
INDUSTRY OVERVIEW

The information in the section below has been partly derived from various publicly available government sources, market data providers and other Independent Third Party sources. In addition, this section and elsewhere in this document contains information extracted from a commissioned report, or the Ipsos Report, prepared by Ipsos for the inclusion in this document. See the paragraph headed "Sources of Information" in this section. We believe that the sources of information of this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Directors, our [REDACTED], the Sole Sponsor, the [REDACTED], the [REDACTED] or any party or affiliate involved in the [REDACTED], other than Ipsos and no representation is given as to its fairness, correctness and accuracy. Accordingly, you should not place undue reliance on such information or statistics.

SOURCES OF INFORMATION

We commissioned Ipsos, an independent market research company, to conduct an analysis of, and to report on the digital marketing service industry in Hong Kong and the PRC for a fee of HK\$504,000. We considered that the payment of the commission fee does not affect the fairness of conclusions drawn in the Ipsos Report. Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the Ipsos Report and Ipsos is an independent professional market research company with extensive experience in their profession. Ipsos is an independent market research company and consulting company. It is part of Ipsos SA which was founded in Paris, France in 1975 and has been listed on the Paris Stock Exchange (NYSE Euronext Paris) since 1999. In 2011, Ipsos SA acquired Synovate Limited and has become the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries. Ipsos conducts research on market profiles, market size, share and segmentation analysis, distribution and value analyses, competitor tracking and corporate intelligence.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desk research; (ii) client consultation; and (iii) primary research by interviewing key stakeholders and industry experts, including media agencies, social media marketing service providers, marketing communication companies, industry experts and associations, etc., in Hong Kong and the PRC.

In the Ipsos Report, it is assumed that there is no external shock, such as financial crisis or natural disaster to affect the demand and supply of digital marketing service industry in Hong Kong and the PRC over the forecast period.

The following parameters are considered when analysing the market size and forecast model of the Ipsos Report:

- GDP growth rates in Hong Kong and the PRC;
- average disposal income per capita and average consumption expenditure per capita in Hong Kong and the PRC;

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- Internet and mobile penetration in Hong Kong and the PRC;
- revenue of advertising and related services in Hong Kong;
- inflation rate in Hong Kong from 2008 to 2013;
- historical data from 2008 to 2013 of that particular market size topics; and
- the information gathered from the interviews with digital marketing service providers in Hong Kong about future business plans, especially in the year of 2013 and 2014.

NO ADVERSE CHANGE IN MARKET INFORMATION

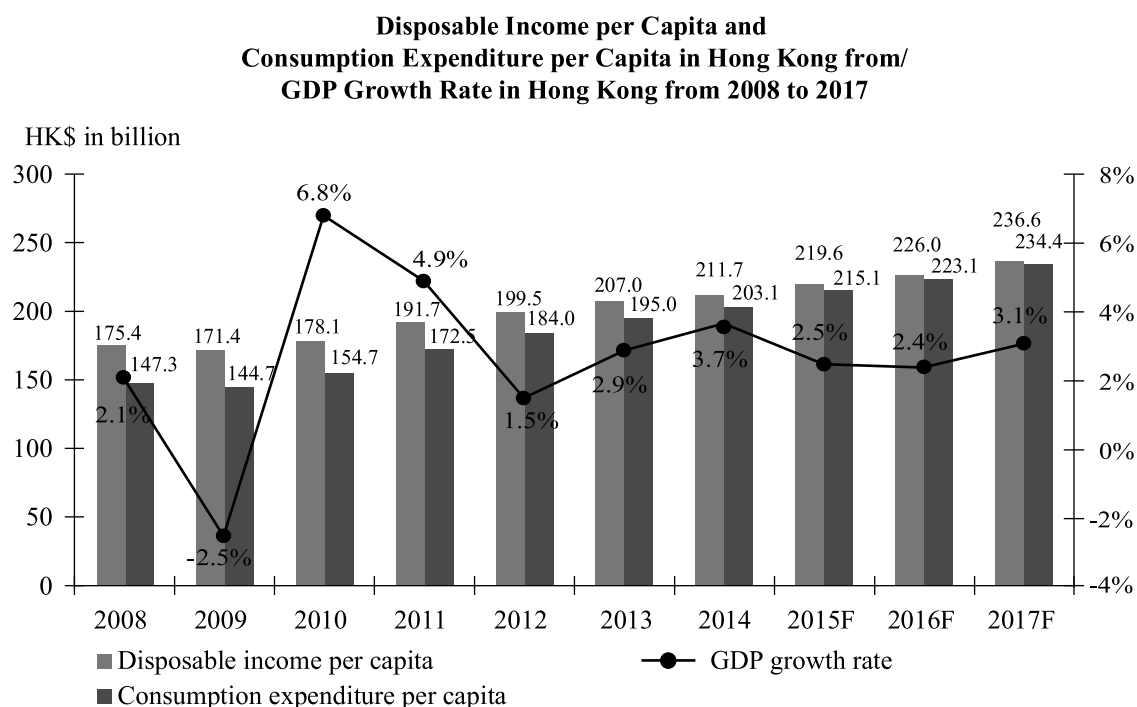
Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the Ipsos Report or the date of the relevant data contained in the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE HONG KONG ECONOMIC ENVIRONMENT

