

**DOTASIA ORGANISATION LIMITED**

(Incorporated in Hong Kong with  
limited liability by guarantee)

**Directors' Report and  
Financial Statements**

**For the year ended 30 September 2009**

**DOTASIA ORGANISATION LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2009**

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## **DOTASIA ORGANISATION LIMITED**

### **DIRECTORS' REPORT**

The directors submit their report together with the audited financial statements for the year ended 30 September 2009.

#### **PRINCIPAL ACTIVITIES**

The Company's principal activities include: (1) organising and supporting community projects with charitable purposes that fulfill its mandate of bridging digital divide, advancing education, and promoting Internet development in Asia; (2) operating the domain name registry for the .ASIA Internet top-level domain; and (3) promoting general awareness of the ".ASIA" Internet top-level-domain and the community activities of the DotAsia Organisation.

#### **RESULTS**

The profit of the Company for the year ended 30 September 2009 and the state of affairs of the Company at that date are set out on pages 5 to 26.

#### **PROPERTY, PLANT AND EQUIPMENT**

Movements in property, plant and equipment during the year are set out in Note 9 to the financial statements.

#### **DIRECTORS**

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

Atsushi Endo  
Cheng Che Hoo  
Chung Edmon Wang On  
Li Guang Hao  
Lim Choon Sai  
Suh Jae-Chul  
Tham Yiu Kwok  
Toshifumi Matsumoto  
Saleh Alireza  
Disini J. Emmanuel  
Semich J. William

In accordance with article 38 of the Company's articles of association, all retired directors shall be eligible for re-election.

**DOTASIA ORGANISATION LIMITED**

**DIRECTORS' REPORT**

**DIRECTORS' INTERESTS**

No 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 year or at any time during the year.

At no time during the year 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 was entered into or existed during the year. Management contracts for the purpose of disclosure do not include the employment contract with chief executive officer of the Company.

**AUDITORS**

The financial statements have been audited by BDO Limited. BDO Limited were appointed as auditors of the Company to fill the casual vacancy caused by the merger of business of Shu Lun Pan Hong Kong CPA Limited (formerly known as Shu Lun Pan Horwath Hong Kong CPA Limited) with BDO Limited and the resulting resignation of Shu Lun Pan Hong Kong CPA Limited as auditors of the Company.

By Order of the Board



Director

Hong Kong, **27 FEB 2010**

**INDEPENDENT AUDITORS' 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 26, which comprise the balance sheet as at 30 September 2009, the income statement, the statement of changes in equity and cash flow statement for the year then ended, 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.

**AUDITORS' 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 Hong Kong 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 auditors' 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 auditors consider 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 AUDITORS' 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 2009 and of its profit and cash flows for the year then ended 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 to Note 3(b) which discloses that the Company reported net current liabilities and net liabilities of US\$4,994 and US\$636,426 respectively as at 30 September 2009. 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.

BDO Limited  
Certified Public Accountants

Chan Kam Wing, Clement  
Practising Certificate Number: P02038

Hong Kong, **27 FEB 2010**

DOTASIA ORGANISATION LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Notes	2009 US\$	2008 US\$
Revenue	5	5,213,509	3,495,050
Cost of sales		<u>(1,404,847)</u>	<u>(3,831,091)</u>
Gross profit/(loss)		3,808,662	(336,041)
Other income and gains	5	103,908	49,866
Administrative expenses		(1,439,004)	(1,977,923)
Finance costs	6	<u>(19,380)</u>	<u>(49,759)</u>
Profit/(loss) before taxation	7	2,454,186	(2,313,857)
Taxation	8	<u>-</u>	<u>-</u>
Profit/(loss) for the year		<u><u>2,454,186</u></u>	<u><u>(2,313,857)</u></u>

The accompanying notes form part of these financial statements.

