703</u>

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.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
**30 June 2014**

**26. FINANCE LEASE PAYABLES (continued)**

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

	<u>Minimum lease payments</u> 2014 HK\$	<u>Minimum lease payments</u> 2013 HK\$	<u>Present value of minimum lease payments</u> 2014 HK\$	<u>Present value of minimum lease payments</u> 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	<u>910,683</u>	1,187,111	<u>875,900</u>	<u>1,130,351</u>
Future finance charges	(34,783)	(56,760)		
Total net finance lease payables	<u>875,900</u>	1,130,351		
Portion classified as current liabilities	<u>(227,058)</u>	(228,953)		
Non-current portion	<u>648,842</u>	<u>901,398</u>		

**27. PROVISIONS**

	<u>Group Dilapidation provisions</u> HK\$	<u>Company Dilapidation provisions</u> 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	<u>1,021,485</u>	<u>23,535</u>

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.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
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**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**

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

Notea: 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**

	<u>Group</u>		<u>Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
Agency payment services—to be paid to online merchants .....	<u><b>1,157,380,675</b></u>	<u>1,362,977,494</u>	<u><b>653,949</b></u>	<u>—</u>

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.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
**30 June 2014**

**29. DEFERRED TAX**

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

**Deferred tax liabilities**

*Group*

	<b>Difference in depreciation allowance for tax purposes and related depreciation</b>	<b>Fair value adjustments to intangible assets arising from acquisition of subsidiaries</b>	<b>Total</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
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 .....	<u>(609,502)</u>	<u>(205,771,685)</u>	<u>(206,381,187)</u>

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

**Notes to the Financial Statements**  
**30 June 2014**

**29. DEFERRED TAX (continued)**

**Deferred tax assets**

**Group**

	Difference in depreciation allowance for tax purposes and related depreciation	Accrued Japanese enterprise tax	Accrued bonuses	Vacation accruals	Fair value adjustments to intangible assets arising from acquisition of subsidiaries	Revenue recognition	Others	Losses available for offsetting against future taxable profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	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	<u>150,041</u>	<u>1,693,726</u>	<u>710,145</u>	<u>1,266,706</u>	<u>848,254</u>	<u>5,535,437</u>	<u>1,518,910</u>	<u>—</u>	<u>11,723,219</u>
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	<u>218,893</u>	<u>2,603,591</u>	<u>561,505</u>	<u>1,429,416</u>	<u>312,326</u>	<u>5,342,589</u>	<u>1,517,998</u>	<u>1,488,626</u>	<u>13,474,944</u>

\* 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	<b>12,865,442</b>	10,915,071
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>(205,771,685)</b>	(217,920,174)
	<b><u>(192,906,243)</u></b>	<u>(207,005,103)</u>

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

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

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### Notes to the Financial Statements

30 June 2014

#### 29. DEFERRED TAX (continued)

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

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

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
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**30. SHARE CAPITAL (continued)**

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 .....	<u>518,750,000</u>	<u>2,095,487,067</u>	<u>—</u>	<u>2,095,487,067</u>

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.



**Notes to the Financial Statements****30 June 2014****30. SHARE CAPITAL (continued)****(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.

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.

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

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### Notes to the Financial Statements 30 June 2014

#### 31. RESERVES

##### 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.

##### Company

	Notes	Share premium account	Accumulated losses	Total
		HK\$	HK\$	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.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
**30 June 2014**

**32. BUSINESS COMBINATION (continued)**

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\$
<b>Assets</b>	
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
<b>Total assets</b> .....	<b>7,741,953</b>
<b>Liabilities</b>	
Interest-bearing bank borrowings .....	1,441,809
Other current liabilities .....	687,518
<b>Total liabilities</b> .....	<b>2,129,327</b>
<b>Total identifiable net assets at fair value</b> .....	<b>5,612,626</b>
<b>Goodwill on acquisition (note 14)</b> .....	<b>13,821,573</b>
<b>Purchase consideration satisfied by cash</b> .....	<b>19,434,199</b>
	<b>HK\$</b>
<i>An analysis of the cash flows in respect of the acquisition of Kotohako is as follows:</i>	
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 .....	<b>(13,029,960)</b>

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.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

### Notes to the Financial Statements 30 June 2014

#### 33. OPERATING LEASE ARRANGEMENTS (continued)

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	—
	<u>1,179,975</u>	<u>481,562</u>	<u>154,071</u>	<u>—</u>

#### 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

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:

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

	Notes	Group	
		2014	2013
		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
		<u>                    </u>	<u>                    </u>

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-

**Notes to the Financial Statements**

**30 June 2014**

**35. RELATED PARTY TRANSACTIONS (continued)**

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

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.

**(b) Transactions with Kakaku.com, Inc. (“Kakaku.com”)**

	Group	
	2014	2013
	HK\$	HK\$
Sales to Kakaku.com . . . . .	<b>6,254,801</b>	6,076,201
Purchases from Kakaku.com . . . . .	<b>3,127,400</b>	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.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
**30 June 2014**

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

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to the Financial Statements**  
**30 June 2014**

**36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

**Company**

	2014	2013
	HK\$	HK\$
<b>Financial assets</b>		
<i>Available-for-sale financial asset</i>		
Available-for-sale investment .....	35,649,999	5,670,942
<i>Loans and receivables</i>		
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
	<b>2,062,053,521</b>	<b>1,599,205,936</b>
	<b>2,097,703,520</b>	<b>1,604,876,878</b>
<b>Financial liabilities</b>		
<i>Financial liabilities at amortised cost</i>		
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
	<b>41,059,751</b>	<b>11,682,144</b>

**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

**Notes to the Financial Statements**  
**30 June 2014**

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

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 expose 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 expose 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.

**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



**Notes to the Financial Statements****30 June 2014****38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****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.

**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

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

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### Notes to the Financial Statements

30 June 2014

#### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### Liquidity risk (continued)

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.

