DOTASIA ORGANISATION LIMITED

Reports and Financial Statements
For the year ended 30 September 2018

DOTASIA ORGANISATION LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

C O N T E N T S

DOTASIA ORGANISATION LIMITED
DIRECTORS' REPORT

The directors have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the year ended 30 September 2018.

1. PRINCIPAL ACTIVITIES

The principal activities of the Company 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.

The principal activities of its subsidiaries, associates and joint ventures are set out in notes 17, 18 and 19 to the consolidated financial statements.

2. RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 8.

3. RESERVES

Details of the movements in the reserves of the Group and of the Company are set out in the statement of changes in equity on page 10 and note 26 to the consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group and of the Company are set out in note 15 to the consolidated financial statements.

5. **DIRECTORS**

(a) **Directors of the Company**

The directors of the Company who held office during the year and up to the date of this report were:

Sathees Babu CHELLIKATTUVELI SIVANANDAN	(appointed on 24 February 2018)
Edmon Wang On CHUNG	
J. Emmanuel DISINI	
Atsushi ENDO	
Lianna GALSTYAN	(appointed on 24 February 2019)
Maureen HILYARD	
Yong Wan JU	(appointed on 24 February 2018 and resigned on 20 May 2019)
Kanchana KANCHANASUT	(resigned on 24 February 2018)
Xiao Dong LI	(resigned on 24 February 2019)
Choon Sai LIM	
Toshifumi MATSUMOTO	
Alireza SALEH	(resigned on 5 March 2018)
Jae-Chul SUH	(resigned on 24 February 2018)
Yiu Kwok THAM	

In accordance with article 38 of the Company's Articles of Association, all retiring directors shall be eligible for re-election.

(b) **Directors of the Company's subsidiaries**

During the year and up to the date of this report, Mr. Edmon Wang On CHUNG and Mr. Yiu Kwok THAM are also directors in certain subsidiaries of the Company as appointed by DotAsia Organisation Limited.

6. **DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS**

Except as discussed in note 30 to the consolidated financial statements, no other transactions, arrangements and contracts of significance to which the Company or any of its subsidiaries was a party, whether directly and indirectly, subsisted at the end of the year or at any time during the year, and in which a director of the Company had a material interest.

7. DIRECTORS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES, AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKINGS OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

8. MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

9. PERMITTED INDEMNITY PROVISIONS

During the year and up to the date of this Report of the Directors, a permitted indemnity provision for the benefit of the directors of the Company was in force. The Company has arranged for appropriate insurance cover for the directors' liabilities in respect of legal actions against its directors arising out of corporate activities.

10. AUDITOR

The consolidated financial statements have been audited by RSM Hong Kong who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Edmon Wang On CHUNG
Director

Hong Kong, 19 June 2019

RSM

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

Opinion

We have audited the consolidated financial statements of DotAsia Organisation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 8 to 58, which comprise the consolidated statement of financial position as at 30 September 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Material Uncertainty Related to Going Concern
We draw attention to note 3, which indicates that the Group is subject to a claim from a joint venturer amounted to Canadian dollar 2,000,000 (approximately United States dollar ("US$") 1,540,600) together with unstated damages and interest. We also draw attention to note 4, which indicates that as at 30 September 2018 the Group had net current liabilities of US$3,666,260. This situation indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements
The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Certified Public Accountants
Hong Kong

19 June 2019

DOTASIA ORGANISATION LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 US$	2017 US$
Revenue	10	**2,079,185**	2,190,969
Cost of services rendered		**(745,761)**	(844,180)
Gross profit		**1,333,424**	1,346,789
Other income	10	**563,804**	333,909
Administrative expenses		**(1,884,050)**	(1,795,064)
Profit/(loss) from operations		**13,178**	(114,366)
Provision for legal proceedings	3	**-**	(577,500)
Finance costs	11	**(64,996)**	(54,830)
Share of profits of associates	18	**18,295**	25,132
Share of losses of joint ventures	19	**-**	(50)
Impairment on prepayment		**-**	(324)
Impairment on intangible assets	16	**-**	(1,312,500)
Impairment on amounts due from joint ventures	19	**(23,592)**	(1,773,561)
Written off of amounts due from associates	18	**-**	(152,008)
Gain on deconsolidation of a subsidiary	28	**-**	1,706,154
Gain on disposal of available-for-sale financial assets		**118,238**	-
Profit/(loss) before tax		**61,123**	(2,253,853)
Income tax expense	12	**-**	-
Profit/(loss) for the year	13	**61,123**	(2,253,853)
Other comprehensive income:			
Gain on property revaluation	15	**383,832**	706,866
Fair value changes of available-for-sale financial assets		**2,974**	127,383
Fair value changes reclassified to profit or loss on disposal of available-for-sale financial assets		**(118,238)**	-
Other comprehensive income for the year, net of tax		**268,568**	834,249
Total comprehensive income for the year		**329,691**	(1,419,604)
Profit/(loss) of the year attributable to the Company		**61,123**	(2,253,853)
Total comprehensive income for the year attributable to the Company		**329,691**	(1,419,604)