DOTASIA ORGANISATION LIMITED

BALANCE SHEET  
AT 30 SEPTEMBER 2009

	Notes	2009 US\$	2008 US\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	45,777	52,707
<b>Current assets</b>			
Available-for-sale investments	10	4,113,147	-
Accounts receivable	11	173,166	1,109,855
Other receivables, deposits and prepayments		983,861	1,704,941
Cash at banks and bank deposits		1,118,790	6,237,606
		<b>6,388,964</b>	<b>9,052,402</b>
<b>Current liabilities</b>			
Accounts payable		126,614	466,788
Accruals and other payables		540,823	537,843
Deposits received		1,716,092	2,606,669
Deferred revenue		4,008,946	7,900,147
Amount due to a director	14(a)	1,483	5,763
		<b>6,393,958</b>	<b>11,517,210</b>
<b>Net current liabilities</b>		<b>(4,994)</b>	<b>(2,464,808)</b>
<b>Total assets less current liabilities</b>		<b>40,783</b>	<b>(2,412,101)</b>
<b>Non-current liabilities</b>			
Promissory note payable	12	(554,429)	(602,635)
Other financial liability	12	(122,780)	(144,882)
		<b>(677,209)</b>	<b>(747,517)</b>
		<b>(636,426)</b>	<b>(3,159,618)</b>
<b>EQUITY</b>			
<b>Reserves</b>		<b>(636,426)</b>	<b>(3,159,618)</b>

These financial statements were approved and authorised for issue by the board of directors on **27 FEB 2010**

  
Director

  
Director

The accompanying notes form part of these financial statements.



**DOTASIA ORGANISATION LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2009**

	Revaluation reserve US\$	Accumulated losses US\$	Total US\$
Balance at 1 October 2007	-	(845,761)	(845,761)
Loss for the year	-	(2,313,857)	(2,313,857)
Balance at 30 September 2008	-	(3,159,618)	(3,159,618)
Changes in fair value of available-for-sale investments investments	69,006	-	69,006
Profit for the year	-	2,454,186	2,454,186
Balance at 30 September 2009	<u>69,006</u>	<u>(705,432)</u>	<u>(636,426)</u>

The accompanying notes form part of these financial statements.

**DOTASIA ORGANISATION LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2009**

	2009 US\$	2008 US\$
<b>Operating activities</b>		
Profit/(loss) before taxation	2,454,186	(2,313,857)
Adjustments for:		
Depreciation	14,971	12,218
Loss in disposal of property, plant and equipment	1,364	-
Interest income	(36,581)	(44,380)
Interest income from available-for-sale investments	(67,327)	-
Imputed interest on promissory note	19,380	49,759
	<u>2,385,993</u>	<u>(2,296,260)</u>
Operating cash flows before working capital changes	2,385,993	(2,296,260)
Decreased/(increase) in accounts receivable	936,689	(1,109,855)
Decreased/(increase) in other receivables, deposits and prepayments	721,080	(1,685,616)
(Decrease)/increase in accounts payable	(340,174)	466,788
Increase in accruals and other payables	41,990	436,823
(Decrease)/increase in deposits received	(890,577)	2,156,655
(Decrease)/increase in deferred revenue	(3,891,201)	7,900,147
Decrease in amount due to a director	(4,280)	(26,195)
	<u>(1,040,480)</u>	<u>5,842,487</u>
<b>Net cash (used in)/generated from operating activities</b>	<u>(1,040,480)</u>	<u>5,842,487</u>
<b>Investing activities</b>		
Payments to acquire property, plant and equipment	(9,470)	(18,706)
Proceeds from disposal of items of property, plant and equipment	65	-
Interest received	36,581	44,380
Purchase of available-for-sales investments	(4,035,204)	-
	<u>(4,008,028)</u>	<u>25,674</u>
<b>Net cash (used in)/generated from investing activities</b>	<u>(4,008,028)</u>	<u>25,674</u>
<b>Financing activity</b>		
Partial repayment of promissory note and other financial liability	(70,308)	(1,032,483)
	<u>(70,308)</u>	<u>(1,032,483)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(5,118,816)</u>	<u>4,835,678</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>6,237,606</u>	<u>1,401,928</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>1,118,790</u></u>	<u><u>6,237,606</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at banks and bank deposits	118,790	6,237,606
Time deposits with original maturity of more than three months when acquired	1,000,000	-
	<u><u>1,118,790</u></u>	<u><u>6,237,606</u></u>

The accompanying notes form part of these financial statements.

# DOTASIA ORGANISATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 30 SEPTEMBER 2009

### 1. ORGANISATION AND OPERATIONS

The Company is a private company incorporated in Hong Kong limited by 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 year, the Company's principal activities include: (1) organising and supporting community projects with charitable purposes that fulfill its mandate of bridging digital divide, advancing education, and promoting Internet development in Asia; (2) operating the domain name registry for the .ASIA Internet top-level domain; and (3) promoting general awareness of the ".ASIA" Internet top-level-domain and the community activities of the DotAsia Organisation.