##### 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	2013
	HK\$	HK\$
Total borrowings .....	<u>77,328,500</u>	<u>1,348,054</u>
Total shareholders' equity .....	<u>1,789,217,782</u>	<u>1,293,894,845</u>
Total borrowings and total shareholders' equity .....	<u>1,866,546,282</u>	<u>1,295,242,899</u>
Gearing ratio .....	<u>4.1%</u>	<u>0.1%</u>

#### 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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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**III. UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Set out below is the financial information of the Group as extracted from the published unaudited condensed consolidated financial statements in the interim results announcement of the Group for the six months ended 31 December 2014.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

**Six months ended 31 December 2014**

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

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.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**III. UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**Six months ended 31 December 2014**

	Six months ended 31 December	
	2014	2013
	(Unaudited) HK\$	(Unaudited) HK\$
<b>PROFIT FOR THE PERIOD</b> .....	<b>22,361,481</b>	19,403,882
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
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)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b> .....	<b>(201,664,615)</b>	(79,249,399)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b> .....	<b>(179,303,134)</b>	(59,845,517)
Attributable to:		
Owners of the Company .....	(178,867,418)	(59,200,795)
Non-controlling interests .....	(435,716)	(644,722)
	<b>(179,303,134)</b>	(59,845,517)

**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

**III. UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**31 December 2014**

	<u>Notes</u>	<b>31 December 2014</b> (Unaudited) HK\$	<b>30 June 2014</b> (Audited) HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		30,600,674	37,100,171
Goodwill		335,695,304	398,830,436
Other intangible assets		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		<u>1,025,023,127</u>	<u>1,202,239,175</u>
<b>CURRENT ASSETS</b>			
Accounts receivable	10	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		<u>2,390,911,460</u>	<u>2,138,191,130</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable, other payables and accruals	11	109,660,623	50,613,447
Payment processing payables		1,515,805,656	1,157,380,675
Interest-bearing bank borrowings		—	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		<u>1,679,426,354</u>	<u>1,334,167,521</u>
<b>NET CURRENT ASSETS</b>		<u>711,485,106</u>	<u>804,023,609</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,736,508,233</u>	<u>2,006,262,784</u>
<b>NON-CURRENT LIABILITIES</b>			
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		<u>183,367,665</u>	<u>211,569,082</u>
Net assets		<u>1,553,140,568</u>	<u>1,794,693,702</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		2,095,487,067	2,095,487,067
Reserves		(547,386,703)	(306,269,285)
		<u>1,548,100,364</u>	<u>1,789,217,782</u>
<b>Non-controlling interests</b>		<u>5,040,204</u>	<u>5,475,920</u>
Total equity		<u>1,553,140,568</u>	<u>1,794,693,702</u>

**Notes to Condensed Consolidated Financial Statements  
31 December 2014****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.

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, Inc. ("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 Rules Governing the Listing of Securities on the Stock Exchange (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

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, changes in presentation and measurement of certain items of the condensed consolidated financial statements.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to Condensed Consolidated Financial Statements**  
**31 December 2014**

**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.

	Six months ended 31 December 2014/ as at 31 December 2014			
	Payment segment	All other segments	Adjustments and eliminations	Total
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
<b>Segment revenue:</b>				
Revenue from external customers . . . . .	496,570,436	31,137,495	—	527,707,931
Inter-segment revenue . . . . .	—	42,736	(42,736)	—
	<u>496,570,436</u>	<u>31,180,231</u>	<u>(42,736)</u>	<u>527,707,931</u>
<b>Segment results . . . . .</b>	<b>68,040,483</b>	<b>115,303,623</b>	<b>(123,263,916)</b>	<b>60,080,190</b>
<b>Segment assets . . . . .</b>	<b>2,747,386,819</b>	<b>709,585,989</b>	<b>(41,038,221)</b>	<b>3,415,934,587</b>
<b>Segment liabilities . . . . .</b>	<b>1,789,077,188</b>	<b>114,755,052</b>	<b>(41,038,221)</b>	<b>1,862,794,019</b>
<b>Other segment information:</b>				
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).

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

### Notes to Condensed Consolidated Financial Statements 31 December 2014

#### 3. OPERATING SEGMENT INFORMATION (continued)

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.

	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\$
<b>Segment revenue:</b>				
Revenue from external customers . . . . .	506,258,067	24,945,209	—	531,203,276
Inter-segment revenue . . . . .	—	46,680	(46,680)	—
	<u>506,258,067</u>	<u>24,991,889</u>	<u>(46,680)</u>	<u>531,203,276</u>
<b>Segment results</b> . . . . .	<u>50,456,499</u>	<u>(16,414,601)</u>	<u>—</u>	<u>34,041,898</u>
<b>Segment assets</b> (Audited) . . . . .	<u>2,772,275,476</u>	<u>617,755,208</u>	<u>(49,600,379)</u>	<u>3,340,430,305</u>
<b>Segment liabilities</b> (Audited) . . . . .	<u>1,536,677,914</u>	<u>58,659,068</u>	<u>(49,600,379)</u>	<u>1,545,736,603</u>
<b>Other segment information:</b>				
Investment in an associate (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 . . . . .	<u>(582,640)</u>	<u>(255,783)</u>	<u>255,783</u>	<u>(582,640)</u>

\* 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.

#### 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.



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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to Condensed Consolidated Financial Statements**  
**31 December 2014**

**3. OPERATING SEGMENT INFORMATION (continued)**

**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:

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

### Notes to Condensed Consolidated Financial Statements 31 December 2014

#### 5. PROFIT BEFORE TAX

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

	Six months ended 31 December	
	2014	2013
	(Unaudited) HK\$	(Unaudited) HK\$
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
	<u>7,075,544</u>	<u>6,909,993</u>
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* <sup>^</sup> .....	1,205,416	1,751,426
Less: Amount capitalised .....	<u>(1,702,490)</u>	<u>(2,807,044)</u>
	<u>40,081,141</u>	<u>40,196,950</u>
Foreign exchange gains, net .....	<u>(6,456,160)</u>	<u>(2,439,620)</u>
Impairment of accounts receivable .....	895,821	112,838
Loss on disposals/retirements of property, plant and equipment .....	<u>—</u>	<u>12,086</u>

<sup>^</sup> 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.

