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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

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Immediately following completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), Digital Garage will be our Controlling Shareholder directly and beneficially interested in approximately 60.4% of our issued share capital.

Digital Garage was established in 1995 and its shares are listed on the JASDAQ. Prior to the Reorganization, Digital Garage was 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 consumers, and (iii) payment, which focuses on the provision of online payment and e-commerce solutions. As part of the Reorganization, all of the businesses of Digital Garage's payment segment, which are principally operated by VeriTrans and ECONTEXT, were transferred to our Company.

For details of the Reorganization, please refer to the section headed "History, Reorganization and Corporate Structure—Reorganization" in this prospectus.

### INDEPENDENCE FROM DIGITAL GARAGE

Our Board is satisfied that we are able to operate independently of the Digital Garage Group after the Listing on the following basis:

#### **Operational Independence**

##### ***Clear delineation of business activities between our Group and the Digital Garage Group***

As disclosed above, as part of the Reorganization, all of the businesses of Digital Garage payment segment operated by VeriTrans and ECONTEXT were transferred to our Company. The payment business, namely, the provision of online payment services and e-commerce solutions, carried out by our Group differs significantly from the incubation business and marketing business carried out by the Digital Garage Group.

The incubation business carried out by the Digital Garage Group focuses on the promotion of investment opportunities in information technology related venture businesses and startup companies engaging primarily in social networking service, internet media and software products. The main objective of its incubation business is the capital gain from its investment activities in the venture businesses. Digital Garage's incubation business does not involve investment in any companies that engage in the same business as the Group. As such, there is no competition between the incubation business carried out by the Digital Garage Group and the business carried out by our Group.

One of our subsidiaries, NaviPlus, also carries out marketing and advertising related business, but the nature and scope of such business differ from that carried out by the Digital Garage Group. The principal business of NaviPlus is the provision of a recommendation engine to online retailers, which filters the information on the website and makes recommendations to the users of the products that may be of interest to them based on the individual user's browsing history or behavior. NaviPlus is also an application service provider and provides marketing software and applications for internet businesses. In addition, NaviPlus provides advertising agency services for internet-based e-commerce businesses.

The businesses of the Digital Garage Group does not involve the provision of any recommendation engine or application service. The Digital Garage Group's marketing business

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focuses on the provision of total advertising and marketing solutions as a full service advertising agency and their customers are primarily non-internet based large corporations, such as financial institutions. As such, there is no overlap in the operational focus of our Group and the Digital Garage Group, nor is there any competition between our Group and the Digital Garage Group.

Furthermore, although we have entered into a number of agreements with the Digital Garage Group as set out in the section headed “Connected Transactions” in this prospectus, for the reasons described below we do not believe that these agreements impact our ability to operate our business independently from the Digital Garage Group. As the Administrative Service Agreement, the Sub-lease Agreements and the Office Equipment and Facilities Agreements were not effective until after June 30, 2013, there were no historical transaction amounts for the financial years ended June 30, 2011 and 2012. The Secondment Agreements and the IP License Agreements came into effect during the year ended June 30, 2013 and the aggregate fees paid by our Group to the Digital Garage Group under these agreements during that year amounted to HK\$21.3 million (comprising salaries and other benefits paid for secondment arrangement of HK\$765,665 and intellectual property license fees of HK\$20.5 million), which is equivalent to approximately 11.0% of the total operating expenses of HK\$193.8 million (comprising selling, general and administrative expenses of HK\$182.3 million and other operating expenses of HK\$11.6 million) of the Group for the same period.

### *Intellectual property license*

Digital Garage has granted us the non-exclusive right to use its trade name and certain trademarks and registered domains, the details of which are set out in the sections headed “Connected Transactions—Non-exempt continuing connected transactions—Continuing connected transactions subject to the reporting, announcement and independent shareholders’ approval requirements—Intellectual property license agreements” and “Appendix V—Statutory and General Information—B. Further Information about our Business—Intellectual Property Rights” in this prospectus.

