

DOTASIA ORGANISATION LIMITED

FINANCIAL STATEMENTS

**FOR THE PERIOD FROM 12 SEPTEMBER 2006
(DATE OF INCORPORATION)
TO 30 SEPTEMBER 2007**

DOTASIA ORGANISATION LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD FROM 12 SEPTEMBER 2006
(DATE OF INCORPORATION)
TO 30 SEPTEMBER 2007

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DOTASIA ORGANISATION LIMITED

DIRECTORS' REPORT

The directors submit their first report together with the audited financial statements for the period from 12 September 2006 (date of incorporation) to 30 September 2007.

Principal activity

During the period, the principal activity of the company is operating the domain name registry for the .ASIA Internet top-level domain.

Results

The loss for the period from 12 September 2006 (date of incorporation) to 30 September 2007 and the state of affairs of the company at that date are set out on pages 5 to 18.

Property, plant and equipment

Movements in property, plant and equipment during the period are set out in note 6 to the financial statements.

Directors

The directors during the period and up to the date of this report were:-

Atsushi Endo	(appointed on 12 September 2006)
Cheng Che Hoo	(appointed on 12 September 2006)
Chung Edmon Wang On	(appointed on 27 November 2006)
Lai Fei Pei	(appointed on 12 September 2006)
Li Guang Hao	(appointed on 12 September 2006)
Lim Choon Sai	(appointed on 12 September 2006)
Richard St. Clair	(appointed on 12 September 2006)
Shahshahani Siavash Mirshams	(appointed on 12 September 2006)
Suh Jae-Chul	(appointed on 12 September 2006)
Tham Yiu Kwok	(appointed on 12 September 2006)
Toshifumi Matsumoto	(appointed on 12 September 2006)

DOTASIA ORGANISATION LIMITED

In accordance with article 38 of the company's articles of association, all retired directors shall be eligible for re-election except that no elected director shall serve for more than three consecutive terms.

Directors' interests

No other contract of significance, to which the company was a party and in which a director of the company had a material interest subsisted at the end of the period or at any time during the period.

At no time during the period was the company a party to any arrangement to enable the directors of the company to acquire benefits by means of acquisition of shares in or debentures of the company or any other body corporate.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the period. Management contracts for the purpose of disclosure do not include the employment contract with chief executive officer of the company.

Auditor

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited who retire and, being eligible offer themselves for re-appointment.

By Order of the Board



Director

Hong Kong, 29 February 2008

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
DOTASIA ORGANISATION LIMITED
(Incorporated in Hong Kong with limited liability by guarantee)**

We have audited the financial statements of DotAsia Organisation Limited set out on pages 5 to 18, which comprise the balance sheet as at 30 September 2007, and the income statement, the statement of changes in equity and cash flow statement for the period from 12 September 2006 (date of incorporation) to 30 September 2007, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE MEMBERS OF
DOTASIA ORGANISATION LIMITED
(Incorporated in Hong Kong with limited liability by guarantee)

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company as at 30 September 2007 and of the loss and cash flows of the company for the period from 12 September 2006 (date of incorporation) to 30 September 2007 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention that the company incurred loss of \$845,761 during the period ended 30 September 2007 and, as of that date, the company reported net liabilities of approximately \$845,761. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon the measures undertaken by the company to improve its working capital and the long term financing resources. Our opinion is not qualified in this respect.

Shu Lun Pan Horwath Ho Ng CPA Limited

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

29 February 2008

Chan Kam Wing, Clement
Practising Certificate number P02038

2001 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

DOTASIA ORGANISATION LIMITED

**INCOME STATEMENT
FOR THE PERIOD FROM 12 SEPTEMBER 2006 (DATE OF INCORPORATION)
TO 30 SEPTEMBER 2007****(Expressed in United States dollars)**

	Note	
Other revenue and gains		\$ 8,928
Administrative expenses		<u>(854,689)</u>
Loss before taxation	4	\$ 845,761
Taxation	5	<u> -</u>
Loss for the period		<u>\$ 845,761</u>

The accompanying notes form part of these financial statements.

