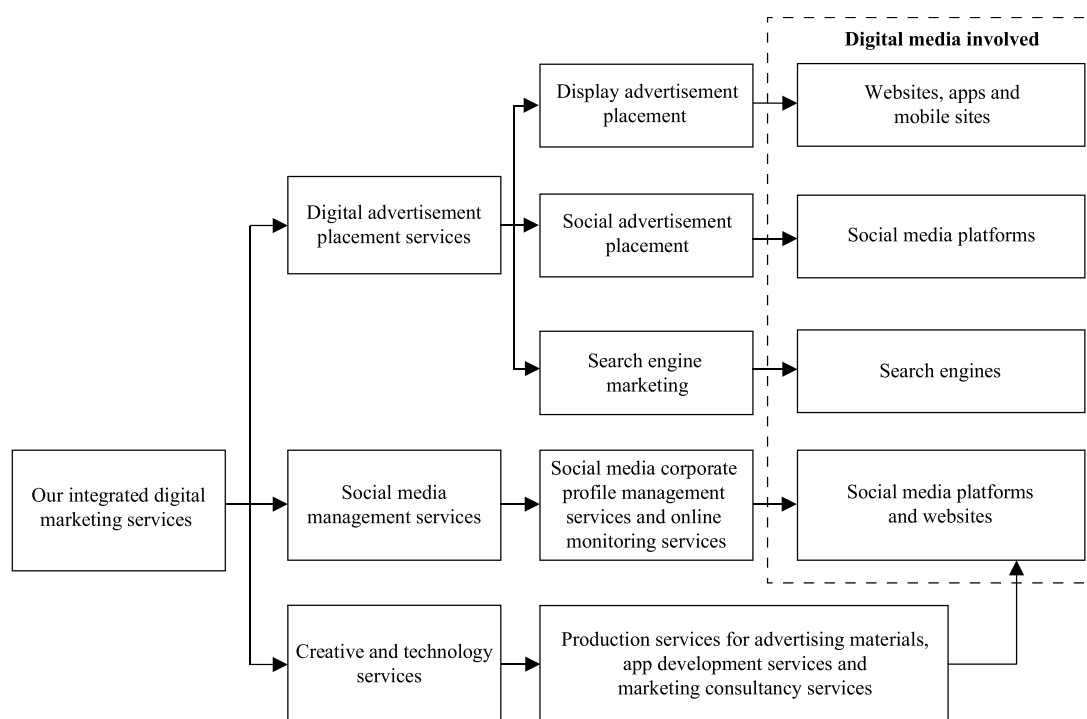


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### OVERVIEW

We are an integrated digital marketing service provider, ranking second among all digital marketing service providers in Hong Kong in terms of revenue for the year ended 31 March 2014 according to the Ipsos Report. We mainly utilise digital media such as websites, apps, mobile sites and social media platforms to plan and implement marketing strategies and launch marketing campaigns for the advertisers.

Our business comprises the provision of (i) digital advertisement placement services; (ii) social media management services; and (iii) creative and technology services, enabling us to provide integrated digital marketing services to our clients. During the Track Record Period, there had not been any change in the business focus of our Group. The following diagram illustrates the three categories of digital marketing services provided by us and the digital media involved:



For the years ended 31 March 2013 and 31 March 2014, our total revenue amounted to approximately HK\$89.05 million and HK\$112.59 million, respectively, representing a year-on-year growth of approximately 26.43%. For the eight months ended 30 November 2013 and the eight months ended 30 November 2014, our total revenue amounted to approximately HK\$75.76 million and HK\$95.09 million,

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respectively, representing a period-on-period growth of approximately 25.53%. The following table sets forth a breakdown of our revenue from each category of digital marketing services during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November	
	2013		2014		2014	
	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%
Digital advertisement placement services	31,191	35.03	39,974	35.50	35,610	37.45
Social media management services	34,591	38.84	47,196	41.92	37,227	39.15
Creative and technology services	23,266	26.13	25,424	22.58	22,255	23.40
<b>Total:</b>	<b>89,048</b>	<b>100.00</b>	<b>112,594</b>	<b>100.00</b>	<b>95,092</b>	<b>100.00</b>

For the years ended 31 March 2013 and 31 March 2014, our gross profit amounted to approximately HK\$39.34 million and HK\$48.31 million, respectively, representing a year-on-year growth of approximately 22.80%. For the eight months ended 30 November 2013 and 30 November 2014, our gross profit amounted to approximately HK\$33.23 million and HK\$41.25 million, respectively, representing a period-on-period growth of approximately 24.14%. During the Track Record Period, we maintained an overall gross profit margin of over 42.91%. The following table sets forth a breakdown of our gross profit and our gross profit margin from each category of digital marketing services during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November	
	2013		2014		2014	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Digital advertisement placement services	10,820	34.69	14,751	36.90	12,376	34.75
Social media management services	14,939	43.19	20,807	44.09	14,608	39.24
Creative and technology services	13,582	58.38	12,756	50.17	14,263	64.09
<b>Total:</b>	<b>39,341</b>	<b>44.18</b>	<b>48,314</b>	<b>42.91</b>	<b>41,247</b>	<b>43.38</b>

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### **COMPETITIVE STRENGTHS**

We believe our success is attributed to, among other things, the following competitive strengths:

#### **Proven track record in providing integrated digital marketing services to reputable clients**

Our integrated digital marketing business model, operational network and scale of operations have enabled us to undertake a number of high profile marketing campaigns. During the Track Record Period, the advertisers we had served included brand owners across various business sectors, including, among others, the beauty and cosmetic industry, real estate industry, luxury and fashion industry, banking, finance and insurance industry and public utility and telecommunications industry. We also provided digital marketing services to 4A agencies, NGOs such as an organisation for professional accountants and a cancer support organisation in Hong Kong, and public bodies such as foreign tourism bodies and local Hong Kong statutory bodies. In addition, as our operations expanded to the PRC, we had been engaged by press bureau, tourism promotion centre or sporting event organising committee of several provincial capital cities in the PRC in relation to promotion of tourism or international sporting event.

Going forward, we will continue our efforts in improving the quality of our services and strengthening the portfolio of our services. Our Directors believe that our proven track record in serving reputable clients would help us to retain our existing clients.

For examples of representative projects undertaken by us, please refer to "Representative Projects Undertaken" in this section.

#### **Solid client base in Hong Kong with an expanding business in the PRC**

We have a wide and diversified client base, with no single client contributing more than 10.00% of our revenue during each of the two years ended 31 March 2014 and the eight months ended 30 November 2014. In recognition of our high quality service, our clients refer new clients to us from time to time.

During the Track Record Period, our revenue was mainly generated from our operations in Hong Kong. In 2011, we further expanded our digital marketing business to the PRC. With the establishment of our two subsidiaries in Beijing and Guangzhou, we expanded our business in the PRC. Our revenue attributable to our PRC-based clients increased by approximately 23.93% to approximately HK\$17.14 million for the year ended 31 March 2014 from approximately HK\$13.83 million for the year ended 31 March 2013, and further increased by approximately 57.13% to approximately HK\$19.07 million for the

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eight months ended 30 November 2014 from approximately HK\$12.14 million for the eight months ended 30 November 2013. The following table sets forth our total revenue and revenue attributable to our PRC-based clients and our Hong Kong-based clients, respectively, during the Track Record Period:

	For the year ended 31 March				For the eight months ended 30 November	
	2013		2014		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue attributable to our PRC-based clients ( <i>Note 1</i> )	13,831	15.53	17,139	15.22	19,075	20.06
Revenue attributable to our Hong Kong-based clients ( <i>Note 2</i> )	75,217	84.47	95,455	84.78	76,017	79.94
<b>Total:</b>	<b>89,048</b>	<b>100.00</b>	<b>112,594</b>	<b>100.00</b>	<b>95,092</b>	<b>100.00</b>

*Notes:*

1. Revenue attributable to our PRC-based clients includes revenue from all of our clients based in the PRC and excludes revenue from all of our clients based in Hong Kong, regardless of the location of our operations (i.e. the places of incorporation of our subsidiaries which signed the relevant contracts for digital marketing services with our clients).
2. Revenue attributable to our Hong Kong-based clients includes revenue from all of our clients based in Hong Kong and excludes revenue from all of our clients based in the PRC, regardless of the location of our operations (i.e. the places of incorporation of our subsidiaries which signed the relevant contracts for digital marketing services with our clients).

Our ability to continue to expand our client base in Hong Kong and the PRC is mainly attributable to our marketing strategies. Our Directors believe that with our further development in client base and business expansion in Hong Kong and the PRC, we are well positioned to benefit from the increasing demand for digital marketing services in Hong Kong and the PRC. We believe that our client base will continue to expand and transform into recurring clients.

### Leading market position and strong brand recognition in the digital marketing service industry

We believe that we have built a strong brand in the market due to the quality of our services. According to the Ipsos Report, we ranked second among all digital marketing service providers in Hong Kong in terms of revenue for the year ended 31 March 2014.

We have received awards from the Marketing Magazine’s Agency of the Year Awards (Hong Kong), a leading barometer of agency performance in Hong Kong, in recognition of our integrated digital marketing services. We were winners of the “Local Hero of the Digital Agency of the Year Award” for three consecutive years from 2012 to 2014, the “First Place of the Digital Agency of the Year Award” for two consecutive years from 2012 to 2013, and the “Second Place of the Digital Agency of the Year Award” in 2014. We were also winner of the “Third Place of the Social Media Agency of the Year Award” in 2014. In

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recognition of our marketing campaign formulated for a major shopping mall in Hong Kong, we were also the silver award winner of the “Best Viral Marketing Award” and the bronze award winner of the “Best Location-based Marketing Award” of Marketing Magazine’s Mobile Excellence Awards 2013 (Hong Kong) which recognise leadership in the huge growth arena of mobile marketing and innovative and effective campaigns, apps and related mobile marketing projects.

Our management also regularly acts as guest speakers at seminars and forums relating to digital marketing services. In particular, Ms. Karin Wan, our executive Director, spoke as industry representative at forums organised by the Hong Kong Trade Development Council and The Hong Kong Polytechnic University on social media marketing.

Our Directors are of the view that these awards and industry recognition increase our market visibility and enable us to maintain close relationships with other players in the market and attract potential marketing suppliers as well as clients. Such brand recognition also helps us to attract talents and enables us to further improve the quality of our services and competitiveness.

### **Experienced management team and responsive and creative employees**

We are led by our founders who are also our executive Directors, namely Mr. Alan Yip, Mr. Jeff Ng, Ms. Karin Wan and our non-executive Director, namely Ms. Liza Wang, each of whom has prior work experience in traditional marketing industry or management consultancy industry and has accumulated over 7 years of experience in digital marketing service industry since the founding of our Group. We are of the view that the vision of our management team has been fundamental to our success. For biographical details of our Directors and senior management, please refer to the section headed “Directors, Senior Management and Employees” in this document.

We believe that the extensive experience of our management team and their industry knowledge and in-depth understanding of the market enable us to assess market trends, understand the needs of our clients and provide specialised services to our clients as well as to ensure quality of our service. Our management team’s understanding on the industry, market trends, the diverse needs and requirements of the advertisers also enable us to solidify our market position in the evolving digital marketing service industry in Hong Kong and the PRC, expand our business scope and ensure the smooth and effective implementation of our plans and strategies.

In order to operate successfully within a competitive and fast-moving industry, our management team is supported by our responsive and creative employees. With a majority of the target audience falling within the younger age groups, our Directors are of the view that such employees would generally be more proactive in responding to the needs of our clients and their target audience and would be able to offer our clients with innovative and effective digital marketing services.

