

IDI, Inc.
Form 10-Q
May 20, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number 333-158336

IDI, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware **77-0688094**
(State or Other Jurisdiction of **(I.R.S. Employer**
Incorporation or Organization) **Identification No.)**
2650 North Military Trail, Suite 300,
Boca Raton, Florida 33431
(Address of Principal Executive Offices) (Zip Code)
(561) 757-4000
(Registrant's Telephone Number, Including Area Code)
Tiger Media, Inc.
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company (in Rule 12b-2 of the Exchange Act) (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES NO

As of May 1, 2015, the registrant had 13,888,954 shares of common stock outstanding.

Table of Contents

IDI, INC.

TABLE OF CONTENTS FOR FORM 10-Q

	Page
<u>PART I - FINANCIAL INFORMATION</u>	
ITEM 1.	
	<u>FINANCIAL STATEMENTS</u>
	<u>CONDENSED CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2015 AND DECEMBER 31, 2014</u>
	<u>(UNAUDITED)</u> 2
	<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE</u>
	<u>THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)</u> 3
	<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH,</u>
	<u>31, 2015 (UNAUDITED)</u> 4
	<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)</u> 5
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF</u>
	<u>OPERATIONS</u> 20
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u> 24
ITEM 4.	<u>CONTROLS AND PROCEDURES</u> 25
<u>PART II - OTHER INFORMATION</u>	
ITEM 1.	<u>LEGAL PROCEEDINGS</u> 25
ITEM 1A.	<u>RISK FACTORS</u> 25
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u> 25
ITEM 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u> 26
ITEM 4.	<u>MINE SAFETY DISCLOSURE</u> 26
ITEM 5.	<u>OTHER INFORMATION</u> 26
ITEM 6.	<u>EXHIBITS</u> 27
	<u>SIGNATURES</u> 28

Table of Contents**PART I - FINANCIAL INFORMATION**

Unless otherwise indicated or required by the context, all references in this Quarterly Report on Form 10-Q to we, us, our, IDI, or the Company refer to IDI, Inc. and its consolidated subsidiaries.

All per share amounts and shares outstanding for all periods have been retroactively restated to reflect IDI's 1-for-5 reverse stock split, which was effective on March 19, 2015.

ITEM 1. FINANCIAL STATEMENTS.**IDI, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands, except share data)

(unaudited)

	March 31, 2015	December 31, 2014
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,296	\$ 5,996
Accounts receivable, net	2,251	295
Prepaid expenses and other current assets	762	190
Deferred tax assets, current	203	95
Total current assets	10,512	6,576
NON-CURRENT ASSETS		
Property and equipment, net	1,821	302
Long-term deferred expenses	580	
Intangible assets, net	5,062	796
Goodwill	40,698	5,226
Other assets	38	38
Deferred tax assets, non-current	294	275
Total non-current assets	48,493	6,637
Total assets	59,005	13,213
<u>LIABILITIES & SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	1,884	890
Accrued expenses and other payables	1,118	
Acquisition consideration payable	460	

Edgar Filing: IDI, Inc. - Form 10-Q

Amounts due to related parties	178	52
Deferred revenue	264	164
Total current liabilities	3,904	1,106
Total liabilities	3,904	1,106
SHAREHOLDERS EQUITY		
Preferred Shares \$0.0001 par value 10,000,000 shares authorized, 4,965,302 and 4,965,302 shares issued and outstanding on March 31, 2015 and December 31, 2014, respectively		
Common Shares \$0.0005 par value 200,000,000 shares authorized, 13,888,454 and 6,597,155 shares issued and outstanding on March 31, 2015 and December 31, 2014, respectively		
	7	3
Additional paid-in capital	56,926	12,714
Accumulated other comprehensive loss	6	
Accumulated deficit	(2,246)	(610)
Total IDI shareholders equity	54,693	12,107
Non-controlling interests	408	
Total shareholders equity	55,101	12,107
Total liabilities and shareholders equity	\$ 59,005	\$ 13,213

See notes to condensed consolidated financial statements

Table of Contents

IDI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Amounts in thousands, except share data)

(unaudited)

