

REGULATORY OVERVIEW

During the Track Record Period, we conducted our integrated digital marketing business primarily in Hong Kong and our revenue was mainly generated from our operations in Hong Kong. Therefore, we are principally subject to the relevant laws and regulations in Hong Kong. In 2011, we expanded our integrated digital marketing business to the PRC. This section sets out a summary of certain aspects of Hong Kong and PRC laws and regulations, which are relevant to our business operations.

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Save for a business registration certificate, we are not required to obtain any industry-specific qualification, licence or permit for carrying out our integrated digital marketing business in Hong Kong.

Regulation of advertising practice

Hong Kong does not have a comprehensive piece of legislation to regulate advertising practice. There are a number of ordinances and regulations regulating the advertising and promotion of products and services, the breach of some of which may result in criminal offences. A number of these criminal offences are not only applicable to those who publish the advertisements but are also applicable to persons who are in possession of those materials with an intention of publication, or those who cause the advertisement to be published.

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the "TDO")

The TDO prohibits false trade description, false, misleading or incomplete information, false statements, etc., respecting goods and services offered in the course of trade.

Section 7 of the TDO provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

Section 7A of the TDO provides that a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence.

Sections 13E, 13F, 13G, 13H and 13I of the TDO provide that a trader who engages in relation to a consumer in a commercial practice that is a misleading omission or aggressive, or that constitutes bait advertising, a bait and switch or wrongly accepting payment for a product commits an offence.

A person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I of the TDO shall be subject, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine of HK\$100,000 and to imprisonment for 2 years.

By virtue of section 2(5) of the TDO, a reference to a trader includes any person acting in the name of, or on behalf of, a trader. Therefore, we, being an integrated digital marketing service provider of traders, may be held liable for the above offences.

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Section 27 of the TDO provides that in proceedings for an offence committed by the publication of an advertisement, a person might be acquitted if sufficient evidence is adduced to raise an issue that he is a person whose business is to publish or arrange for the publication of advertisements and that he received the advertisement for publication in the ordinary course of business and did not know and had no reason to suspect that its publication would amount to an offence under the TDO.

Restricted product advertising

Section 3 of the Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) makes it an offence for any person to publish or cause the publication of any advertisements which are likely to lead to the use of any medicine or surgical appliance for the treatment of certain diseases or conditions or for certain purposes. Any person who contravenes such provision shall be guilty of an offence and shall be liable upon a first conviction to a fine of HK\$50,000 and to imprisonment for 6 months and upon a second or subsequent conviction for an offence under the same section to a fine of HK\$100,000 and to imprisonment for 1 year.

Section 13B of the Smoking (Public Health) Ordinance (Chapter 371 of the Laws of Hong Kong) prohibits any person from placing or causing to be placed a tobacco advertisement on the Internet. Any person who contravenes section 13B commits an offence and is liable on summary conviction to a fine of HK\$50,000 and, in the case of a continuing offence, to a further penalty of HK\$1,500 for each day during which the offence continues.

By virtue of section 21(1) of the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong), any person who publishes or possesses for the purpose of publication any obscene article, whether or not he knows that it is an obscene article, commits an offence and is liable to a fine of HK\$1,000,000 and to imprisonment for 3 years.

As the above offences apply to a person who causes the publication of or possesses for the purpose of publication of the relevant advertisements or articles, we, being a digital marketing service provider, may be held liable for the above offences.

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "PDPO")

The PDPO covers any data relating directly or indirectly to a living individual (data subject), from which it is practicable to ascertain the identity of the individual and which are in a form in which access to or processing of the data is practicable. It applies to a data user, i.e. any person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of personal data.

During the course of our business, we constantly collect and analyse the publicly available demographic information of target audience and competitors of brands from a well-known and commonly-used global social media platform. In doing so, we must comply with the Data Protection Principles of the PDPO, which are:

Principle 1 – Purpose and manner of collection. This provides for the lawful and fair collection of personal data and sets out the information a data user must give to a data subject when collecting personal data from that subject.

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Principle 2 – Accuracy and duration of retention. This provides that personal data should be accurate, up-to-date and kept no longer than necessary.