Furthermore, we provide training programmes and annual retreats to our employees to assist our employees in understanding and adapting to the work culture of our Group, while equipping them with the necessary job-specific skills so as to enhance their overall efficiency and team cohesiveness. We have also adopted internal policies which set out various guidelines, instructions and operational rules regarding our

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business to guide our employees and to ensure the quality of our services. Our Directors believe that the training programmes, team-building activities and internal policies will improve the quality of our service and are beneficial to our business development.

### **BUSINESS STRATEGIES**

To maintain our market share, enhance our service quality and attract more clients to engage our services, we intend to implement the following business strategies:

#### **Continue to expand our client base and business operations**

Our headquarters are currently located in Hong Kong. Our Directors believe the continual increase in Internet penetration and mobile connected device users would facilitate the public’s accessibility to various digital marketing media, thereby increasing the demand for digital marketing services in Hong Kong. In view of the market potential, we intend to continue expanding our client base in Hong Kong and strengthen our relationship with our existing clients. We will expand our sales and proposal team and improve our training programmes in order to enhance our customer relationship management. We will also improve our operation process for our Hong Kong operations through identifying and implementing suitable information technology and data systems.

We intend to expand our business by leveraging on our strategic position as a reputable and established integrated digital marketing service provider in Hong Kong to capture more business opportunities with our proven track record.

During the Track Record Period, we had expanded our operations to the PRC. Our Directors believe that with the stable GDP growth rate and the growing penetration rate of Internet in the PRC, an increasing number of PRC-based clients are becoming more receptive to digital marketing services. These clients may target the international market and will require the service of a reputable integrated digital marketing service provider capable of providing a wide range of digital marketing services to reach their target audience outside the PRC. We will also leverage our experience and network in the PRC to assist our Hong Kong-based clients to target the PRC market and to reach their target audience in major cities across the PRC. Our current operations in Guangzhou and Beijing will accordingly be expanded and further consolidated through the recruitment of talents and the expansion of service teams. We also intend to explore business opportunities and develop our business in Eastern China.

To ensure our sustainable development as an integrated digital marketing service provider, we will continue to attract management and talents with the required competence and experience in the digital marketing service industry through external recruitment with competitive remuneration package. We also intend to improve our incentive schemes for our existing employees and to provide them with better advancement opportunities.

#### **Strengthen and broaden our existing range of digital marketing services**

In order to maintain and enlarge our market share in the digital marketing service industry, we need to keep abreast of the development of the Internet and strengthen our expertise in offering customised digital marketing services.

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We intend to expand our Maximizer Ad-Network and MobMax HK Ad-Network by securing more cooperative arrangements with popular websites, apps, and mobile sites. Depending on the actual market conditions and industry trend, we plan to allocate more resources in strengthening and broadening our existing range of digital marketing services, including but not limited to:

- (i) services which leverage opportunities generated from online-to-offline commerce, e-commerce and mobile-commerce activities;
- (ii) our provision of social customer relationship management services which will be integrated with our social media management services to better manage the advertisers’ customer relationships; and/or
- (iii) the establishment of database for digital marketing or e-commerce platform to encourage discussions among Internet users, arouse interest of target audience and generate sales for our clients.

Resources will be allocated to expand our internal research and development capabilities and we will consider collaborating with software and programme developers to develop software, applications and technologies to address our future needs.

### **Pursue growth through selective mergers and acquisitions**

We intend to increase our presence in existing markets through seeking merger and acquisition opportunities, opportunities to form joint venture with strategic partners or strategic investment opportunities. Our Directors are of the view that the industries and markets in which we operate are fragmented and therefore offer many opportunities to expand our business through acquisitions.

We plan to selectively acquire niche players whose businesses, service growth potential and sales networks are complementary to ours or companies which will have the potential growth upon being acquired by us, thereby expanding the portfolio of our services. In particular, we intend to target (i) companies offering digital marketing services; (ii) companies offering marketing services complementary to digital marketing; (iii) developers of apps which leverage opportunities generated from online-to-offline commerce, e-commerce and mobile-commerce activities; (iv) digital media developers or operators; and (v) companies with established database for digital marketing or e-commerce platform to encourage discussions among Internet users, arouse interest of target audience and generate sales for our clients. As at the Latest Practicable Date, we had not identified any potential acquisition target or initiated negotiations for any acquisition or joint venture and we had no intention to acquire any company or business which would lead to a material change of the current principal business of our Group.

### **FUTURE PLANS**

Please refer to the section headed “Business Objectives and Future Plans – Implementation Plans” in this document for a detailed description of our future plans.

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### OUR PRINCIPAL BUSINESS

We are principally engaged in the business of provision of digital marketing services which comprise (i) digital advertisement placement services; (ii) social media management services; and (iii) creative and technology services.

#### **Digital advertisement placement services**

Our digital advertisement placement services mainly involve the procurement of advertising space, placement of advertisements on websites, apps, mobile sites, social media platforms, and search engine marketing; and the provision of related services to our clients such as reporting services. As at the Latest Practicable Date, we had set up a service team of 17 members specialised in the provision of digital advertisement placement services to our clients.

#### **(i) Display advertisement placement**

We assist our clients in procuring advertising space and placing display advertisements which appear on websites, apps and mobile sites for an agreed number of times. We also monitor the effectiveness of display advertisement placements and report to our clients throughout and after completion of our engagements.

- Our Ad-Network

Our Ad-Network includes the following:

- Maximizer Ad-Network: We launched our Maximizer Ad-Network in 2009 and currently have a network of over 250 websites, such as qooza.hk, travellife.org and unwire.hk, on our Maximizer Ad-Network, which enables our clients to procure advertising space one-stop from all of our partner websites.
- MobMax HK Ad-Network: We launched our MobMax HK Ad-Network in 2012 and currently have a network of over 100 Hong Kong-focused apps and mobile sites, such as the mobile site of unwire.hk, on our MobMax HK Ad-Network, which enables our clients to procure advertising space one-stop from all of our Hong Kong-focused partner apps and mobile sites.
- MobMax PRC Ad-Network: Since 2012, we have been cooperating with a mobile advertisement network operator in the PRC, an Independent Third Party, which enables us to offer our clients display advertisement placement services on over 7,500 PRC-focused apps and mobile sites.



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Our clients may procure advertising space one-stop for all or some of our partner websites, apps and mobile sites of selective categories within our Ad-Network. Our Ad-Network offers automated optimisation function and targeting function under which the display advertisements placed on our Ad-Network are managed in real-time by delivering marketing messages more evenly at a planned level to strengthen advertisement performance.

- **Single-Buy:** We assist our clients in procuring advertising space and placing display advertisements on websites, apps or mobile sites within or outside our Ad-Network, depending on the marketing objectives of the advertisers.

### ***(ii) Social advertisement placement***

Utilising the unique environment and features of social media platforms, we develop social advertising strategies with reference to suitable social advertising formats, target audience, advertisement designs and our clients' budgets. We arrange for placements of social advertisements which appear on social media platforms for an agreed number of times, and review our strategies and report to our clients throughout and after completion of our engagement.

### ***(iii) Search engine marketing***

Search engines are commonly used by the general public in developed countries nowadays to search for information on the Internet. With the relevant search keyword or term entered in the user query box of a search engine, links to relevant websites or mobile sites would be generated by the search engine, with the most relevant websites or mobile sites displaying at the most prominent position on the search engine results page. Visibility of an advertiser would increase along with the extent of relevance between the search keyword or term entered in the user query box of a search engine and the product, service or brand description of an advertiser. Our search engine marketing services aim to optimise the advertisers' exposure on search engines by formulating cost-effective search terms or keywords, thereby arousing awareness and interest of target audience. To increase the visibility of advertisers, the advertisers may purchase specific search keywords and terms on search engines. Generic keywords that are most commonly used or specific terms that are most relevant to a product or service are generally more expensive. To meet the marketing budgets of the advertisers, we assist the advertisers in selecting and purchasing alternative search keywords or terms which are less expensive and monitor the efficiency of such purchases to fine-tune our strategies to ensure the achievement of marketing objectives of the advertisers.

### **Social media management services**

Social media platforms are now used by an increasing number of commercial organisations and non-commercial organisations in developed countries to, directly or indirectly, interact with their target audience and to promote their brands, products and services. Depending on the needs of the advertisers, our social media corporate profile management services assist the advertisers in setting up corporate profile pages or customising corporate profile pages pertaining to the characteristics and marketing objectives of the advertisers. We also assist in the overall maintenance of the corporate profile pages or the updating of news feeds on the corporate profile pages and organising of complementary offline marketing events specific to a particular digital marketing campaigns, such as gift redemptions.

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We also provide online monitoring services to assist our clients in monitoring the flow of information related to the advertisers on the Internet, such as commentaries posted by Internet users on social media platforms, websites (including digital newspapers) and mobile sites. As opposed to monitoring the performance of corporate profile pages in terms of the number of viewers, commentaries made or sharings as provided under our social media corporate profile management services, our online monitoring services focuses on conducting analysis on the reactions or perceptions of the public or target audience in relation to the advertisers, their services, products or any incident that may be directly or indirectly related to the advertiser. Based on such analysis, we are able to provide the advertisers with updates on information relevant to their brands, products or services and to evaluate the overall effectiveness of marketing campaigns.

In addition to our service team of 90 members specialising in the provision of social media corporate profile management services, we have been engaging VDS since December 2011 in the provision of online monitoring services. For details of our engagement of VDS and the reasons for such engagement, please refer to "Suppliers – Long-term agreements – Online monitoring service provider" in this section.

### **Creative and technology services**

Our creative and technology services involve the provision of production services, such as the design of (i) advertising materials (such as display advertisements (to be placed on websites, apps and mobile sites) and social advertisements (to be placed on social media platforms)); (ii) websites and mobile sites; and (iii) corporate profile pages.

We also provide app development services in relation to the development of apps with various functions which are designed to provide the most up-to-date information and deliver user-friendly experience to the target audience of the advertisers in order to further optimise our digital marketing services. During the Track Record Period, we provided production services and app development services to the advertisers together with our other categories of digital marketing services from time to time.

We may engage software and programme developers, photographers and translators to support our creative and technology services as and when necessary.

Depending on the specifications and complexity of marketing campaigns, we also provide marketing consultancy services and are responsible for the overall digital marketing strategies of the advertisers.

As at the Latest Practicable Date, a service team of 29 members had been set up for the provision of creative and technology services.

