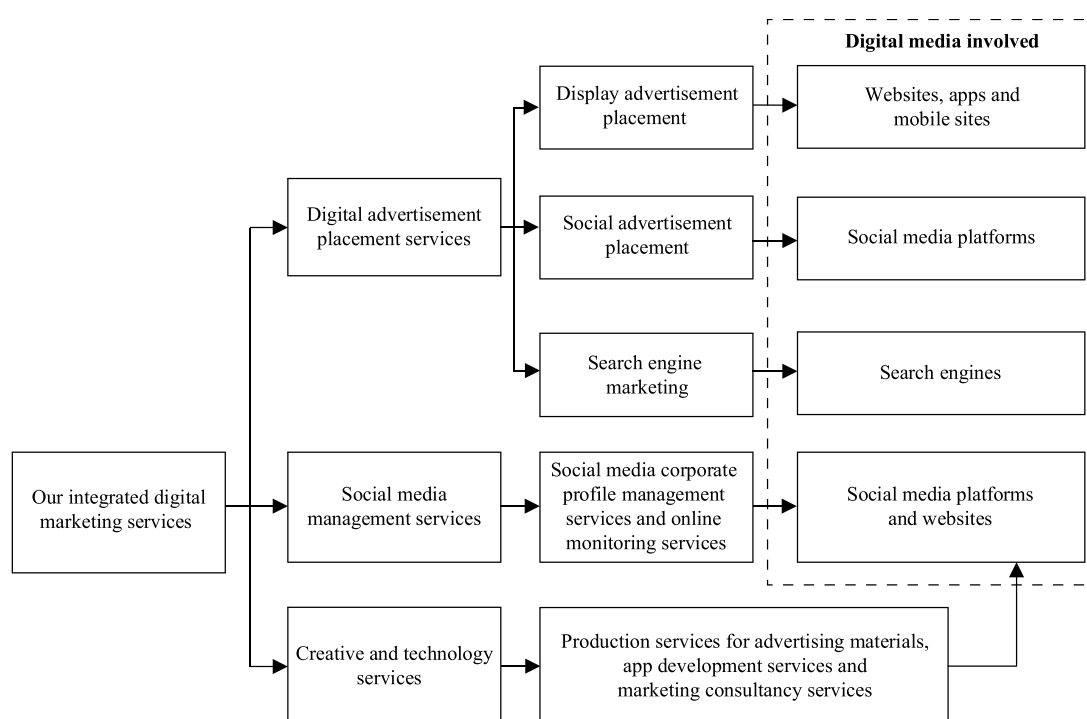


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OVERVIEW

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		Revenue		Revenue	
	HK\$'000	%	HK\$'000	%	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
Total:	89,048	100.00	112,594	100.00	95,092	100.00

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	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
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
Total:	39,341	44.18	48,314	42.91	41,247	43.38

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As at the Latest Practicable Date, we had a total of 314 contracts on hand awarded by 196 clients with an aggregated contract sum of approximately HK\$35.92 million remaining unrecognised as revenue. The following table sets forth a summary of contracts signed by our Group during the Track Record Period.

	For the year ended 31 March		For the eight months ended
	2013	2014	30 November 2014
Number of clients	399	401	334
Number of contracts signed	1,547	1,860	1,468
	(HK\$'000)		
Total contract sum	94,966	111,654	106,755
Average contract sum per contract signed	61	60	73
Range of contract sum	1-9,248	1-13,438	1-14,806

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. We focus on addressing the overall digital marketing needs of the advertisers. We believe, through our integrated digital marketing services, the advertisers may achieve greater efficiency in the allocation of their marketing budgets and in the promotion of their brands, products or services. We are also able to capitalise the cross-selling and marketing opportunities derived from our integrated digital marketing business model, which allow us to have more efficient allocation of resources, deliver our services to the advertisers in a manner catering to the actual needs of the advertisers and accordingly promote our clients' confidence in us and maximise the economies of scale of our operations. Our Directors also believe our ability to provide one-stop integrated digital marketing services helps to ensure the smooth running of various parts of a digital marketing campaign by reducing the time and resources required of the advertisers and us in campaign coordination and implementation. For the years ended 31 March 2013, 31 March 2014 and the eight months ended 30 November 2014, approximately 81.63%, 90.99% and 78.14% of our total revenue were generated from projects involving the provision of more than one type of our digital marketing services (namely, digital advertisement placement services, social media management services and creative and technology services), respectively.