From 2008 to 2012, the economy of Hong Kong was relatively unstable. Following the global economic crisis in 2008 and 2009, the GDP growth rate in 2010 rebounded to approximately 6.8%. The GDP growth rate declined to approximately 4.9% and 1.5%, respectively, in 2011 and 2012 due to the European debt crisis and the economic slowdown in the PRC. The GDP growth rate recovered to 2.9% and 3.7% in 2013 and 2014, respectively, due to the gradual recovery of the economy.

Disposable income per capita and consumption expenditure per capita increased with a CAGR of approximately 3.2% and 5.5%, respectively, between 2008 and 2014. Both disposable income per capita and consumption expenditure per capita recorded a significant increase of approximately 16.2% and 26.1% from 2010 to 2013, respectively, which was mainly driven by the improvement in unemployment and under employment rate, the implementation of minimum wage in 2011 and the recovery of labour market.

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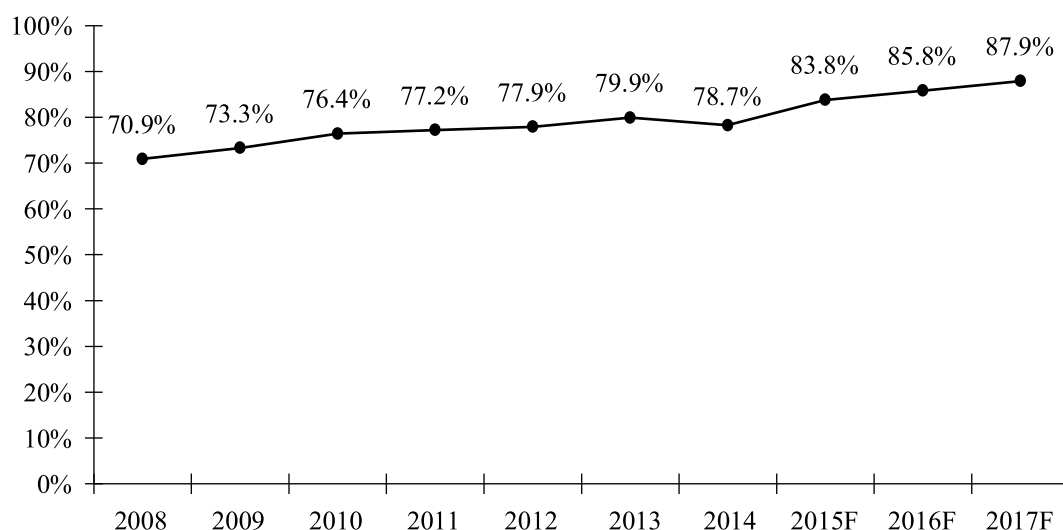
Source: Economic Intelligence Unit

It is expected that the economy of Hong Kong will be benefited from the restoration of consumers' confidence after the stabilisation of the global economy and the continued partnership between Hong Kong and the PRC. The GDP growth rate of Hong Kong is expected to be in the range of 2.4% to 3.1% and the disposable income per capita and consumption expenditure per capita is expected to grow at a CAGR of 3.8% and 4.4% from 2015 to 2017, respectively. The improvement in overall economic conditions and consumption power of people in Hong Kong will drive the corporate budget decisions on marketing services, and in particular digital marketing services, as the Internet and mobile connected devices gain rapid proliferation.