Digital Garage has been engaged in the internet business since the 1990s both in Japan and overseas. The right to use Digital Garage’s trade name, trademarks and registered domains allows us to leverage the brand image and credibility associated with the brand, which our Directors believe will be beneficial to our Group. As we seek to increase our revenue stream derived from the provision of value-added services such as our trAd service, our Directors believe there are strategic benefits from using the Digital Garage brand, which has a higher recognition in both the domestic and overseas information technology markets, to promote the market positioning of our Group. In addition, our Directors believe that we can also take advantage of the brand recognition of Digital Garage among potential investors and business partners to assist our overseas expansion and potential future business alliances and capital raisings, and obtain business opportunities that may not otherwise be available to us.

We do not, however, rely on the intellectual property rights of Digital Garage for our principal operations. The trademarks that are associated with the majority of our products and services, as well as the domain names related to our Group companies, are owned by us independently. We have also applied for ten additional trademarks and one additional patent. See the section headed “Appendix V—Statutory and General Information—B. Further Information about our Business—Intellectual Property Rights” in this prospectus.

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### *Sub-lease of office space, office equipment and facilities*

We currently sub-lease certain premises from Digital Garage for use as office space as well as certain office equipment and facilities situated at those premises, details of which are set out in the section headed “Connected Transactions—Non-exempt continuing connected transactions—Continuing connected transactions subject to the reporting and announcement requirements—1. Sub-lease agreements and office equipment and facilities agreements” in this prospectus. Digital Garage leased the premises directly from the owner of the premises, as well as the office equipment and facilities from an Independent Third Party and then sub-leased part of the premises and the office equipment and facilities to certain of its subsidiaries situated at the same premises, including our Group. Our Directors believe that this would save us the time and administrative costs for negotiating directly and entering into a separate lease with the owner of the premises and the office equipment and facilities.

The sub-lease agreements and the office equipment and facilities agreements were entered into following arm’s length negotiations and on normal commercial terms. We believe that in the event Digital Garage ceases to sub-lease the premises and the office equipment and facilities to us, we would be able to find suitable alternative premises from Independent Third Parties in the same region without substantial undue delay, inconvenience or costs or material interruption to our business operations. In addition, we have the right to terminate the sub-lease agreements and the office equipment and facilities agreements by giving not less than one month’s notice to Digital Garage prior to expiry of their terms, and the agreements do not contain any provisions that would restrict our ability to lease similar properties from Independent Third Parties. As such, our Directors are of the view that we do not need to rely on Digital Garage to secure office premises.

### *Secondment of employees*

Our Company has entered into secondment agreements with Digital Garage pursuant to which Digital Garage has agreed to second certain of its employees to us. These seconded employees include recent university graduates and provide non-skill based services to our Group. Upon completion of the term of the secondment, we may retain and employ the seconded employees upon agreement by the parties.

We believe that this secondment arrangement will save us the time and administrative costs involved in recruiting suitable candidates and provides us the flexibility on whether or not to retain the seconded employees based on the need of our Company. We believe this arrangement does not amount to reliance on the Digital Garage Group, as we will otherwise be able to recruit suitable candidates by our Group or through third party recruitment service providers on similar terms without difficulties. See the section headed “Connected Transactions—Non-exemption connected transactions—2. Secondment agreement” in this prospectus.

### *Administrative services*

Our Company has entered into an agreement with Digital Garage pursuant to which Digital Garage has agreed to provide administrative services to us with respect to the information technology network, certain office equipment and facilities as well as payroll and other general administrative services. Digital Garage is entitled to a fee of ¥2,950,000 (approximately HK\$223,699) per month for such services, which was determined on a cost basis.

