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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)

JOINT ANNOUNCEMENT

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

APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

PROPOSED WITHDRAWAL OF LISTING OF ECONTEXT ASIA LIMITED

RESUMPTION OF TRADING IN SHARES OF ECONTEXT ASIA LIMITED

Financial Adviser to Digital Garage, Inc.

NOMURA

Nomura International (Hong Kong) Limited

Financial Adviser to econtext Asia Limited

Daiwa
Capital Markets

Daiwa Capital Markets Hong Kong Limited

**Independent Financial Adviser to the
Independent Board Committee**

OPTIMA
CAPITAL

Optima Capital Limited

Optima Capital Limited

THE PROPOSAL

The board of directors of the Offeror and the Board jointly announce that on 23 February 2015, the Offeror requested the Board to put forward to the Scheme Shareholders the Proposal for the proposed privatisation of the Company which, if approved, would result in, among other things, the withdrawal of listing of the Shares on the Hong Kong Stock Exchange. The Board has reviewed the Proposal and has agreed to put it forward to the Scheme Shareholders. As at the date of this announcement, the Offeror is interested in 303,474,998 Shares, representing approximately 58.5% of the issued share capital of the Company.

The Proposal 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. The Company will make an application for the listing of the Shares to be withdrawn from the Hong Kong Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect from the date on which the Scheme of Arrangement becomes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.

Under the Proposal, the Offeror has proposed that 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.**

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; and
- (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.

The Proposal is conditional upon the fulfilment or waiver, as applicable, of the conditions described in the section headed “Conditions of the Proposal” of this announcement, which include, among others, the approval of the Scheme of Arrangement by the Independent Shareholders at the Court Meeting and the sanction of the Scheme of Arrangement by the High Court. If the conditions are not fulfilled or, if applicable, not waived 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), the Scheme of Arrangement will lapse. The listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn if the Scheme of Arrangement is withdrawn, not approved or otherwise lapses.

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.

The Shares beneficially owned by the Offeror, representing approximately 58.5% of the issued Shares, will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. 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 any such concert parties will abstain from voting on the Scheme of Arrangement at the Court Meeting. All Shareholders are entitled to vote on the special resolution to be proposed at the GM to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement. The Offeror has indicated that if the Scheme of Arrangement is approved at the Court Meeting, those Shares held by it will be voted in favour the special resolution to be proposed at the GM.

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.

IRREVOCABLE UNDERTAKING

As at the date of this announcement, save for an Irrevocable Undertaking given by Mr. Kaoru Hayashi to the Offeror as further described in the section headed “Irrevocable Undertaking” below, neither the Offeror nor any party acting in concert with it has received any irrevocable commitment from Shareholders to vote in favour of the Proposal.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the issued share capital of the Company is 518,750,000 Shares.

As at the date of this announcement, the Offeror is interested in 303,474,998 Shares, representing approximately 58.5% of the issued Shares.

As at the date of this announcement, 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.

Mr. Kaoru Hayashi, chairman and an executive Director of the Company is interested in 1,000,000 Shares, representing approximately 0.2% of the issued Shares as at the date of this announcement. Mr. Kaoru Hayashi is the representative director, president and chief executive officer of the Offeror and hence is presumed 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 resolutions to be proposed at the GM to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement. Please refer to the section headed “Irrevocable Undertaking” below for further details.

Save as aforesaid, the Offeror and persons who are parties acting in concert with the Offeror (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. As at the date of this announcement, the Company does not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue.

Assuming that no new Shares will be issued after the date of this announcement up to the Record Time, the Offeror will immediately after the Scheme of Arrangement becomes effective be interested in 518,750,000 Shares, representing all of the Shares then in issue.

As at the date of this announcement, the Independent Shareholders are 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.

SCHEME OF ARRANGEMENT

Independent Board Committee

The Independent Board Committee comprising Mr. Toshio Kinoshita, Mr. Takao Nakamura and Mr. Toshiyuki Fushimi has been formed to advise the Independent Shareholders in connection with the Proposal. Mr. Joi Okada is a member of the board of directors of the Offeror and has not been included in the Independent Board Committee so as to avoid a conflict of interest. Mr. 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.

Appointment of the independent financial adviser to the Independent Board Committee and the financial adviser to the Company

The Board, 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 and Scheme of Arrangement pursuant to Rule 2.1 of the Takeovers Code. The Board has appointed Daiwa Capital Markets Hong Kong Limited as the financial adviser to the Company to advise the Board in connection with the Proposal and Scheme of Arrangement.

Scheme Document

The Scheme Document including further details of the Proposal, the Scheme of Arrangement, an explanatory statement, the expected timetable relating to the Proposal, the recommendations of the Independent Board Committee, the letter of advice from the independent financial adviser, notices of the Court Meeting and the GM as well as other particulars required by the Takeovers Code will be despatched to the Shareholders within 21 days from the date of this announcement or such later date as may be permitted under the Takeovers Code.

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.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Hong Kong Stock Exchange was suspended from 9:00 a.m. on 24 February 2015 pending the release of this announcement. An application has been made by the Company to the Hong Kong Stock Exchange for a resumption of trading in the Shares with effect from 9:00 a.m. on 27 February 2015.