### **REPRESENTATIVE PROJECTS UNDERTAKEN**

Over the years, we have been involved in the formulation and implementation of a number of high profile marketing campaigns as an integrated digital marketing service provider for our clients. The diversity and extensiveness of our portfolio in the past is illustrated in the following examples of representative projects undertaken by us:

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### **Project A**

#### ***Client***

A major shopping mall in Hong Kong owned by a real estate investment trust listed on the Main Board of the Stock Exchange

#### ***Length of business relationship***

From January 2010 to August 2014

#### ***Background and objective***

- To promote a major shopping mall in Hong Kong owned by our client
- To update the target audience with information of the upcoming events to be held at a major shopping mall in Hong Kong owned by our client

#### ***Major scope of our integrated digital marketing services***

- Digital advertisement placement services: placements of social advertisements
- Social media management services: maintenance and monitoring of corporate profile pages on social media platforms; social media platform monitoring and related services
- Creative and technology services: development and maintenance of websites; development of social media platform apps; gift redemption

### **Project B**

#### ***Client***

Several global fashion, lifestyle and beauty brands managed by a brand management company

#### ***Length of business relationship***

From August 2012 to December 2014

#### ***Background and objective***

- To engage target audience, thereby arousing their interest in the brands and products
- To provide target audience with news of the brands

#### ***Major scope of our integrated digital marketing services***

- Digital advertisement placement services: placements of display advertisements
- Social media management services: set-up and maintenance of corporate profile pages on social media platforms; social media platform monitoring and related services

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- Creative and technology services: production of banner advertisements; development of websites and apps

### **Project C**

#### ***Client***

Two Asian cosmetic brands marketed by one of the top 20 global beauty companies

#### ***Length of business relationship***

From January 2013 to the Latest Practicable Date

#### ***Background and objective***

- To increase the brand awareness of two Asian cosmetic brands marketed by our client
- To promote the new products launched by two Asian cosmetic brands marketed by our client
- To disseminate the latest product information and product benefits
- To provide target audience with beauty care advice and tips

#### ***Major scope of our integrated digital marketing services***

- Digital advertisement placement services: placements of display advertisements and social advertisements
- Social media management services: set-up, maintenance and monitoring of corporate profile pages on social media platforms; social media platform monitoring and related services
- Creative and technology services: production of banner advertisements; development of websites and apps; gift redemption

### **Project D**

#### ***Client***

The Organising Committee of an international sporting event held in a provincial capital city in Eastern China

#### ***Length of business relationship***

August 2013

#### ***Background and objective***

- To promote an international sporting event held in a provincial capital city in Eastern China
- To enhance communications and exchanges between youth from different countries and regions of Asia
- To promote the hosting provincial capital city in Eastern China

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### *Major scope of our integrated digital marketing services*

- Digital advertisement placement services: placements of social advertisements
- Social media management services: set-up, maintenance and monitoring of corporate profile pages on social media platforms
- Creative and technology services: consultancy services

### **Project E**

#### *Client*

The tourism promotion centre of a provincial capital city in Eastern China

#### *Length of business relationship*

From December 2012 to November 2014

#### *Background and objective*

- To promote tourism of a provincial capital city in Eastern China and to provide target audience with information of the provincial capital city and travel tips

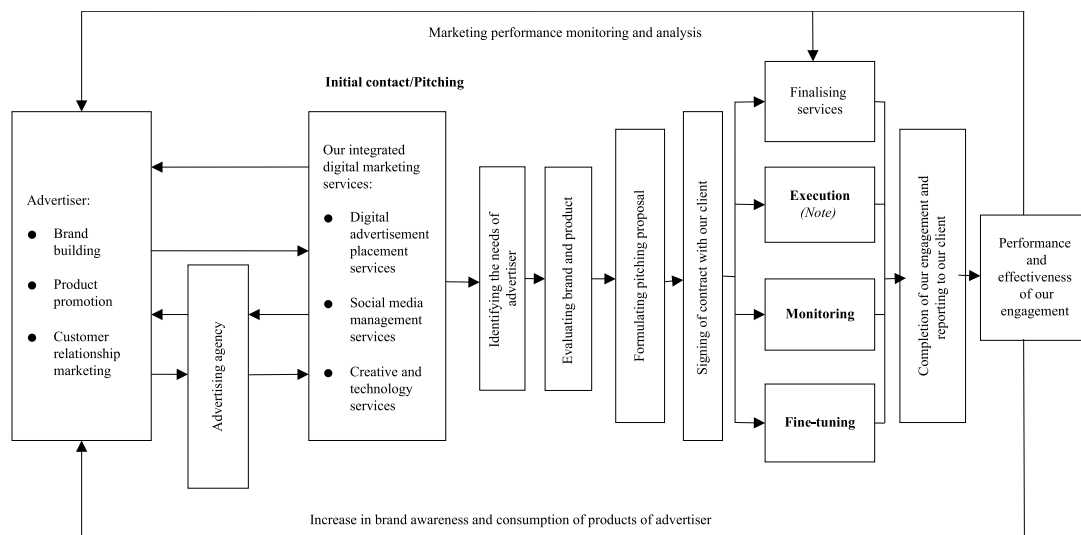
### *Major scope of our integrated digital marketing services*

- Digital advertisement placement services: social advertisement placements
- Social media management services: set-up, maintenance and monitoring of tourism promotional pages on social media platforms
- Creative and technology services: development of website and consultancy services

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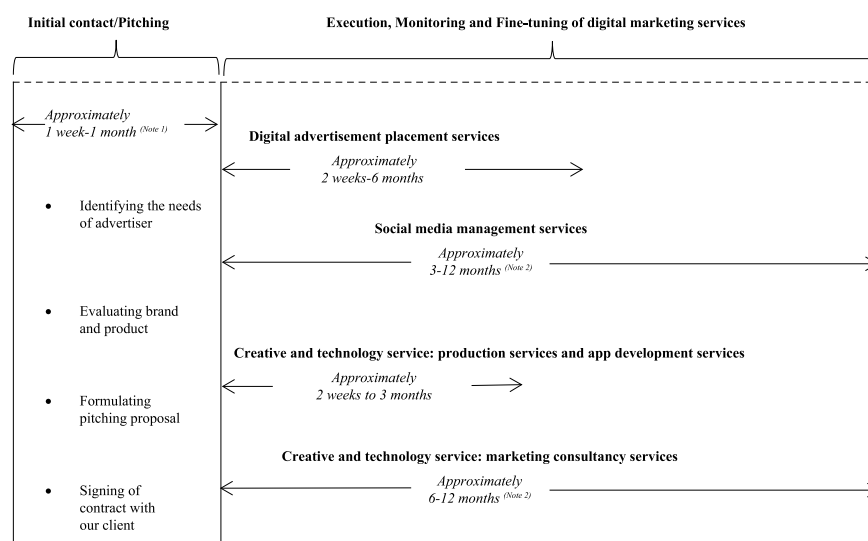
### WORKFLOW OF OUR ENGAGEMENT

The following chart sets out the workflow of our engagement, illustrating the key stages of our business operations, including the formulation of pitching proposal, the signing of contract, the execution, monitoring and fine-tuning of digital marketing services and reporting throughout and upon completion of our engagement:



**Note:** The execution process varies according to each category of our digital marketing services, details of which are set out below.

The following diagram illustrates our business model timeline in general:



**Notes:**

- For significant projects, the initial contact/pitching stage may take 3 to 6 months.
- For significant projects, the execution, monitoring and fine-tuning stages may take more than 1 year.

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### **Initial contact/pitching**

Our initial contact with potential client is generally conducted by our sales and proposal team through presenting our corporate and project portfolio to the potential client.

Upon request by our potential client, we may further customise our pitching proposal, taking into account the characteristics of the advertiser and its product or service and the target audience.

If our potential client approves our pitching proposal and agrees to enter into contract with us, we will allocate resources in accordance with the service scope. The contract between our client and us will set out the digital marketing services to be provided by us.

### **Execution, monitoring and fine-tuning of digital marketing service**

Depending on the type of service involved, our responsible service team will be responsible for the execution and quality control of our service. The key work stages of our digital marketing service as illustrated by some of our typical services are summarised below:

#### ***Digital advertisement placement services***

##### *(a) Advising on advertising strategies and placing digital advertisements*

We advise our client on digital advertising strategies, in particular procuring advertising space and selecting advertising formats, with reference to the target audience, budget and marketing objectives of our client. To place display advertisements, our service team will first liaise with operators of selected websites, apps and mobile sites to enquire about the availability of advertising spaces and rates. To place social advertisements, we formulate and implement strategies to procure the most cost-effective advertising space and advertising formats on various social media platforms for our client. Upon obtaining the final approval from our client, the relevant advertisement, which may or may not be produced by us, would be placed for an agreed number of times displayed to the websites, apps and mobile sites within or outside our Ad-Network and social media platforms.

##### *(b) Search engine marketing*

As part of our search engine marketing services, we identify keywords or terms related to the brand or product of the advertiser based on the results of our market research and the information provided by our client. Our service team will further analyse the proposed keywords or terms and formulate new combinations of search terms to ensure the purchase of keywords or terms from search engine meets with the budget of the advertiser and the search habits of the target audience. With the approval from our client, strategies with reference to the marketing objectives and budgets of the advertiser will be executed by our service team to purchase designated keywords and the associated advertising space at the search engine results page. The process is an ongoing process as we are able to change our strategies at any time and constant analysis will be conducted to ensure the effectiveness of our search engine marketing services.

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### *Social media management services*

#### *(c) Setting up and managing corporate profile page*

We assist the advertiser to set up, customise or maintain corporate profile page or corporate account. In collaboration with our design group under our creative and technology service team, our social media management service team is responsible for the formulation and incorporation of contents and design of the social media corporate profile page with the view of providing the target audience with updated brand and product information and increasing public awareness by encouraging discussions and interactions among target audience. We advise the advertiser in the selection, production and arrangement of photos and videos and news feeds to be posted on the social media corporate profile. In anticipation of some frequently asked questions and enquiries from the target audience, we may be involved in drafting of official replies to such enquiries. Any materials posting to the corporate profile page of the advertiser is subject to our internal review and the advertiser's approval. We also collect and analyse the demographic information of target audience and competitors of the advertiser which is publicly available at a global social media platform using our self-developed data analysis and reporting system, Guru Tracker, in order to fine-tune the relevant social media corporate profiles and the advertiser's strategies in customer relationship management.

#### *(d) Monitoring websites, mobile sites and social media platforms*

During the Track Record Period, our online monitoring services were mainly provided through our major supplier, VDS. Topic-related and keyword-related monitoring is performed by VDS, under which reports are provided to us for review, evaluation and approval before releasing to our client on a daily, weekly or monthly basis. Based on the information collected, we, together with VDS, analyse and discuss each monitoring result to identify potential or actual issues which may be directly or indirectly related to the advertiser, analyse the potential or actual reaction or perception of the public or target audience of the advertiser to such issue, and evaluate the potential or actual impact of such issue on the advertiser, in order to fine-tune the existing digital marketing strategies, formulate new digital marketing strategies, or take other appropriate actions to address such issue, including the launching of campaigns or events and the engagement of reputable commentators. VDS is also involved in pitching activities in relation to our online monitoring services.

Depending on the requirements and needs of the advertiser, our social media management service team and VDS identify relevant reputable commentators with reference to the brand, product, service and target audience of the advertiser and arranges such reputable commentators to try the products or services of the advertiser and post their trial reviews on the Internet thereafter, so as to encourage feedbacks, comments and discussions from the public or target audience of the advertiser and enhance brand awareness of the advertiser.



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### *Creative and technology services*

#### *(e) Developing apps*

App development falls within our creative and technology services. Our design group and app development group under our creative and technology service team work together closely to design and propose an interface and functions. The interface will be further fine-tuned based on the feedbacks from our clients.

Upon obtaining approval from our client, we will commence the development and programming work. Internal reviews will be conducted to troubleshoot and refine the contents of app.

The final version of the app will be sent to our client for testing and approval. After the launching of the app, we will be responsible for the daily operation. Feedback from users and target audience will be collected and the app and our digital marketing services will be further fine-tuned.

#### *(f) Design*

We also provide other supporting services such as production services to our client. We are responsible for designing advertising materials, websites, mobile sites and corporate profile pages. The release of any marketing materials to the public is subject to our client’s approval.

The intellectual property rights in advertising materials designed by us or apps developed by us for the engagement will generally become the property of our client. As the advertising materials and apps are customised to suit the needs of our client, our Directors consider the ownership of intellectual property rights in such advertising materials and apps is not vital to the business of our Group.

### **Reporting throughout and upon completion of our engagement**

Our Directors consider that the effectiveness of our digital marketing services is integral to our provision of quality services. Monitoring and analysis of the performance of our digital marketing services serve not only as our tool in fine-tuning our services but also enable our clients to measure and evaluate the efficiency of their marketing strategies.

Based on our analysis of the information collected during the monitoring process, our service teams regularly discuss the project status internally and with our client and prepare interim progress reports, such as screen caps of the digital advertisements as displayed on websites, throughout our engagement, so that we can promptly fine-tune and further improve our marketing strategies. Upon completion of our engagement, a final report detailing our work done, the resulting performance throughout our engagement and our overall advice will be sent to our client for a comprehensive evaluation.