DOTASIA ORGANISATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2018

	Note	2018 US$	2017 US$
Non-current assets			
Property, plant and equipment	15	**3,613,699**	3,391,452
Intangible assets	16	**-**	-
Investments in associates	18	**152,941**	174,704
Investments in joint ventures	19	**-**	-
		3,766,640	3,566,156
Current assets			
Available-for-sale financial assets	20	**550,000**	3,046,608
Prepayments, deposits and other receivables		**766,245**	771,864
Due from joint ventures	19	**-**	-
Due from associates	18	**222,548**	198,173
Due from related companies	24	**15,246**	26,959
Pledged bank deposits	21	**-**	2,153
Bank and cash balances	21	**320,884**	227,238
		1,874,923	4,272,995
Current liabilities			
Trade payables		**144,240**	160,867
Accruals and other payables		**574,764**	639,064
Provision for legal proceedings	3	**577,500**	577,500
Promissory note payable	22	**750,000**	750,000
Deposits received		**727,054**	947,244
Deferred revenue	23	**1,730,546**	1,791,345
Due to directors	24	**17,645**	10,413
Due to related companies	24	**460,000**	500,000
Bank loans	25	**559,434**	2,692,029
		5,541,183	8,068,462
Net current liabilities		**(3,666,260)**	(3,795,467)
NET ASSETS/(LIABILITIES)		**100,380**	(229,311)
EQUITY/(DEFICIT)			
Reserves	27	**100,380**	(229,311)

Approved by the Board of Directors on 19 June 2019 and are signed on its behalf by:

Edmon Wang On CHUNG	Yiu Kwok THAM

DOTASIA ORGANISATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Investment revaluation reserve	Property revaluation reserve	Retained profits/ (accumulated losses)	Total
	US$	US$	US$	US$
At 1 October 2016	(12,119)	1,010,310	192,102	1,190,293
Total comprehensive income for the year	127,383	706,866	(2,253,853)	(1,419,604)
At 30 September 2017 and 1 October 2017	115,264	1,717,176	(2,061,751)	(229,311)
Total comprehensive income for the year	(115,264)	383,832	61,123	329,691
At 30 September 2018	-	2,101,008	(2,000,628)	100,380

DOTASIA ORGANISATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	**2018**	2017
		US$	US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**61,123**	(2,253,853)
Adjustments for:			
Amortisation	16	**-**	62,500
Depreciation	15	**172,230**	168,327
Provision for legal proceedings	3	**-**	577,500
Share of profits of associates	18	**(18,295)**	(25,132)
Share of losses of joint ventures	19	**-**	50
Impairment on prepayments		**-**	324
Impairment on intangible assets	16	**-**	1,312,500
Impairment on amounts due from joint ventures	19	**23,592**	1,773,561
Written off of amounts due from associates	18	**-**	152,008
Gain on deconsolidation of a subsidiary	28	**-**	(1,706,154)
Gain on disposal of available-for-sale financial assets	10	**(118,238)**	-
Interest income from bank deposits	10	**(69)**	-
Interest income from available-for-sale financial assets	10	**(55,371)**	(70,501)
Finance costs	11	**64,996**	54,830
Net exchange (gain)/losses	13	**(7,419)**	1,075
Operating profit before working capital changes		**122,549**	47,035
Increase in long term deposits		**-**	-
Decrease in prepayments, deposits and other receivables		**5,619**	65,589
Increase in due from joint ventures		**(23,592)**	(32,336)
Increase in due from associates		**(24,375)**	(24,739)
Decrease in amounts due from related companies		**11,713**	30,390
Decrease in trade payables		**(16,627)**	(174,672)
(Decrease)/increase in accruals and other payables		**(64,300)**	583
Decrease in deposits received		**(220,190)**	(83,978)
Decrease in deferred revenue		**(60,799)**	(144,996)
Increase in due to directors		**7,232**	4,764
Decrease in due to related companies		**(40,000)**	-
Net cash used in operating activities		**(302,770)**	(312,360)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**55,440**	70,501
Dividends received		**39,812**	-
Purchases of property, plant and equipment		**(10,645)**	(2,036)
Proceeds from disposal of available-for-sale financial assets		**2,499,582**	-
Net cash generated from investing activities		**2,584,189**	68,465
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings (repaid)/raised, net		**(2,124,930)**	213,425
Decrease/(increase) in pledged bank deposits		**2,153**	(229)
Interest paid		**(64,996)**	(54,830)
Net cash (used in)/generated from financing activities		**(2,187,773)**	158,366
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**93,646**	(85,529)
CASH AND CASH EQUIVALENTS AT 1 OCTOBER		**227,238**	312,767
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		**320,884**	227,238
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**320,884**	227,238

1. GENERAL INFORMATION

DotAsia Organisation Limited (the "Company") was incorporated in Hong Kong with limited liability by guarantee. The address of its registered office and principal place of business is 12/F., Daily House, 35-37 Haiphong 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.