#### 6. FINANCE COSTS

An analysis of finance costs is as follows:

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

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to Condensed Consolidated Financial Statements**  
**31 December 2014**

**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.

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

**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).

**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**

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

### Notes to Condensed Consolidated Financial Statements 31 December 2014

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

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

	Six months ended 31 December	
	2014	2013
	(Unaudited)	(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)	<u>518,750,000</u>	<u>383,831,522</u>
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)	<u>518,750,000</u>	<u>385,156,250</u>
Basic earnings per share attributable to ordinary equity holders of the Company (a)/(b)	<u>0.04</u>	<u>0.05</u>
Diluted earnings per share attributable to ordinary equity holders of the Company (a)/(c)	<u>0.04</u>	<u>0.05</u>

\* 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. ACCOUNTS RECEIVABLE

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

The Group generally has specific trading terms with its debtors. For those on credit, the credit period is generally on 30-day terms from the month-end closing date. Each debtor has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. 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	30 June 2014
	(Unaudited) HK\$	(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	<u>1,344,510</u>	<u>892,279</u>
	<u>19,745,252</u>	<u>24,719,444</u>

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY**

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**Notes to Condensed Consolidated Financial Statements  
31 December 2014****11. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS**

	31 December 2014	30 June 2014
	(Unaudited) HK\$	(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	—
	<u>109,660,623</u>	<u>50,613,447</u>

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.

Dividend was paid on 20 January 2015.

**IV. INDEBTEDNESS****Borrowings**

As at the close of business on 28 February 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Group had outstanding borrowings of approximately 624,300 Hong Kong dollars being lease debt for office equipment of 9,483,560 Japanese yen under a five-year contract entered into by VeriTrans Inc., a subsidiary of the Company, with Sumitomo Mitsui Finance & Leasing Co., Ltd.

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 28 February 2015, the Group did not have any outstanding loan capital, bank overdrafts, loan, mortgage, charges or other similar indebtedness, or hire purchase of finance lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities.

For the purpose of the above statement of indebtedness, the amount in Japanese yen has been translated into Hong Kong dollars at the rate of exchange prevailing at the close of business on 28 February 2015. The Directors have confirmed that there has been no material change in the Group's indebtedness and contingent liability position since 28 February 2015 up to the Latest Practicable Date.

**V. MATERIAL CHANGES**

The Directors confirm that there has been no material change to the financial and trading position or outlook of the Group since 30 June 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

## 1. RESPONSIBILITY STATEMENT

This document includes materials given in compliance with the Takeovers Code for the purpose of providing information with regard to the Proposal, the Offeror and the Company.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the Company) have been arrived at after due and careful consideration and there are no facts not contained in this document, the omission of which would make any statement in this document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document relating to the Group, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this document by the Company have been arrived at after due and careful consideration and there are no facts not contained in this document, the omission of which would make any statement in this document misleading.

## 2. MARKET PRICES OF THE SHARES

- (a) The lowest and highest closing prices of the Shares as quoted on the Hong Kong Stock Exchange during the period commencing six months before the Announcement Date up to the Latest Practicable Date were HK\$2.00 per Share on 17 December 2014 and HK\$3.96 per Share on 25 March 2015.
- (b) The table below sets out the closing prices of the Shares on the Hong Kong Stock Exchange (i) on the last business day of each of the calendar months commencing six months immediately preceding the Announcement Date; (ii) on the Last Trading Day; (iii) on the last business day immediately preceding the Announcement Date; and (iv) on the Latest Practicable Date:

	<u>the Shares</u>
	HK\$ (per Share)
29 August 2014 .....	2.96
30 September 2014 .....	2.64
31 October 2014 .....	3.28
28 November 2014 .....	2.80
31 December 2014 .....	2.77
30 January 2015 .....	2.61
Last Trading Day (23 February 2015) .....	2.90
Last business day immediately preceding the Announcement Date (25 February 2015) .....	2.90
27 February 2015 .....	3.88
Latest Practicable Date (30 March 2015) .....	3.91

### 3. DISCLOSURE OF INTERESTS

For the purpose of this paragraph, “interested” and “interests” have the same meanings as ascribed to those terms in Part XV of the SFO.

(a) **Interests of the Directors and the chief executives of the Company in the securities of the Company**

- (i) As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the Shares, underlying shares of equity derivatives and debentures of the Company which were required to be notified to the Company and the Hong Kong 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 the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) in the Listing Rules, or which were required to be entered on the register required to be kept by the Company pursuant to Section 352 of the SFO, were as follows:

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held</u>	<u>Approximate % of total issued share capital</u> (Note 1)
Mr. Kaoru Hayashi .....	Beneficial owner	1,000,000	0.19%
Mr. Takashi Okita .....	Beneficial owner	140,000	0.02%

*Notes:*

- The percentages are calculated based on the issued share capital of the Company of 518,750,000 Shares as at the Latest Practicable Date.
- All the interests stated above represent long positions. As at the Latest Practicable Date, no short positions were recorded in the register required to be kept under Section 352 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying shares of equity derivatives or debentures of the Company which were required to be notified to the Company and the Hong Kong 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 the Model Code in the Listing Rules, or which were required to be entered on the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required to be disclosed herein pursuant to the Takeovers Code.

(b) **Interests of substantial shareholders in the securities of the Company**

As at the Latest Practicable Date, so far as was known to any of the Directors, the following persons had or were deemed to have interests or short positions in the Shares or underlying shares of equity derivatives of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(i) *Long positions in the Shares*

<u>Name of Shareholder</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held</u>	<u>Approximate % of total issued share capital<sup>(Note 2)</sup></u>
Digital Garage, Inc. ....	Beneficial owner	303,474,998	58.50%
Sumitomo Mitsui Card Company, Limited <sup>(Note 1)</sup> .....	Beneficial owner	37,500,002	7.22%
SMFG Card & Credit Inc. <sup>(Note 1)</sup> .....	Interest of a controlled corporation	37,500,002	7.22%
Sumitomo Mitsui Financial Group, Inc. <sup>(Note 1)</sup> .....	Interest of controlled corporations	37,500,002	7.22%
Credit Saison Co., Ltd. ....	Beneficial owner	28,125,000	5.42%

*Note:*

- 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.
- The percentages are calculated based on the issued share capital of the Company of 518,750,000 Shares as at the Latest Practicable Date.