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### **MAJOR QUALIFICATIONS AND LICENCES**

#### **Hong Kong**

Our Directors confirmed that our Hong Kong subsidiaries are not required to obtain any industry-specific qualification, licence or permit for carrying out our digital marketing business in Hong Kong.

#### **The PRC**

As confirmed by our PRC legal advisers, Jun He Law Offices, save that the establishment and operation of AdBeyond GZ as a foreign-invested advertising enterprise was subject to the Provisions on the Administration of Foreign-invested Advertising Enterprises (外商投資廣告企業管理規定), our PRC subsidiaries are not required to obtain any industry-specific qualification, licence or permit for carrying out our digital marketing business in the PRC. For details of the relevant provisions, please refer to the section headed “Regulatory Overview — PRC Regulatory Overview — Regulations relating to the Business of our PRC Subsidiaries — Regulation of advertisement activities” in this document. However, there are uncertainties as to the regulation of Internet-related business and companies in the PRC and as to whether the PRC Government will classify our business as services requiring an ICP licence or other licences in the future. For details, please refer to the section headed “Risk Factors — Risks relating to the PRC — We may be adversely affected by the complexity, uncertainties and changes in the regulation of Internet-related businesses and companies in the PRC” in this document.

### **SALES AND MARKETING**

#### **Marketing team**

We had a sales and proposal team of 37 members as at the Latest Practicable Date, who are responsible for pitching activities for the promotion of our business. In addition to basic salaries, we motivate our sales personnel with incentive commission. In general, commission for each sales personnel is calculated based on a certain percentage of the net revenue billed by our Group as adjusted in accordance with the type of digital marketing service offered and the corresponding profit margin. For the years ended 31 March 2013, 31 March 2014 and the eight months ended 30 November 2014, commission paid to our sales group represented approximately 21.85%, 26.06% and 24.86% of our selling expenses, respectively.

#### **Sales and marketing**

Our sales group under our sales and proposal team is responsible for the promotion of our brand and maintenance of relationships with our clients. They, together with our service teams, work closely with our clients. If there is any complaint or specific demand from our clients, our sales group will communicate with the relevant clients to understand and remedy the issue. Our Directors confirmed that, during the Track Record Period, our Group did not experience any material complaint from our clients which had materially and adversely affect our business nor did our Group make any material compensation to our clients as a result of any complaint from our clients.

We keep our existing and potential clients informed of our recent developments by updating our website and distributing materials in relation to our background and project portfolio.

## **BUSINESS**

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We also participate in industry-related seminars and forums in order to promote our services and products and to keep up with the relevant development trends of our industry.

For the years ended 31 March 2013, 31 March 2014 and the eight months ended 30 November 2014, our selling expenses amounted to approximately HK\$10.17 million, HK\$13.22 million and HK\$10.24 million, respectively.

### **Tendering**

From time to time, we are involved in tendering process, in particular when the marketing campaigns involve public bodies.

In the event that we decide to submit a tender for the project, our service teams and sales and proposal team will work together to prepare for the tender submission in accordance with the requirements and specifications set out in the tender documents. The tender submission documents will be approved by our finance team before submission. If we are selected in the tendering process, a formal notification letter of the acceptance of tender will be issued by our client and we will enter into a contract with our client.

### **Pricing policy**

Apart from the significant PRC engagements with service period of over one year, we generally do not enter into long-term contract with our clients. Our service fees are generally set as a fixed sum determined on a case-by-case basis and are set forth in the contracts between us and our clients. In formulating our service fees for an engagement, we take into consideration factors including (i) the costs for carrying out the project with reference to the estimated time to be spent and the scale of the project, such as the number of employees which will be involved in the project and the specifications of the project; (ii) the prevailing market prices for similar services offered in the market; (iii) the size, reputation and industry of the advertiser involved; and (iv) the potential future business opportunities with the advertiser.

During the Track Record Period, the service fees for our engagement varied significantly as the types and specifications of the digital marketing services provided to different clients varied significantly.

### **Credit policy and payment methods**

Our Group adopts prudent credit control procedures and our finance personnel are responsible for monitoring subsequent settlement of our receivables from time to time.

For new clients engaging us for engagements lasting for less than three months, we generally require them to make an upfront payment equals to the service fee to be billed in the first invoice. However, for existing clients engaging us for engagements lasting for less than three months and new or existing clients engaging us for engagements lasting for three months or more, such upfront payment is not required.

We generally issue bills to our clients on a periodic basis or according to the payment schedules stipulated in our contracts and require our clients to settle our bills within 30 to 60 days after billing. For the years ended 31 March 2013 and 31 March 2014 and the eight months ended 30 November 2014, our trade receivables turnover days was 83 days, 109 days and 115 days, respectively. Our sales and finance personnel

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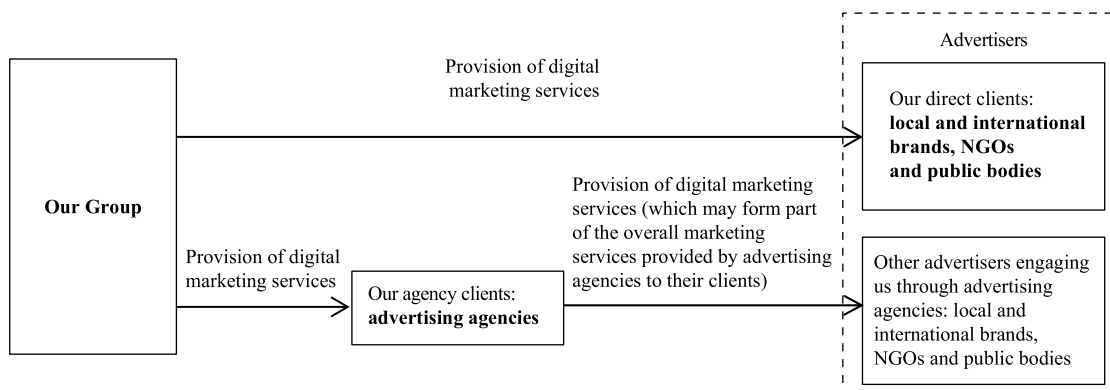
have been working closely with our service teams to liaise with our clients to keep track of purchase order amendments, project status and payment settlement and to accelerate project execution when necessary so as to encourage the regular settlement of outstanding balance. For details, please refer to the section headed “Financial Information – Net Current Assets and Selected Items of Combined Statements of Financial Position – Trade Receivables” in this document.

Our bills are denominated either in Hong Kong dollars or RMB and are generally settled by our clients by way of cheque and bank transfer.

Estimated credit losses is provided based on our ongoing individual credit evaluation of our client’s payment history and the identification of any specific payment collection issue. For the years ended 31 March 2013, 31 March 2014 and the eight months ended 30 November 2014, approximately HK\$0.13 million, HK\$0.16 million and HK\$0.11 million had been written off as bad debts, respectively.

## CLIENTS

During the Track Record Period, we had a wide and diversified client base and were not dependent on any single client. The following diagram and table set forth our relationships with our clients which include local and international brands, NGOs, public bodies and advertising agencies, and a breakdown of our revenue by type of clients during the Track Record Period, respectively:



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	For the year ended 31 March		For the year ended 31 March		For the eight months ended 30 November	
	2013		2014		2014	
	Revenue		Revenue		Revenue	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Commercial organisations</b>						
Local and international brands as direct clients	58,673	65.89	75,844	67.36	65,703	69.09
Local and international brands engaging us through advertising agencies	15,806	17.75	18,428	16.37	14,357	15.10
<b>Non-commercial organisations</b>						
NGOs and public bodies as direct clients	9,129	10.25	16,417	14.58	13,819	14.53
NGOs and public bodies engaging us through advertising agencies	5,440	6.11	1,905	1.69	1,213	1.28
<b>Total:</b>	<b>89,048</b>	<b>100.00</b>	<b>112,594</b>	<b>100.00</b>	<b>95,092</b>	<b>100.00</b>

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During the Track Record Period, we served local and international brands across various business sectors, NGOs and public bodies, directly or through their advertising agencies. The following table sets forth a breakdown of the business sectors of the advertisers which engaged us directly or through advertising agencies based on percentage of our total revenue of approximately HK\$296.73 million during the Track Record Period:

<b>Business sectors of the advertisers (Note)</b>	<b>Approximate % of the total revenue during the Track Record Period</b>
<b>Commercial</b>	
Beauty and cosmetic	11.57
Digital and technology	7.48
Health supplement and fast-moving consumer goods	8.88
Travel and hospitality	8.19
Real estate	8.28
Leisure and entertainment	4.73
Luxury and fashion	7.27
Banking, finance and insurance	6.06
Public utility and telecommunications	5.41
Education	3.74
Pharmaceuticals	2.78
<b>Non-commercial</b>	
Public bodies	13.65
NGOs	2.74
<b>Others</b>	9.22
	<u>100.00</u>

*Note:* Including advertisers which engaged us through advertising agencies.

Some advertisers would deal with us through their designated advertising agencies, as they have engaged such advertising agencies to manage their overall branding and marketing strategies. Some agencies would recommend our services to advertisers. We believe that the business arrangements with these advertising agencies are conducive to broadening our client base and increasing our competitive strength in the industry. Nevertheless, we strive to maintain close contacts with the advertisers, while our executive Directors and other senior management will continue to maintain good business relationships with the

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advertisers. During the Track Record Period, most of our major clients had over two years of business relationship with us. The following table sets forth the percentage of our revenue attributable to our direct clients and advertising agencies:

	For the year ended 31 March		For the eight months ended
	2013	2014	30 November 2014
	%	%	%
Direct clients	76.14	81.94	83.63
Advertising agencies	23.86	18.06	16.37
<b>Total:</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

During the Track Record Period, all of the contracts we entered into with our clients were legally binding and most of the contracts were in our standard form. The principal terms for the provision of digital marketing service include, among other things, scope of digital marketing services, payment and termination clauses. Our contractual period may range from two weeks to one year, depending on the type of digital marketing services, the complexity of the engagement and the need of our client. In general, no party may unilaterally terminate the engagement. For details of our credit policy and payment methods, please refer to “Sales and Marketing – Credit policy and payment methods” in this section.

During the Track Record Period, we are not dependent on any single client. For the years ended 31 March 2013 and 31 March 2014 and the eight months ended 30 November 2014, our five largest clients accounted for 20.44%, 20.38% and 19.58% of our revenue, respectively. For each of the two years ended 31 March 2014 and the eight months ended 30 November 2014, our five largest clients accounted for less than 30.00% of our total revenue. Our Directors confirmed that our Group had no material dispute with our clients and none of our clients was our major supplier during the Track Record Period.

None of our Directors, their close associates or any Shareholder (who or which, to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in any of our five largest clients during the Track Record Period. During the Track Record Period, our Group had not experienced any major disruption of business due to material delay or default of payment by our clients due to their financial difficulties. Our Directors further confirmed that they are not aware of any material financial difficulties experienced by any of our major clients that may materially affect our Group’s business.

## SUPPLIERS

During the Track Record Period, our suppliers mainly included operators of websites, apps, mobile sites, social media platforms and search engines, reputable commentators and our major supplier for online monitoring services. We also engaged software and programme developers, photographers and translators to support our creative and technology services as and when necessary.