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

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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 integrated 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 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	
	2013		2014		ended 30 November 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>)	<u>75,217</u>	<u>84.47</u>	<u>95,455</u>	<u>84.78</u>	<u>76,017</u>	<u>79.94</u>
Total:	<u><u>89,048</u></u>	<u><u>100.00</u></u>	<u><u>112,594</u></u>	<u><u>100.00</u></u>	<u><u>95,092</u></u>	<u><u>100.00</u></u>

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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 office location 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 office location of our subsidiaries which signed the relevant contracts for digital marketing services with our clients).
3. A number of our PRC-based clients entered into contracts with AdBeyond HK, our major Hong Kong subsidiary, for digital marketing services involving the use of global social media platforms as our PRC subsidiaries, like other companies established in the PRC, do not have access to certain global social media platforms under the policies of the PRC Government. During the Track Record Period, over 90% of our Group's revenue was attributable to contracts signed by our subsidiaries with offices located in Hong Kong. No geographic information for our Group's revenue from external clients has been presented in the Accountants' Report in Appendix I to this document as based on the office location of our subsidiaries which signed the contracts with our clients, over 90% of the external revenue was generated from Hong Kong during the Track Record Period.

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 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.

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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 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.

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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 packages. 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 cooperation 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 integrated digital marketing services which comprise (i) digital advertisement placement services; (ii) social media management services; and (iii) creative and technology services.

Our three categories of digital marketing services are inter-related and complementary to each other. For instance, in a marketing campaign, in order to promote a brand, product and/or services of an advertiser, the awareness and interest of the public may be raised through the placement of display and social advertisements and the utilisation of search engine marketing by our digital advertisement placement services. Our social media corporate profile management services may further engage and encourage discussions among Internet users through setting up and maintaining the advertiser's corporate profile page, such as the updating of the news feeds and the organisation of complementary offline marketing events. The resulting reactions or perceptions of the public or target audience on the particular marketing event, news feeds on the corporate profile page and/or the brand itself may in turn be monitored through our online monitoring services in order to evaluate the overall effectiveness of the marketing campaign and identify any potential issue. Based on the analysis on the monitoring results, marketing strategies as set out above may be further fine-tuned and customised to optimise the marketing campaign. For example, in order to further enhance the number of visitors to the corporate profile page and/or facilitate the participation of the complementary offline marketing events, apps may be developed by our creative and technology service team to engage and encourage discussions among social media platform users.

We consider our integrated digital marketing services are able to generate more satisfactory marketing results and allow the advertisers to promote their brands, products and/or services in a more cost effective way. As opposed to providing a single type of digital marketing services to the advertisers, we, based on our experience, industry knowledge and understanding of the market, analyse the backgrounds, characteristics, products or services and target audiences of the advertisers and provide integrated digital marketing services which are customised to address, not only the specific demands of the advertisers, but the overall digital marketing needs of the advertisers.

For advertisers which do not require integrated digital marketing services based on their own consideration and/or individual circumstances at the relevant times, we also provide a single type of our digital marketing services to them.

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 18 members specialised in the provision of digital advertisement placement services to our clients.

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(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: From April 2012 to April 2015, we were able to procure advertising space one-stop for our clients on over 7,500 PRC-focused apps and mobile sites. Since November 2014, we are able to procure advertising space one-stop for our clients on over 40,000 PRC-focused apps from another mobile advertisement app network operator in the PRC.

We assist our clients in procuring advertising space automatically and directly one-stop on 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. In addition, instead of manually arranging the placement of digital advertisements with each operator of website, app or mobile site, our Ad-Network places display advertisements automatically and directly on advertising space available in multiple designated partner websites, apps and mobile sites for each engagement, thereby reducing the time and resources required by us and our partner websites, apps and mobile sites when placing display advertisements within our Ad-Network. Our Directors believe the operators of our partner websites, apps and mobile sites also benefit from our Ad-Network since our Ad-Network facilitates the simplification of their sales, administrative, operational and after-sales procedures in relation to advertisement placement. In addition, when a display advertisement is placed within our Ad-Network, the relevant statistics will be automatically monitored and recorded by our Ad-Network and, accordingly, performance report of a particular advertisement is prepared and generated by our Ad-Network and would not require any

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additional involvement from these operators. Costs relating to marketing, administration and operations incurred by these operators for each advertisement placement are accordingly lowered.

- **Single-Buy:** Other than automatically and directly procuring advertising space through our Ad-Network, we assist our clients in procuring the specific advertising space for placement of display advertisements on specific website(s), app(s) or mobile site(s) for specific time slots, depending on the marketing objectives of the advertisers. Such placements require manual coordination with each relevant operator of the specific website, app or mobile site and do not involve the automated operation of our Ad-Network, irrespective of whether such relevant website, app or mobile site is a partner within our Ad-Network.