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INTRODUCTION OF THE DIGITAL MARKETING SERVICE INDUSTRY IN HONG KONG

Internet Penetration Rate in Hong Kong from 2008 to 2017



Sources: Census and Statistics Department of Hong Kong Government
Office of the Telecommunication Authority of Hong Kong Government
Office of the Communications Authority of Hong Kong Government

The Internet penetration rate increased by 7.8% from approximately 70.9% in 2008 to 78.7% in 2014, which was mainly attributable to (i) the rapid increase in mobile penetration rate and the increase in the number of people surfing the Internet via their Internet connected devices; (ii) the improvement in mobile data services through the offering of 3G/4G networks; and (iii) the promulgation of governmental policies in encouraging the use of Internet.

With the improvement in Internet infrastructure, technology advancement and the extension of Internet service scope initiated by the Hong Kong Government, people from all age groups are gaining easier access to the Internet. Therefore, it is expected that Internet penetration rate in Hong Kong will further increase by 4.1% from 83.8% in 2015 to 87.9% in 2017.

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Digital marketing services and media

Unlike traditional marketing media, digital marketing media provide advertisers with a marketing tool to target and interact with specific audience group so as to deliver marketing information in a more effective and customised fashion. The types of service offered by the digital marketing service providers and their relevant digital media are summarised in the table below:

Type of service	Description	Digital media
Display advertising	Place advertisements on websites, apps and mobile sites	Websites, apps and mobile sites
Social advertising	Place advertisements on social media platforms	Social media platforms (such as Facebook, Weibo, etc.)
Search engine marketing	Propose keyword purchase strategies and purchase keywords on search engines	Search engines (such as Google, Yahoo!, Baidu, etc.)
Social media management	Create corporate profile pages on social media platforms	Social media platforms (such as Facebook, Weibo, etc.)
Online monitoring	Monitor the flow of information on the Internet and conduct analysis on the perceptions of the target audience	Websites, apps, mobile sites and social media platforms
Corporate website and mobile site development	Design and create corporate websites and mobile sites for the promotion of key corporate information through the Internet	Websites and mobile sites
App development	Design app to display marketing-related information	Apps
Email and instant messaging marketing	Disseminate marketing-related information through emails and instant messages	Email and instant messaging (such as Whatsapp, Wechat, Line, etc.)
Video marketing	Design and produce videos for promotion purposes	Websites, apps, mobile sites and social media platforms (such as Facebook, Weibo, etc.)

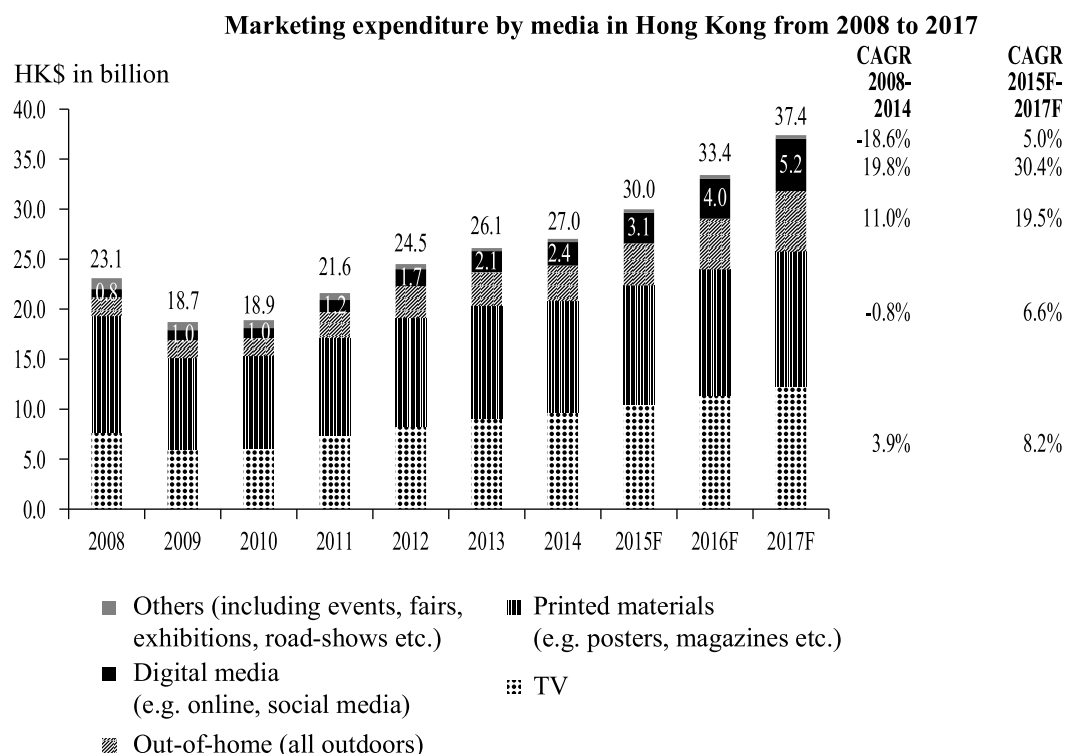
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MARKET ANALYSIS OF THE DIGITAL MARKETING SERVICE INDUSTRY IN HONG KONG