### 2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Company has adopted all of the new and revised 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 ("HK(IFRIC)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Company. The adoption of new and revised HKFRSs did not result in changes to the Company's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations that are relevant to the Company's operations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	1 January 2009
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	- HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41 - HKFRS 5	1 January 2009 1 July 2009
2009 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	- HKAS 39 (80) - HKAS 38, HKFRS 2, HK(IFRIC) - Int 9, HK(IFRIC) - Int 16 - HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 HKFRS 8	1 January 2009 1 July 2009 1 January 2010

**DOTASIA ORGANISATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2009**

**2. ADOPTION OF NEW AND REVISED STANDARDS-Continued**

		Effective for annual periods beginning on or after
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKFRS 9	Financial instruments	1 January 2013

The Company is in the process of making an assessment of what the impact of these new or revised Standards or Interpretations is expected to be in the period of their 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 and presentation of financial statements**

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

These financial statements have been prepared under the going concern basis notwithstanding the net current liabilities and deficiency in assets of the Company as at 30 September 2009 because in the opinion of the directors, the Company has undertaken measures to improve its long term financing resources. Moreover, the deferred revenue will be substantially recognised as revenue in the next year and the operations of the Company can be properly financed.

**(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 profit or loss 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.

DOTASIA ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2009

3. PRINCIPAL ACCOUNTING POLICIES - Continued

(c) Property, plant and equipment - Continued

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 profit or loss.

(d) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment 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 losses (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 or loss.

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 or loss.

DOTASIA ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2009

3. PRINCIPAL ACCOUNTING POLICIES - Continued

(e) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) Loans and receivables

Accounts and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Available-for-sale investments

Available-for-sale financial assets and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale financial assets are recognised in profit or loss when the Company's right to receive the dividends is established.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

(iii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

DOTASIA ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2009

3. PRINCIPAL ACCOUNTING POLICIES - Continued

(e) Financial assets - Continued

(iii) Impairment of financial assets - Continued

Objective evidence of impairment for financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determines had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

**DOTASIA ORGANISATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2009**

**3. PRINCIPAL ACCOUNTING POLICIES - Continued**

**(e) Financial assets - Continued**

**(iii) Impairment of financial assets - Continued**

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

**(iv) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

**(v) Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



**DOTASIA ORGANISATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2009**

**3. PRINCIPAL ACCOUNTING POLICIES - Continued**

**(f) Financial liabilities and equity instrument issued by the Company**

**(i) Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**(ii) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**(iii) Financial liabilities**

All financial liabilities of the Company are classified as other financial liabilities, which are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

**(iv) Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expired.

**(g) 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.

**(h) 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.

**DOTASIA ORGANISATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2009**

**3. PRINCIPAL ACCOUNTING POLICIES - Continued**

**(i) Provisions and contingent liabilities**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**(j) Taxation**

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

**(i) Current tax**

The tax currently payable is based on taxable profit for the year. 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.

**(ii) Deferred tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

DOTASIA ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
30 SEPTEMBER 2009

3. PRINCIPAL ACCOUNTING POLICIES - Continued

(j) Taxation - Continued

(ii) Deferred tax - Continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

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.

(k) 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.

(l) 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.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

DOTASIA ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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3. PRINCIPAL ACCOUNTING POLICIES - Continued

(m) Employees' benefits

(i) Short term benefits

Salaries, annual bonuses and the cost of non-monetary benefits are accrued in the year 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.

(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 or loss when incurred. The Company has no further payment obligations once the contribution has been made.

(n) Borrowing costs

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

(o) 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.

Revenue is paid in advance in respect of such services for a specific contracted service period. All revenues are initially deferred when received and recognised as deferred revenue, and revenue is recognised rateably over the terms of the respective service contracts as the services are rendered.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

There is no significant risk of key assumptions concerning the future and other key sources of estimation at the balance sheet date which will cause an adjustment to the carrying amounts of assets and liabilities within the next financial year.

There are no significant effects on amounts recognised in the financial statements arising from the judgement or estimates used by management.

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NOTES TO THE FINANCIAL STATEMENTS  
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5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the Company's turnover, which consists of revenue from the registration of ".Asia" domain names and any registration related fees and charges.