(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.

The procurement of advertising space on social media platforms involve a bidding system (i.e. an auction) which depends on what the other advertisers are willing to pay for a particular advertising space with reference to, among other things, social advertising formats and target audience of the advertisers. Social advertisements that are able to reach the most common types of target audience of advertisers among the social media platform users are generally more expensive. Our social advertisement placement services aim to utilise the least amount of the marketing budget provided by the advertiser to procure an advertising space with optimal exposure to the target audience. We analyse the target audience demographics and place our budget and bid targeting (i) the most suitable age range, gender, geographical location, interests and education backgrounds of a fixed group of social media platform users; (ii) a variable group of social media platform users which may potentially become our target audience depending on their actual Internet activities and habits within a particular period of time; and (iii) various time slots of each advertising space, in order to procure advertising spaces which are less expensive but comparatively effective in reaching the target audience.

(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

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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.

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 93 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.

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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 24 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:

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 (*Note 1*)

Duration of the project

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

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Project B

Client

Several global fashion, lifestyle and beauty brands managed by a brand management company
(Note 2)

Duration of the project

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
- 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 (Note 3)

Duration of the project

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

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- 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 (*Note 4*)

Duration of the project

From August 2013 to November 2014

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

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

An advertising agency which provides advertisement content design, production and agency services (*Note 5*)

Duration of the project

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

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Major scope of our integrated digital marketing services

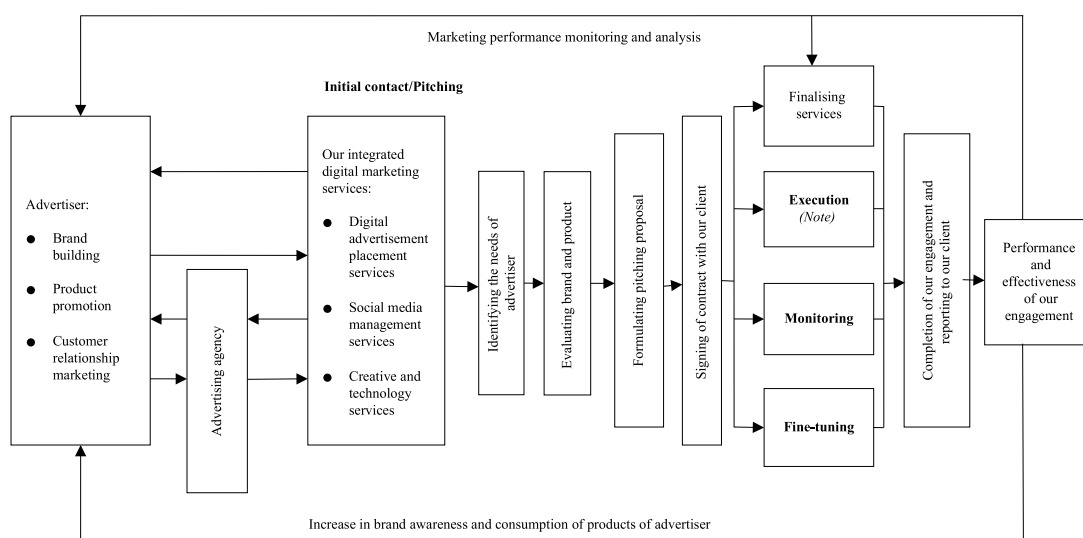
- Digital advertisement placement services: social advertisement placements
- Social media management services: set-up, maintenance and monitoring of tourism promotional pages on social media platforms
- Creative and technology services: development of website and consultancy services

Notes:

1. Such client was not our five largest clients for each of the years ended 31 March 2013 and 31 March 2014 and the eight months ended 30 November 2014.
2. Such client was not our five largest clients for each of the years ended 31 March 2013 and 31 March 2014 and the eight months ended 30 November 2014.
3. Such client was our fifth largest client for each of the years ended 31 March 2013 and 31 March 2014. Such client was not our five largest clients for the eight months ended 30 November 2014.
4. Such client was our largest client for each of the year ended 31 March 2014 and the eight months ended 30 November 2014. Such client was not our five largest clients for the year ended 31 March 2013.
5. Such client was our largest client for the year ended 31 March 2013. Such client was not our five largest clients for each of the year ended 31 March 2014 and the eight months ended 30 November 2014.