(ii) *Short position in the Shares*

Save as disclosed above, as at the Latest Practicable Date, 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 of equity derivatives 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.

(c) **Interests and dealings in the Shares**

- As at the Latest Practicable Date, the Offeror was interested in 303,474,998 Shares, representing approximately 58.5% of the issued Shares and Mr. Kaoru Hayashi, the representative director, president and chief executive officer of the Offeror, was interested in 1,000,000 Shares, representing approximately 0.2% of the issued Shares. Save as aforesaid, none of the Offeror or its directors were interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.
- As at the Latest Practicable Date, the Nomura group (other than those members of the Nomura group that are conducting exempt principal trader activities and exempt fund manager activities), which is presumed to be acting in concert with the Offeror pursuant to class (5) of the definition of "acting in concert" in the Takeovers Code, does not hold any Shares.



- (iii) Save as aforesaid, none of the persons acting in concert with the Offeror in respect of the Proposal owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.
- (iv) Save as disclosed in the table below, none of the Offeror, its directors and the concert parties in respect of the Proposal had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the period commencing six months before the Announcement Date and ending on the Latest Practicable Date.

Name of Director	Date	Number of Shares involved		Price paid for each Share (HK\$)		Total price paid for the transaction (HK\$)	
		Buy	Sell	Buy	Sell	Buy	Sell
Kaoru	22 September	69,000		2.79		192,510	
Hayashi . . .	2014	31,000		2.78		86,180	
Kaoru	24 September	50,000		2.73		136,500	
Hayashi . . .	2014	40,000		2.73		109,200	
		50,000		2.74		137,000	
Kaoru	30 September	193,000		2.60		501,800	
Hayashi . . .	2014	6,000		2.64		15,840	
		11,000		2.65		29,150	

- (v) Save as aforesaid, no subsidiary of the Company, pension fund of the Group or advisor of the Company as specified in class (2) of the definition of “associate” in the Takeovers Code (but excluding exempt principal traders and excluding dealings on an agency or non-discretionary basis which are subject to private disclosure under Takeovers Code) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares or had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the period commencing on the Announcement Date and ending on the Latest Practicable Date.
- (vi) Save for the Irrevocable Undertakings, details of which are disclosed in the Letter from the Board and the Explanatory Statement in pages 9 to 10 and 54 to 55 of this document, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1) to (4) of the definition of “associate” in the Takeovers Code and no such person owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares or had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the period commencing six months before the Announcement Date and ending on the Latest Practicable Date. Save for the dealings of Mr. Kaoru Hayashi disclosed in paragraph (iv) above, no persons who have given Irrevocable Undertakings have dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the period commencing six months before the Announcement Date and ending on the Latest Practicable Date.

- (vii) Save as disclosed in the table below, no Director had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the period commencing six months before the Announcement Date and ending on the Latest Practicable Date.

Name of Director	Date	Number of Shares involved		Price paid for each Share (HK\$)		Total price paid for the transaction (HK\$)	
		Buy	Sell	Buy	Sell	Buy	Sell
Kaoru	22 September	69,000		2.79		192,510	
Hayashi . . .	2014	31,000		2.78		86,180	
Kaoru	24 September	50,000		2.73		136,500	
Hayashi . . .	2014	40,000		2.73		109,200	
		50,000		2.74		137,000	
Kaoru	30 September	193,000		2.60		501,800	
Hayashi . . .	2014	6,000		2.64		15,840	
		11,000		2.65		29,150	

- (viii) No Shares or convertible securities, warrants, options or derivatives in respect of the Shares in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no fund managers (other than exempt fund managers) connected with the Company had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the period commencing on the Announcement Date and ending on the Latest Practicable Date.
- (ix) As at the Latest Practicable Date, none of the Company and the Directors had borrowed or lent any Shares.

(d) **Interests and dealings in the shares in the Offeror**

As at the Latest Practicable Date, save as disclosed in the table below, neither the Directors nor the Company had any interest in the shares or any convertible securities, warrants, options or derivatives in respect of the shares in the Offeror.

Name of Director	Capacity / Nature of interest	Number of shares in the Offeror held	Approximate % of total issued share capital (by class) (Note 1)
Kaoru Hayashi . . . . .	Beneficial	6,763,600	14.31%
Keizo Odori . . . . .	Beneficial	1,500	0.003%

Note 1: The percentage is calculated based on the total number of 47,266,800 shares in the Offeror in issue as at Latest Practicable Date.

Save as disclosed below, neither the Directors nor the Company had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the shares in the Offeror during the period commencing six months before the Announcement Date and ending on the Latest Practicable Date:

- (i) On 18 December 2014, Mr. Kaoru Hayashi became the beneficial owner of 3,500 shares in the Offeror pursuant to the Offeror's employee stock plan. The plan manager of the Offeror's employee stock plan had paid a total consideration of JPY6,006,000 (equivalent to HK\$392,000) for these 3,500 shares in the Offeror, being an average price of JPY1,716 (equivalent to HK\$112) per share in the Offeror, with the highest price of JPY1,914 (equivalent to HK\$125) per share in the Offeror. Pursuant to the Offeror's employee stock plan, Mr. Kaoru Hayashi contributes JPY990,000 (equivalent to HK\$64,606) into the plan each month and the plan manager uses certain available funds to acquire shares in the Offeror each month to hold until such shares vest and can be transferred to Mr. Kaoru Hayashi.
- (ii) On 18 December 2014, Mr. Keizo Odori became the beneficial owner of 200 shares in the Offeror pursuant to the Offeror's employee stock plan. The plan manager of the Offeror's employee stock plan had paid a total consideration of JPY355,400 (equivalent to HK\$23,200) for these 200 shares in the Offeror, being an average price of JPY1,777 (equivalent to HK\$116) per share in the Offeror, with the highest price of JPY1,914 (equivalent to HK\$125) per share in the Offeror. Pursuant to the Offeror's employee stock plan, Mr. Keizo Odori contributes JPY50,000 (equivalent to HK\$3,263) into the plan each month and the plan manager uses certain available funds to acquire shares in the Offeror each month to hold until such shares vest and can be transferred to Mr. Keizo Odori.