The principal activities of its subsidiaries, associates and joint ventures are set out in notes 17, 18 and 19 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 5 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. LEGAL PROCEEDINGS

The Company, Namesphere Holdings Limited, a subsidiary of the Company, together with one of its directors, Mr. Edmon Wang On Chung, were claimed by a joint venturer, and seeked damages of Canadian dollars ("CA$") 2,000,000, equivalent to approximately US$1,540,600. The Company had made provisions in relation to such legal proceedings amounted to US$577,500 in the financial statements after seeking legal advices. While the final outcome of the proceedings is uncertain, the directors are of the view that such provision is adequate and reflecting the best estimation of the outcome of the legal proceedings.

4. GOING CONCERN BASIS

As at 30 September 2018 the Group had net current liabilities of US$3,666,260. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the legal proceedings against the Company as described in note 3, and the continue development of the Group's principal activities. The directors are confident that the provision made against the proceedings reflected the best estimation of the outcome, and the revenue and profit of the Group will be increased in the next year. The directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

5. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 October 2017. None of these impact on the accounting policies of the Group's results and financial position for the current or prior periods have been prepared or presented.

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has provided this information in note 28(b).

5. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(a) **Application of new and revised HKFRSs (cont'd)**

Amendments to HKAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses, for example, those on debt instruments measured at fair value. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments had no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(b) **New and revised HKFRSs in issue but not yet effective**

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 October 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRS, 2015-2017 Cycle	1 January 2019

5. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(b) New and revised HKFRSs in issue but not yet effective (cont'd)

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 30 September 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) **Classification and measurement**

Debt securities currently classified as available-for-sale will be measured at fair value through other comprehensive income as the Group expects not only to hold these assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Group expects to irrevocably designate those listed and unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on debt securities will be measured applying the general impairment model in HKFRS 9 as described in (b) below and recognsied in profit or loss. Impairment losses on equity securities will no longer be recognised in profit loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under HKFRS 9 these instruments will be measured at fair value.

5. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(b) New and revised HKFRSs in issue but not yet effective (cont'd)

HKFRS 9 Financial Instruments

(b) **Impairment**

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. The Group is assessing the potential impact on its financial statements resulting from the application of HKFRS 9. The Group has not completed its assessment of the full impact of adopting HKFRS 9 and therefore its possible impacts on the Group's operating results and financial position have not been quantified.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 October 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

5. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

(b) New and revised HKFRSs in issue but not yet effective (cont'd)

HKFRS 15 Revenue from Contracts with Customers (cont'd)

Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

Currently, revenue arising from the provision of domain names registration related services is recognised over time. The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of services.

6. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention except for buildings and certain available-for-sale financial assets which are measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 7.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 September. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Associates (cont'd)

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

6. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(c) **Joint arrangements (cont'd)**

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in joint venture are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) **Foreign currency translation**

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollars ("US$"), which is the Company's functional and presentation currency.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Foreign currency translation (cont'd)

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Foreign currency translation (cont'd)

(iii) Translation on consolidation (cont'd)

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Office equipment	20%
Furniture and fittings	20%

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, plant and equipment - Land and buildings using the revaluation model

Land and buildings held for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

(g) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight line basis over their estimated useful lives of 10 years.

(h) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(j) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial assets is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank and cash balances are classified in this category.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets (cont'd)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loan and receivables. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

(k) Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(l) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial liabilities

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

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Domain names registration related fees and charges are 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 recognised on a time-apportioned basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Borrowing costs

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Taxation (cont'd)

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, 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 Group intends to settle its current tax assets and liabilities on a net basis.

(t) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade and other receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, 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 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 is remote.

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

7. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the legal proceedings against the Company as described in note 3, and the continue development of the Group's principal activities at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 4 to the consolidated financial statements.

7. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONT'D)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) **Property, plant and equipment and depreciation**

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 30 September 2018 was US$3,613,699 (2017: US$3,391,452).

(b) **Fair values of land and buildings**

The Group appointed an independent professional valuer to assess the fair values of the buildings. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of land and buildings as at 30 September 2018 was US$3,576,766 (2017: US$3,343,535).

8. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group operates in Hong Kong and its principal activity is transacted in either Hong Kong dollars ("HK$") or US$, which is the Group's functional currency. The directors consider that the exchange rates of HK$ against US$ in the foreseeable future are expected to be relatively stable. There is no significant exposure to fluctuations in foreign exchange rates and any related hedges.

(b) Price risk

The Group is exposed to debt securities price changes arising from listed debt instruments and liquidity funds classified as available-for-sale financial assets. All of these investments are listed overseas.

Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the indices and other industry indicators, as well as the Group'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 the increase/decrease of 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 end of reporting period.

	Impact on loss for the year		Impact on equity	
	2018	2017	**2018**	2017
	US$	US$	**US$**	US$
Available-for-sale financial assets listed overseas	**-**	-	**-**	249,661

8. **FINANCIAL RISK MANAGEMENT (CONT'D)**

(c) **Credit risk**

The carrying amount of the bank and cash balances, pledged bank deposits, deposits and other receivables, due from associates and related companies, and available-for-sale financial assets included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on bank and cash balances, including pledged bank deposits, is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Deposits, other receivables, due from associates and related companies are closely monitored by the directors.

The credit risk on available-for-sale financial assets is limited because the counterparty is a well-established securities broker firm.

(d) **Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

8. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Liquidity risk(cont'd)

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	US$	US$	US$	US$	US$
At 30 September 2018					
Trade payables	**144,240**	**-**	**-**	**-**	**144,240**
Accruals and other payables	**574,764**	**-**	**-**	**-**	**574,764**
Provision for legal proceedings	**577,500**	**-**	**-**	**-**	**577,500**
Promissory note payable	**750,000**	**-**	**-**	**-**	**750,000**
Due to directors	**17,645**	**-**	**-**	**-**	**17,645**
Due to related companies	**460,000**	**-**	**-**	**-**	**460,000**
Bank loans	**44,229**	**44,261**	**132,784**	**439,014**	**660,288**
At 30 September 2017					
Trade payables	160,867	-	-	-	160,867
Accruals and other payables	639,064	-	-	-	639,064
Provision for legal proceedings	577,500	-	-	-	577,500
Promissory note payable	750,000	-	-	-	750,000
Due to directors	10,413	-	-	-	10,413
Due to related companies	500,000	-	-	-	500,000
Bank loans	2,715,030	-	-	-	2,715,030

(e) Interest rate risk

The Company's exposure to interest-rate risk arises from its bank balances and bank loans. These bank balances and bank loans bear interests at variable rates varied with the then prevailing market condition.

At 30 September 2018, if interest rates at that date had been 50 basis points lower with all other variables held constant, loss for the year would have been decreased by approximately US$731 (2017: US$10,103), arising mainly as a result of a gain on lower interest expenses on bank borrowings but partly offset by a loss on lower interest income on bank balances. If interest rates had been 50 basis points higher, with all other variables held constant, loss for the year would have been increased by approximately US$731 (2017: US$10,103), arising mainly as a result of a loss on higher interest expenses on bank borrowings but partly offset by a gain on higher interest income on bank balances.

8. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Categories of financial instruments at 30 September

	2018	2017
	US$	US$
Financial assets:		
Loans and receivables (including bank and cash balances)	**677,894**	517,259
Available-for-sale financial assets	**550,000**	3,046,608
	1,227,894	3,563,867

	2018	2017
	US$	US$
Financial liabilities:		
Financial liabilities at amortised cost	**3,083,583**	5,329,873

(g) Fair values

Except as disclosed in notes 15 and 20 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

9. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

9. FAIR VALUE MEASUREMENTS (CONT'D)

(a) Disclosures of level in fair value hierarchy at 30 September:

Description	Fair value measurements using: Level 1 US$	Level 3 US$	Total 2018 US$
Property, plant and equipment			
Land and buildings	**-**	**3,576,766**	**3,576,766**

Description	Fair value measurements using: Level 1 US$	Level 3 US$	Total 2017 US$
Recurring fair value measurements:			
Financial assets			
Available-for-sale financial assets	2,496,608	-	2,496,608
Property, plant and equipment			
Land and buildings	-	3,343,535	3,343,535
	2,496,608	3,343,535	5,840,143

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Land and Buildings US$
At 1 October 2017	3,343,535
Total gains or losses recognised	
in profit or loss	(150,601)
in other comprehensive income	383,832
At 30 September 2018	3,576,766

9. FAIR VALUE MEASUREMENTS (CONT'D)

(b) Reconciliation of assets measured at fair value based on level 3: (cont'd)

Description	Land and Buildings US$
At 1 October 2016	2,771,761
Total gains or losses recognised	
in profit or loss	(135,092)
in other comprehensive income	706,866
At 30 September 2017	3,343,535

The total gains or losses recognised in other comprehensive income are presented in gain on property revaluation in the statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September 2018:

The Group's financial manager is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial manager reports directly to the Board of Directors for these fair value measurements.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurement are mainly price per square feet estimated based on comparable sales evidences as available on the open market.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value **2018** **US$** Assets/(Liabilities)	Fair value 2017 US$ Assets/(Liabilities)
Land and buildings	Market comparable approach	Price per square feet	Increase	**3,576,766**	3,343,535

During the year, there were no changes in the valuation techniques used (2017: Nil).