WORKFLOW OF OUR ENGAGEMENT

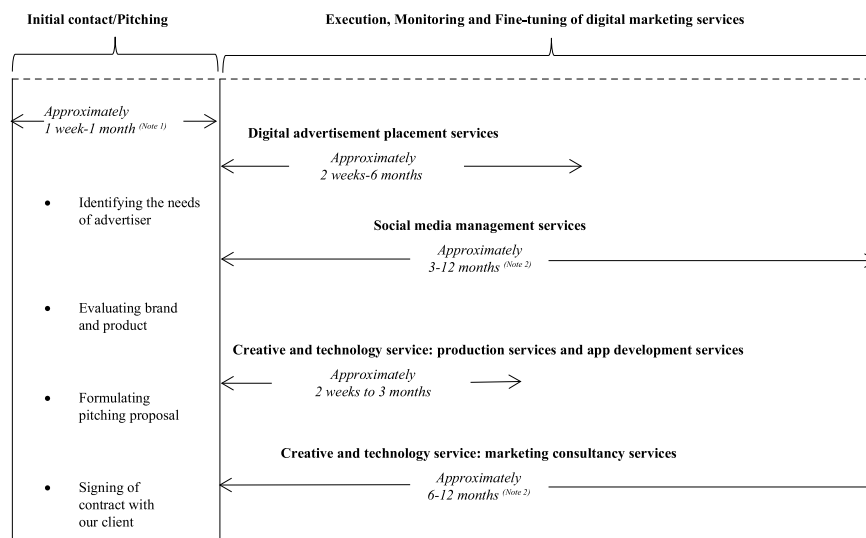
The following chart sets out the workflow of our engagement, illustrating the key stages of our business operations, including the formulation of pitching proposal, the signing of contract, the execution, monitoring and fine-tuning of digital marketing services and reporting throughout and upon completion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



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

BUSINESS

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.

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.

Even though our potential client may approach us for a specific type of digital marketing services, our sales and proposal team would generally, based on our potential client’s overall digital marketing needs, prepare our pitching proposal for integrated digital marketing services covering a combination of our different types of digital marketing services in order to provide our potential client with a comprehensive digital marketing strategies.

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:

BUSINESS

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 through our Ad-Network or by Single-Buy 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.

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.

BUSINESS

(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. VDS performs topic-related and keyword-related monitoring for our Group and prepares regular reports on a daily, weekly or monthly basis depending on the clients' requests. We, together with VDS, analyse and discuss the monitoring result as set out in the reports 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 and/or target audience of the advertiser to such issue, and evaluate the potential or actual impact of such issue on the advertiser. Based on the regular reports and our analysis on the monitoring results, we are able 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 for the advertiser. VDS also assists us in our pitching activities in relation to our online monitoring services together with our sales and proposal team.

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 and/or target audience of the advertiser and enhance brand awareness of the advertiser.

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.

BUSINESS

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

We closely monitor the performance of our digital marketing strategies throughout our engagement because 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. Depending on the performance of the marketing strategies and the digital marketing need of our client, we may propose a revision of the scope of digital marketing services, such as the re-apportionment of our client’s remaining budget and the integration of additional types of digital marketing services in order to further enhance the effectiveness of our digital marketing services.

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.

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 integrated 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 integrated 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

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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 36 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.

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.

BUSINESS

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 performance index and marketing objective specified by our clients; (iii) the prevailing market prices for similar services offered in the market; (iv) the size, reputation and industry of the advertiser involved; and (v) the potential future business opportunities with the advertiser.

Specific factors may be taken into account in setting our service fees for each category of our digital marketing services.

Digital advertisement placement services – fees are, to a large extent, dependent upon the cost of procurement of advertising space payable to the operators of websites, apps, mobile sites, social media platforms and search engines, which in turn is determined by the marketing objective of our clients, such as the number of times for an advertisement to be displayed, and any performance index specified by our clients, such as the number of target visitors and the number of clicks on an advertisement. Given that the automated function of our Ad-Network simplifies the sales, administrative, operational and after-sales procedures in relation to display advertisement placement, thereby encouraging our partner websites, apps and mobile sites within our Ad-Network to offer more competitive rates and fees to our Group, the procurement costs of advertising space for placement of display advertisement through our Ad-Network as compared to such costs for placement of display advertisement through Single-Buy are lower in general, or the same pursuant to the respective cooperation agreements (if applicable).