An analysis of revenue, and other income and gains is as follows:

	2009 US\$	2008 US\$
<u>Revenue</u>		
Recognition for related fees and charges	<u>5,213,509</u>	<u>3,495,050</u>
<u>Other income</u>		
Interest income	36,581	44,380
Accrued interest income from available-for-sale investments	67,327	-
Net exchange gains	-	1,984
Others	<u>-</u>	<u>3,502</u>
	<u>103,908</u>	<u>49,866</u>

6. FINANCE COSTS

	2009 US\$	2008 US\$
Imputed interest on promissory note and other financial liability wholly repayable within five years (Note 12)	<u>19,380</u>	<u>49,759</u>

7. ITEMS INCLUDE IN PROFIT/(LOSS) BEFORE TAXATION DISCLOSED UNDER THE HONG KONG COMPANIES ORDINANCE

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

	2009 US\$	2008 US\$
Directors' remuneration:		
Fees	-	-
Other emoluments*		
Salaries and allowances	129,314	109,747
Pension fund contributions	1,543	1,543
Staff cost excluding directors' remuneration:		
Salaries and allowances	514,482	545,572
Mandatory Provident Fund contributions	10,142	6,141
Depreciation (Note 9)	14,971	12,218
Loss on disposal of property, plant and equipment	1,364	-
Auditors' remuneration	11,600	11,000
Net exchange losses/(gains)	1,593	(1,984)
Provision for litigation **	<u>107,321</u>	<u>-</u>

DOTASIA ORGANISATION LIMITED

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7. ITEMS INCLUDE IN PROFIT/(LOSS) BEFORE TAXATION DISCLOSED UNDER THE HONG KONG COMPANIES ORDINANCE - Continued

\* Being the other emoluments paid to a director in his capacity as the Chief Executive Officer (the "CEO") of the Company. There is no emolument paid to other directors during the year (2008: US\$Nil).

\*\* During the year, an independent service provider (the "Plaintiff") issued a legal proceeding in Hong Kong against the Company and a claimed against the Company for a sum of HK\$832,493 (approximately to US\$107,321). The Plaintiff alleged that the Company failed to make payments to the Plaintiff for the audio conferencing service rendered to the Company for the month of January 2009 (the "Claim").

The Claim is at the initial stage and the representing legal counsel of the Company is unable to ascertain the possible effects of the claims. For prudence sake, the directors of the Company are of the opinion that provision of HK\$832,492 has been made as at 30 September 2009.

8. TAXATION

- (a) No provision has been made for Hong Kong profits tax as the Company did not generate assessable profit subject to Hong Kong profits tax during the year.
- (b) Taxation for the year can be reconciled to the accounting profit/(loss) as follows:

	2009 US\$	2008 US\$
Profit/(loss) before taxation	<u>2,454,186</u>	<u>(2,313,857)</u>
Taxation calculated at Hong Kong profits tax rate at 16.5% (2008: 16.5%)	404,941	(381,786)
Tax effect of income not taxable for taxation purpose	(17,145)	(7,323)
Tax effect of expenses not deductible for taxation purposes	22,117	389,109
Tax losses utilised from previous periods	<u>(409,913)</u>	<u>-</u>
Income tax for the year	<u>-</u>	<u>-</u>

- (c) The Company has tax losses arising in Hong Kong of US\$570,713 (2008: US\$3,041,488) that are available indefinitely for offsetting against its future taxable profits.

- (d) The Company had no other significant unrecognised deferred tax assets or liabilities as at 30 September 2009 and 2008.

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**9. PROPERTY, PLANT AND EQUIPMENT**

	Office equipment US\$	Furniture and fittings US\$	Total US\$
Cost:			
At 1 October 2007	25,837	25,904	51,741
Additions for the year	<u>18,118</u>	<u>588</u>	<u>18,706</u>
At 30 September 2008	43,955	26,492	70,447
Additions for the year	9,388	82	9,470
Disposals for the year	<u>(1,722)</u>	<u>-</u>	<u>(1,722)</u>
At 30 September 2009	<u>51,621</u>	<u>26,574</u>	<u>78,195</u>
Accumulated depreciation:			
At 1 October 2007	2,504	3,018	5,522
Charge for the year	<u>7,028</u>	<u>5,190</u>	<u>12,218</u>
At 30 September 2008	9,532	8,208	17,740
Charge for the year (Note 7)	9,631	5,340	14,971
Disposals for the year	<u>(293)</u>	<u>-</u>	<u>(293)</u>
At 30 September 2009	<u>18,870</u>	<u>13,548</u>	<u>32,418</u>
Net book value:			
At 30 September 2008	<u>34,423</u>	<u>18,284</u>	<u>52,707</u>
At 30 September 2009	<u>32,751</u>	<u>13,026</u>	<u>45,777</u>

**10. AVAILABLE-FOR-SALE INVESTMENTS**

	2009 US\$	2008 US\$
Overseas listed debt securities, at fair value	2,589,511	-
Overseas listed liquidity funds, at fair value	1,291,602	-
Unlisted investment in Hong Kong, at cost less impairment	<u>232,034</u>	<u>-</u>
	<u>4,113,147</u>	<u>-</u>

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**12. PROMISSORY NOTE PAYABLE AND OTHER FINANCIAL LIABILITY - Continued**

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.