Principle 3 – Use of personal data. This provides that unless the data subject gives consent otherwise personal data should be used for the purposes for which they were collected or a directly related purpose.

Principle 4 – Security of personal data. This requires appropriate security measures to be applied to personal data (including data in a form in which access to or processing of the data is not practicable).

Principle 5 – Information to be generally available. This provides for openness by data users about the kinds of personal data they hold and the main purposes for which personal data are used.

Principle 6 – Access to personal data. This provides for data subjects to have rights of access to and correction of their personal data.

Regulations relating to intellectual property rights

Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (the “Copyright Ordinance”)

The Copyright Ordinance provides comprehensive protection for recognised categories of literary, dramatic, musical and artistic works, as well as works made available to the public on the Internet. In the course of designing advertising materials, certain copyrights may subsist in the works we create including artistic works (such as drawings) or literary works (such as text) or videos that qualify for copyright protection without registration.

Under the Copyright Ordinance, a person may incur civil liability for “secondary infringement” if that person possesses, sells, distributes or deals with a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work for the purposes of or in the course of any trade or business without the consent of the copyright owner. However, the person will only be liable if, at the time he committed the act, he knew or had reason to believe that he was dealing with infringing copies of the work. Our Directors confirm that they do not have any actual knowledge nor have any reason to believe that any advertising material submitted by the customers to our Group for publication during the Track Record Period is an infringing copy of any work within the meaning of the Copyright Ordinance.

Regulatory Compliance

Our Group had complied with all applicable laws and regulations in relation to its business in all material respects and obtained all relevant licences and permits in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

PRC REGULATORY OVERVIEW

We have established two subsidiaries in the PRC, namely, AdBeyond GZ and AdBeyond BJ. Our PRC subsidiaries are principally engaged in the business of setting up and management of advertisers’ corporate profile pages on social media platforms, advertising management, advertising design, publishing advertisement, and monitoring and reporting the effectiveness of advertisement in the PRC. The

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abovementioned advertising business activities conducted in the PRC are subject to various and extensive PRC laws and regulations relating to the foreign-invested advertising industry, telecommunications industry and the Internet, and are regulated by various governmental authorities, including the Ministry of Industry and Information Technology of the PRC, the MOFCOM and the SAIC.

As the Internet industry is at its early stage of development in China, new laws and regulations may be promulgated from time to time to require additional licences and permits other than those our PRC subsidiaries currently have to address new issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to the Internet industry. 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. The laws and regulations governing the Internet industry and related businesses in the PRC are developing and subject to changes. If our PRC subsidiaries fail to obtain or maintain all required permits and approvals, our business and operations in the PRC would be materially and adversely affected.

Regulations relating to the Business of our PRC Subsidiaries

Regulation of advertising business

The National People’s Congress of the PRC promulgated the Law on Advertising of the PRC (中華人民共和國廣告法) (the “**Advertising Law**”) at the Tenth Meeting of the Standing Committee of the Eighth National People’s Congress of the PRC on 27 October 1994, which became effective on 1 February 1995. The Advertising Law provides that: (i) the term “Advertisers” (廣告主) refers to legal persons, economic organisations or individuals that, directly or through certain agencies, design, produce and release advertisements for the purpose of promoting products or providing services; (ii) the term “advertising agencies” (廣告經營者) refers to legal persons, economic organisations or individuals that are authorised to provide advertisement content design, production and agency services; and (iii) the term “advertisement releasers” (廣告發佈者) refers to legal persons or other economic organisations that release advertisements for the Advertisers or for those advertising agencies which are authorised by the Advertisers. To engage in advertising activities, one should possess the necessary professionals, equipment and facilities and should complete the necessary registration on its advertising activities in accordance with PRC laws, regulations and rules.