	Three Months Ended
	March 31, 2015 (1)
Revenue	\$ 1,268
Cost of revenues	(618)
Gross profit	650
Operating expenses	
Sales and marketing expenses	(561)
General and administrative expenses	(1,748)
Loss from operations	(1,659)
Other income/(expense)	
Interest income	7
Other expense, net	(2)
Total other income	5
Loss before income taxes	(1,654)
Income taxes	
Net loss	\$ (1,654)
Less: net loss attributable to non-controlling interests	(17)
Net loss attributable to shareholders	\$ (1,637)
Loss per share	
Basic and Diluted	\$ (0.22)
Weighted average number of shares outstanding -	
Basic and diluted	7,488,314
Comprehensive loss:	
Net loss	\$ (1,654)
Foreign currency translation adjustment	6

Net comprehensive loss	\$	(1,648)
-------------------------------	-----------	----------------

- (1) As IDI Holdings, LLC, the accounting acquirer of the merger consummated effective as of March 21, 2015, was incorporated on September 22, 2014, no comparative figures for the corresponding period in 2014 are presented.
See notes to condensed consolidated financial statements

Table of Contents

IDI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands, except share data)

(unaudited)

	Three Month Ended March 31, 2015 (1)
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (1,654)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation of property and equipment	32
Amortization of intangible assets	29
Amortization of long-term deferred expenses	7
Share-based compensation	102
Change in allowance for doubtful accounts	21
(Increase) / decrease in assets:	
Accounts receivable	(167)
Prepaid expenses and other current assets	(377)
Amounts due from related parties	4
Increase / (decrease) in liabilities:	
Accounts payable	(527)
Accrued expenses and other payables	379
Amounts due to related parties	2
Deferred revenue	20
Net cash used in operating activities	(2,129)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(130)
Purchase of intangible assets	(13)
Proceeds from acquisition	3,569
Net cash provided by investing activities	3,426
CASH FLOWS FROM FINANCING ACTIVITIES	
Net cash provided by financing activities	
Effect of foreign exchange rate changes on cash and cash equivalents	3

Net increase in cash and cash equivalents	\$	1,300
Cash and cash equivalents at beginning of period		5,996
Cash and cash equivalents at end of period	\$	7,296

SUPPLEMENTAL DISCLOSURE INFORMATION

Cash paid for interest

Cash paid for income taxes

- (1) As IDI Holdings, LLC, the accounting acquirer of the merger consummated effective as of March 21, 2015, was incorporated on September 22, 2014, no comparative figures for the corresponding period in 2014 are presented.
See notes to condensed consolidated financial statements

Table of Contents

IDI, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2015

(unaudited)

NOTE 1 PRINCIPAL ACTIVITIES AND ORGANIZATION

(a) Principal activities

IDI, Inc. (the Company or IDI), formerly known as Tiger Media, Inc., is a holding company and, through its consolidated subsidiaries (collectively the Group), is principally engaged in 1) the provision of data solutions and services to the Accounts Receivable Management (ARM) industry for location and identity verification, legislative compliance and debt recovery, and now targeting the entirety of the risk management market, including expansion into Fair Credit Reporting Act (FCRA) regulated data, non-regulated data, and marketing and data analytics; and 2) the provision of advertising services in the out-of-home advertising industry.

(b) Organization

Organization - Tiger Media, Inc.

On October 30, 2009, the Company completed the acquisition (the Acquisition) of all the issued and outstanding shares and warrants of SearchMedia International Limited (SearchMedia International). The Acquisition was accounted for as a reverse recapitalization, whereby SearchMedia International was the continuing entity for financial reporting purposes and was deemed to be the accounting acquirer of SearchMedia Holdings Limited (SearchMedia Holdings). On December 14, 2012, SearchMedia Holdings changed its name to Tiger Media, Inc., a Cayman Islands exempted company (Tiger Media).

Organization TBO

The Best One, Inc. (TBO) is a holding company incorporated on September 22, 2014 in the State of Florida, which was formed to serve as a vehicle for the acquisition of operating businesses and valuable and proprietary technology assets across various industries.

On October 2, 2014, TBO acquired 100% of the membership interests of Interactive Data, LLC (Interactive Data), a Georgia limited liability company and Interactive Data became a wholly-owned subsidiary of TBO. Interactive Data is a data solutions provider, historically delivering data products and services to the Accounts Receivable Management (ARM) industry for location and identity verification, legislative compliance and debt recovery.

Organization Acquisition of TBO

On March 21, 2015 (the Effective Date), Tiger Media and TBO Acquisition, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Tiger Media (Merger Sub), completed a merger (the Merger) with TBO, pursuant to the terms and conditions of the Merger Agreement and Plan of Reorganization, as amended (the Merger Agreement) dated as of December 14, 2014, by and among Tiger Media, Merger Sub, TBO, and Derek Dubner, solely in his capacity as representative of the TBO shareholders.