10. REVENUE AND OTHER INCOME

Revenue represents the Group'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 is as follows:

	2018	2017
	US$	US$
Revenue		
Domain names registration related fees and charges	**2,079,185**	2,190,969
Other income		
Interest income from bank deposits	**69**	-
Interest income from available-for-sale financial assets	**55,371**	70,501
Expiration of contributions for sponsor community	**125,704**	102,102
Sale of internet top-level domain	**185,000**	-
Other service fee	**140,537**	161,306
Others	**57,123**	-
	563,804	333,909

11. FINANCE COSTS

	2018	2017
	US$	US$
Interest on bank loans	**64,996**	54,830

12. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Company's revenue was derived from overseas sources which are not subject to Hong Kong Profits Tax.

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2018	2017
	US$	US$
Profit/(loss) before tax	**61,123**	(2,253,853)
Tax at the Hong Kong profits tax rate of 16.5% (2017: 16.5%)	**10,085**	(371,885)
Tax effect of income that is not taxable	**(433,726)**	(671,502)
Tax effect of expenses that are not deductible	**421,033**	1,037,719
Tax effect of share of profits of associates	**(3,018)**	(4,146)
Tax effect of share of losses of joint ventures	**-**	8
Tax effect of tax losses not recognised	**5,626**	9,806
Income tax expense	**-**	-

No provision for deferred taxation has been made in the financial statements as the tax effect of temporary differences is immaterial to the Group.

13. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	2018	2017
	US$	US$
Auditor's remuneration	**19,402**	18,297
Amortisation	**-**	62,500
Depreciation	**172,230**	168,327
Provision for legal proceedings	**-**	577,500
Impairment on prepayment	**-**	324
Impairment on intangible assets	**-**	1,312,500
Impairment on amounts due from joint ventures	**23,592**	1,773,561
Written off of amounts due from associates	**-**	152,008
Net exchange (gain)/losses	**(7,419)**	1,075
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	**926,834**	981,135
Retirement benefit scheme contributions	**27,030**	27,458
	953,864	1,008,593

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors is set out below:

	2018	2017
	US$	US$
As directors	**-**	-
For management		
- Salaries, bonuses and allowances	**149,210**	149,166
- Retirement benefit scheme contributions	**2,306**	2,319
	151,516	151,485

Directors' emoluments also represent compensation of key management personnel for the year.

(b) Directors' material interests in transactions, arrangements or contracts

Except as disclosed elsewhere in the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which the directors of the Company and the directors' connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Office equipment	Furniture and fittings	Total
	US$	US$	US$	US$
Cost or valuation				
At 1 October 2016	2,771,761	114,537	207,300	3,093,598
Additions	-	2,036	-	2,036
Surplus on revaluation	571,774	-	-	571,774
At 30 September 2017 and 1 October 2017	3,343,535	116,573	207,300	3,667,408
Additions	-	10,645	-	10,645
Surplus on revaluation	233,231	-	-	233,231
At 30 September 2018	3,576,766	127,218	207,300	3,911,284
Accumulated depreciation				
At 1 October 2016	-	95,821	146,900	242,721
Charge for the year	135,092	8,462	24,773	168,327
Write back on revaluation	(135,092)	-	-	(135,092)
At 30 September 2017 and 1 October 2017	-	104,283	171,673	275,956
Charge for the year	150,601	7,710	13,919	172,230
Write back on revaluation	(150,601)	-	-	(150,601)
At 30 September 2018	-	111,993	185,592	297,585
Carrying amount				
At 30 September 2018	3,576,766	15,225	21,708	3,613,699
At 30 September 2017	3,343,535	12,290	35,627	3,391,452

15. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

The analysis of the cost or valuation at 30 September 2018 of the above assets is as follows:

	Land and buildings	Office equipment	Furniture and fittings	Total
	US$	US$	US$	US$
At cost	**-**	**127,218**	**207,300**	**334,518**
At valuation	**3,576,766**	**-**	**-**	**3,576,766**
	3,576,766	**127,218**	**207,300**	**3,911,284**

The analysis of the cost or valuation at 30 September 2017 of the above assets is as follows:

	Land and buildings	Office equipment	Furniture and fittings	Total
	US$	US$	US$	US$
At cost	-	116,573	207,300	323,873
At valuation	3,343,535	-	-	3,343,535
	3,343,535	116,573	207,300	3,667,408

The Group's land and buildings was revalued at 30 September 2018 and 2017 on the open market value basis by reference to market evidence of recent transactions for similar properties by an independent surveyor.

The carrying amount of the Group's land and buildings would have been US$1,719,323 (2017: US$1,791,715) had they been stated at cost less accumulated depreciation and impairment losses.

At 30 September 2018, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to US$3,576,766 (2017: US$3,343,535).

The Group's land and buildings is held in Hong Kong under medium-term leases.