(e) **Arrangements with the Offeror and its concert parties in respect of the Proposal**

As at the Latest Practicable Date:

- (i) save for the Irrevocable Undertakings, details of which are disclosed in the Letter from the Board in pages 9 and 10 of this document and the Explanatory Statement in pages 54 to 55 of this document, none of the Offeror and its concert parties in respect of the Proposal had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (ii) there was no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Scheme of Arrangement;
- (iii) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be issued to the Offeror (or any of its wholly-owned subsidiaries) upon completion of the Proposal;
- (iv) the Offeror has no intention to transfer, charge or pledge any securities in the Company acquired pursuant to the Scheme of Arrangement to any other person, and has no agreement, arrangement or understanding with any third party to do so; and

- (v) none of the Offeror and its concert parties in respect of the Proposal, the Company or the Directors had borrowed or lent any Shares.

(f) **Other interests**

As at the Latest Practicable Date:

- (i) no benefit (save for statutory compensation required under appropriate law) is or will be paid to any Directors as compensation for loss of office or otherwise in connection with the Scheme of Arrangement;
- (ii) there are no material contracts entered into by the Offeror in which any Director has a material personal interest;
- (iii) save for the Proposal, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of its concert parties in respect of the Proposal on the one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand having any connection with or dependence upon or being conditional upon the outcome of the Scheme of Arrangement or otherwise connected with the Scheme of Arrangement;
- (iv) save for the Proposal, there was no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Scheme of Arrangement or otherwise connected with the Scheme of Arrangement;
- (v) Mr. Toshiyuki Fushimi signed a letter of appointment as an independent non-executive Director with effect from 24 October 2014 and with an expiry date of 24 October 2015. Mr. Toshiyuki Fushimi is paid a fee of JPY3,300,000 (equivalent to HK\$236,709) and does not receive any variable remuneration. Save for Mr. Toshiyuki Fushimi, the original service agreement/letter of appointment of each Director whose term of office was one year from the date of listing of the Shares on the Hong Kong Stock Exchange has been extended on 19 December 2014 for one year from that date; and
- (vi) other than Mr. Toshiyuki Fushimi's service contract disclosed in paragraph (v) above, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) has been entered into or amended within six months before the Announcement Date; or (ii) is a continuous contract with a notice period of 12 months or more; or (iii) is a fixed term contract with more than 12 months to run irrespective of the notice period.

**4. INFORMATION REGARDING THE SHARE CAPITAL OF THE COMPANY**

- (a) As at the Latest Practicable Date, the issued share capital of the Company was 518,750,000 Shares.
- (b) Each of the Shares ranks pari passu in all respects, including as to dividends, voting rights and capital.

- (c) Other than the Shares, there were no other options, derivatives, warrants or other securities convertible or exchangeable into Shares issued by the Company as at the Latest Practicable Date.

## 5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 6. MATERIAL CONTRACTS

Save for the following contracts, no material contracts other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group had been entered into by any member of the Group within two years preceding the Announcement Date and up to the Latest Practicable Date:

- (a) an intellectual property licence agreement dated 28 September 2012 as amended by addenda dated 1 August 2013 and 17 October 2013 between VeriTrans Inc., a subsidiary of the Company, and Digital Garage, whereby Digital Garage granted VeriTrans Inc. non-exclusive rights to use the trade name, trademarks and registered domains;
- (b) an intellectual property licence agreement dated 1 October 2012 as amended by addenda dated 1 August 2013 and 17 October 2013 between ECONTEXT Inc. and Digital Garage, whereby Digital Garage granted ECONTEXT Inc. non-exclusive rights to use the trade name, trademarks and registered domains;
- (c) the cornerstone investor agreement dated 20 November 2013 between the Company, Dentsu Digital Investment Limited Partnership, Dentsu Digital Holdings, Inc. and Daiwa;
- (d) the cornerstone investor agreement dated 22 November 2013 between the Company, TIS Inc. and Daiwa; and
- (e) the underwriting agreement dated 5 December 2013 relating to the offer of the Shares for subscription by the public in Hong Kong entered into among Daiwa, the underwriters of the offer and the Company.

**7. EXPERTS**

The following are the qualifications of each of the experts and/or advisors who have been named in this document or provided their report or advice which are contained in this document:

<u>Name</u>	<u>Qualification</u>
Daiwa .....	licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Nomura .....	licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts and Type 6 (advising on corporate finance) regulated activities under the SFO
Optima Capital Limited . . . .	licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

**8. CONSENT**

Nomura, Daiwa and the Independent Financial Adviser have given and have not withdrawn their respective written consents to the issue of this document with the inclusion in this document of references to their names in the form and context in which they respectively appear and, in the case of the Independent Financial Adviser, to the issue of this document with the inclusion in this document of the text of its letter.