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The following table sets forth our selection criteria of major types of suppliers:

<b>Type of services</b>	<b>Major types of suppliers</b>	<b>Selection criteria</b>
Digital advertisement placement services		
Display advertisements	Websites, apps and mobile sites	Market recognition, suitability, popularity, target audience and costs of the websites, apps and mobile sites
Social advertisements	Social media platforms	The target audience and the budget of the advertisers
Search engine marketing	Search engines	The target audience and the budget of the advertisers
Social media management services	Online monitoring service provider	The relationship with the service providers, the quality of the services provided by the service providers, the needs and requirements of the advertisers, and the efficiency achieved by the service providers in providing our services
	Reputable commentators	Reputation of the commentators, the types of products or services to be reviewed by the commentators and the target audience and the budget of the advertisers
Creative and technology services	Software and programme developers and other service providers	Types, quality and costs of services involved, and our review of the performance of the service providers

During the Track Record Period, we did not experience any material shortage or delay of supply due to defaults of our suppliers. Our Directors have confirmed that none of our suppliers was our major client during the Track Record Period.

### Major suppliers

For the years ended 31 March 2013 and 31 March 2014 and the eight months ended 30 November 2014, the cost of services attributable to our suppliers amounted to approximately HK\$32.61 million, HK\$41.37 million and HK\$35.60 million, respectively; and the five largest suppliers accounted for approximately 54.77%, 52.98% and 49.68% of our total cost of services excluding staff costs and



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amortisation expenses, respectively, while the largest supplier accounted for approximately 31.84%, 26.30% and 19.69% of our total cost of services excluding staff costs and amortisation expenses in the corresponding years.

The following table sets out the profile of our five largest suppliers based on the aggregation of cost of services attributable to them during the Track Record Period:

***For the year ended 31 March 2013***

<b>Rank</b>	<b>Our supplier</b>	<b>Principal business activities</b>	<b>Approximate years of business relationship with our Group</b>	<b>% of total cost of services (Note)</b>	<b>Platforms/services provided</b>
1	VDS	Provider of social media monitoring services and related video production services	3 years	31.84	Online monitoring services and video production services
2	Supplier A	Operator of a global social media platform	6 years	11.86	Social media platform
3	Supplier B	Provider of web portal, search engine and related services	6 years	5.14	Website, mobile site and search engine
4	Qooza Interactive	Operator of a Hong Kong-focused online sharing platform which delivers fashion-related and beauty-related news and information	6 years	3.58	Website and social media platform
5	Supplier C	Operator of a global search engine	6 years	2.35	Search engine

*Note:* Excluding staff costs and amortisation expenses.

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***For the year ended 31 March 2014***

Rank	Our supplier	Principal business activities	Approximate years of business relationship with our Group	% of total cost of services (Note)	Platforms/services provided
1	VDS	Provider of social media monitoring services and related video production services	3 years	26.30	Online monitoring services and video production services
2	Supplier A	Operator of a global social media platform	6 years	15.73	Social media platform
3	Supplier B	Provider of web portal, search engine and related services	6 years	5.98	Website, mobile site and search engine
4	Supplier C	Operator of a global search engine	6 years	3.62	Search engine
5	Qooza Interactive	Operator of a Hong Kong-focused online sharing platform which delivers fashion-related and beauty-related news and information	6 years	1.35	Websites and social media platform

*Note:* Excluding staff costs and amortisation expenses.

***For the eight months ended 30 November 2014***

Rank	Our supplier	Principal business activities	Approximate years of business relationship with our Group	% of total cost of services (Note)	Platforms/services provided
1	VDS	Provider of social media monitoring services and related video production services	3 years	19.69	Online monitoring services and video production services
2	Supplier A	Operator of a global social media platform	6 years	16.17	Social media platform
3	Supplier B	Provider of web portal, search engine and related services	6 years	7.14	Website, mobile site and search engine
4	Supplier C	Operator of a global search engine	6 years	3.92	Search engine
5	Supplier D	Operator of a newspaper app	4 years	2.76	App

*Note:* Excluding staff costs and amortisation expenses.

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Notwithstanding that VDS is wholly-owned by Mr. Wong Chi Shing who is also the sole director of VDS and a cousin of Mr. Harry Wong (who is one of our significant shareholders and the project director of AdBeyond HK) and Mr. Alfred Wong (who is the chief financial officer and senior management of our Company), and Mr. Harry Wong and Mr. Alfred Wong are brothers, none of our Directors, their close associates or any Shareholder (who or which, to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in any of our five largest suppliers during the Track Record Period. For details of our engagement of VDS, please refer to “Long-term agreements – Online monitoring service provider” below.

In general, our suppliers grant us a credit term of 30 to 90 days and we settle our payment by cheque or bank transfer. Some of our major suppliers which are social media platforms and search engines require us to make online payment upon placement of order online.

### **Long-term agreements**

Our Directors confirmed that the terms and conditions set out in our agreements with our different types of suppliers vary, and the duration of such agreements may be long-term or on project basis, depending on the nature of marketing campaigns and the needs of the advertisers.

Set forth below are the details on the major long-term contracts we have entered into with our suppliers:

#### ***Websites, apps and mobile sites***

We have entered into legally binding cooperation agreements with more than 250 partner websites (including Qooza Interactive, Travellife Co and bMedia), and more than 100 Hong Kong-focused apps and mobile sites, in relation to the procurement of advertising space and advertising formats from them for a term of two to three years, subject to automatic renewal. The principal terms of such cooperation agreements generally include the types of advertising space and platforms to be provided by our partner websites, apps and mobile sites, the exclusivity and duration of the cooperation agreements, payment terms and fee arrangements pursuant to which a certain percentage of the amount as stated on the bills issued to the relevant clients would be distributed to the relevant partner websites, apps and mobile sites.

As we consider the target audience of qooza.hk, travellife.org and unwire.hk coincide with that of many of our major clients, we acquired 13%, 20%, 19.9936% and 19.992% of the interest in Qooza Interactive (operator of qooza.hk), Travellife Co (operator of travellife.org), bMedia (operator of unwire.hk) and Unwire (the registered owner of the domain name, unwire.hk), respectively, in addition to entering into an cooperation agreement with each of Qooza Interactive, Travellife Co and bMedia. For details, please refer to the section headed “History, Development and Reorganisation – History and Reorganisation – Investment of AdBeyond HK” in this document.

In addition, on 10 April 2012, we entered into a three-year exclusive Hong Kong master agency agreement with a mobile advertisement network operator in the PRC, an Independent Third Party, in relation to its provision of display advertisement placement services to us on over 7,500 PRC-focused apps and mobile sites. Such PRC-focused apps and mobile sites form our MobMax PRC Ad-Network. Pursuant to the master agency agreement, the service fee payable to the PRC mobile advertisement network operator is

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determined on a case-by-case basis depending on the specifications of each engagement. Our Directors confirmed that the revenue generated from the digital advertisement placement services through our MobMax PRC Ad-Network and the relevant cost of services were insignificant during the Track Record Period. Upon expiration in April 2015, we intend to renew our master agency agreement with the mobile advertisement network operator.

### *Online monitoring service provider*

Since December 2011, we have engaged VDS to provide online monitoring services and related video production services. During the Track Record Period, VDS was our largest supplier. VDS is wholly-owned by Mr. Wong Chi Shing who is also the sole director of VDS and a cousin of Mr. Harry Wong (who is one of our significant shareholders and the project director of AdBeyond HK) and Mr. Alfred Wong (who is the chief financial officer and senior management of our Company). Mr. Harry Wong and Mr. Alfred Wong are brothers. Please refer to the section headed “History, Development and Reorganisation – Further Information about Mr. Harry Wong” and “Directors, Senior Management and Employees – Senior Management” in this document for further information on the background of Mr. Harry Wong and Mr. Alfred Wong. To the best of the knowledge, information and belief of our Directors, a substantial portion of revenue of VDS was generated from our Group for each of the years ended 31 December 2012 and 31 December 2013.

### *Background of our cooperation with VDS*

As confirmed by our Directors, at the earlier stage of exploring our online monitoring servicing market, it was easier for our management to manage the cost of our provision of online monitoring services and related video production services by remitting a certain percentage of our revenue from online monitoring services and related video production services after deducting relevant expenses to VDS as service fees in relation to the provision of services by VDS to us, such that our profit margin could be more certain and relatively stable. Moreover, we would be able to benefit from our engagement with VDS through such fee arrangement as VDS would prioritise its resources for our engagements.

From December 2011 to 27 November 2012, AdBeyond HK remitted to VDS a fixed percentage of our revenue from online monitoring services and related video production services after deducting relevant expenses, based on commercial negotiations between AdBeyond HK and VDS. No written master service agreement was entered into at the time.

From 28 November 2012 to 6 March 2014, based on a written master service agreement between AdBeyond HK and VDS dated 28 November 2012 (the “**Previous VDS Service Agreement**”), AdBeyond HK remitted to VDS a fixed percentage of our revenue from online monitoring services and related video production services after deducting relevant expenses. The Previous VDS Service Agreement was a simple written agreement between AdBeyond HK and VDS, setting out in brief the clauses on fee arrangement, transferability and assignability of the agreement subject to the other party’s consent and the governing law of the agreement.

Our Directors confirmed that the fee arrangement under the Previous VDS Service Agreement was mutually agreed by AdBeyond HK and VDS based on commercial negotiations, taking into account strategic reasons, including but not limited to, (i) the securing of stable and high quality online monitoring services

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from VDS; (ii) the saving of time, costs and resources in obtaining quotations and in negotiating the service scope of each engagement anew to address the specific marketing needs of each client; and (iii) maintaining and enhancing the stable and smooth business relationship established with VDS.

### *Reasons for entering into the VDS Service Agreement*

The Previous VDS Service Agreement was a simple written agreement between AdBeyond HK and VDS. During the preparation for [REDACTED], it was noted that VDS has been the major supplier of our Group since December 2011 and it would continue to be our current strategy to maintain the established business relationship with VDS following [REDACTED]. Accordingly, in contemplation of [REDACTED], it was considered more appropriate for AdBeyond HK to enter into a master agreement to better govern the business relationship between AdBeyond HK and VDS in a more elaborate legal framework.

On 7 March 2014, AdBeyond HK and VDS entered into the VDS Service Agreement to terminate and replace the Previous VDS Service Agreement and VDS continues to provide online monitoring services and related video production services to us under the terms and conditions set out in the VDS Service Agreement. Our Directors considered and confirmed that the purpose of entering into the VDS Service Agreement is to set out the respective rights and obligations of AdBeyond HK and VDS in writing in more details and there is no fundamental change to the terms of the transactions between our Group and VDS as a result of entering into the VDS Service Agreement.

### *Material terms of the VDS Service Agreement*

The VDS Service Agreement is for an initial term of three years from 7 March 2014, and may be amended or renewed subject to our Board's approval, issue of announcement and independent Shareholders' approval. The VDS Service Agreement may be terminated by either AdBeyond HK or VDS (i) upon serving a three months' written prior notice to the other party; or (ii) immediately without notice, upon any breach, default or misconduct of the other party.

Pursuant to the VDS Service Agreement, among other things, (i) we may from time to time during the continuance of the VDS Service Agreement place orders with VDS by way of purchase orders setting out the particulars of the services to be provided by VDS; (ii) the fee for the services to be provided by VDS shall be a sum to be agreed on a case-by-case basis as set out in the relevant purchase order from time to time; and (iii) VDS grants us a credit period of 60 days from each month end after commencement of an engagement.

In particular, under the VDS Service Agreement, before we place a purchase order, we and VDS shall negotiate in good faith for, and agree upon, the particular terms of such purchase order (such as the particulars and specifications of the online monitoring services and related video production services, the service fee to be charged by VDS, payment method and schedule, reimbursement of out-of-pocket expenses, time for completion and delivery of the online monitoring services and related video production services, etc.).

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### *Benefits of our engagement of VDS*

In view of our long-standing relationship with VDS, we believe that (i) VDS would prioritise its resources for the provision of online monitoring services and related video production services to our Group, and (ii) we would be able to benefit from a guaranteed supply of high quality services by VDS to our Group with minimal administration inconvenience and its involvement in our pitching activities.