DOTASIA ORGANISATION LIMITED


BALANCE SHEET AT 30 SEPTEMBER 2007

(Expressed in United States dollars)

	Note	
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	6	\$ <u>46,219</u>
Current assets		
Other receivables		2,762
Deposits and prepayments		16,563
Cash at bank and bank deposit		1,401,928
		<u>1,421,253</u>
Current liabilities		
Accruals		51,261
Deposits received		450,014
Amount due to a director	9(a)	31,958
		<u>533,233</u>
Net current assets		\$ <u>888,020</u>
Total assets less current liabilities		\$ <u>934,239</u>
Non-current liabilities		
Promissory note payable	7	(1,225,557)
Other financial liability	7	(554,443)
		<u>(1,780,000)</u>
		\$ <u>(845,761)</u>
Equity		
Reserves		\$ <u>(845,761)</u>

These financial statements were approved and authorised for issue by the board of directors on 29 February 2008.


.....
Director


.....
Director

The accompanying notes form part of these financial statements.

DOTASIA ORGANISATION LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 12 SEPTEMBER 2006 (DATE OF INCORPORATION)
TO 30 SEPTEMBER 2007**

(Expressed in United States dollars)

	Accumulated <u>loss</u>
Loss for the period and balance at 30 September 2007	<u>\$ 845,761</u>

The accompanying notes form part of these financial statements.

DOTASIA ORGANISATION LIMITED

**CASH FLOW STATEMENT
FOR THE PERIOD FROM 12 SEPTEMBER 2006 (DATE OF INCORPORATION)
TO 30 SEPTEMBER 2007****(Expressed in United States dollars)**

Operating activities	
Loss before taxation	\$ (845,761)
Adjustments for:	
Depreciation	5,522
Interest income	<u>(8,664)</u>
Operating cash flows before working capital changes	\$ (848,903)
Increase in other receivables	(2,762)
Increase in deposits and prepayments	(16,563)
Increase in accruals	51,261
Increase in deposits received	450,014
Increase in amount due to a director	<u>31,958</u>
Net cash used in operating activities	\$ <u>(334,995)</u>
Investing activities	
Payments to acquire property, plant and equipment	(51,741)
Interest received	8,664
Net cash used in investing activities	(43,077)
Financing activities	
Issue of promissory note	<u>1,780,000</u>
Cash at bank at end of period	\$ <u>1,401,928</u>
Analysis of the balances of cash and cash equivalents	
Cash at bank and bank deposit	\$ <u>1,401,928</u>

The accompanying notes form part of these financial statements.

DOTASIA ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

1. Organisation, operations and basis of presentation

The company is a private company incorporated in Hong Kong with limited guarantee. The address of its registered office and principal place of operation of the company is Flat 617, Miramar Tower, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong.

During the period, the company's principal activity is operating the domain name registry for the .ASIA Internet top-level domain.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

At the date of authorisation of these financial statements, the following Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants were in issue but not yet effective:

		<u>Effective for annual periods beginning on or after</u>
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 12	Service Concession Arrangements	1 January 2008

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2. Adoption of new and revised Hong Kong Financial Reporting Standards (continued)

The directors of the company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the company in the period of initial application.

3. Principal accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

(b) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

(c) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is provided to write off the cost of property, plant and equipment over their anticipated useful lives using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Office equipment	20%
Furniture and fittings	20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

3. Principal accounting policies (continued)

(d) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss account.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit and loss account.

(e) Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

DOTASIA ORGANISATION LIMITED

3. Principal accounting policies (continued)

(e) Financial instruments (continued)

(i) Receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate provisions for estimated irrecoverable amounts are recognised in profit and loss account when there is objective evidence that the asset is impaired. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(iii) Financial liabilities

Financial liabilities issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The accounting policies adopted for specific financial liabilities are set out below.

(iv) Borrowings

Loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

3. Principal accounting policies (continued)

(f) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

(h) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

3. Principal accounting policies (continued)

(i) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(j) Translation of foreign currencies

Foreign currency transactions are translated into United States Dollars, being the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit and loss account for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit and loss account for the period.

(k) Employees' benefits

i) Short term benefits

Salaries, annual bonuses, paid annual leaves and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

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3. Principal accounting policies (continued)

(k) Employees' benefits (continued)

ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit and loss account when incurred. The company has no further payment obligations once the contribution has been made.