**9. GENERAL**

- (a) The registered office of the Company is situate at Unit 607a, Level 6, Cyberport 3, 100 Cyberport Road, Hong Kong.
- (b) The registered office of the Offeror is situate at Daikanyama DG Bldg.12F, 3-5-7 Ebisu Minami, Shibuya-ku, Tokyo, Japan. The directors of the Offeror are Mr. Kaoru Hayashi, Mr. Yasuyuki Rokuyata, Mr. Naohiko Iwai, Mr. Makoto Soda, Mr. Keizo Odori, Mr. Masashi Tanaka, Mr. Joi Okada, Mr. Joichi Ito, Mr. Kenji Fujiwara and Mr. Emi Omura.
- (c) The registered office of Nomura is situate at 30/F Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (d) The registered office of Daiwa is situate at Level 28, One Pacific Place, 88 Queensway, Hong Kong.
- (e) The registered office of the Independent Financial Adviser is situate at Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Central.
- (f) The share registrar and transfer office of the Company is Tricor Investor Services Limited which is situate at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (g) In case of inconsistency, the English language text of this document and the accompanying forms of proxy shall prevail over the Chinese language text.
- (h) All time and dates references contained in this document refer to Hong Kong time and dates.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection from 9:30 a.m. to 5:30 p.m., Monday to Friday at (i) the registered office of the Company at Unit 607a, Level 6, Cyberport 3, 100 Cyberport Road, Hong Kong; (ii) the website of the Company at [www.econtext.asia](http://www.econtext.asia); and (iii) the website of SFC at [www.sfc.hk](http://www.sfc.hk) from the date when this document is published until the Effective Date or the date on which the Scheme of Arrangement is withdrawn or lapses, whichever is the earliest:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual report containing the audited consolidated financial statements of the Group for each of the two years ended 30 June 2013 and 2014;
- (d) the interim report containing the unaudited condensed consolidated financial information of the Group for the six months ended 31 December 2014;
- (e) the letter from the board of directors of the Company, the text of which is set out on pages 7 to 14 of this document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this document;
- (g) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 17 to 52 of this document;
- (h) the Irrevocable Undertakings given by Mr. Kaoru Hayashi, SMCC, Credit Saison, TIS, JCB and Dentsu Partnership to the Offeror;
- (i) the material contracts referred to in section 6 above entitled “Material Contracts” in this Appendix II;
- (j) the written consents referred to in section 8 above entitled “Consent” in this Appendix II; and
- (k) the letter of appointment of Mr. Toshiyuki Fushimi referred to in the paragraph headed “(f) Other interests” in section 3 above entitled “Disclosure of Interests” in this Appendix II.

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**SCHEME OF ARRANGEMENT**

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HCMP No. 541 of 2015

**IN THE HIGH COURT OF THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION  
COURT OF FIRST INSTANCE  
MISCELLANEOUS PROCEEDINGS NO. 541 OF 2015**

**IN THE MATTER OF  
ECONTEXT ASIA LIMITED**

環亞智富有限公司

**AND**

**IN THE MATTER OF  
THE COMPANIES ORDINANCE,  
CHAPTER 622 OF THE LAWS OF THE HONG KONG SPECIAL ADMINISTRATIVE  
REGION**

**SCHEME OF ARRANGEMENT  
Under Section 673 of the Companies Ordinance  
Chapter 622 of the Laws of the Hong Kong Special Administrative Region**

**PRELIMINARY**

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall bear the meanings respectively set opposite them:

acting in concert	has the meaning ascribed to it under the Takeovers Code
Cancellation Consideration	means the consideration of HK\$4.09 in cash for every Scheme Share cancelled
Companies Ordinance	means the Companies Ordinance, Chapter 622 of the Laws of Hong Kong
Company	means econtext Asia Limited, a limited company incorporated in Hong Kong whose Shares are listed on the Stock Exchange
Composite Document	means the document dated 2 April 2015 issued jointly by the Company and the Offeror, which includes this Scheme of Arrangement
Effective Date	means the date on which this Scheme of Arrangement becomes effective in accordance with paragraph 5 of this Scheme of Arrangement
High Court	means the High Court of Hong Kong
HK\$	means Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	means the Hong Kong Special Administrative Region of the People's Republic of China
Latest Practicable Date	means 30 March 2015, being the latest practicable date prior to the printing of the Composite Document for ascertaining certain information contained therein



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## SCHEME OF ARRANGEMENT

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- Independent Shareholders ..... means the Shareholders other than those holding the Shares beneficially owned by the Offeror and parties acting in concert with it
- New Shares ..... means the new Shares to be issued to the Offeror pursuant to this Scheme of Arrangement, the number of which is equal to the number of the Scheme Shares cancelled
- Offeror ..... means Digital Garage, Inc., a company incorporated under the laws of Japan
- Record Time ..... means 4:00 p.m. (Hong Kong time) on the Effective Date, being the record time for determining entitlements of the Scheme Shareholders under this Scheme of Arrangement
- Register ..... means the register of members of the Company
- Scheme of Arrangement ..... means this scheme of arrangement under Section 673 of the Companies Ordinance (with or subject to any modification thereto or condition approved or imposed by the High Court) between the Company and the Scheme Shareholders involving, inter alia, the cancellation of all the Scheme Shares and the issue of the New Shares to the Offeror
- Scheme Share(s) ..... means the Share(s) in issue at the Record Time, other than those beneficially owned by the Offeror
- Scheme Shareholders ..... means the registered holders of the Scheme Shares
- Share(s) ..... means ordinary share(s) in the capital of the Company
- Shareholder(s) ..... means the registered holder(s) of the Shares
- Stock Exchange ..... means The Stock Exchange of Hong Kong Limited
- Takeovers Code ..... means the Hong Kong Code on Takeovers and Mergers
- (B) As at the Latest Practicable Date, the issued share capital of the Company was 518,750,000 Shares.
- (C) On the Latest Practicable Date, the Offeror owned 303,474,998 Shares, representing approximately 58.5% of the issued Shares.
- (D) Parties acting in concert with the Offeror held an aggregate of 1,000,000 Shares as at the Latest Practicable Date. The Shares beneficially owned by parties acting in concert with the Offeror in respect of the Company will form part of the Scheme Shares and will be cancelled upon the Scheme of Arrangement becoming effective in exchange for the payment of the Cancellation Consideration, but such concert parties have irrevocably undertaken to the Offeror to abstain from voting at the Court Meeting and, to the extent permitted by applicable law and regulation, to vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement.
- (E) In consideration of the cancellation and extinguishment of the Scheme Shares on the Effective Date, all Scheme Shareholders as appearing in the Register at the Record Time shall be entitled to receive HK\$4.09 in cash for every Scheme Share cancelled.
- (F) The Offeror has agreed to appear by Counsel at the hearing of the petition for the High Court's sanction of this Scheme of Arrangement and to undertake to the High Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme of Arrangement.