Social media management services – (a) social media corporate profile management services – fees are predominantly determined by the estimated service hours required by our clients, the marketing objective of our clients, such as the number of photos, videos or news feeds to be posted, and any performance index specified by our clients, such as the number of regular viewers to a corporate profile page or corporate account; and (b) online monitoring services – similar to digital advertisement placement services, fees are, to a large extent, dependent upon the service fee payable to our suppliers, which in turn is determined by the estimated service hours required by our clients and the scope of monitoring on the Internet, such as the number of websites.

Creative and technology services – fees are determined on a case-by-case basis with emphasis on the project's specifications and the estimated service hours required by us on the project.

Marketing objective, being one of the specifications of our digital marketing services, is generally one of the material terms stipulated in our contracts. Any failure to fulfill such marketing objectives would generally constitute a breach of contract and we would accordingly be subject to potential claims by our clients. Performance index is not generally stipulated in our standard contracts and is usually regarded as a soft target by our clients. Any failure to fulfill such soft target would generally not be regarded as a breach of contract and it is unlikely that claims and/or penalty would be imposed on our Group in this regard.

BUSINESS

In the circumstances where certain marketing objective or performance index is stipulated as one of the material terms in a contract and/or the consequence for breach of contract is expressly provided in the contract, failure to fulfill any such marketing objective or performance index may, subject to the terms of the respective contracts, give our clients the right to (i) claim damages against us; (ii) claim penalty, calculated as a fixed percentage of the total contract sum, against us; (iii) unilaterally terminate the contract; and/or (iv) the refunding of any paid contract sum. Our Directors confirm that we had not experienced any failure to meet any such marketing objective or performance index set by our clients, which had materially and adversely affected our contractual performance, during the Track Record Period.

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. A credit period ranging from 30 days to 60 days were generally granted to both our direct clients and advertising agencies during the Track Record Period. Based on our assessment of our clients' historical settlement pattern, creditworthiness and working relationship with us, at the request of our clients and/or upon review of the profiles of our clients and the sizeable contract sums, we may, on a case-by-case basis, agree to a longer credit period of not more than 90 days. Our management closely monitor the settlement status of our trade receivables and regularly review the credit terms. In particular, our sales and finance personnel work closely with our service teams to keep track of purchase order amendments, project status and payment settlement and to accelerate project execution when necessary so as to encourage the clients' timely settlement of our fees.

Our Directors regularly assess the collectibility of our trade receivables on a case-by-case basis to determine if any provision for trade receivables is necessary. The Director's assessment is based on, among other things, the evaluation of collectibility, ageing analysis of the receivables, the ultimate realisation of these outstandings, the current creditworthiness, the past collection history of and our Group's current and potential future business relationship with each debtor. If the financial conditions of our Group's debtors deteriorate, resulting in an impairment of their ability to make payments, provision for trade receivables may be required. Our Directors reassess the provision for trade receivables at each reporting date.

During the Track Record Period, we had recorded long overdue trade receivables from a number of clients, for which our Directors consider that there is no recoverability issue after assessing the individual condition of these clients. For further details of the analysis, please refer to the section headed "Financial Information – Net Current Assets and Selected Items of Combined Statements of Financial Position – Trade and bill receivables" in this document.

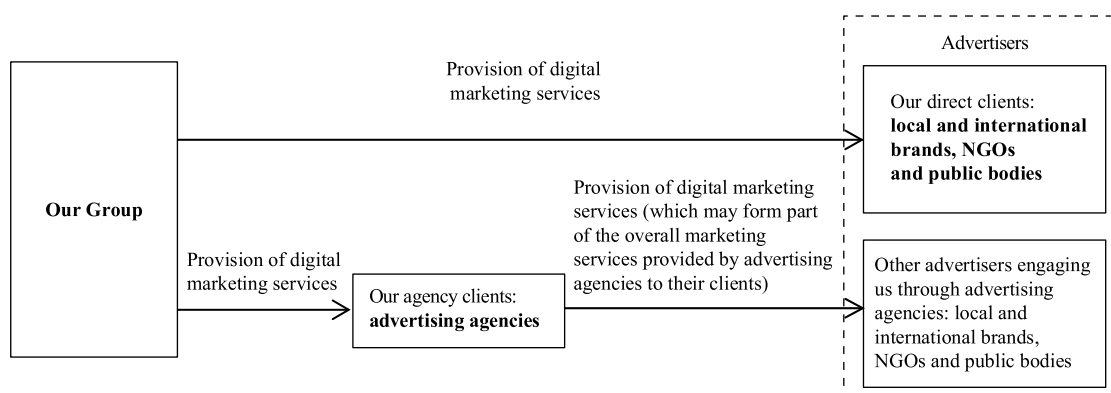
BUSINESS

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.