Before the Merger, on March 19, 2015, Tiger Media effected a one-for-five reverse stock split (the Reverse Split). The principal effect of the Reverse Split was to decrease the number of outstanding shares of each of Tiger Media s ordinary shares. Except for de minimus adjustments for the treatment of fractional shares, the Reverse Split did not have any dilutive effect on Tiger Media shareholders and the relative voting and other rights that accompany the shares were not affected by the Reverse Split. In addition, the proportion of shares owned by shareholders relative to the number of shares authorized for issuance remained the same because the authorized number of shares were decreased in proportion to the Reverse Split from 1,000,000,000 shares to 200,000,000 shares. The authorized number of preferred shares were not affected by the Reverse Split and remain at 10,000,000 preferred shares. Also before the Merger, on March 20, 2015, Tiger Media completed its domestication from the Cayman Islands to Delaware as a Delaware corporation (the Domestication). Following the Domestication and the Reverse Stock Split, on March 21, 2015 (the Effective Date), TBO merged into Merger Sub, with Merger Sub continuing as the surviving company and a wholly-owned subsidiary of Tiger Media.

Table of Contents

On April 8, 2015, Merger Sub's entity name was changed to IDI Holdings, LLC (IDI Holdings), which is a wholly owned subsidiary of the Company. On April 30, 2015, Tiger Media changed its name to IDI, Inc.

For accounting purposes, the Company recognized the Merger in accordance with ASC 805-40, *Reverse Acquisitions*. Accordingly, the Company has been recognized as the accounting acquiree in the Merger, with IDI Holdings being the accounting acquirer, and the Company's consolidated financial statements for the reporting periods from January 1, 2015 through March 21, 2015 being those of IDI Holdings, rather than those of the Company. The Company's consolidated financial statements for the periods since March 22, 2015, the day after which the Merger was consummated, recognize Tiger Media and IDI Holdings as a consolidated group for accounting and reporting purposes, albeit with a carryover capital structure inherited from Tiger Media (attributable to the legal structure of the transaction).

As a result of the Merger, and although it was the Company's intention to continue to operate and further develop its advertising business both in China and the United States as of the Effective Date, it is expected that the Company's primary focus will shift going forward in the direction of the business of Interactive Data in the data fusion area, where the Company believes the opportunities for future growth are greater.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and liquidity

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary to present fairly the Company's results of operations, financial position and cash flows have been made. The results of operations and cash flows for the three months ended March 31, 2015, are not necessarily indicative of the results of operations and cash flows that may be reported for the remainder of 2015 or for future periods.

The Company reported net losses of \$1,654, and net cash used in operating activities of \$2,129 for the three months ended March 31, 2015, and had an accumulated deficit of \$2,246 as of March 31, 2015.

The Company believes that, taking into account the adoption of various cost-saving strategies and the anticipated potential growth of the data fusion industry, sufficient resources are expected to be available to fund the Company's working capital and capital expenditure requirements, and to meet obligations and commitments as they become due over the following twelve months. Therefore, the accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business.

We intend to continually monitor and adjust our business plan as necessary to respond to developments in our business, our markets and the broader economy. We believe that various debt and equity financing alternatives available to us are able to support our future working capital needs. These alternatives may require significant cash payments for interest and other costs or could be highly dilutive to our existing shareholders.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant transactions among the Company and its subsidiaries have been eliminated upon consolidation.

(b) Use of estimates

The preparation of consolidated financial statements in accordance with US GAAP requires the Company's management to make estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the allowance for doubtful receivables; useful lives and residual values of property and equipment and intangible assets; recoverability of the carrying amount of property and equipment, goodwill and intangible assets; fair values of financial instruments; and the assessment of contingent obligations. These estimates are often based on complex judgments and assumptions that management believes to be reasonable but are inherently uncertain and unpredictable. Actual results could differ from these estimates.

Table of Contents***(c) Foreign currency transactions and translation***

The Group's reporting currency is the United States dollar (US\$). The functional currency of the Company and its subsidiaries in the United States (US) is the US\$, whereas the functional currency of the Company's consolidated subsidiaries in the People's Republic of China (the PRC) is the Renminbi (RMB) and the functional currency of the Company's subsidiaries in the Hong Kong Special Administrative Region (HKSAR) is the Hong Kong Dollars (HK\$), as the PRC and HKSAR are the primary economic environments in which the respective entities operate. Since the RMB is not a fully convertible currency, all foreign exchange transactions involving RMB must take place either through the People's Bank of China (the PBOC) or other institutions authorized to buy and sell foreign currency. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC.