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We believe that this arrangement for administrative services is more cost-efficient for us than to provide such services ourselves or engage a third party service provider for such services on similar terms without difficulties. Given that we can undertake these services ourselves or through third parties, we do not believe that this arrangement renders us reliant on the Digital Garage Group. We believe this arrangement does not amount to reliance on the Digital Garage Group, as we will otherwise be able to undertake these services ourselves or through third party service providers. See the section headed “Connected Transactions—Exempt continuing connected transactions—Administrative services agreement” in this prospectus.

### Management Independence

Our Company and Digital Garage have boards of directors and senior management teams that function independently of each other.

The following table sets forth details of the directorships and senior management of our Group and Digital Garage immediately upon completion of the Global Offering:

	<u>Our Group</u>	<u>Digital Garage</u>
Kaoru Hayashi	Executive Director and chairman* Director and chairman# Director and chairman^	Representative director, president and group CEO
Takashi Okita	Executive Director and CEO* Representative director and CEO# Director^	None
Tomohiro Yamaguchi	Executive Director and CFO* Executive Director and CFO#	None
Keizo Odori	Executive Director* Director# Representative director and president^	Director and head of payment segment
Joi Okada	Non-executive Director*	Director
Adam David Lindemann	Non-executive Director*	None
Mamoru Ozaki	Independent non-executive Director*	None
Toshio Kinoshita	Independent non-executive Director*	None
Takao Nakamura	Independent non-executive Director*	None
Katsuo Miyagi	Executive director and COO^	None
Yoshitaka Sakai	Executive director and general manager (corporate administration division)^ Statutory auditor#	None
Kiyotaka Harada	Executive director and general manager (sales division)^	None
Haruto Oshima	Executive officer#^	None
Kohei Akao	Executive director, CTO, COO and general manager (technical division)#	None
Hiroshi Shino	Executive director and general manager (business development division)#	None

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	Our Group	Digital Garage
Lei Wang (also known as Rai Ou)	Senior executive officer and general manager (global strategy division)#	None
Hiroyuki Nakamura	Senior executive officer#	None
Ryuji Yamanaka	General manager (marketing division)# Deputy general manager (partner relations division) and general manager (solution planning division)^	None
Ai Matsushita	General manager (operations division)#	None
Takatomi Ban	General manager (legal division)# Statutory auditor^	None
Otoya Fujiwara	General manager (partner relations division)^	None
Hideaki Harigai	General manager (systems division)^	None
Eiichi Abe	General manager (operations division)^	None
Ken Yamaya	General manager (internal audit office)^	None
Yasuyuki Rokuyata	None	Director
Naohiko Iwai	None	Director
Makoto Soda	None	Director
Masashi Tanaka	None	Director
Joichi Ito	None	Director
Kenji Fujiwara	None	Outside Director
Susumu Okamoto	None	Outside Director

*Notes:*

\* *Position held in our Company.*

# *Position held in VeriTrans.*

^ *Position held in ECONTEXT.*

Our Board has nine members, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. Certain of our Directors also hold positions in Digital Garage, details of which are set out below:

- Our executive Director and Chairman, as well as director and chairman of VeriTrans and director and chairman of ECONTEXT, Mr. Kaoru Hayashi, is also the representative director, president and group CEO of Digital Garage. Mr. Hayashi is primarily responsible for the overall strategic planning and management of our Group and is not involved in the day-to-day management or operation of our Group.
- Our executive Director, as well as director of VeriTrans and representative director and president of ECONTEXT. Mr. Keizo Odori, is also a director and head of the payment segment of Digital Garage.

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- Our non-executive Director, Mr. Joi Okada, is also a director of Digital Garage. As a non-executive Director, Mr. Okada will assume a strategic role in formulating the development plans of our Group. Mr. Okada is not involved in the day-to-day management or operation of our Group.

Save as disclosed above, none of our Directors or senior management hold any position in members of the Digital Garage Group.