Under the Advertising Law, Advertisers shall, in designing, producing, and releasing advertisements on their own or by others on a commission basis, possess or furnish true, lawful and valid supporting documents, among other things, to confirm the truthfulness of the content of the advertisements. Advertising agencies and advertisement releasers should examine such supporting documents and verify the content of the advertisements according to laws and administrative regulations. In relation to advertisements with untrue content or incomplete supporting documents, advertising agencies should not provide design, production or agency services while the advertisement releasers should not release such advertisements. In the event that false propaganda for commodities or services is conducted by making use of advertisement, the advertising supervisory and administrative authorities shall order the Advertiser to stop releasing the advertisements and to use the same amount of its advertising expenses for making corrections in public within the corresponding areas, thus eliminating the effects, and shall impose on the Advertiser a fine of not less than the amount of its advertising expenses but not more than five times of that amount. The

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Advertisers may be civilly liable for releasing false advertisements, deceiving and misleading consumers and causing the infringement of the legitimate rights of consumers. The advertising agencies and advertisement releasers who know or are assumed to know the content of the advertisements is false but nevertheless choose to design, produce and release such advertisements shall be jointly liable under the PRC laws. On 24 April 2015, the Standing Committee of the National People's Congress of the PRC promulgated the revision of the Advertising Law, which will become effective on 1 September 2015. Compared with the currently effective Advertising law, the Advertising Law (2015 Revision) specifically puts forward legal provisions on Internet advertising activities and imposes more onerous legal liabilities against any person failing to comply with it.

Pursuant to the Administrative Regulations on Advertising (廣告管理條例) issued by the State Council of the PRC which became effective on 1 December 1987 and the Implementing Rules of the Administrative Regulations on Advertising (廣告管理條例實施細則) promulgated and issued by the SAIC on 30 November 2004 which became effective on 1 January 2005, any enterprise featuring advertising activities should register with the competent local administration for industry and commerce and obtain a business licence with the advertising operation listed as an approved activity.

Pursuant to the Provisions on the Administration of Foreign-invested Advertising Enterprises (外商投資廣告企業管理規定) issued by the SAIC and the MOFCOM which became effective on 1 October 2008, the establishment of advertising enterprises by investors from Hong Kong, Macau Special Administrative Region of the PRC and Taiwan in the PRC should follow the relevant provisions accordingly. For a foreign investor to establish a foreign-invested advertising enterprise, the following procedures should be followed: (1) the foreign investor shall apply to the SAIC or its authorised administration for industry and commerce at the provincial level and obtain an opinion on the examination and approval of foreign-invested advertising enterprise project from the SAIC or its authorised administration for industry and commerce at the provincial level; (2) the foreign investor shall apply to the Administrative Department for Commerce at the provincial level at the locality in which it intends to establish the enterprise, and obtain a foreign-invested enterprise approval certificate from the Administrative Department for Commerce at the provincial level after examination and approval; and (3) the foreign investor shall follow the enterprise registration procedures of the SAIC or its authorised administration for industry and commerce competent at the local level for examining and approving the registration. In addition to compliance with the conditions required under relevant laws and regulations, the establishment of foreign-invested advertising enterprises is also required to satisfy the following conditions: (1) the investor should be an enterprise that is principally engaged in advertising business; and (2) the investor should have been set up and in operation for more than three years.

We are principally engaged in the provision of digital marketing services in the PRC which constitutes advertising activities under the laws of the PRC. As such, we may become liable if we fail to comply with the Advertising Law, and the regulations and provisions as stated above.

In order to ensure our Group's compliance with the laws and regulations on advertising business in the PRC, we had 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

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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. Our Board, with the assistance of qualified PRC legal advisers, will also review and evaluate the legal risk and compliance of our business operations in the PRC.

The SAIC issued the Several Opinions on Further Improving the Services provided for the Development of Foreign-invested Enterprises by Fully Carrying out the Functions of Administration of Industry and Commerce (關於充分發揮工商行政管理職能作用進一步做好服務外商投資企業發展工作的若干意見) on 7 May 2010, which took effect on the same day, and pursuant to which administration bureaus for industry and commerce at the provincial level are authorised to examine and approve projects on foreign-invested advertising enterprises. Further, the State Council of the PRC issued the Decision of the State Council on the Sixth Batch of Cancelled and Modified Administrative Examination and Approval Items (國務院關於第六批取消和調整行政審批項目的決定) on 23 September 2012, which took effect on the same day, pursuant to which, apart from administration bureaus for industry and commerce at the provincial level, qualified local administration bureaus for industry and commerce that have the power to approve the registration of foreign-invested enterprises are also authorised to examine and approve projects on foreign-invested advertising enterprises. The MOFCOM issued the Notice of the Ministry of Commerce on Decentralising the Examination and Approval Power for Foreign Investment (關於下放外商投資審批權限有關問題的通知) on 10 June 2010, which requires that in addition to those matters to be approved by the MOFCOM which has been set out under relevant laws and regulations, the establishment of foreign-invested enterprises related to the service sector and its changes (including exceeding the limit amount and the capital increase) should be approved and managed by the local approving authority. It also reaffirms and further clarifies the scope of approval applicable to the competent provincial commerce department for foreign-invested enterprises.