Increase in the total marketing expenditure and rapid growth in marketing expenditure for digital media and revenue generated by digital marketing service industry

The marketing expenditure in Hong Kong has been growing steadily over the years. As the economy recovered from the global financial crisis, the consumer's confidence gradually restored and the advertisers were more willing to spend more on marketing to promote their brands and products, leading to a CAGR of approximately 2.6% from approximately HK\$23.1 billion to approximately HK\$27.0 billion in the total marketing expenditure from 2008 to 2014.

The popularity of Facebook, Wechat, Youtube, etc., in recent years and the willingness of advertisers in spending more on branding and marketing to enhance brand awareness have encouraged advertisers to spend more on marketing through these media. The total marketing expenditure in Hong Kong is expected to grow at a CAGR of approximately 11.7% from 2015 to 2017.



Source: Census and Statistics Department of Hong Kong Government

While printed materials remain and is expected to be the most commonly used marketing media in terms its share of total marketing expenditure in Hong Kong, digital media has recorded the highest CAGR of approximately 19.8% from 2008 to 2014 among other marketing media.

Due to the financial crisis in late 2008 and the economic downturn in 2009, advertisers have become more conservative and started to cut down on their marketing expenditure on relatively costly traditional marketing media such as television and printed materials. Therefore, the share of the marketing expenditure

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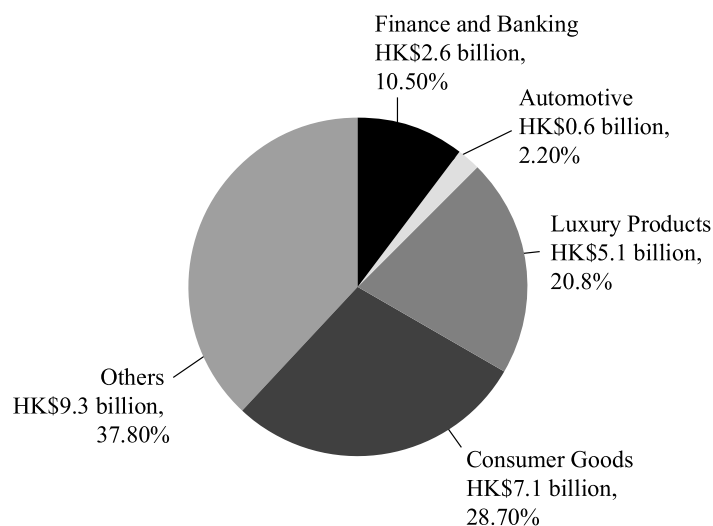
for television decreased from approximately 33.3% in 2008 to approximately 32.1% in 2009, and the share of the marketing expenditure for printed materials also decreased from approximately 50.2% in 2008 to approximately 48.7% in 2009. Advertisers had to explore other relatively inexpensive marketing media, such as out-of-home and digital media. Therefore, the marketing expenditure for digital media recorded an increase in the share of the total marketing expenditure, from approximately 3.5% in 2008 to approximately 5.3% in 2009 and a further increase to 8.7% in 2014. The marketing expenditure for digital media increased at a CAGR of approximately 19.8% from 2008 to 2014.

The share of marketing expenditure for television is expected to decrease from approximately 35.0% in 2015 to approximately 32.9% in 2017 and the share of marketing expenditure for printed materials is expected to further decrease from approximately 39.4% in 2015 to approximately 35.9% in 2017 since a rapid increment in the marketing expenditure of out-of-home and digital media at a CAGR of approximately 19.5% and 30.4% respectively is expected. Furthermore, the option of viewing the digital versions of newspaper and magazines in addition to the traditional printed versions of newspaper and magazines is now available to readers. Therefore, most newspaper and magazine publishers have started to publish digital versions of newspapers and magazines, such as websites, apps and mobile sites.