It is recognized that because Mr. Kaoru Hayashi, Mr. Keizo Odori and Mr. Joi Okada are directors of both Digital Garage and our Company, they may have conflicts of interest in transactions between members of our Group and members of the Digital Garage Group. However, these three Directors are mindful of their fiduciary duties to act in the best interests of our Company and Digital Garage, respectively. In cases where there are actual or potential conflict of interests, these three Directors will, in accordance with the requirements of the Listing Rules and the Articles of Association, abstain from voting on the relevant resolutions in board meetings of our Company. As such, we believe there is sufficient safeguard to minimize the effects of any conflict of interest.

Mr. Kaoru Hayashi is the Chairman of our Company as well as the Chairman of Digital Garage. However, the day-to-day management of our Company is given to officers of our Company (who are appointed by the Board of Directors) and the Directors of our Company are responsible for the supervision of such officers and for making significant decisions regarding our Company. If an issue relating to the day-to-day operations of our Company were to arise, it would be decided by the officers of our Company. If such issue does not relate to the day-to-day operations or is otherwise a significant issue, it would be decided by our Board, in which case, all Directors that do not have conflict of interests may participate and vote. In the case of a Directors' meeting at which our Company needs to decide on a transaction between a member of our Group and a member of the Digital Garage Group, the three Directors mentioned above will need to abstain from voting at such meeting. As such, it is not possible for these three Directors to influence the decision of our Board with respect to any such transaction. We currently have nine Directors on the Board of our Company and in the event the three overlapping Directors are required to abstain from voting, the remaining six Directors (including all of the independent non-executive Directors) will be able to decide the relevant matter for the Board. Two of these six Directors possess extensive experience relating to our operations, as they also hold the positions of CEO and CFO of our Company.

Our Company has been operating under the supervision of an experienced senior management team, all members of which have been appointed as our Directors or listed as members of our senior management team. It is expected that after the Listing, our Company will continue to be centrally managed by the senior management team. Our Company has sound reporting mechanisms in place to ensure that important decisions are made independently and only with the proper authorizations from the senior management team. In view of the above, our Directors believe that we operate independently of the Digital Garage Group and in the interests of our Shareholders.

### **Financial independence**

We have an independent financial system and make financial decisions according to our own business needs. We also have our own treasury function that is operated independently from Digital Garage. We are capable of obtaining financing from third parties, if necessary, without reliance on Digital Garage. All the amounts due and owing to Digital Garage will be settled on or prior to Listing. Therefore, our Directors are of the view that we are financially independent from Digital Garage.

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### Non-disposal undertaking

Digital Garage has provided an irrevocable undertaking to our Company that for a period of three years from the Listing, it will not dispose any of the Shares it holds in our Company. The undertaking was provided by Digital Garage with respect to the joint transaction costs, as set out in the section headed “Financial Information—Critical Accounting Policies—Determination of incremental costs and allocation basis for joint transaction costs” in this prospectus.

### Financial Reporting and Disclosures by Digital Garage

Digital Garage publishes its financial results in accordance with JGAAP pursuant to the requirements under the FIEA, including financial information about its payment segment, which is operated our Group. Digital Garage also publishes forward-looking financial estimates and management targets relating to its payment segment from time to time, including certain forward-looking financial estimates up to the year ending June 30, 2014 contained Digital Garage’s financial report issued in August 2013 (“**DG’s 2013 Disclosure**”) and certain management target figures for net sales and operating income up to the year ending June 30, 2015 contained in Digital Garage’s financial report issued in August 2012 (“**DG’s 2012 Disclosure**”, and collectively, “**DG’s Disclosures**”). Digital Garage’s financial reports are available in the public domain.

Although companies listed on the JASDAQ are not subject to a mandatory requirement to publish forecasts or estimates, the practice of issuing forecasts or estimates on both an annual and quarterly basis is positively encouraged by the JASDAQ. According to information publicly available on the website of the JASDAQ, as of March 2012 approximately 97% of companies listed on the JASDAQ routinely disclose forecasts of the following information: revenues; operating profits; ordinary profit; net income; net income per share; and dividend per share.