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.

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	%
Commercial organisations						
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
Non-commercial organisations						
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
Total:	<u>89,048</u>	<u>100.00</u>	<u>112,594</u>	<u>100.00</u>	<u>95,092</u>	<u>100.00</u>

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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:

Business sectors of the advertisers (Note)	Approximate % of the total revenue during the Track Record Period
Commercial	
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
Non-commercial	
Public bodies	13.65
NGOs	2.74
Others	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

BUSINESS

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 30 November 2014
	2013	2014	2014
	%	%	%
Direct clients	76.14	81.94	83.63
Advertising agencies	23.86	18.06	16.37
Total:	100.00	100.00	100.00

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:

Type of services	Major types of suppliers	Selection criteria
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

Our service team leaders are involved in the supplier selection process based on the selection criteria set out above. For further details in relation to the selection of online monitoring service providers, please refer to the paragraph headed “Suppliers – Long-term agreements – Online monitoring service provider – Internal control measures in respect of the engagement of VDS” in this section below. Engagement with an estimated aggregated annual sum exceeding HK\$500,000 is subject to the final approval of our executive Directors. Employees are also required to report to their supervisors any possible conflict of interest they may have in any operation, including the selection or engagement of suppliers.

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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 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

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	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.

BUSINESS

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. Some of the partner websites, apps and mobile sites may require us to fulfill an annual minimum purchase amount for procurement of advertising space, and our Directors confirmed that such minimum guarantees had been fulfilled during the Track Record Period.

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.

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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 formed part of our MobMax PRC Ad-Network during the Track Record Period. Pursuant to this master agency agreement, the service fee payable to the PRC mobile advertisement network operator is determined on a case-by-case basis depending on the specifications of each engagement. We had not renewed the master agency agreement with the mobile advertisement network operator upon its expiry.

In March 2015, we entered into a one-year Hong Kong master agency agreement with another mobile advertisement app network operator in the PRC, an Independent Third Party, confirming its provision of display advertisement placement services to us on over 40,000 PRC-focused apps commencing from November 2014. Such PRC-focused apps form our current MobMax PRC Ad-Network. Pursuant to this master agency agreement, the service fee payable to the mobile advertisement app network operator is determined on a case-by-case basis depending on the specifications of each engagement. This master agency agreement will expire in November 2015 and may be terminated (i) by our Group upon serving a month's prior notice to the mobile advertisement app network operator; or (ii) by either party in certain circumstances, such as upon a material breach of the master agency agreement which remain uncorrected for a period of time by a party and insolvency of a party.

Our Directors consider there is sufficient supply of comparable mobile advertisement network operators in the PRC and do not foresee any difficulty in finding substitute service providers. Upon the expiration of the second master agency agreement, we will consider to either renew the master agency agreement with the mobile advertisement app network operator or engage other suitable service providers where appropriate. 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.

Online monitoring service provider

Background of our engagement of VDS

When our online monitoring services first commenced in 2009, the demand for such services was minimal and we procured such services from suppliers as and when necessary. Prior to December 2011, our online monitoring services were provided through independent third party suppliers mainly including a social media marketing agency incorporated in Hong Kong ("**Former Supplier 1**"), an individual who provides online monitoring services ("**Former Supplier 2**"), and Word of Mouth Company ("**WOM**"). We ceased to procure services from Former Supplier 1 as we were not satisfied with the quality of the services provided by Former Supplier 1. In addition, as Former Supplier 1 is a social media marketing agency and a potential competitor of us with no strategic business relationship with us, our Directors considered that it was in the best interests of our Group to cease to have business relationship with Former Supplier 1 to avoid potential competition, in particular, potential access to our clients by Former Supplier 1 through acting as our supplier. We also ceased to procure services from Former Supplier 2 as we were not satisfied with the quality of the services provided by Former Supplier 2.

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From mid-2010 to December 2011, we procured online monitoring services and related video production services similar to those provided by VDS as and when necessary from WOM. WOM, first introduced to us by Mr. Harry Wong, was a sole proprietorship registered by Mr. Wong Chi Shing, who is 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. WOM was gradually replaced by VDS according to the business decision of Mr. Wong Chi Shing, who, based on the knowledge, information and belief of our Directors, wanted to continue the provision of online monitoring services through a limited liability company. Subsequently, VDS became our supplier for online monitoring services and related video production services after its incorporation in July 2011. Occasionally, we also engaged other independent third party suppliers for video production services unrelated to online monitoring services as and when necessary during the Track Record Period.