The marketing expenditure for digital media is expected to increase at a CAGR of approximately 30.4% from 2015 to 2017. The share of marketing expenditure for digital media is also expected to increase from approximately 10.3% in 2015 to approximately 14.0% in 2017. The main drivers for the significant increase are (i) the increase in the use of Internet and mobile connected devices by consumers; and (ii) the increasing trend of companies in using digital marketing media to promote their products and services which is supplementary to traditional marketing media.

Largest share of marketing expenditure being consumer goods industry

The consumer goods industry, together with the luxury product industry, have been the largest contributors to the total marketing expenditure in Hong Kong, amounting to 49.5% of the total marketing expenditure in 2014.



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The luxury product industry was not affected by the financial crisis and the economic downturn, whereas the marketing expenditure of the finance and banking industry, the automotive industry and the consumer goods industry had decreased in 2009. This was attributable to the fact that the target customers of the luxury products industry are generally high income consumers and tourists from the PRC whose purchasing powers were not affected by the economic downturn.

COMPETITIVE LANDSCAPE IN HONG KONG

Overview

The digital marketing service industry in Hong Kong is relatively fragmented with a large number of small to medium-sized digital marketing service providers providing different ranges of digital marketing services. The five main types of providers in the market and their scope of services are shown in the table below:

Types of digital marketing service providers	Scope of digital marketing services
Full-service digital marketing service providers	Integrated digital marketing service, which involves assisting clients to plan and implement marketing strategies and campaigns with the use of digital media
Specialised digital marketing service providers	Unilateral digital marketing service on one or a few digital marketing media, such as search engine marketing, social media marketing and apps
Media agencies	Advice on media planning and buying on digital marketing media
PR and marketing communication agencies	Marketing strategy planning, while outsourcing implementation to other service providers
Online monitoring service providers	Collecting and analysing data on the Internet with regards to an advertiser's services, products or any particular relevant incident through in-house service teams or outsourcing the services to other independent online monitoring service providers (<i>Note</i>)

Note: There are a variety of fee arrangements between an online monitoring service provider and its customers in the industry. The actual fee arrangement is generally determined based on commercial negotiations between the parties on a case-by-case basis and with reference to the scope of services provided.

Major digital marketing service providers offering digital marketing service

For the year ended 31 March 2014, the top five digital marketing service providers in aggregate contributed approximately 29.1% of the total revenue of the digital marketing service industry in Hong Kong.

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Our Group ranked second among all digital marketing service providers in Hong Kong in terms of revenue for the year ended 31 March 2014. Our Group enjoyed competitive advantage over our competitors mainly because of our extensive digital advertising network, Maximizer Ad-Network, and our wide and diversified client base which included local and international brands, NGOs, public bodies and advertising agencies.

In addition, there are a fair number of companies with years of experience in providing online monitoring services in Hong Kong. These companies are mostly Hong Kong based. Some international group companies also provide such services in Hong Kong.

The following table sets out the information on the top five digital marketing service providers (including our Group) in the digital marketing service industry in Hong Kong for the relevant year:

Rank	Name of company	Headquarter location	Revenue generated in the year ended 31 March 2014 (Note) (million)	Share of total industry segment revenue (%)	Type of digital marketing service provider
1	Company A	Hong Kong	HK\$132.3	7.6	Media agency
2	Our Group	Hong Kong	HK\$112.6	6.5	Full-service digital marketing service provider
3	Company B	Hong Kong	HK\$102.0	5.9	Media agency
4	Company C	Hong Kong	HK\$79.5	4.6	Full-service digital marketing service provider
5	Company D	Hong Kong	HK\$78.9	4.5	Full-service digital marketing service provider
Others			HK\$1,230.7	70.9	
Total			HK\$1,736.0	100.0	

Sources: Ipsos Report

Note: While the fiscal year-end date of our Group is 31 March, some of the digital marketing service providers have different fiscal year-end dates. The revenues as stated above are therefore based on the research and analysis of Ipsos.