Transactions denominated in currencies other than the functional currency are translated into the respective functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in a currency other than the functional currency are translated into the functional currency using the applicable exchange rate at each balance sheet date. The resulting exchange differences are recorded in foreign currency transaction gain / (loss) in the consolidated statements of operations.

The assets and liabilities of the Company's consolidated subsidiaries are translated into the US\$ reporting currency using the exchange rate at each balance sheet date. Revenue and expenses of these entities are translated into US\$ at average rates prevailing during the year. Equity accounts are translated at historical exchange rates. Gains and losses resulting from translation of these entities' financial statements into the US\$ reporting currency are recorded as a separate component of accumulated other comprehensive loss within shareholders' equity.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits with original maturities of three months or less, which are unrestricted as to withdrawal and use.

The Group's cash and bank deposits were held in major financial institutions located in the US and the PRC, which management believes have high credit ratings. The cash and bank deposits held in the US and Hong Kong, denominated in USD and HKD, amounted to \$4,426 and \$5,996 as of March 31, 2015 and December 31, 2014, respectively. Cash and bank deposits held in PRC as of March 31, 2015 were \$2,870 and \$0, respectively.

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist principally of cash investments. The Company places its temporary cash instruments with well-known financial institutions within United States, China Mainland and Hong Kong and, at times, may maintain balances in US banks in excess of the \$250 thousand dollar US FDIC Insurance limit. The Company monitors the credit ratings of the financial institutions to mitigate this risk.

(e) Accounts receivable

Accounts receivable are due from customers and are generally unsecured, which consist of amounts billed but not yet collected and unbilled receivables. For the advertising media business, the unbilled receivables relate to revenues earned and recognized, but which have not been billed by the Group in accordance with the terms of the advertising service contract. The payment terms of the Group's service contracts with its customers vary and typically require an initial payment to be billed or paid at the commencement of the service period, progress payments to be billed during the service period, and a final payment to be billed after the completion of the service period. None of the Group's accounts receivable bear interest.

The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in the Group's existing accounts receivable. Management determines the allowance based on reviews of customer-specific facts and economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Group does not have any off-balance-sheet credit exposure related to its customers.

(f) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation or amortization. Expenditures for maintenance, repairs, and minor renewals are charged to expense in the period incurred. Betterments and additions are capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, taking into consideration the assets' salvage or residual value. The estimated useful lives of property and equipment are as follows:

Computer and network equipment	5-7 years
Advertising display equipment	5 years
Furniture, fixtures and office equipment	3-5 years
Vehicle	5 years

Table of Contents

When items of property and equipment are retired or otherwise disposed of, loss/income is charged or credited for the difference between the net book value and proceeds received thereon.

(g) Intangible assets other than goodwill

The Group's intangible assets are amortized on a straight line basis over their respective estimated useful lives, which are the periods over which the assets are expected to contribute directly or indirectly to the future cash flows of the Group. The Group's intangible assets represent software and website development with the estimated useful lives of 3 years, lease agreements with the estimated useful lives of 6 years, non-compete agreements with the estimated useful lives of 10 years, and customer relationship with the estimated useful lives of 10 years.

(h) Goodwill

Goodwill represents the difference between the purchase price and the estimated fair value of the net assets acquired when accounted for by the purchase method of accounting. As of March 31, 2015, goodwill represented those arose from the acquisition of Interactive Data and the reverse acquisition of Tiger Media by \$5,226 and \$35,472, respectively.

Assets acquired and liabilities assumed in business combinations are recognized at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recognized as goodwill.

Goodwill is tested at least annually for impairment, or when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that its fair value exceeds the carrying value.

(i) Impairment of long-lived assets

Indefinite-lived intangible assets are assessed for impairment at least annually based on comparisons of their respective fair values to their carrying values. Finite-lived intangible assets are amortized over their respective useful lives and, along with other long-lived assets, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable in accordance with FASB ASC 360-10-15, *Impairment or Disposal of Long-Lived Assets*.