**13. OPERATING LEASE ARRANGEMENTS**

	2009 US\$	2008 US\$
Minimum lease payments paid under operating leases	<u>30,028</u>	<u>30,028</u>

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

	2009 US\$	2008 US\$
Within one year	11,258	30,028
In the second to fifth years inclusive	<u>-</u>	<u>11,258</u>
	<u>11,258</u>	<u>41,286</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 its carrying amount.

**14. 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. The amount consists of out of pocket expenses due to a director in his capacity of CEO of US\$1,483 (2008: US\$5,763).
- (b) Members of key management during the year comprised all the directors whose remuneration is set out in Note 7.

**15. CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain a healthy capital ratio in order to support its business.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may raise new debt financing.



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**16. CAPITAL 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, liquidity risk, price risk and foreign exchange risk.

**(i) Credit risk**

The Company has no significant exposure to credit risk. The maximum exposures to credit risk on the Company's financial assets are their carrying amounts as shown on the balance sheet.

**(ii) Liquidity risk**

The Company consistently maintains a prudent financial policy and ensures that it maintains sufficient working capital to meet its liquidity requirements.

The maturity profile of the Company's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

	Carrying amount US\$	Total contractual undiscounted cash flow US\$	Within 1 year or on demand US\$	More than 1 year but less than 5 years US\$
<b>2009</b>				
Accounts payable	126,614	126,614	126,614	-
Accruals and other payables	540,823	540,823	540,823	-
Deferred revenue	4,008,946	4,008,946	3,454,533	554,413
Amount due to a director	1,483	1,483	1,483	-
Promissory note payable	554,429	677,209	49,899	627,310
Other financial liability	122,780	-	-	-
	<u>5,355,075</u>	<u>5,355,075</u>	<u>4,173,352</u>	<u>1,181,723</u>
<b>2008</b>				
Accounts payable	466,788	466,788	466,788	-
Accruals and other payables	537,823	537,823	537,823	-
Deferred revenue	7,900,147	7,900,147	4,641,781	3,258,366
Amount due to a director	5,763	5,763	5,763	-
Promissory note payable	602,635	747,517	54,237	693,280
Other financial liability	144,882	-	-	-
	<u>9,658,038</u>	<u>9,658,038</u>	<u>5,706,392</u>	<u>3,951,646</u>

Further details of the liquidity risk are set out in Note 3(b).

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**16. CAPITAL RISK MANAGEMENT - Continued**

**(a) Financial risk factors - Continued**

**(iii) Price risk**

The Company is exposed to debt securities price changes arising from listed debt instruments classified as available-for-sales investments. All of these investments are listed in overseas.

Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Company's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The following table demonstrates the sensitivity to every 10% change in the fair values of the debt securities and liquidity funds investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date.

	Carrying amount US\$	2009 Increase in profit before tax US\$	Increase in equity US\$
Available-for-sales listed in overseas:	3,881,113	-	388,111

**(iv) Foreign exchange risk**

The Company operates in Hong Kong and its principal activity is transacted in Hong Kong dollars and United States dollars. The directors consider that the exchange rates of Hong Kong dollars against United States dollars in the foreseeable future are expected to be relatively stable, and accordingly there is no significant exposure to fluctuations in foreign exchange rates and any related hedges.

**(b) Fair value**

All financial instruments are carried at amounts not materially different from their fair values as at 30 September 2009 and 2008.

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17. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Company's financial assets and financial liabilities as recognised at balance sheet date may be categorised as follows:

	2009 US\$	2008 US\$
<u>Financial assets</u>		
Loans and receivables (including cash and bank balances), at amortised cost	2,210,667	9,008,477
Available-for-sale investments, at fair value	3,881,113	-
Available-for-sale investments, at cost less impairment	<u>232,034</u>	<u>-</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	<u>5,355,075</u>	<u>9,658,038</u>