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Opportunities and constraints

Key drivers of Hong Kong's digital marketing service industry

- **Increase in Internet penetration and mobile connected device users:** The continual increase in Internet penetration and mobile connected device users would facilitate the public's accessibility to various digital marketing media and expand the coverage of the digital marketing media, thus providing a vast consumer base for advertisers to reach out for new customers and allowing digital marketing service providers to formulate customised integrated digital marketing services to maximise the marketing performance of a campaign, thereby increasing the demand for digital marketing services.
- **Increase in spending for online shopping:** According to a global leader in online payments, the market size of Hong Kong online shopping reached approximately US\$1.9 billion in 2011 and is forecasted to reach approximately US\$2.5 billion by 2015. This implies business opportunities and growth potential for the development of e-commerce and thus the demand for digital marketing service.
- **Adoption of new digital marketing tools:** With the current digital marketing tools focusing on building brand awareness and relationships with target customers, the adoption of new digital marketing tools which focuses on the generation of direct sales through the digital media platforms, such as e-commerce and mobile-commerce, would facilitate the development of the digital marketing service industry.

Entry barriers to the Hong Kong's digital marketing service industry

- **Saturated market for digital advertising network:** It is difficult for a new entrant to develop its digital advertisement placement services and to establish an extensive digital advertising network to reach target audience since the current market is dominated by two major advertising networks, one of which is our Maximizer Ad-Network.
- **Strong client portfolio and proven track record:** One of the major factors in selecting a digital marketing service provider is its client portfolio and track record of projects. Potential new clients tend to look for service providers which had undertaken similar campaigns in their industry and existing clients prefer working with the same service provider if they are satisfied with the previous marketing performance and cooperation experience. Therefore, it is more difficult for new entrants to establish strong track records and build up their client portfolio.
- **Ability to recruit and retain information technology expertise:** Information technology personnel with relevant experience and knowledge of the digital marketing services are important for the operation and management of digital marketing media. Well established digital marketing service providers are generally more capable of offering attractive remuneration packages and welfare conditions to recruit and retain quality information technology personnel. On the other hand, due to the limited resources and capital, together

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with the shortage of information technology personnel in the industry, new entrants generally find it harder to recruit and retain quality information technology personnel necessary for their operation.

Constraints to the Hong Kong’s digital marketing service industry

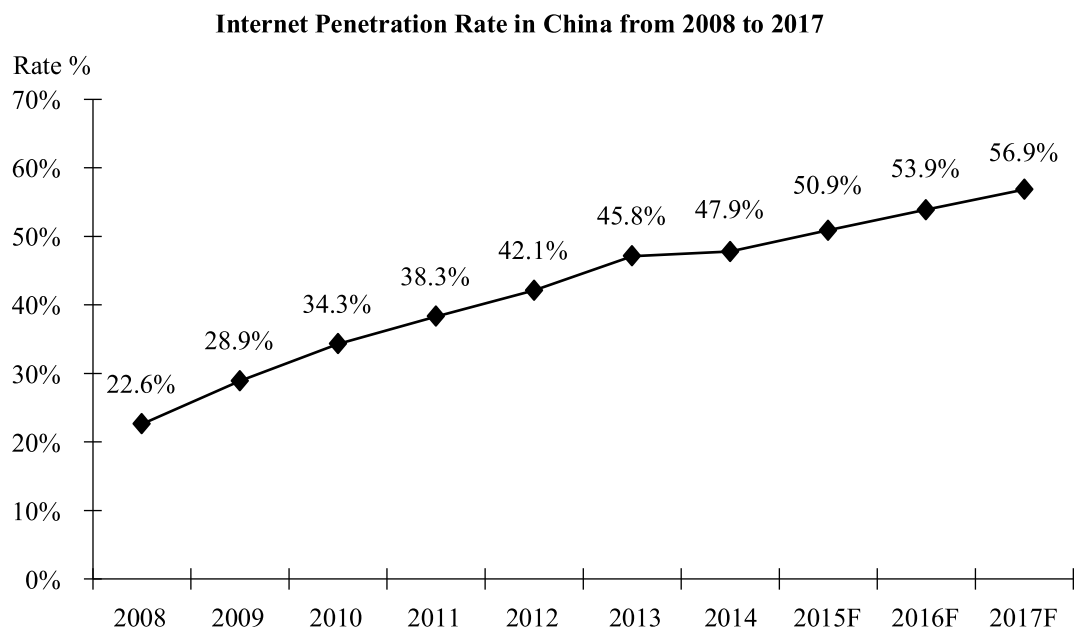
- **Lack of measurement on the effectiveness of digital marketing services:** Some advertisers remain reluctant to spend on digital marketing as it is difficult for advertisers to measure the effectiveness of digital marketing services when digital marketing may not be directly reflected on the sales generated.
- **Exploding data volume:** Vast information can be delivered via digital marketing media as compared to traditional marketing media. However, at the same time, the amount of information received by target audience increase accordingly. It may become difficult for target audience to understand and digest all the information, hindering the effectiveness and the marketing performance of digital marketing services.
- **Lack of information technology expertise:** The relative lack of resources and the relatively lower monetary return as compared to the financial service industry has limited the development of the information technology industry in Hong Kong. According to research conducted by a human resources consultancy company in Hong Kong in 2014, as a result of increasing prevalence of digital products in Hong Kong, the information technology industry has been facing labour shortage since 2009. The fact that only six out of eight tertiary education institutes in Hong Kong have computer science or information technology departments and business departments can be found in all tertiary education institutes also demonstrates a difference in attitude of the current education sector towards information technology and financial services in Hong Kong. The continuation of disproportionate demand and supply for information technology personnel may hinder the sustainable development of the digital marketing service industry.