The long-standing relationship with VDS also enables us to have comprehensive assessment of the services provided by it over the years, ensuring the quality of work in the long run. We consider that such engagement is beneficial to our Group as it provides a flexible means of meeting clients’ needs and requirements. Therefore, it is our current strategy to continue to engage VDS to provide online monitoring services and related video production services to our clients following [REDACTED] and in the near future and enable us to focus on other key areas of our operations and to allocate our resources efficiently.

### *Financial impact of our transactions with VDS*

During the Track Record Period, VDS was our largest supplier. The aggregate service fees paid to VDS amounted to approximately HK\$10.38 million, HK\$10.88 million and HK\$7.01 million for the years ended 31 March 2013 and 31 March 2014 and the eight months ended 30 November 2014, respectively, accounting for approximately 31.84%, 26.30% and 19.69% of our total cost of services excluding staff costs and amortisation expenses for the same periods, respectively. The gross profit margin of our Group generated from the engagements with our clients which involved the provision of services from VDS to us under the VDS Service Agreement for the eight months ended 30 November 2014 is in line with the gross profit margin of our Group generated from the engagements with our clients which involved the provision of services from VDS to us under the Previous VDS Service Agreement for the years ended 31 March 2013 and 31 March 2014. In view of the above, our Directors consider the financial impact to our Group remains substantially the same after the entering into of the VDS Service Agreement.

Although we relied on VDS for the provision of online monitoring services during the Track Record Period, our Directors consider there is sufficient supply of comparable third party service providers in the market and do not foresee any difficulties in finding substitute service providers should that become necessary. We will consider to engage other suitable service providers where appropriate. For the relevant risk factor in relation to our reliance on VDS, please refer to the section headed “Risk Factors – Risks relating to our Business – We rely on VDS as our major supplier in the provision of online monitoring services. Any disruption in the provision of services from VDS or our inability to identify alternative service providers may affect our business operations and financial results” in this document.

### *The Sole Sponsor’s views on the VDS Service Agreement*

The Sole Sponsor considers that the terms of the VDS Service Agreement are in line with industry norm based on the following factors:

- a) the fee arrangements between our Group and VDS were/are not or will not be materially different from our Group’s fee arrangements with other suppliers. Pursuant to the VDS Service Agreement, our Group has paid or will pay VDS the service fee for the services provided by VDS to our Group. In other words, VDS has charged or will charge the service fee, which is a

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fee determined on a case-by-case basis based on the services provided by VDS, to our Group. As such, our Directors are of the view that the service fee charged by VDS under the VDS Service Agreement is in the same nature as the fees quoted by other suppliers;

- b) our Group was generally not required to pay deposit to our suppliers which include VDS, our former service providers for online monitoring services and our business partners which include operators of websites, apps and mobile sites for the procurement of digital advertisement placement services;
- c) the credit period of 60 days to 90 days granted by VDS to our Group was within the range of credit periods ranging from 30 days to 90 day granted by the other suppliers of our Group during the Track Record Period; and
- d) the average gross profit margin of our Group generated from the engagements with our clients which involved the provision of online monitoring services from VDS to us under the VDS Service Agreement falls within the range of the estimated gross profit margin of our Group which would be generated if online monitoring services were to be procured from the Independent Third Party suppliers based on the quotations obtained by our Group.

*Disclosure of our transactions with VDS in our Company’s annual reports and annual review of the our transactions with VDS by our independent non-executive Directors*

Our Company will disclose the details of our transactions with VDS under the VDS Service Agreement during the continuance or any renewed term of such agreement in each of our Company’s annual reports. Our independent non-executive Directors will also review and confirm annually in our Company’s annual reports whether the transactions between our Group and VDS under the VDS Service Agreement are on normal commercial terms.

## **INFORMATION TECHNOLOGY**

We have implemented the following information technology management systems for the operation of our business:

- enterprise resource planning system – our operation, from the acceptance of purchase orders to issuance of invoice and payment settlement, are maintained and monitored through the system. The data stored in the system assists us in analysing the revenue trends of our digital marketing services which in turn allows us to formulate suitable business plans to capture market opportunities; and
- data backup and recovery system – data generated in the enterprise resource planning system and files stored in our servers are backed up periodically, transmitted and stored in an off-site data centre.

As confirmed by our Directors, there had been no unexpected system or network failure which caused material interruption to our operations during the Track Record Period.



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### **RESEARCH AND DEVELOPMENT**

During the Track Record Period, our information technology personnel (i) had developed a data analysis and reporting system, Guru Tracker; (ii) and were in the process of modifying and adapting existing technologies relating to the display of images on mobile connected devices, mobile location detection and online payment, for application in our digital marketing services. Guru Tracker facilitates our social media management services by analysing and generating reports on demographical information of target audience and competitors of the advertisers publicly available at a global social media platform. For the years ended 31 March 2013 and 31 March 2014 and the eight months ended 30 November 2014, we incurred approximately HK\$2.18 million, nil and HK\$1.43 million, respectively, in relation to research and development and we capitalised such costs as intangible assets. Such costs were mainly employee salaries and benefit expenses. As at the Latest Practicable Date, we had a research and development team of six members with an average of approximately two years of experience relating to app development, programming and digital marketing. Going forward, we intend to allocate more resources to our research and development capabilities. Please refer to "Business strategies" in this section for further details.

### **QUALITY CONTROL**

As an integrated digital marketing service provider, client satisfaction and day-to-day quality control which includes strategy review, text review, picture review, advertisement review, design review and strategy performance review are very important to us. In line with the nature of digital marketing service industry, day-to-day service monitoring and evaluation are carried out real-time throughout our engagements by our service teams. To optimise the marketing performance of our digital marketing services to ensure the achievement of the marketing objectives of the advertisers, we have to constantly collect feedback from target audience, monitor public responses and produce interim evaluation reports for evaluation and fine-tuning purposes. Our service team leaders are responsible for the day-to-day monitoring of work quality and progress of our Group and our suppliers, ensuring that our engagements are executed according to the specifications of our clients and ensuring effective communications with our clients and our suppliers.

In addition, we have implemented an overall quality control system. One of our senior service team leaders who has been working with us for over 5 years, is responsible for our overall quality control. Upon completion of our engagements, we arrange surveys or interviews with our clients to collect their feedback for evaluation.

### **HEALTH AND WORK SAFETY MATTERS**

We are required to comply with various safety laws and regulations in Hong Kong. Our operations are also subject to occupational health and safety regulations issued by the relevant occupational health and safety authorities in Hong Kong. As advised by our PRC legal advisers, Jun He Law Offices, we are not subject to any specific laws and regulations regarding workplace safety in the PRC as we are not engaging in manufacturing business.

Our Directors confirmed that to the best of their knowledge, information and belief, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the safety laws and regulations in all material respects.



## **BUSINESS**

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We have taken measures to promote occupational health awareness and safety at workplace. During the Track Record Period, we had not experienced any significant workplace accident.

### **ENVIRONMENTAL MATTERS**

Our Directors believe that the digital marketing service industry in which we operate our integrated digital marketing business is not a major source of environmental pollution, the impact of our operations on the environment is minimal. We have taken measures to facilitate the environmental-friendliness of our workplace by encouraging a recycling culture within our Group.

During the Track Record Period, we were not subject to any major environmental claims, lawsuits, penalties or disciplinary actions.

## **BUSINESS**

### **AWARDS**

The following table sets out our major awards received as an integrated digital marketing service provider:

<b>Year awarded</b>	<b>Award</b>	<b>Awarding body</b>
2012	First Place, Digital Agency of the Year Award	Marketing Magazine’s Agency of the Year Awards (Hong Kong) 2012
2012	Local Hero, Digital Agency of the Year Award	Marketing Magazine’s Agency of the Year Awards (Hong Kong) 2012
2013	First Place, Digital Agency of the Year Award	Marketing Magazine’s Agency of the Year Awards (Hong Kong) 2013
2013	Local Hero, Digital Agency of the Year Award	Marketing Magazine’s Agency of the Year Awards (Hong Kong) 2013
2013	Silver Award, Best Viral Marketing Award	Marketing Magazine’s Mobile Excellence Awards (Hong Kong) 2013
2013	Bronze Award, Best Location-based Marketing Award	Marketing Magazine’s Mobile Excellence Awards (Hong Kong) 2013
2014	Second Place, Digital Agency of the Year Award	Marketing Magazine’s Agency of the Year Awards (Hong Kong) 2014
2014	Local Hero, Digital Agency of the Year Award	Marketing Magazine’s Agency of the Year Awards (Hong Kong) 2014
2014	Third Place, Social Media Agency of the Year Award	Marketing Magazine’s Agency of the Year Awards (Hong Kong) 2014
2014	Silver Award, Best Government Sector Event Award	Marketing Magazine’s Marketing Events Award (Singapore) 2014

*Note:* Marketing Magazine is Asia’s leading source of advertising, marketing and media intelligence.

## **BUSINESS**

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### **INTELLECTUAL PROPERTY**

We have branded our business in Hong Kong and the PRC by using “GURU ONLINE” as our brand name. As at the Latest Practicable Date, we were the registered owner of the trademark “Maximizer”, the name our advertising network of Hong Kong-focused websites, in Hong Kong and had two and six trademark applications pending in Hong Kong and the PRC, respectively. The trademark applications pending in the PRC included “Adbeyond”, “GURU” and “GURU ONLINE” under different classes. Certain trademarks containing the word “Guru” have already been registered by other third parties in Hong Kong. However, given we have been using our brand name “GURU ONLINE” for more than five years without receiving any complaint from third parties, our Directors consider that our risk of being challenged for the use of “GURU ONLINE” by our Group prior to registration is minimal.

In Hong Kong, the Hong Kong Trade Marks Registry may reject a trademark registration application on, among other things, the grounds of a lack of distinctiveness or that someone else has already registered or applied to register the same or similar trademark for the same or similar goods and services.

In the PRC, the PRC Trademark Office may reject an application for registration of a trademark in any of the following circumstances: (i) if an application has been made to register a trademark that is not in conformity with the trademark law of the PRC or that is identical with or similar to another person’s trademark which has already been registered or given preliminary examination and approval for use on the same kind of commodities or similar commodities; (ii) when two or more trademark registration applications apply for registration of identical or similar trademarks for the same kind of commodities or similar commodities, the trademark whose registration was first applied for shall be given preliminary examination and approval; if the applications are filed on the same day, the trademark which was first used shall be given preliminary examination and approval, and the other applications shall be rejected; and (iii) any person may file an opposition to a trademark which has been given preliminary examination and approval within three months from the day it was publicly announced; and (iv) if the trademark registration applicant or the registrant has found that there are obvious mistakes in the trademark application documents or registration documents.

Our applications for registration of the trademarks may be rejected by either the Hong Kong Trade Marks Registry or the PRC Trademark Office, if our applications fall within any of the above circumstances. For the associated risks, please refer to the section headed “Risk Factors – Risks relating to our business – We may not be able to register our existing brand name which could affect our results of operations” in this document.

As at the Latest Practicable Date, we had also registered a number of domain names. Detailed information of our intellectual property rights is set out in the section headed “Statutory and General Information – B. Further Information about the Business of our Group – 2. Intellectual Property Rights of our Group” in Appendix IV to this document.

During the Track Record Period, we were not involved in any dispute or infringement of trademarks and patents.