(l) Borrowing costs

All borrowing costs are recognised in profit and loss in the period in which they are incurred.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

4. Items included in loss before taxation disclosed under the Hong Kong Companies Ordinance

Loss before taxation is arrived at after charging/(crediting) the following items which are disclosed as required under the Hong Kong Companies Ordinance:-

Directors' remuneration:-

Fees	\$	-
Other emoluments		92,582
Depreciation		5,522
Auditor's remuneration		5,777
Staff cost excluding directors' remuneration:-		
Salaries and allowances		225,848
Mandatory Provident Fund contributions		2,795
Net exchange gains		(264)
Interest income		<u>(8,664)</u>

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5. Taxation

(a) No provision has been made for Hong Kong profits tax as the company did not earn generate assessable profit subject to Hong Kong profits tax.

(b) Taxation for the period can be reconciled to the accounting loss as follows:-

Loss before taxation	\$ <u>(845,761)</u>
Taxation calculated at Hong Kong profits tax rate of 17.5%	\$ (148,008)
Tax effect of income not taxable	(1,516)
Tax effect of expenses not deductible for taxation purposes	<u>149,524</u>
Taxation for the period	\$ <u> -</u>

There was no material unprovided deferred tax in respect of the period and as at the balance sheet date.

6. Property, plant and equipment

	<u>Office equipment</u>	<u>Furniture and fittings</u>	<u>Total</u>
Cost:			
At the date of incorporation	\$ -	\$ -	\$ -
Additions for the period	<u>25,837</u>	<u>25,904</u>	<u>51,741</u>
At 30 September 2007	\$ <u>25,837</u>	\$ <u>25,904</u>	\$ <u>51,741</u>
Accumulated depreciation:			
At the date of incorporation	\$ -	\$ -	\$ -
Charge for the period	<u>2,504</u>	<u>3,018</u>	<u>5,522</u>
At 30 September 2007	\$ <u>2,504</u>	\$ <u>3,018</u>	\$ <u>5,522</u>
Net book value:			
At 30 September 2007	\$ <u>23,333</u>	\$ <u>22,886</u>	\$ <u>46,219</u>

DOTASIA ORGANISATION LIMITED

7. Promissory note payable and other financial liability

On 29 March 2007, the company entered into an agreement with Afilias Limited, an independent third party, to issue promissory note of \$1,780,000 which is unsecured, interest free and repayable on 28 March 2012.

Afilias Limited shall receive certain percentages of the company's gross revenue arising from certain businesses and certain amounts on each domain-year registered in the .ASIA registry as repayment of the promissory note.

The promissory note is classified as non-current after discounting into its present value of \$1,225,557 as at 30 September 2007, and the remaining amount of \$554,443 is accounted for as other financial liability and is classified as non-current.

8. Operating lease arrangements

Minimum lease payments paid under operating leases \$ 16,265

At the balance sheet date, the company had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows: -

Within one year	\$ 30,028
In the second to fifth years inclusive	<u>41,286</u>
	\$ <u>71,314</u>

Operating lease payments represent rentals payable by the company for its office properties. Leases are negotiated for a term of three years and rentals are fixed over the term of the lease. The lease obligation is denominated in Hong Kong dollars. The fair value of the company's lease obligation approximates their carrying amount.

9. Related party transactions

- (a) The amount due to a director as shown in the balance sheet is unsecured, interest free and has no fixed terms of repayment.
- (b) Members of key management during the period comprised all the directors whose remuneration is set out in note 4 to the financial statements.

10. Financial risk management

(a) Financial risk factors

The main risks arising from the company's financial instruments in the normal course of the company's business are credit risk, foreign exchange risk and liquidity risk.

i) Credit risk

The company has no significant concentration of credit risk.

ii) Foreign exchange risk

The company is exposed to foreign currency risk primarily through deposits received and expenses paid that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Hong Kong dollars. The management closely monitors the foreign currency risk on a regular basis.

iii) Liquidity risk

The company will consistently maintain a prudent financial policy and ensure that it maintains sufficient working capital to meet its liquidity requirements.

(b) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 30 September 2007.