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 and is wholly-owned by Mr. Wong Chi Shing. As at 30 November 2014, VDS had a total of 49 full-time employees, among which its sales team, service team, programming team and administration team consisted of six employees, 29 employees, 10 employees and four employees, respectively. As advised by Mr. Wong Chi Shing, leveraging on his experience in information technology and online monitoring services through operating WOM and VDS, VDS had developed a data monitoring system specialised in the provision of online monitoring services. To the best of the knowledge, information and belief of our Directors, we are not the only customer of VDS though a substantial portion of revenue of VDS was generated from our Group for the period from 25 July 2011 (date of incorporation of VDS) to 31 December 2012 and each of the years ended 31 December 2013 and 2014.

Services provided by VDS

VDS performs topic-related and keyword-related monitoring for our Group and prepares regular reports on a daily, weekly or monthly basis depending on the clients' requests. We, together with VDS, analyse and discuss the monitoring result as set out in the reports 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 and/or target audience of the advertiser to such issue, and evaluate the potential or actual impact of such issue on the advertiser. Based on the regular reports and our analysis on the monitoring results, we are able 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 for the advertiser. VDS also assists us in our pitching activities in relation to our online monitoring services together with our sales and proposal team.

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 and/or target audience of the advertiser and enhance brand awareness of the

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advertiser. These trial reviews and/or brand and product information may be posted on the Internet as video clips, thereby requiring the video production services of VDS. The video production services provided by VDS to our Group are ancillary to the provision of online monitoring services and we may from time to time engage other independent third party suppliers for video production services unrelated to online monitoring services. For each of the years ended 31 March 2013 and 31 March 2014 and the eight months ended 30 November 2014, service fees paid by us to VDS and other independent third party suppliers for video production services were insignificant. The service fees paid by our Group to VDS for video production services represented approximately 2.21%, 0.47% and 0.43% of our total cost of services excluding staff costs and amortisation expenses, for the years ended 31 March 2013 and 31 March 2014 and the eight months ended 30 November 2014, respectively.

Our engagement arrangement with VDS prior to entering into the VDS Service Agreement

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 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

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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.

As our operation in relation to the provision of online monitoring services grew and stabilised, we are in a better position to measure and ensure the cost effectiveness of the services provided by VDS. The fee arrangement provided under the VDS Service Agreement enables us to negotiate the service fee payable to VDS for each engagement on a case-by-case basis rather than remitting a fixed percentage of our revenue from online monitoring services and related video production services after deducting relevant expenses for all engagements under the Previous VDS Service Agreement. We are able to enjoy greater flexibility in determining our profit margin in relation to the provision of online monitoring services and related video production services and we may set a higher profit margin when fixing our service fee in the future as and when necessary based on our well-established position and brand name in the industry.

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 upon serving a three months' written prior notice to the other party. The VDS Service Agreement may also be terminated by either AdBeyond HK or VDS immediately without notice if the other party shall (i) be in gross negligence in performing its duties and obligations under the VDS Service Agreement; (ii) become insolvent, commit an act of bankruptcy or make any composition or enter into any arrangement with its creditors or any class of its creditors; (iii) fail to perform faithfully or diligently any of the duties and obligations under the VDS Service Agreement and such failure should continue or remain uncorrected for a period of 30 days after having received notice from the innocent party of such failure; or (iv) commit a material or fundamental breach of the VDS Service Agreement.

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

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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.).

Pricing policy of the service fee charged by VDS under the VDS Service Agreement

The fee for the services to be provided by VDS is mutually agreed by our Group and VDS on a case-by-case basis taking into account the particulars and specifications of the online monitoring services and related video production services required by the particular client. To the best of the knowledge, information and belief of our Directors, similar to our own pricing policy in respect of the provision of online monitoring services, the factors taken into account by VDS in determining its service fee may include the estimated services hours required by the particular client, the scope and complexity of monitoring on the Internet, such as the number of websites, the reporting frequency and the need for any follow-up action.

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.