In evaluating long-lived assets for recoverability, including finite-lived intangibles and property and equipment, the Group uses its best estimate of future cash flows expected to result from the use of the asset and eventual disposition in accordance with FASB ASC 360-10-15. To the extent that estimated future, undiscounted cash inflows attributable to the asset, less estimated future, undiscounted cash outflows, are less than the carrying amount, an impairment loss is recognized in an amount equal to the difference between the carrying value of such asset and its fair value. Assets to be disposed of and for which there is a committed plan of disposal, whether through sale or abandonment, are reported at the lower of carrying value or fair value less costs to sell.

Asset recoverability is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the undiscounted future cash flows. In calculating the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters such as revenue growth rates, gross margin percentages and terminal growth rates.

No impairment loss once recognized is subsequently reversed even if facts and circumstances indicate recovery.

No impairment was noted for the three months ended March 31, 2015.

(j) Fair Value of Financial Instruments

FASB ASC 820 Fair Value Measurements and Disclosures establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Table of Contents

These tiers include:

Level 1 defined as observable inputs such as quoted prices in active markets;

Level 2 defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3 defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair value of the Group's financial assets and liabilities approximate their carrying amount because of the short-term maturity of these instruments. The Group's options fall into Level 3 and there were no transfers in or out of Level 3 during the period presented.

(k) Revenue recognition

The Company generally recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or a service has been rendered, the price is fixed or determinable and collection is reasonably assured.

Revenue from data solutions and services to the ARM industry is generally recognized on (a) a transactional basis determined by the customer's usage, (b) a monthly fee or (c) a combination of both. Revenues pursuant to contracts containing a monthly fee are generally recognized ratably over the contract period, which is generally 1 year. Revenues pursuant to transactions determined by the customer's usage are recognized when the transaction is complete. Costs associated with separately priced customer service contracts are generally recognized as follows: (a) costs are expensed as incurred; and (b) losses are recognized on contracts where the expected future costs exceed expected future revenue. No such loss contracts exist as of March 31, 2015.

Revenue from advertising services is recognized on the straight-line basis over the period in which the customer advertisement is to be displayed, which typically ranges from 3 days to over 1 year, starting from the date the Group first displays the advertisement. Written contracts are entered into between the Group and its customers to specify the price, the period and the location at which the advertisement is to be displayed. Revenue is only recognized if the collectability of the advertising service fee is probable. The Group generates advertising service revenues from the sales of frame space on the poster frame network and advertising time slots on outdoor LCD networks. In the advertising arrangements, the Group acts as a principal in the transaction and records advertising revenues on a gross basis. The associated expenses are recorded as cost of revenues.

Customer payments received in excess of the amount of revenue recognized are recorded as deferred revenue in the consolidated balance sheets, and are recognized as revenue when the advertising services are rendered.

(l) Nonmonetary transactions

According to ASC 845-10-30, in general, the accounting for nonmonetary transactions should be based on the fair values of the assets (or services) involved, which is the same basis as that used in monetary transactions. Thus, the cost of a nonmonetary asset acquired in exchange for another nonmonetary asset is the fair value of the asset surrendered to obtain it, and a gain or loss shall be recognized on the exchange. The fair value of the asset received shall be used to measure the cost if it is more clearly evident than the fair value of the asset surrendered. Similarly, a nonmonetary asset received in a nonreciprocal transfer shall be recorded at the fair value of the asset received. A transfer of a nonmonetary asset to a stockholder or to another entity in a nonreciprocal transfer will be recorded at the

fair value of the asset transferred and a gain or loss shall be recognized on the disposition of the asset.

(m) Cost of revenues

Cost of revenues, related to data solutions and services to the ARM industry, consist primarily of data acquisition and verification costs.

Cost of revenues from advertising services consists primarily of operating lease cost of advertising space for displaying advertisements, depreciation of advertising display equipment, amortization of intangible assets relating to lease agreements and direct staff and material costs associated with production and installation of advertising costs associated with production and installation of advertising content. The Group leases advertising space, including outdoor LCD and poster frames, and office premises under non-cancellable operating leases. The lease payments are charged to cost of revenues on the straight-line basis over the lease term.

Table of Contents***(n) Advertising and promotion costs***

Advertising and promotion costs are charged to operations as incurred. Advertising and promotion costs, included in sales and marketing expenses amounted to \$35 for the three months ended March 31, 2015.

(o) Retirement and other post-retirement benefits

Pursuant to relevant PRC regulations, the Company's consolidated subsidiaries in the PRC are required to make contributions to various defined contribution retirement plans organized by the PRC government. The contributions are made for each qualifying PRC employee at 21% on a standard salary base as determined by the PRC governmental authority. Contributions to the defined contribution plans are charged to the consolidated statements of income as the related employee service is provided.