16. INTANGIBLE ASSETS

	Domain name
	US$
Cost	
At 1 October 2016	1,500,000
Effect of deconsolidation due to loss of control (note 28)	(1,500,000)
At 30 September 2017, 1 October 2017 and 30 September 2018	-
Accumulated amortisation and impairment losses	
At 1 October 2016	125,000
Amortisation for the year	62,500
Impairment loss for the year	1,312,500
Effect of deconsolidation due to loss of control (note 28)	(1,500,000)
At 30 September 2017, 1 October 2017 and 30 September 2018	-
Carrying amount	
At 30 September 2018	-
At 30 September 2017	-

The Group carried out reviews of the recoverable amount of its intangible assets in 2017, having regard to the Group's business plans. The review led to the recognition of an impairment loss of US$1,312,500 that have been recognised in profit or loss in 2017.

17. INVESTMENTS IN SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries as at 30 September 2018 are as follows:

Name	Place of incorporation and operation	Particular of issued share capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
ATIC Asia Limited	Hong Kong	1 ordinary share	100%	-	Investment holding, prospective operation of trademark clearing house
Dotkids Foundation Limited	Hong Kong	10,000 ordinary shares	100%	-	Applicant entity for the ".KIDS" internet top-level domain
Namesphere Limited	Hong Kong	10,000 ordinary shares	100%	-	Investment holding
Namesphere Holdings Limited	Hong Kong	10,000 ordinary shares	-	100%	Investment holding
GTLD Limited	Hong Kong	10,000 ordinary shares	-	100%	Inactive
NS2 Limited	Hong Kong	10,000 ordinary shares	-	100%	Prospective domain name registrar
DotBox Limited	Hong Kong	1 ordinary share	-	100%	Investment holding

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

On 17 March 2017, the Group disposed of its equity interests in NS1 Limited, a 100% subsidiary as at 30 September 2017, to a joint venture company, .BOX Inc. (note 19). Accordingly, the Group lost control in NS1 Limited and it has been deconsolidated from the Group since that date.

18. INVESTMENTS IN ASSOCIATES

	2018	2017
	US$	US$
Unlisted investment:		
Share of net assets	**152,941**	174,704

The amounts due from/(to) associates are unsecured, interest-free and have no fixed terms of repayment.

Details of the Group's associates at 30 September 2018 are as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
HNET Asia Limited	Macau	Registered capital of MOP 1,000,000	40%	Operating the domain name registry for the ".MO" internet top-level domain
Global Website Asia Limited	Hong Kong	10,000 ordinary shares	50%	Investment holding
Global Website TLD Asia Limited	Hong Kong	10,000 ordinary shares	50%	Application entity and prospective registry operator of the ".网站" internet top-level domain

18. INVESTMENTS IN ASSOCIATES (CONT'D)

The following table shows information on the associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the financial statements of the associates.

Name	HNet Asia Limited	
	2018	2017
Principal place of business/ country of incorporation	Macau/Macau	
Principal activities	**Operating the domain name registry for the ".MO" internet top-level domain**	Operating the domain name registry for the ".MO" internet top-level domain
% of ownership interests / voting rights held by the Group	**40%/40%**	40%/40%
	US$	US$
At 30 September:		
Non-current assets	**-**	-
Current assets	**472,073**	681,735
Current liabilities	**(89,720)**	(244,977)
Net assets	**382,353**	436,758
Group's share of carrying amount of interest	**152,941**	174,704
Year ended 30 September:		
Revenue	**579,958**	735,295
Profit for the year and total comprehensive income	**45,736**	62,831
Dividends received from associates	**39,812**	-

18. INVESTMENTS IN ASSOCIATES (CONT'D)

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2018	2017
	US$	US$
At 30 September:		
Carrying amounts of interests	**-**	-
Year ended 30 September:		
Loss for the year and total comprehensive income	**(11,897)**	(17,793)

19. INVESTMENTS IN JOINT VENTURES

	2018	2017
	US$	US$
Unlisted investments:		
Share of net assets	**-**	-

The amounts due from joint ventures are unsecured, interest-free and have no fixed terms of repayment.

Details of the Group's joint ventures at 30 September 2018 are as follows:

Name	Place of incorporation / registration	Issued and paid up capital	Percentage of ownership interest / voting power / profit sharing	Principal activities
.BOX Inc.	Cayman Islands	100 ordinary shares of US$1 each	50%	Registry operator of the ".BOX" internet top-level domain
NS1 Limited	Hong Kong	10,000 ordinary shares of HK$1 each	50%	Inactive

NS1 Limited was a 100% subsidiary of the Group as at 30 September 2016. On 17 March 2017, the Group disposed of its 100% equity interest in NS1 Limited to .BOX Inc., and accordingly, NS1 Limited became a joint venture indirectly owned by the Group since that date.

19. INVESTMENTS IN JOINT VENTURES (CONT'D)

The following tables show information on the joint ventures that are material to the Group. These joint ventures are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint ventures.