OVERVIEW OF THE PRC ECONOMIC ENVIRONMENT

The GDP growth rate in the PRC is expected to slow down from approximately 7.2% in 2015 to approximately 6.4% in 2017, due to the uncertainty of the external macro-environment and the PRC Government’s efforts in driving domestic demand and managing inflation and overall stability. The average disposable income per capita and the average consumption expenditure per capita are expected to grow at a CAGR of approximately 9.7% and 10.5%, respectively from 2015 to 2017, with the implementation of the “Income-Doubling Plan” to double the 2010 per capita income for both urban and rural residents by 2020.

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Rapid increase in Internet penetration



Source: China Internet Network Information Center

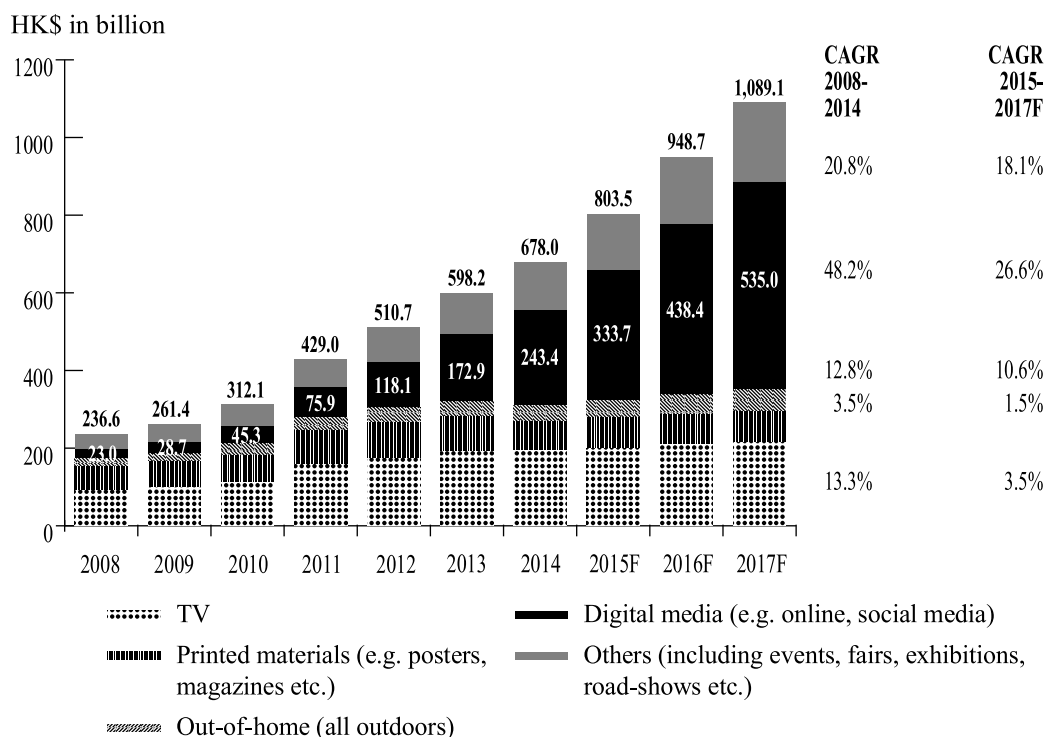
With a predicted Internet population of reaching 800 million in the PRC in 2017 by the Ministry of Industry and Information Technology of the PRC and the number of online buyers in the PRC expecting to increase from approximately 361 million to approximately 423.4 million from 2014 to 2016, the Internet penetration rate is expected to grow significantly by 6.0% from 2015 to 2017.