Regulation of Internet Information

On 16 December 1997, the Ministry of Public Security of the PRC promulgated the Administrative Measures for the Security Protection of International Connections and Computer Information Network (計算機信息網絡國際聯網安全保護管理辦法) (the “**Computer Information Network and International Connections Protection Measures**”) which were amended on 8 January 2011, prohibiting the use of the Internet in ways that, among other things, result in a leakage of state secrets or the distribution of socially destabilising content. Socially destabilising content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC Government or its political system, spreads socially disruptive rumours or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC’s national defence affairs, state affairs and other matters as determined by the PRC authorities.

Internet content in China is also regulated and restricted from a state security standpoint. The National People’s Congress of the PRC, enacted the Determination in relation to Protection of the Internet Security (關於維護互聯網安全的決定) on 28 December 2000, as amended on 27 August 2009, which may subject perpetrators to criminal punishment in China for any effort to:

- gain improper entry into a computer or system of strategic importance;
- disseminate politically disruptive information or obscenity;

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- leak state secrets;
- spread false commercial information; and
- infringe intellectual property rights.

During the course of our business, we make use of the Internet in providing our service. In doing so, we are required to comply with the Computer Information Network and International Connections Protection Measures.

Regulations relating to Intellectual Property Rights

China has promulgated comprehensive legislation governing intellectual property rights, including trademarks, patents and copyrights. China has adhered to the main international conventions on intellectual property rights and has become a member of the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to World Trade Organization in December 2001. China amended its Copyright Law in 2001 to broaden the scope of works that are eligible for copyright protection. The amended Copyright Law extends copyright protection to cover Internet activities and products disseminated over the Internet.

On 18 May 2006, the State Council of the PRC promulgated the Regulations on Protection of the Right of Dissemination through Information Networks (信息網絡傳播權保護條例) (the “**Information Dissemination Regulations**”), which became effective on 1 July 2006 and were subsequently amended on 30 January 2013 and became effective on 1 March 2013. These regulations require that every organisation or individual who disseminates a third party’s work, performance, audio or visual recording products to the public through information networks shall obtain permission from, and pay compensation to, the legitimate copyright owner of such products, unless otherwise provided under relevant laws and regulations. The legitimate copyright owner may take technical measures to protect his or her right of dissemination through information networks and any organisation or individual shall not intentionally avoid, destroy or otherwise assist others in avoiding such protective measures unless permissible under law.

Our Directors confirm that in the course of conducting our business in the PRC, which involves the preparation and dissemination of advertising materials through the Internet, we have complied with the Information Dissemination Regulations.

Regulatory Compliance

Our PRC legal advisers, Jun He Law Offices, have confirmed that our PRC subsidiaries had complied with applicable laws and regulations in relation to their businesses in all material respects and obtained all necessary licences and permits to conduct their businesses in the PRC during the Track Record Period and up to the Latest Practicable Date.

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REGULATORY AND SHAREHOLDERS’ APPROVAL

We have obtained the relevant Shareholders’ approvals for the Reorganisation and [REDACTED]. For details, please refer to the section headed “Statutory and General Information – A. Further Information about our Company – 4. Written resolutions of our Shareholders passed on 20 May 2015” in Appendix V to this document.

Save as disclosed in this document, or as required under any new laws, rules or regulations to be promulgated in the PRC or as otherwise specifically required by the CSRC, we are not required to obtain any regulatory approval for the Reorganisation and [REDACTED] in the PRC. For a discussion of the applicability of Circular No. 10, Circular No. 37 and 1997 Red-chip Guidance to [REDACTED], please refer to the section headed “History, Development and Reorganisation – Compliance with the Relevant PRC Laws and Regulations” in this document.