The Company's subsidiaries in the HKSAR operate a Mandatory Provident Fund Scheme (the MPF scheme) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer is required to make contributions to the scheme at 5% of the employees' relevant income, subject to an upper limit. Contributions to the scheme vest immediately.

The Group has no other obligation for the payment of employee benefits associated with these retirement plans beyond the contributions described above.

(p) Share-based payments

The Group accounts for share-based payments to employees in accordance with ASC Topic 718, *Compensation - Stock Compensation*. Under ASC 718, the Group measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes the costs over the period the employee is required to provide service in exchange for the award, which generally is the vesting period. For awards with performance conditions, the compensation expense is based on the grant-date fair value of the award, the number of shares ultimately expected to vest and the vesting period.

The Company accounts for share-based payments to non-employees in accordance with ASC 505-50, *Equity-Based Payments to Non-Employees*. Under ASC 505-50, share-based payment transactions with nonemployees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. For this specific option due to share purchase agreement, the fair value of the equity instruments issued in a share-based payment transaction with nonemployees is more reliably measurable than the fair value of the consideration received, the transaction shall be measured based on the fair value of the equity instruments issued by the Group.

(q) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates or laws is recognized in income in the period that the change in tax rates or laws is enacted. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely

than not that some portion or all of the deferred tax assets will not be realized.

The Group applies ASC Topic 740 *Income Taxes*. ASC 740 clarifies the accounting for uncertain tax positions. This interpretation requires that an entity recognizes in the consolidated financial statements the impact of a tax position, if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Group's accounting policy is to accrue interest and penalties related to uncertain tax positions, if and when required, as interest expense and a component of general and administrative expenses, respectively, in the consolidated statements of operations.

For the quarter ended March 31, 2015, the Company did not recognize income tax expense (benefit). The effective rate for the period ended March 31, 2015 was 0%. The effective tax rate differs from the statutory rate primarily due to the valuation allowance that was recorded on the operating losses that were incurred during the period by Interactive Data, a significant subsidiary of the Company. Management believes it will not be able to fully utilize the tax net operating loss carryforward generated in 2015 and has therefore established a valuation allowance.

(r) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings loss per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares and is calculated using the treasury stock method for stock options and unvested shares. Common equivalent shares for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on loss per share and, accordingly, are excluded from the calculation. Common equivalent shares are also excluded from the calculation in loss periods as their effects would be anti-dilutive.

Table of Contents

On March 19, 2015, the Company effected the Reverse Split. The principal effect of the Reverse Split was to decrease the number of outstanding shares of each of the Company's common shares. All per share amounts and shares outstanding for all the periods have been retroactively restated to reflect the Reverse Split.

(s) Contingencies

In the ordinary course of business, the Company is subject to loss contingencies that cover a wide range of matters. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In determining whether a loss should be accrued the Company evaluates, among other factors, the degree of probability and the ability to make a reasonable estimate of the amount of loss.

(t) Segment reporting

The Group has two operating segments as defined by ASC Topic 280, *Segment Reporting* for the three months ended March 31, 2015, (1) the data fusion business and (2) advertising services.

(u) Significant concentrations and risks

Concentration of Credit Risk

Assets that potentially subject the Group to significant concentration of credit risk primarily consist of cash and cash equivalents, and accounts receivable. As of March 31, 2015 and December 31, 2014, substantially all of the Group's cash and cash equivalents were deposited in financial institutions located in US, PRC and HKSAR, which management believes are of high credit quality. Accounts receivable are typically unsecured and are derived from revenue earned from customers. The risk with respect to accounts receivable is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances.

Concentration of Customers

During the three months ended March 31, 2015, the Group recognized revenue from one major customer, accounting for 32% of the total revenue.

As of March 31, 2015, four customers accounted for 29%, 18%, 16% and 13% of the Group's accounts receivable, respectively.

Concentration of Suppliers

The Group purchased its data from three major data suppliers during the three months ended March 31, 2015, accounting for 37%, 17% and 10% of the total purchases.

(v) Recently issued accounting standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This Update supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. The core principle of the ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. For public entities, the

Update is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period and may be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect at the date of initial application. Early application is not permitted. The Company will be required to adopt ASU 2014-09 no later than the quarter beginning January 1, 2018, and the Company is currently evaluating the impact of adoption of this standard.