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MARKET ANALYSIS OF THE DIGITAL MARKETING SERVICE INDUSTRY IN THE PRC

Rapid increase in the total marketing expenditure and marketing expenditure for digital media

Marketing expenditure by media in China from 2008 to 2017



Source: China Advertising Yearbook

Driven by the increase in the disposable income per capita in the PRC, advertisers are expected to spend more on marketing and the total marketing expenditure is expected to increase with a CAGR of approximately 16.4% from 2015 to 2017.

With the proliferation of the Internet and mobile connected devices in the PRC, more advertisers are expected to utilise digital media to promote their products and brands. The marketing expenditure by digital media is expected to increase at a CAGR of approximately 26.6% from 2015 to 2017. The digital media has gradually replaced television as the most popular media for marketing in terms of its share of total marketing expenditure in 2014. The marketing expenditure for digital media and television is expected to represent approximately 37.8% and 28.1% of the total marketing expenditure in the PRC in 2015, respectively.

COMPETITIVE LANDSCAPE IN THE PRC

Overview

The competitive landscape of the digital marketing service industry in the PRC is different from Hong Kong and the rest of the world mainly due to the Internet censorship imposed in the PRC. The PRC market is dominated by PRC-focused digital media such as Baidu and Weibo, rather than Google and Facebook.

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Opportunities and constraints

Key drivers of the PRC’s digital marketing service industry

- **Increase in disposal household income and Internet penetration:** The increase in disposal household income and improving lifestyle in the PRC stimulate demand for consumer goods. The continual increase in Internet penetration and proliferation of Internet connected devices also facilitate the public’s accessibility to various digital marketing media. Accordingly, advertisers are more willing to spend more on digital marketing services to raise their brand awareness and promote sales among Internet and mobile connected device users.
- **Support from the PRC Government:** According to its “Twelfth Five-Year Plan”, the PRC Government will promote the development of the digital marketing service industry through encouraging financial institutes, provincial and local governments to provide financial support to promote high quality marketing companies and the development of related culture industry. The PRC Government’s initiatives in integrating the telecommunication network, the Internet and the broadcasting network would also facilitate the development of the digital marketing service industry.

Entry barriers to the PRC’s digital marketing service industry

- **Technologies, market knowledge and operational expertise:** One of the factors taken into consideration by clients when selecting a digital marketing service provider is its marketing capabilities. Therefore, service providers are expected to possess extensive digital marketing experience in order to understand the needs of the clients and to provide effective marketing strategies. This may pose as an entry barrier for new entrants who do not possess such experience.
- **Language and culture difference:** Due to the difference in the political and social conditions in the PRC, it may be difficult for new entrants to enter the digital marketing service industry without having a sufficient understanding of the PRC market. New entrants may also face difficulties in building strong business relationships with the advertisers as business relationships have been developed between the advertisers and established service providers, which may have better access to the operational information of the advertisers.
- **Internet censorship in the PRC:** Internet censorship in the PRC is conducted through the implementation of laws and administrative regulations and censorship and surveillance projects, such as blocking certain social media platforms and censoring certain keywords on search engines. The Internet censorship may pose as an entry barrier for new entrants who wish to utilise certain digital marketing media in the PRC market.

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Threats to the PRC's digital marketing service industry

Similar to the digital marketing service industry in Hong Kong, the lack of measurement on the effectiveness of digital marketing services and the lack of skilled professional are two major hindrance to the development of digital marketing service industry in the PRC. According to the "China Internet Marketing Career Development White Paper" published by a human resource solutions provider in the PRC, the demand for digital marketing personnel and information technology personnel has been increasing with the demand for digital marketing personnel amounting to approximately 1.6 million in 2013 and the ratio of supply and demand being approximately 1:2.4. The education system in the PRC provides limited digital marketing and/or information technology-related training programmes which restricted the supply of digital marketing personnel and information technology personnel in digital marketing services.

Our Directors confirm we had not experienced any labour shortage for information technology personnel which had led to a material disruption of our operations during the Track Record Period. In the event of temporary shortage of labour due to increased demand for our services, we had outsourced certain less complicated work to other third party service providers during the Track Record Period.