Name	BOX Inc.		NS1 Limited	
	2018	2017	**2018**	2017
Principal place of business/ country of incorporation	Cayman Islands/Cayman Islands	Cayman Islands/Cayman Islands	Hong Kong/ Hong Kong	Hong Kong/ Hong Kong
Principal activities	Registry operator of the "BOX" internet top-level domain	Investment holding	Inactive	Applicant entity and registry operator of the ".BOX" internet top-level domain
% of ownership interests / voting rights held by the Group	50%/50%	50%/50%	50%/50%	50%/50%
At 30 September:				
Non-current assets	-	-	36,145	36,145
Current assets	21,882	27,063	1,286	1,286
Current liabilities	(3,030,665)	(29,915)	(285,409)	(3,268,619)
Net liabilities	(3,008,783)	(2,852)	(247,978)	(3,231,188)
Group's share of carrying amount of interests	(1,504,391)	(1,426)	(123,989)	(1,615,594)
Cash and cash equivalents included in current assets	21,832	22,013	-	-
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	(3,028,629)	29,915	(283,525)	(3,259,932)
Year ended 30 September:				
Revenue	-	-	-	-
Interest	2	1	-	-
Gain/(loss) for the year and total comprehensive income	(3,005,930)	(1,705,423)	2,983,210	(1,512,134)

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018	2017
	US$	US$
Listed investments, at fair value		
Overseas debt securities	**-**	1,011,535
Overseas liquidity funds	**-**	1,485,073
	-	2,496,608
Unlisted equity securities, at cost	**550,000**	550,000
	550,000	3,046,608
Analysed as		
Current assets	**550,000**	3,046,608

The fair values of listed debt securities and liquidity funds securities are based on current bid prices. Unlisted equity securities with carrying amount of US$550,000 was carried at cost as they do not have a quoted market price in an active market and their fair value cannot be reliably measured. None of these financial assets is either past due or impaired.

Pursuant to a declaration of trust dated 5 May 2016, the listed investments of US$2,496,608 in 2017 as noted above were held by a related company on the behalf of the Company.

Pursuant to a letter of intent signed by the Group with a third party (the “buyer”) on 23 November 2016, the unlisted equity securities are to be resold to the buyer. The consideration of US$750,000 would be offset with the promissory note due to the buyer amounted to US$750,000 (note 22). Up to the date of these financial statements the Group has not yet entered into a formal sale and purchase agreement with the buyer.

Available-for-sale financial assets are denominated in US$.

At 30 September 2017, listed investments with an aggregate carrying amount of US$2,496,608 have been pledged to a bank to secure bank loans facilities of US$4,000,000.

21. BANK AND CASH BALANCES (INCLUDING PLEDGED BANK DEPOSITS)

	2018	2017
	US$	US$
Pledged bank deposits	**-**	2,153
Bank and cash balances	**320,884**	227,238
	320,884	229,391

As at 30 September 2018, the bank and cash balances (including pledged bank deposits) of the Group are denominated in the following currencies.

	2018	2017
	US$	US$
HK$	**52,680**	18,512
US$	**268,204**	210,879
	320,884	229,391

Pursuant to a declaration of trust date 5 May 2017, bank account balance of US$2,153 in 2017 included in the bank and cash balances above was held by a related company on behalf of the Company.

22. PROMISSORY NOTE PAYABLE

As at 30 September 2018, the promissory note with principal amount of US$750,000 represented consideration received in advance for the acquisition of the unlisted equity securities as disclosed in note 20.

The promissory note was unsecured, interest free and with maturity date on 30 June 2017. The maturity date was subsequently extended by the issuer to 30 June 2019. The Group was not required to repay the loan if the unlisted equity securities were successfully transferred to the buyer as disclosed in note 20.

23. DEFERRED REVENUE

	2018 US$	2017 US$
Domain names registration related fees and charges	**1,730,546**	1,791,345
Analysed as:		
Current liabilities	**1,730,546**	1,791,345

Deferred revenue arises in respect of the Group's operation of the domain name registry for the ".ASIA" internet top-level domain.

Deferred revenue is amortised based on the contract terms and the periods of domain name sold.

24. DUE FROM/(TO) DIRECTORS / RELATED COMPANIES

The amounts due from/(to) directors and related companies are unsecured, interest-free and have no fixed terms of repayment.

25. BANK LOANS

	2018 US$	2017 US$
Bank loans	**559,434**	2,692,029

The borrowings are repayable as follows:

	2018 US$	2017 US$
Within one year	**31,862**	2,692,029
More than one year, but not exceeding two years	**32,566**	-
More than two years, but not more than five years	**102,359**	-
More than five years	**392,647**	-
	559,434	2,692,029
Less: Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**(559,434)**	(2,692,029)
Amount due for settlement after 12 months	**-**	-

25. BANK LOANS (CONT'D)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2018	2017
	US$	US$
HK$	**559,434**	858,481
US$	**-**	1,833,548
	559,434	2,692,029

The average interest rates at 30 September were as follows:

	2018	2017
Bank loans	**2.24% - 3.09%**	1.52% - 2.75%

Bank loans of US$559,434 (2017: US$858,481) are secured by a charge over the Group's property and guarantee by Mr. Chung Edmon Wang On for an unlimited amount.