The Shareholders and/or potential investors should be aware that the implementation of the Proposal is subject to the conditions set out below being fulfilled or waived, as applicable, and thus the Proposal may or may not become effective. Accordingly, they are advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 23 February 2015, the Offeror requested the Board to put forward to the Scheme Shareholders the Proposal which, if implemented, will result in the Company becoming wholly-owned by the Offeror. As at the date of this announcement, the Offeror is interested in 303,474,998 Shares, representing approximately 58.5% of the issued share capital of the Company. The Proposal 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.

The Board resolved to put forward the Proposal to the Scheme Shareholders for consideration. 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.

THE PROPOSAL

Under the Proposal, if the Scheme of Arrangement becomes 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.**

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; and
- (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.

TOTAL CONSIDERATION AND CONFIRMATION OF 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.

IRREVOCABLE UNDERTAKING

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 regulations, to vote in favour of the resolutions to be proposed at the GM 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.

The Irrevocable Undertaking also provides that Mr. Kaoru Hayashi 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 him; (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 Undertaking will lapse if the Offeror announces, with the consent of the Executive and before the Scheme Document is despatched, that it does not intend to proceed with the Scheme of Arrangement or 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).

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.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the issued share capital of the Company is 518,750,000 Shares.

The table below sets out the shareholding structure of the Company as at the date of this announcement and immediately upon the Scheme of Arrangement becoming effective and assuming no other new Shares will be issued prior thereto:

Shareholders	As at the date of this announcement		Upon the Scheme of Arrangement becoming effective	
	<i>Number of Shares</i>	<i>Approximate % of the issued share capital</i>	<i>Number of Shares</i>	<i>Approximate % of the issued share capital</i>
The Offeror	303,474,998	58.5	518,750,000	100
Parties acting in concert with the Offeror:				
Mr. Kaoru Hayashi	1,000,000	0.2	0	0
Aggregate number of Shares held by parties acting in concert with the Offeror:	<u>1,000,000</u>	<u>0.2</u>	<u>0</u>	<u>0</u>
Aggregate number of Shares held by the Offeror and parties acting in concert with it	304,474,998	58.7	518,750,000	100
Aggregate number of Shares held by Independent Shareholders	214,275,002	41.3	0	0
Total issued share capital	<u>518,750,000</u>	<u>100</u>	<u>518,750,000</u>	<u>100</u>

As at the date of this announcement, the Offeror is interested in 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. 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 any such concert parties will not be entitled to vote on the Scheme of Arrangement at the Court Meeting pursuant to the Takeovers Code. All Shareholders are entitled to vote on the special resolution to be proposed at the GM to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement. 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 GM 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. Parties acting in concert with the Offeror will also be entitled to vote on the special resolution to be proposed at the GM to approve and give effect to the Scheme of Arrangement.

As at the date of this announcement, 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.

Mr. Kaoru Hayashi, chairman and an executive Director of the Company is interested in 1,000,000 Shares, representing approximately 0.2% of the issued Shares as at the date of this announcement. Mr. Kaoru Hayashi is the representative director, president and chief executive officer of the Offeror and hence is presumed 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 resolutions to be proposed at the GM to approve and give effect to the reduction of capital and the implementation of the Scheme of Arrangement. Please refer to the section headed “Irrevocable Undertaking” below for further details.

Save as aforesaid, the Offeror and persons who are 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.

As at the date of this announcement, the Company does not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue.

As at the date of this announcement, the Independent Shareholders are 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 date of this announcement, save for the Irrevocable Undertaking, neither the Offeror nor any party acting in concert with it has received any irrevocable commitment from Shareholders to vote in favour of the Proposal.

Save for the Proposal, the Scheme of Arrangement and the Irrevocable Undertaking, there are no arrangements (whether by way of option, indemnity or otherwise) relating to relevant securities which may be an inducement to deal or refrain from dealing as described in Note 8 to Rule 22 of the Takeovers Code between the Offeror and any other person in relation to shares of the Offeror or the Shares which might be material to the Proposal and the Scheme of Arrangement.

As at the date of this announcement, 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

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
 - (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 GM (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;
- (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 sub-paragraphs (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 this 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.

The Offeror reserves the right to waive all or any of the conditions (except for the conditions referred to in paragraphs (a) to (e), (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.

As of the date of this announcement, 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 on 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.

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.

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 14% since the listing of the Company 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.

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 date of this announcement, 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 this 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.

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.

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.

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.

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 capitalize 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 capitalize 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 maximize 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 utilize the Offeror Group's financial strength and business credibility to negotiate favorable 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 organizational 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.

WITHDRAWAL OF LISTING OF THE SHARES

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. 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. 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” 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. A detailed timetable of the Scheme of Arrangement will be included in the Scheme Document. The Scheme Document will also contain, among other things, further details of the Proposal and the Scheme of Arrangement.

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.

OVERSEAS SHAREHOLDERS

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 the Scheme 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), the Scheme Document will not be despatched to such overseas Scheme Shareholders. For that purpose, the Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders.