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### EMPLOYEES

As at the Latest Practicable Date, we had 212 full-time employees. A breakdown of our employees by function and geographic location as at the respective financial position dates indicated and the Latest Practicable Date is set forth below:

	As at 31 March		As at 30	As at the
	2013	2014	November	Latest
			2014	Practicable
				Date
<b>Hong Kong:</b>				
Sales and proposal	23	29	31	29
Digital advertisement placement service team	12	16	17	17
Social media management service team	36	51	66	66
Creative and technology service team	28	39	30	29
Finance, administration, human resources and information technology	24	36	33	30
Research and development team	0	0	6	6
<b>PRC:</b>				
Sales and proposal	12 <i>(Note)</i>	15	8	8
Digital advertisement placement service team	0	0	0	0
Social media management service team	24 <i>(Note)</i>	27	24	24
Creative and technology service team	0	0	0	0
Finance, administration, human resources and information technology	7 <i>(Note)</i>	9	3	3
<b>Total</b>	<b>166 <i>(Note)</i></b>	<b>222</b>	<b>218</b>	<b>212</b>

*Note:* As at 31 March 2013, our staff members in the PRC were engaged as dispatched employees through a third party human resources agency in the PRC.

We generally recruit our employees from the open market and enter into employment contracts with our employees. We had also participated in a graduate support scheme by recruiting graduates of related disciplines from universities and tertiary institutes. We offer attractive remuneration packages to our employees. In addition to salaries, our employees who are retained after the probation period are entitled to bonuses and medical insurance coverage. We provide a defined contribution to the Mandatory Provident

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Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. We pay in respect of our employees in the PRC social security funds including, pension insurance, medical insurance, unemployment insurance, occupational injury insurance, insurance for maternity leave and housing provident fund contributions as required under the PRC laws and regulations.

In addition to employees with whom we had entered into employment contracts in Hong Kong, all staff members of our representative office in Guangzhou (which was deregistered on 8 April 2013) and most of our staff members of our PRC subsidiaries were engaged as dispatched employees through a human resources agency in the PRC, an Independent Third Party, up to November 2013. Under the PRC laws and regulations, a representative office in the PRC is not allowed to enter into labour contracts and can only engage dispatched employees through human resources agency in the PRC. According to the Labour Contract Law, there was no labour contract relationship between the dispatched employees and us, and the dispatched employees entered into labour contracts with the relevant human resources agency. Pursuant to our contract with the human resource agency, we advanced salary payments, social security contributions and other related payments for the dispatched employees to the human resources agency. The human resources agency, in turn, made payment of salaries to the dispatched employees and social security contributions and other related payments to the relevant governmental authorities.

As of 30 November 2013, we engaged 29 dispatched employees through a third party human resources agency in the PRC. As advised by our PRC legal advisers, Jun He Law Offices, employment under labour dispatch is a supplementary form of employment of staff by employers in the PRC and shall exclusively apply to provisional, auxiliary or substitution positions only and our engagement of all staff in the PRC as dispatched employees constituted non-compliance with the applicable PRC laws and regulations. Upon becoming aware of the non-compliance incident, we immediately made arrangements to terminate the engagement of dispatched employees. On 1 December 2013, the engagement of 29 dispatched employees was terminated and AdBeyond GZ and AdBeyond BJ entered into labour contracts with 13 employees and 16 employees, respectively, in the PRC, representing all of our employees in the PRC as at 1 December 2013. According to the Provisional Regulations on Labour Dispatch of the PRC (中華人民共和國勞務派遣暫行規定) (the “**Labour Dispatch Regulations**”) approved by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部), which became effective on 1 March 2014, if the number of dispatched employees engaged by an employer represents 10% or more of the total number of staff of an employer, such employer should reduce the percentage of dispatched employees to less than 10% within two years from 1 March 2014. For the avoidance of doubt, the total number of staff of an employer shall refer to the employees who have executed labour contracts with the employer and the dispatched employees. Our PRC legal advisers, Jun He Law Offices, confirmed that, as we had terminated the engagement of all dispatched employees and had entered into labour contracts with all of our employees in the PRC as at the Latest Practicable Date, we were not in contravention of the Labour Contract Law and the Labour Dispatch Regulations as at the Latest Practicable Date.

We incurred staff costs, sales commission and directors’ emoluments of approximately HK\$30.35 million, HK\$44.95 million and HK\$34.86 million for the years ended 31 March 2013 and 31 March 2014 and the eight months ended 30 November 2014, respectively. We regularly review the performance of our employees and make reference to such performance reviews in our discretionary bonus and salary review and promotional appraisal in order to attract and retain talented employees.

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We maintain good working relationship with our employees. There had not been any labour strike within our Group during the Track Record Period and up to the Latest Practicable Date. In order to promote overall efficiency, employee loyalty and retention, we provide our employees with technical and operational on-job training and promotion prospects.

### **SOCIAL MATTERS AND INSURANCE**

For our Hong Kong employees, we maintain employees’ compensation insurance in compliance with the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) to cover compensation and costs liable by our Group for personal injuries of our employees in Hong Kong in the course of employment with us. We have also taken out and maintained an office insurance for our office premises and office equipment in Hong Kong. The office insurance policy mainly covers loss resulting from burglary, damages made to insured property and increased cost due to business interruptions. Our Directors consider that our Group’s insurance coverage is sufficient and in line with normal commercial practice in Hong Kong.

Save for the PRC social security funds for which we are required to maintain insurance coverage, we had not taken out any other insurance against personal injuries of our PRC employees or property damages of our office premises and office equipment in the PRC.

### **MARKET AND COMPETITION**

According to the Ipsos Report, the digital marketing service industry in Hong Kong is a growing industry fragmented with a large number of small to medium-sized digital marketing service providers. There are numerous media and marketing platforms from which our potential clients could choose. Other than competition in relation to the choice of platforms, our Company also faces competition from within the sector. For details, please refer to the section headed “Industry Overview” in this document.

We face competition on the quality and effectiveness of our services, our ability to meet potential clients’ expectations and specifications in a flexible way, and our experience and reputation. Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths. Our competitive strengths include the following:

- proven track record in providing integrated digital marketing services to reputable clients;
- solid client base in Hong Kong with an expanding business in the PRC;
- leading market position and strong brand recognition in the digital marketing service industry; and
- experienced management team and responsive and creative employees.

Details of our Group’s competitive strengths are set out in “Competitive Strengths” in this section.

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### **PROPERTIES**

#### **Hong Kong**

As at the Latest Practicable Date, we leased from an Independent Third Party one property which is situated at Level 22 of AIA Tower of No. 183 Electric Road, Hong Kong, with a gross floor area of approximately 14,280 square feet, as our office in Hong Kong.

#### **The PRC**

As at the Latest Practicable Date, we occupied six properties in the PRC with an aggregate gross floor area of approximately 385.54 square metres which were leased from Independent Third Parties, for our operations in the PRC.

For four leased properties with an aggregate gross floor area of approximately 234.37 square metres which were used as our office in Guangzhou, the lessors had obtained the relevant building ownership certificates and we had completed the recordation of the relevant lease agreements with the relevant PRC authorities as at the Latest Practicable Date. Our PRC legal advisers, Jun He Law Offices, are of the view that these leases are valid and legally binding on each party.

For one leased property with a gross floor area of approximately 10.00 square metres which was used as the registered office of AdBeyond BJ in the PRC as at the Latest Practicable Date, the lessor had not provided us with the relevant building ownership certificate and we had not completed the recordation of the relevant lease agreement with the relevant PRC authorities. Our Directors consider the material adverse impact on our business and financial condition would be minimal since the principal place of business of AdBeyond BJ had been relocated as at the Latest Practicable Date. AdBeyond BJ was in the process of registering the change of registered office address as set out in its business licence. Upon the issue of a new business licence, our Directors confirmed arrangement will be made immediately to terminate the relevant lease agreement. Our PRC legal advisers, Jun He Law Offices, advised our Company that they are not aware of any material legal impediment for AdBeyond BJ to complete the registration of change of registered office address.

For the remaining one leased property with a gross floor area of approximately 141.17 square metres which was used as the principal place of business of AdBeyond BJ in the PRC as at the Latest Practicable Date, the lessor had provided us with the relevant building ownership certificate but we had not completed the recordation of the relevant lease agreement with the relevant PRC authorities. As disclosed above, AdBeyond BJ was in the process of registering such leased property with a gross floor area of approximately 141.17 square metres as the new registered office address as at the Latest Practicable Date and we shall immediately make arrangement to complete the recordation of the lease agreement when the new business licence is issued to AdBeyond BJ. For details on our registration of the change of registered office address, please refer to "Legal Proceedings and Compliance" in this section.

As advised by our PRC legal advisers, Jun He Law Offices, based on the relevant judicial interpretation, the non-recordation of the lease agreement will not affect the validity of such lease agreement but we may be exposed to penalties or fines imposed by the relevant PRC authorities. According to the Administration Rules on Tenancy of Commodity Housing (商品房屋租賃管理辦法), the parties to the lease

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agreements may be ordered by the competent authority to make corrections for any non-recording of lease agreements, and a fine of less than RMB1,000 (for individuals) or more than RMB1,000 and less than RMB10,000 (for institutions) for delay in making such correction may be imposed. During the Track Record Period and up to the Latest Practicable Date, no penalty or fine had been imposed on us by the relevant housing administrative authorities for the non-recording of the lease agreement. In view of the above, our Directors consider the likelihood of our use of the abovementioned property being challenged by third parties is low and in any event, we should be able to relocate quickly to other comparable alternative premises with minimal expenses. The maximum potential relocation cost which may be incurred is estimated to be no more than RMB40,000 and shall accordingly have no material impact on our business and financial condition.

### **Property valuation**

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 8.01A of the GEM Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and document from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

## **RISK MANAGEMENT AND CORPORATE GOVERNANCE**

We have established a set of risk management policies and measures to identify, evaluate and management risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies and adopted by us.

For details of the major risks identified by our management, please refer to the section headed “Risk Factors – Risks relating to our business” in this document.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after [REDACTED], we have adopted or will adopt, among other things, the following corporate governance and internal control measures:

- the establishment of an audit committee responsible for overseeing the financial records, internal control procedures and risk management systems of our Company;
- the appointment of Mr. Jeff Ng as our compliance officer, Mr. Alfred Wong as our chief financial officer and Mr. Tsui Siu Hung, Raymond as our company secretary to ensure the compliance of our operation with the relevant laws and regulations. For their biographical details, please refer to the section headed “Directors, Senior Management and Employees” in this document;



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- the appointment of [REDACTED] as [REDACTED] upon [REDACTED] to advise us on compliance with the GEM Listing Rules; and
- the engagement of external legal advisers to advise us on compliance with the GEM Listing Rules and to ensure we will not be in breach of any relevant regulatory requirements or applicable laws, where necessary.

## **LEGAL PROCEEDINGS AND COMPLIANCE**

### **Claims settled, pending or threatened against our Group**

During the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group.

### **Regulatory compliance**

During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations in Hong Kong in all material respects, save for the non-compliance incidents numbered 1 to 2 below. As advised by our PRC legal advisers, Jun He Law Offices, during the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations in the PRC in all material respects, save for the non-compliance incidents numbered 3 to 4 below.