DG’s Disclosures contain forward-looking information. Digital Garage has full and independent discretion as to the determination of such forward-looking information by considering factors which Digital Garage considers appropriate and relevant for its reporting and disclosure purposes. Forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, our results may differ from those expressed in any forward-looking statements made by Digital Garage, including DG’s Disclosures. Please refer to the section headed “Risk Factors” in this prospectus for more information on these risks and uncertainties.

DG’s Disclosures have not been prepared or presented by us and there is no indication or assurance from us that our actual results will be close to the forecasts contained in DG’s Disclosures. Investors are advised not to place any reliance on DG’s Disclosures. Please also refer to the section headed “Risk Factors—Risks Relating to the Global Offering—You should only rely on the information included in this prospectus and the documents issued by the Company to make your investment decision and should not rely on any particular statements in other published announcements, news reports and/or research analyst reports relating to our Controlling Shareholder, Digital Garage, the Group and the Global Offering”.

DG’s Disclosures do not necessarily contain forward-looking information which is as accurate or precise with respect to our Group as that which is generally required or intended under the Listing Rules or had such information been prepared by us. The table below shows the variance between the

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forecast amounts contained in DG’s 2012 Disclosure and the actual amounts for revenue and operating income for the segment related to the payment business of our Group for the year ended June 30, 2013.

<u>Segment for payment related business</u>	<u>Revenue (¥ million)</u>	<u>Operating income (¥ million)</u>
Year ended June 30, 2013—forecast (unaudited) <sup>(1)</sup> . . . . .	13,000	1,400
Year ended June 30, 2013—actual (audited) <sup>(2)</sup> . . . . .	14,412	1,303

*Notes:*

(1) Forecast amounts for the year ended June 30, 2013 are extracted from DG’s 2012 Disclosure.

(2) Actual amounts are extracted from Digital Garage’s audited consolidated financial information for the corresponding financial year.

We have included a profit forecast for the year ending June 30, 2014 prepared in accordance with the Listing Rules under the section headed “Appendix III—Profit Forecast” of this prospectus.

Neither the management target figures contained in DG’s Disclosures nor a forecast prepared in accordance with the Listing Rules for the year ending June 30, 2015 is included in this prospectus because the information contained in DG’s Disclosures does not amount to a “profit forecast” under the Listing Rules and the Sponsor and the reporting accountants will encounter substantial difficulty in providing the required reports pursuant to Rule 11.17 of the Listing Rules on any profit forecast beyond June 30, 2014 which would be meaningful to potential investors. DG’s Disclosures were prepared by Digital Garage for its own reporting and disclosure purposes as a company listed on the JASDAQ and should not be relied on by investors.

Digital Garage will publish announcements with information about its payment segment which is operated by our Group, including (i) management target figures released by Digital Garage, which may include estimated net sales and operating income for the periods subsequent to year ending June 30, 2014 prepared under JGAAP (the “**Forward-looking Information**”) and (ii) periodic financial results released by Digital Garage and prepared under JGAAP (“**DG’s Periodic Results**”). For compliance with the requirements under Rule 13.09 of the Listing Rules, we will make corresponding announcements simultaneously with the publication of the Forward-looking Information and/or DG’s Periodic Results by Digital Garage. Our corresponding announcements will reproduce the relevant Forward-looking Information and/or DG’s Periodic Results (including, without limitation, the relevant operational information and financial information of Digital Garage’s payment segment prepared under JGAAP), descriptions of our Group’s performance contained in Digital Garage’s announcement, a hyperlink to the relevant announcement published by Digital Garage, a disclaimer for the Forward-looking Information, a warning to Shareholders and potential investors not to place any reliance on the Forward-looking Information and DG’s Periodic Results and commentary on the reasons why investors should not rely on the information (such as differences between HKFRS and JGAAP, difference in scope of business and elimination of intercompany transactions). The Sole Sponsor is of the view that adopting such a reporting and disclosure practice would reasonably satisfy the requirements under Rule 13.09 of the Listing Rules.