Based on the factors set out above and considering (i) the experience and expertise of VDS in providing online monitoring services and related video production services (such as the development of a data monitoring system specialised in the provision of online monitoring services); (ii) the additional resources required to develop or license a data monitoring system similar to that developed by VDS; (iii) the nature of online monitoring services which require the commitment of immense manpower in particular for data analysis and hence the need for additional labour and training in setting up and developing our own online monitoring service team; and (iv) VDS offers a longer credit period to us as compared to the quotations obtained by our Group from other independent third party suppliers providing similar services to those of VDS, our Directors are of the view that our engagement of VDS 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 and/or other online monitoring service providers when necessary rather than developing our own expertise to provide online monitoring services and related video production services to our clients following the [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, and since December 2011 and up to the Latest Practicable Date, VDS was our sole online monitoring service supplier. A substantial number of our clients which engaged us for online monitoring services and related video production services during the Track Record Period were Hong Kong-based clients including local and international brands, NGOs, public bodies and advertising agencies. For the years ended 31 March 2013 and 31 March 2014 and the eight months ended 30 November 2014, our Group's revenue generated from the online monitoring services which

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involved the engagement of VDS amounted to approximately HK\$14.66 million, HK\$16.91 million and HK\$10.81 million, respectively, and our Group's revenue generated from the video production services related to our online monitoring services which involved the engagement of VDS amounted to approximately HK\$1.19 million, HK\$0.31 million and HK\$0.24 million, respectively. The following table sets forth the scale and number of our projects undertaken by VDS during the Track Record Period.

	For the year ended 31 March		For the eight months ended
	2013	2014	30 November 2014
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Contract sum			
HK\$200,000 or above	16	13	17
below HK\$200,000 but at or above HK\$50,000	73	60	69
below HK\$50,000	257	275	221
	<u>346</u>	<u>348</u>	<u>307</u>

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 are of the view, and as confirmed by Ipsos, there is sufficient supply of comparable 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 sole supplier in the provision of online monitoring services, and disruption in the provision of services from VDS and our inability to identify alternative service providers may affect our business operations and financial results" in this document.

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Internal control measures in respect of the engagement of VDS

Our service team leaders are mainly responsible for the supplier selection process.

Although Mr. Wong Chi Shing is a cousin of Mr. Harry Wong and Mr. Alfred Wong, our Directors consider that such relationships had not caused and are unlikely to cause any conflict of interest between our Group and Mr. Harry Wong and Mr. Alfred Wong, in particular in relation to the supplier selection process, because (i) the engagement of VDS has been approved by our Directors and Mr. Harry Wong has had no decision-making power in the supplier selection process and (ii) being our chief financial officer, Mr. Alfred Wong has had no involvement in the supplier selection process.

In addition, upon [REDACTED], the VDS Service Agreement will be subject to the annual review by our independent non-executive Directors and the VDS Service Agreement is required to be renewed every three years and upon the approval of our Board and the independent Shareholders as set out in the paragraph headed "Suppliers – Long-term agreement – Online monitoring service provider – Materials terms of the VDS Service Agreement" in this section above.

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 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.

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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.

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.

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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.

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.

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AWARDS

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

Year awarded	Award	Awarding body
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.

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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 trademarks “Maximizer” and “AdBeyond”, the name of our advertising network of Hong Kong-focused websites and the names of our major subsidiaries, respectively, in Hong Kong and had one 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 V 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 217 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
Hong Kong:				
Sales and proposal	23	29	31	29
Digital advertisement placement service team	12	16	17	18
Social media management service team	36	51	66	67
Creative and technology service team	28	39	30	24
Finance, administration, human resources and information technology	24	36	33	35
Research and development team	0	0	6	6
PRC:				
Sales and proposal	12 <i>(Note)</i>	15	8	7
Digital advertisement placement service team	0	0	0	0
Social media management service team	24 <i>(Note)</i>	27	24	26
Creative and technology service team	0	0	0	0
Finance, administration, human resources and information technology	7 <i>(Note)</i>	9	3	5
Total	<u>166 <i>(Note)</i></u>	<u>222</u>	<u>218</u>	<u>217</u>

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.

BUSINESS

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.

BUSINESS

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 have leased six properties in the PRC with an aggregate gross floor area of approximately 385.54 square metres from Independent Third Parties.

For four leased properties with an aggregate gross floor area of approximately 234.37 square metres which were used as our office in Guangzhou and 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 Beijing, 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 during the Track Record Period, 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 and we are not exposed to any risk of eviction from the property since the principal place of business of AdBeyond BJ had been relocated as at the Latest Practicable Date. On 12 February 2015, AdBeyond BJ had registered the change of registered office address as set out in its business licence and obtained a new business licence.

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 agreements may be ordered by the competent authority to make corrections for any non-recordation 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-recordation of the lease agreement.

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 Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong

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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 manage 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;
- the appointment of CLC International as our compliance adviser 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.

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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 and the PRC in all material respects.

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 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.