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Non-compliance incident	Reason(s) for non-compliance incident	Legal consequence and maximum penalty	Enhanced internal control measure(s) to prevent recurrence of non-compliance incident
<p>1 Nature: Failing to comply with requirements for completing annual returns pursuant to section 107(2) of the Predecessor Companies Ordinance as the business addresses of the directors were stated in the annual returns instead of their residential addresses.</p> <p>Year(s) in which the non-compliance occurred:</p> <p>(1) AdBeyond HK: 2008 to 2013</p> <p>(2) iMinds HK: 2011 to 2014</p> <p>Identity and position of the relevant then director(s) during the period(s) of non-compliance: Mr. Alan Yip, a director of AdBeyond HK and our chief executive officer, chairman and executive Director; Mr. Jeff Ng, a director of AdBeyond HK, iMinds HK and our executive Director; Ms. Karin Wan, a director of AdBeyond HK and our executive Director; Ms. Liza Wang, a director of AdBeyond HK and our non-executive Director; Mr. Yim Kai Ming, a then director of AdBeyond HK; Mr. Harry Wong, a then director of AdBeyond HK and the project director of AdBeyond HK; Mr. Patrick Cheung, a director of AdBeyond HK and our non-executive Director; Mr. Ng Chi Fung (吳子峰), a then director of AdBeyond HK; and Ms. Hu Ming, a director of AdBeyond HK and our non-executive Director.</p>	<p>The non-compliance was due to the inadvertent oversight by the directors of AdBeyond HK and iMinds HK who were not familiar with the statutory requirements under the Predecessor Companies Ordinance at that time and their reliance on external secretarial firm to deal with all corporate secretarial and statutory compliance matters.</p>	<p>Maximum penalty: Any company and every officer of the company who is in default under section 107(2) of the Predecessor Companies Ordinance shall be liable to a fine of HK\$50,000 and, for continued default, to a daily default fine of HK\$700.</p> <p>Reason(s) for not making provision and potential operational and financial impact on our Group: AdBeyond HK and iMinds HK made the relevant filings with the Companies Registry in March 2014. We have made a voluntary submission to the Companies Registry in May 2014 disclosing such non-compliance incidents. We had not received any penalty notice or been subject to any penalty or charge for the breach of section 107(2) of the Predecessor Companies Ordinance during the Track Record Period and up to the Latest Practicable Date. Our Directors consider that such non-compliance would not have a material operational or financial impact on us. We had not made any provision for such potential penalty as our Company considers that the potential penalty is not a material amount compared to the overall financial status of our Group.</p>	<p>Identity, position, qualification and experience of the personnel responsible for ensuring compliance: Our Group has designated the company secretary, Mr. Tsui Siu Hung, Raymond, to monitor the compliance with the Companies (WUMP) Ordinance and the Companies Ordinance and will also retain external Hong Kong legal advisers and seek their assistance if necessary in order to ensure full compliance with the statutory requirements in the future. Please refer to the section headed “Directors, Senior Management and Employees – Company Secretary” in this document for the biographical details of Mr. Tsui Siu Hung, Raymond.</p>

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Non-compliance incident	Reason(s) for non-compliance incident	Legal consequence and maximum penalty	Enhanced internal control measure(s) to prevent recurrence of non-compliance incident
<p>2 Nature: Failure to furnish a profits tax return as required under sections 51(1) and 80(2)(d) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “<b>IRO</b>”) within the specified time.</p> <p>Relevant profits tax return(s) of non-compliance: iMinds HK: 2011/12 final tax assessment and 2012/13 provisional payment (the “<b>2011/12 Tax Return</b>”)</p> <p>Identity and position of the relevant then director(s) during the period(s) of non-compliance: Mr. Jeff Ng, a director of iMinds HK and our executive Director.</p>	<p>The non-compliance was due to the inadvertent oversight by the director of iMinds HK who was not familiar with the tax filing requirements at that time.</p>	<p>Maximum penalty: Any person who fails to comply with the requirements under sections 51(1) and 80(2)(d) of the IRO is liable on conviction to a fine of HK\$10,000 and a further fine of treble the amount of tax which has been undercharged in consequence of the failure to comply with a notice under section 51(1) of the IRO.</p> <p>Reason(s) for not making provision and potential operational and financial impact on our Group: According to a letter from the Inland Revenue Department (“IRD”) to iMinds HK dated 28 March 2013, the IRD will not prosecute iMinds HK subject to certain conditions including the filing of profits tax return and payment of HK\$3,000 to the IRD upon receiving a payment notice from the IRD. According to a letter from the IRD to iMinds HK dated 17 September 2013, the IRD informed iMinds HK that no action will be taken against iMinds HK. Our Directors therefore consider that such non-compliance would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statements as no penalty has been imposed on our Group.</p>	<p>Identity, position, qualification and experience of the personnel responsible for ensuring compliance: We have assigned our accounting and finance personnel who are certified public accountants and supervised by our chief financial officer and senior management, Mr. Alfred Wong, to handle tax-related matters of our Group. Please refer to the section headed “Directors, Senior Management and Employees – Senior Management” in this document for the biographical details of Mr. Alfred Wong.</p>

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	Non-compliance incident	Reason(s) for non-compliance incident	Legal consequence and maximum penalty	Rectification action(s) taken	Enhanced internal control measure(s) to prevent recurrence of non-compliance incident
3	<p>Nature and extent of breach: Non-compliance with business scope. We established our first PRC subsidiary, AdBeyond GZ, in November 2012. The business scope of AdBeyond GZ as set out in its business licence from its establishment to 11 March 2014 (the “Previous Business Licence”) covered Internet and e-commerce technology development and services, computer information technology services, promotion marketing, marketing planning and information consultancy services (except any operations prohibited by law and regulations or requiring a licence) but did not explicitly include “advertising”. As advised by our PRC legal advisers, Jun He Law Offices, our business in the PRC conducted through AdBeyond GZ constituted advertising operation by foreign-invested enterprise under the PRC laws pursuant to the Provisions on the Administration of Foreign-invested Advertising Enterprises (Amended in 2008) (外商投資廣告企業管理規定(2008年修改)), which was not covered by the business scope of AdBeyond GZ as set out in the Previous Business Licence. During the Track Record Period, less than 10% of our revenue was generated from our PRC.</p> <p>Identity and position of the relevant then director(s) during the period(s) of non-compliance: Mr. Alan Yip, the executive director of AdBeyond GZ, our chief executive officer, chairman of the Board and an executive Director</p>	<p>Prior to being advised by our PRC legal advisers, Jun He Law Offices in late 2013, we mistakenly believed that the business scope of AdBeyond GZ as set out in the Previous Business Licence, in particular, computer information technology services, promotion marketing, marketing planning and information consultancy services, was sufficient to cover the business activities of AdBeyond GZ in the PRC.</p>	<p>Maximum penalty: As advised by our PRC legal advisers, Jun He Law Offices, the gains from business activities of a company without the requisite permits, approvals or business licence shall be forfeited and such company shall be liable for a fine of no more than RMB30,000. If the circumstances are severe, the business licence of such company shall be revoked pursuant to the Implementing Rules for Business Entity Registration Administration of the PRC (中華人民共和國企業法人登記管理條例施行細則).</p> <p>Reason(s) for not making provision and potential operational and financial impact on our Group: As AdBeyond GZ has obtained a new business licence with the extended business scope of “design, production and distribution of various types of advertisements domestically and abroad and advertising agency services” on 11 March 2014 and no penalty has been imposed on our Group, no provision has been made in relation to such non-compliance incident and our Company considers that the potential penalty (if any) will not be material compared to the overall financial status of our Group.</p>	<p>Upon becoming aware of the non-compliance incident in late 2013, we immediately made arrangements to apply to the relevant governmental authorities for extending the scope of business of AdBeyond GZ.</p> <p>On 11 March 2014, a new business licence with the extended business scope of “design, production and distribution of various types of advertisements domestically and abroad and advertising agency services” was issued to AdBeyond GZ.</p>	<p>As AdBeyond GZ obtained a new business licence covering the business of “advertising” on 11 March 2014, we believe our risk of engaging in the same or similar non-compliance incident is minimal. Nevertheless, on 31 March 2014, we adopted internal control measures which provide that in case any one of our PRC subsidiaries intends to engage in the provision of any new category of digital marketing services or ancillary services, a written proposal is required to be submitted to our chief executive officer for consideration and preliminary approval. If the written proposal is preliminarily approved, we will seek the legal opinion of qualified PRC legal advisers to ensure that our proposed provision of such new category of digital marketing services or ancillary services will not constitute a breach of the business licences of our PRC subsidiaries or violation of any applicable PRC laws and regulations. Our Board will approve our proposed provision of any new category of digital marketing services or ancillary services if no legal risk will be involved in the provision of such new services.</p> <p>Identity, position, qualification and experience of the personnel responsible for ensuring compliance: Our Directors. Please refer to the section headed “Directors, Senior Management and Employees – Directors” in this document for the biographical details of our Directors.</p>

## BUSINESS

Non-compliance incident	Reason(s) for non-compliance incident	Legal consequence and maximum penalty	Rectification action(s) taken	Enhanced internal control measure(s) to prevent recurrence of non-compliance incident
<p>4 Nature and extent of breach: AdBeyond BJ did not register the change of registered office address in accordance with the Regulations on the Administration of Company Registration of the PRC (中華人民共和國公司登記管理條例) before its relocation in January 2015.</p> <p>Identity and position of the relevant then director(s) during the period(s) of non-compliance: Mr. Alan Yip, the executive director of AdBeyond BJ, our chief executive officer, chairman of the Board and an executive Director.</p>	<p>Our management was not aware of the requirement that the change of registered office should be registered before the office relocation.</p>	<p>Maximum penalty: Any person who fails to register the change of particulars in accordance with the requirements under the Regulations on the Administration of Company Registration of the PRC (中華人民共和國公司登記管理條例) and, upon being ordered to register the change of particulars within the timeframe by the relevant company registration authorities in the PRC, fails to complete such registration within the timeframe stipulated by the relevant company registration authorities, shall be liable for a fine of no more than RMB100,000.</p> <p>Reason(s) for not making provision and potential operational and financial impact on our Group: AdBeyond BJ had not received any order from the relevant company registration authorities stipulating the timeframe for registration as at the Latest Practicable Date and the potential penalty (if any) will not be material compared to the overall financial status of our Group. Accordingly, our Directors consider such non-compliance would not have a material operational or financial impact on us and no provision has been made in relation to such non-compliance incident.</p>	<p>As at the Latest Practicable Date, we had made arrangement to update the particulars regarding the change of registered office address of AdBeyond BJ. As confirmed by our PRC legal advisers, Jun He Law Offices, there will be no material legal impediment for AdBeyond BJ to complete the registration of change of particulars.</p>	<p>Our Group has designated our chief financial officer and senior management, Mr. Alfred Wong, to closely monitor any change in particulars of our PRC subsidiaries and prepare all required documentations on timely basis. For any material change in particulars of company, we will seek the legal opinion of qualified PRC legal advisers for proper filing in order to comply with the relevant requirements.</p> <p>Identity, position, qualification and experience of the personnel responsible for ensuring compliance: Mr. Alfred Wong. Please refer to the section headed “Directors, Senior Management and Employees – Senior Management” in this document for the biographical details of Mr. Alfred Wong.</p>

## **BUSINESS**

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### **Indemnity by our Controlling Shareholders to our Company for any loss on the above non-compliance incidents**

Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to indemnify our Company against any losses, liabilities or damages suffered by or falling on any member of our Group in respect of and to the extent arising from or relating to the non-compliance of any legal and/or regulatory requirements of any jurisdiction prior to [REDACTED]. For details of the Deed of Indemnity, please refer to the section headed “E. Other Information – 1. Estate duty, tax and other indemnity” in Appendix IV to this document.

### **Views of our Directors and the Sole Sponsor**

As set out in “Legal proceedings and Compliance – Regulatory compliance” in this section, our Group has laid down and implemented enhanced internal control measures to monitor ongoing compliance with the relevant laws and regulations to prevent the occurrence of non-compliance incidents in the future. Our Directors believe that the internal control measures could effectively ensure a proper internal control system and maintain good corporate governance practices of our Group. In view of the measures in place, our Directors are of the view, and the Sole Sponsor concurs, that these systems are adequate and effective to ensure ongoing compliance with the relevant laws and regulations by our Group.

Our Directors are of the view, and the Sole Sponsor concurs, that as the past non-compliance incidents did not involve any dishonesty on the part of our Directors or cast any doubt on their integrity or competence, such non-compliance incidents (i) do not affect our Directors’ suitability to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules; and (ii) do not affect our Company’s suitability for [REDACTED] under Rule 11.06 of the GEM Listing Rules.