If any such waiver is granted by the Executive, 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.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasised that none of the Company, the Offeror, Nomura or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

SCHEME OF ARRANGEMENT

Independent Board Committee

The Independent Board Committee comprising Mr. Toshio Kinoshita, Mr. Takao Nakamura and Mr. Toshiyuki Fushimi has been formed to advise the Independent Shareholders in connection with the Proposal. Mr. Joi Okada is a member of the board of directors of the Offeror and has not been included in the Independent Board Committee so as to avoid a conflict of interest. Mr. 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.

Appointment of the independent financial adviser to the Independent Board Committee and the financial adviser to the Company

The Board, 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 and Scheme of Arrangement pursuant to Rule 2.1 of the Takeovers Code. The Board has appointed Daiwa Capital Markets Hong Kong Limited as the financial adviser to the Company to advise the Board in connection with the Proposal and Scheme of Arrangement.

Scheme Document

A Scheme Document including, among other things, further details of the Proposal and the Scheme of Arrangement, an explanatory statement, the expected timetable relating to the Proposal, the recommendations of the Independent Board Committee, the letter of advice from the independent financial adviser, notices of the Court Meeting and the GM as well as other particulars required by the Takeovers Code will be despatched to the Shareholders within 21 days from the date of this announcement or such later date as may be permitted under the Takeovers Code.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Hong Kong Stock Exchange was suspended from 9:00 a.m. on 24 February 2015 pending the release of this announcement. An application has been made by the Company to the Hong Kong Stock Exchange for a resumption of trading in the Shares with effect from 9:00 a.m. on 27 February 2015.

DISCLOSURE OF DEALINGS

Associates of the Company and the Offeror (including persons holding 5% or more of any class of relevant securities of the Company or the Offeror) are reminded to disclose their dealings in any securities in the Company.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved. Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

WARNING

Shareholders and/or potential investors should be aware that the implementation of the Proposal is subject to the conditions set out above being fulfilled or waived, as applicable, and thus the Proposal may or may not become effective. Accordingly, they are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below 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
“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 any member of the Group to carry on its business
“Board”	the board of the directors of the Company
“Cancellation Consideration”	the consideration of HK\$4.09 in cash for every Scheme Share cancelled
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“Company”	econtext Asia Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the Hong Kong Stock Exchange (stock code: 1390)
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the High Court for the purpose of approving the Scheme of Arrangement
“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
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

“GM”	a general meeting of the Company to be held after 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”	the High Court of Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent committee of the Board formed to advise the Independent Shareholders in connection with the Proposal and comprising Mr. Toshio Kinoshita, Mr. Takao Nakamura and Mr. Toshiyuki Fushimi
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Irrevocable Undertaking”	the irrevocable undertaking given by Mr. Kaoru Hayashi as described in the section of this announcement headed “Irrevocable Undertaking”
“JASDAQ”	the Japan Association of Securities Dealers Automated Quotation
“Last Trading Day”	23 February 2015, being the last full trading day in the Shares on the Hong Kong Stock Exchange immediately before the suspension of trading in the Shares pending publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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, 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”	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
“Proposal”	the proposed privatisation of the Company by the Offeror by way of the Scheme of Arrangement
“Record Time”	the appropriate record time to be announced for determining entitlements under the Scheme of Arrangement
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Relevant Authorities”	applicable governments or governmental bodies, regulatory bodies, courts or institutions including but not limited to the SFC and the Hong Kong Stock Exchange
“Scheme Document”	the composite scheme document of the Offeror and the Company, containing, inter alia, further details of the Proposal and the Scheme of Arrangement together with the additional information specified in the section of this announcement headed “Scheme Document”
“Scheme of Arrangement”	the scheme of arrangement under section 673 of the Companies Ordinance for the implementation of the Proposal
“Scheme Shareholders”	registered holders of the Scheme Shares
“Scheme Shares”	Shares in issue at the Record Time, including any Shares which may be issued by the Company following the date of this announcement, other than those beneficially owned by the Offeror
“SFC”	Securities and Futures Commission
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	registered holders of the Shares
“Shares”	ordinary shares in the capital of the Company

“Takeovers Code” Hong Kong Code on Takeovers and Mergers (as revised from time to time)

“Tokyo Stock Exchange” Tokyo Stock Exchange, Inc.

By Order of the board of directors of

By order of the Board

Digital Garage, Inc.

econtext Asia Limited

Mr. Yasuyuki Rokuyata

Mr. Takashi Okita

Director and Chief Operations Officer

Executive Director and Chief Executive Officer

Hong Kong, 26 February 2015

As at the date of this announcement, the board of directors of the Offeror comprises Mr. Kaoru Hayashi, as representative director; Mr. Yasuyuki Rokuyata, Mr. Naohiko Iwai, Mr. Makoto Soda, Mr. Keizo Odori, Mr. Masashi Tanaka and Mr. Joi Okada as directors; and Mr. Joichi Ito, Mr. Kenji Fujiwara and Mr. Emi Omura as outside directors.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to the Company, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement, 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 announcement, the omission of which would make any statement in this announcement misleading.

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

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