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## **SCHEME OF ARRANGEMENT**

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- (G) The primary purpose of this Scheme of Arrangement is that on the Effective Date, all the Scheme Shares should be cancelled and extinguished, the New Shares be created and issued to the Offeror, and that the Company will become wholly-owned by the Offeror.

### **THE SCHEME OF ARRANGEMENT**

#### **PART I**

#### **CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES**

1. On the Effective Date:
  - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
  - (b) subject to and forthwith upon the reduction of capital referred to in paragraph (a) above taking effect, the share capital of the Company shall be increased to its former amount by the creation of such number of New Shares as is equal to the number of Scheme Shares cancelled; and
  - (c) the Company shall apply the credit arising in its books of account as a result of the reduction of capital referred to in paragraph (a) above in paying up in full such number of New Shares as is equal to the number of Scheme Shares cancelled which shall be allotted and issued to the Offeror, credited as fully paid.

#### **PART II**

#### **CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES**

2. In consideration of the cancellation and extinguishment of the Scheme Shares pursuant to paragraph 1(a) of this Scheme of Arrangement, the Offeror will pay or cause to be paid to each Scheme Shareholder as appearing in the Register at the Record Time, HK\$4.09 for every Scheme Share cancelled.

#### **PART III**

#### **GENERAL**

3.
  - (a) Not later than seven business days after the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders (as appearing in the Register at the Record Time) cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of this Scheme of Arrangement.
  - (b) Unless indicated otherwise in writing before the Effective Date to the share registrar of the Company in Hong Kong (being Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong), all such cheques shall be sent through the post (by airmail where appropriate) in pre-paid envelopes addressed to the persons entitled thereto:
    - (i) in the case of sole holders, to the respective registered address of such holders as appearing in the Register as at the Record Time; and

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## SCHEME OF ARRANGEMENT

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- (ii) in the case of joint holders, to the registered address of that one of the joint holders whose name then stands first in the Register in respect of the relevant joint holding.
  - (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme of Arrangement, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.
  - (d) All cheques shall be posted at the risk of the addressees and once posted, none of the Company, the Offeror nor any of their respective officers or agents shall be liable for any loss or delay in transmission.
  - (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme of Arrangement, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit or custodian account in the Offeror's name with a licensed bank in Hong Kong selected by the Company. The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of this Scheme of Arrangement, together with interest thereon, to persons who satisfy the Offeror that they are respectively entitled thereto, provided that the cheques referred to in paragraph 3(b) of this Scheme of Arrangement of which they are payees have not been cashed. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
  - (f) On the expiry of six years from the Effective Date, the Offeror (or any successor company thereto) shall be released from any further obligations to make any payments under this Scheme of Arrangement and the Offeror shall thereafter retain the balance (if any) of the sums standing to the credit of the account referred to in paragraph 3(e) of this Scheme of Arrangement, including accrued interest (if any) subject, if applicable, to the deduction of interest or any withholding or other tax or any other deductions required by law and subject also to the deduction of any expenses.
  - (g) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.
4. As from and including the Effective Date:
- (a) all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
  - (b) all instruments of transfer validly subsisting at the Record Time in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and

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## SCHEME OF ARRANGEMENT

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- (c) all mandates or other instructions to the Company in force at the Record Time in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
5. This Scheme of Arrangement shall become effective as soon as an office copy of the order of the High Court sanctioning this Scheme of Arrangement and confirming, under Section 229 of the Companies Ordinance, the reduction of capital provided for by this Scheme of Arrangement, together with a minute and a return relating to the reduction of capital of the Company containing the particulars required by Section 230 of the Companies Ordinance, shall have been registered by the Registrar of Companies in Hong Kong.
6. Unless this Scheme of Arrangement shall have become effective on or before 18 August 2015 (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the High Court may direct), this Scheme of Arrangement shall lapse.
7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification(s) of or addition(s) to this Scheme of Arrangement or to any condition(s) which the High Court may see fit to approve or impose without any further court meeting to be held therefor.
8. Irrespective of whether this Scheme of Arrangement will become effective, the Company will bear its own expenses incurred in connection with this Scheme of Arrangement.

Dated 2 April 2015

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## NOTICE OF COURT MEETING

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**IN THE HIGH COURT OF THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION  
COURT OF FIRST INSTANCE  
MISCELLANEOUS PROCEEDINGS NO. 541 OF 2015**

**IN THE MATTER  
OF  
ECONTEXT ASIA LIMITED  
環亞智富有限公司**

**AND**

**IN THE MATTER  
OF  
THE COMPANIES ORDINANCE,  
CHAPTER 622 OF THE LAWS OF  
THE HONG KONG SPECIAL ADMINISTRATIVE REGION**

**SCHEME OF ARRANGEMENT  
Under Section 673 of the Companies Ordinance  
Chapter 622 of the Laws of Hong Kong Special Administrative Region**

**NOTICE OF COURT MEETING**

NOTICE IS HEREBY GIVEN that, by an order dated 24 March 2015 (the “**Order**”) made in the above matters, the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) has directed a meeting (the “**Meeting**”) to be convened of the Scheme Shareholders (as defined in the scheme of arrangement hereinafter mentioned) for the purposes of considering and, if thought fit, approving, with or without modification, a scheme of arrangement (the “**Scheme**”) proposed to be made between econtext Asia Limited (the “**Company**”) and the registered holders of the Scheme Shares (as defined in the Scheme), and that the Meeting will be held at Gloucester Room II, 3rd Floor, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong on Thursday, 23 April 2015 at 10:00 a.m. at which place and time all Scheme Shareholders (as defined in the Scheme) are requested to attend.

A copy of the Scheme and a copy of an explanatory statement (the “**Explanatory Statement**”) explaining the effect of the Scheme, required to be furnished pursuant to Section 671 of the above mentioned Ordinance, are incorporated in the composite document of which this Notice forms part.

In compliance with the Takeovers Code (as defined in the Scheme), Shares (as defined in the Scheme) held by parties acting in concert (as defined in the Scheme) with the Offeror (as defined in the Scheme) may not be voted at the Meeting and, hence, only Shares held by Independent Shareholders (as defined in the Scheme) are eligible for voting thereat.