Bank loans of US$1,833,548 are arranged at floating interest rates and expose the Group to cash flow interest rate risk in 2017.

Pursuant to a declaration of trust dated 5 May 2016, the loan title of US$1,833,548 in 2017 as noted above was passed to a related company, but the obligation to repay the loan is still retained by the Company.

26. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	**2018** US$	2017 US$
Non-current assets			
Property, plant and equipment		**3,613,699**	3,391,452
Investments in subsidiaries		**2,573**	2,573
Investment in an associate		**152,941**	174,704
		3,769,213	3,568,729
Current assets			
Available-for-sale financial assets		-	2,496,608
Prepayments, deposits and other receivables		**695,191**	767,889
Due from subsidiaries		**689,433**	606,094
Due from a joint venture		-	-
Due from associates		**222,548**	198,173
Due from a related company		**15,091**	26,804
Pledged bank deposits		-	2,153
Bank and cash balances		**320,884**	227,238
		1,943,147	4,324,959
Current liabilities			
Trade payables		**144,240**	160,867
Accruals and other payables		**1,123,676**	1,191,025
Deposits received		**727,054**	947,244
Deferred revenue		**1,730,546**	1,791,345
Due to a director		**17,646**	3,542
Due to subsidiaries		**315,443**	295,856
Bank loans		**559,434**	2,692,029
		4,618,039	7,081,908
Net current liabilities		**(2,674,892)**	(2,756,949)
NET ASSETS		**1,094,321**	811,780
Equity			
Reserves	27(b)	**1,094,321**	811,780

Approved by the Board of Directors on 19 June 2019 and are signed on its behalf by:

Edmon Wang On CHUNG

Yiu Kwok THAM

26. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONT'D)

(b) Reserve movement of the Company

	Investment revaluation reserve	Property revaluation reserve	Accumulated losses	Total
	US$	US$	US$	US$
At 1 October 2016	(12,119)	1,010,310	(169,569)	828,622
Total comprehensive income for the year	127,383	706,866	(851,091)	(16,842)
At 30 September 2017 and 1 October 2017	115,264	1,717,176	(1,020,660)	811,780
Total comprehensive income for the year	(115,264)	383,832	13,973	282,541
At 30 September 2018	-	2,101,008	(1,006,687)	1,094,321

27. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 6(j)(ii) to the consolidated financial statements.

(ii) Property revaluation reserve

The property revaluation reserve comprises the cumulative net change in the fair value of land and buildings at the end of the reporting period and is dealt with in accordance with the accounting policy in note 6(f) to the consolidated financial statements.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Deconsolidation of a subsidiary

On 17 March 2017, the Group disposed of its equity interests in NS1 Limited, a 100% subsidiary as at 30 September 2016, to a joint venture company, .BOX Inc. Accordingly, the Group lost control in NS1 Limited and it was deconsolidated from the Group since that date.

Summary of the effects on deconsolidation of a subsidiary:

	US$
Long term deposits	36,145
Due to ultimate holding company	(242,561)
Due to immediate holding company	(1,498,714)
Accruals and other payables	(924)
Net liabilities deconsolidated of	(1,706,054)
Gain on deconsolidation of a subsidiary	1,716,154
	100
Represented by:	
Sales proceeds	100

The sales proceeds was offset to amounts due from joint ventures.

(b) Reconciliation of liability arising from financing activity

The table below details changes in the Company's liability arising from financing activity. Liability arising from financing activity is that for which cash flow was, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activity.

	1 October 2017	Interest expenses	Exchange differences	Cash flows	30 September 2018
	US$	US$	US$	US$	US$
Bank loans	2,692,029	64,996	(7,665)	(2,189,926)	559,434

29. CONTINGENT LIABILITIES

The Company, Namesphere Holdings Limited, a subsidiary of the Company, together with one of its directors, Mr. Edmon Wang On Chung, were claimed by a joint venturer, and seeked damages of CA$2,000,000, equivalent to approximately US$1,540,600. The Company had made provisions in relation to such legal proceedings amounted to US$577,500 in the financial statements after seeking legal advices. While the final outcome of the proceedings is uncertain, the directors are of the view that such provision is adequate and reflecting the best estimation of the outcome of the legal proceedings.

Except the above, at 30 September 2018, the Group and the Company did not have any significant contingent liabilities (2017: Nil).

30. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2018 **US$**	2017 US$
Service charge received from an associate	**115,625**	126,307
Dividend income received from an associate	**39,812**	-
Sponsorship paid to a related company	**192,706**	120,655
Consulting fee paid by a subsidiary to a director	**12,000**	12,000
Share of top-level domain income to a related company	**111,000**	-

31. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the current year's presentation.