The above-mentioned Independent Shareholders may vote in person at the Meeting or they may appoint one or more persons, whether a member of the Company or not, as their proxy or proxies to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed with the composite document of which this Notice forms part. If more than one proxy is appointed, the number of Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy.

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## NOTICE OF COURT MEETING

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In the case of joint holders of a share of the Company, the vote of the most senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the share.

It is requested that forms appointing proxies, together with the letter or power of attorney under which it is signed (if any) or a notarially certified copy thereof (in the case of a corporation either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company) if any, be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the appointed time for the holding of the Meeting or any adjournment thereof. Forms of proxy may also be handed to the chairman of the Meeting at the Meeting if not so lodged. A vote cast by proxy shall not be invalidated by the revocation of the appointment of the proxy or of the authority under which the appointment was made unless notice in writing of such revocation shall have been received by the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, before the commencement of the Meeting or any adjournment thereof, or by the company secretary of the Company or the chairman of the Meeting on the day and at the place, but before the commencement, of the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a Scheme Shareholder from attending the Meeting or any adjournment thereof and voting in person if he/she so wishes. In the event that a Scheme Shareholder attends and votes at the Meeting or any adjournment thereof after having lodged his/her form of proxy, his/her form of proxy will be revoked by operation of law.

For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Thursday, 16 April 2015 to Thursday, 23 April 2015, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the Meeting, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 15 April 2015.

By the Order, the High Court has appointed Mr. Takashi Okita, or, failing him, Mr. Tomohiro Yamaguchi, or, failing him, Mr. Toshio Kinoshita or any other available director of the Company to act as chairman of the Meeting and has directed the chairman of the Meeting to report the outcome thereof to the High Court.

The Scheme will be subject to the subsequent approval of the High Court as set out in the Explanatory Statement contained in the composite document of which this Notice forms part.

Dated the 2nd day of April 2015.

**Norton Rose Fulbright Hong Kong**

38<sup>th</sup> Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

*Solicitors for econtext Asia Limited*

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

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## NOTICE OF GENERAL MEETING

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### **econtext Asia Limited**

環亞智富有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1390)**

**NOTICE IS HEREBY GIVEN** that a general meeting (the “**Meeting**”) of econtext Asia Limited (the “**Company**”) will be held at Gloucester Room II, 3rd Floor, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong on Thursday, 23 April 2015 at 10:30 a.m. (or so soon thereafter as the Court Meeting (as defined in the scheme of arrangement hereinafter mentioned) convened for the same day and place shall have concluded or adjourned), for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution which will be proposed as a special resolution:

### **SPECIAL RESOLUTION**

**“THAT:**

- (A) the proposed scheme of arrangement (the “**Scheme**”) between the Company and registered holders of the Scheme Shares (as defined in the Scheme) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved by the High Court of the Hong Kong Special Administrative Region (the “**High Court**”), be and is hereby approved;
- (B) for the purposes of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
  - (i) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
  - (ii) subject to and forthwith upon the said reduction of capital taking effect, the share capital of the Company shall be increased to its former amount by the creation of such number of New Shares (as defined in the Scheme) as is equal to the number of Scheme Shares cancelled; and
  - (iii) the Company shall apply the credit arising in its books of account as a result of the said reduction of capital in paying up in full such number of New Shares (as defined in the Scheme) as is equal to the number of Scheme Shares cancelled and those New Shares shall be allotted and issued, credited as fully paid, to Digital Garage, Inc.;
- (C) the directors of the Company be and are hereby authorised to make application to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the withdrawal of the listing of the Company’s shares on the Stock Exchange, subject to the Scheme taking effect; and

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## NOTICE OF GENERAL MEETING

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- (D) the directors of the Company be and are hereby unconditionally authorised to allot and issue the shares referred to in paragraph (B)(iii) above and to do all other acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme and the reduction of capital, including (without limitation) the giving, on behalf of the Company, of consent to any modifications of, or additions to, the Scheme, which the High Court may see fit to impose and to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme and in relation to the Proposal (as defined in the document of which the notice of this resolution forms part) as a whole.”

By order of the Board  
econtext Asia Limited  
**Takashi Okita**

*Executive Director and Chief Executive Officer*

Hong Kong, 2 April 2015

*Notes:*

- (i) At the Meeting, the chairman of the Meeting will put the above resolution to be voted by way of poll under Article 61 of the articles of association of the Company.
- (ii) A white form of proxy for use at the Meeting is enclosed with the composite document.
- (iii) A member entitled to attend and vote at the Meeting is entitled to appoint one or more persons, whether a member of the Company or not, as his/her proxy or proxies to attend and vote instead of him/her. If more than one proxy is appointed, the number of Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy.
- (iv) In order to be valid, the white form of proxy, together with the letter or power of attorney under which it is signed (if any) or a notarially certified copy thereof (in the case of a corporation, either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company) if any, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the appointed time for the holding of the Meeting or any adjournment thereof. A vote cast by proxy shall not be invalidated by the revocation of the appointment of the proxy or of the authority under which the appointment was made unless notice in writing of such revocation shall have been received by the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, before the commencement of the Meeting or any adjournment thereof, or by the company secretary of the Company or the chairman of the Meeting on the day and at the place, but before the commencement, of the Meeting or any adjournment thereof. Completion and return of the white form of proxy will not preclude a member from attending the Meeting or any adjournment thereof and voting in person if he/she so wishes. In the event that a member attends and votes at the Meeting or any adjournment thereof after having lodged his/her form of proxy, his/her form of proxy will be revoked by operation of law.
- (v) In the case of joint holders of a Share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the share.
- (vi) For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Thursday, 16 April 2015 to Thursday, 23 April 2015, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the Meeting, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 15 April 2015.
- (vii) If a tropical cyclone warning signal No.8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the respective websites of the Hong Kong Exchanges and Clearing Limited and the Company to notify members of the date, time and venue of the rescheduled meeting.

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