



Press Release

27 April 2010

Asia Digital Holdings plc
(“Asia Digital” or the “Group”)

Final Results

Asia Digital Holdings plc (AIM: ADH), the independent online marketing group, today announces its final results for the year ended 31 December 2009.

Financial Highlights:

- Sales increased by 28% to £18.9 million (2008: £14.7 million)
- Gross profit increased by 10% to £4.6 million (2008: £4.2 million)
- Other administrative costs up 5% to £6.3 million (2008: £6.0 million)
- EBITDA* from operations showed a loss of £1.7 million, decreased from £1.8 million
- Return to EBITDA positive trading throughout the fourth quarter

** Calculated as profit before interest, tax, amortisation, depreciation, share based payments and share of associated Group loss*

Commenting on the results, Adrian Moss, Chief Executive, said: “Despite producing a similar full year result in 2009 to 2008, we are pleased to have returned the Group to positive EBITDA throughout the fourth quarter, especially in the prevailing global economic climate.

“Much of our sales growth and all of our gross profit growth has been driven by our Asian businesses whilst our more mature Australian business has done well to reverse some of the recession driven negative trends that we saw in the first half of the year.

“The Group currently operates in territories that represent less than 15% of Asia Pacific, and less than 2.5% of Asia internet advertising spend (*Source: ZenithOptimedia December 2009 Report*). Further material growth in digital advertising spend is expected within current operating territories however launching in additional territories will facilitate access to a significantly larger share of regional digital budgets.

“Entering the Chinese market place would give the Group exposure to a market estimated to be worth over \$4 billion in 2010 and representing over 25% of Asia internet advertising spend.

“With this in mind, staff, offices and launch clients are already contracted and we expect to be operating in China from a Shanghai base by June 2010. After a difficult period the Board and management remain enthused by the opportunity ahead.”

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Chairman's statement

I am pleased to present the Group's final results for the financial year ended 31 December 2009.

Financial Results

Trading

Despite the global economic climate, the Group delivered a 28% increase in sales in the period to £18.9 million (2008: £14.7 million) and gross profit showed a 10% increase to £4.6 million (2008: £4.2 million).

The sales increase has been largely driven by the Asian operations, which now represent 34% (2008: 20%) of Group sales.

The Group has suffered a recession-driven sales mix shift that has brought down our gross profit margin from 28% in 2008 to 24% in 2009. A reduction in affiliate marketing commissions generated by consumer buying from our clients online has been offset by a growth in the provision of search engine marketing services, a lower margin offering.

The impact of this sales mix change on gross profitability is evident across the Group but most evident in our more established Australian business. As a result, gross profit in Australia fell for the period by 5.4%. This fall was more than offset by a 61% increase in gross profit from Asia, leaving the region representing 39% (2008: 25%).

Other administrative costs have seen a 5% increase in the period to £6.3 million (2008: £6 million). This has been driven by a 16% increase in operating business costs, slightly offset by a 13% reduction in central costs. Central costs consist of Group management, the Group's stock market quotation and other central services including the finance, human resources and technical functions.

As a result of the above, the Group as a whole delivered a 3% reduction in loss from operations of £2.36 million for the period (2008: loss £2.43 million).

Within the year, the Group's commitment to return Asia Digital to profitable trading has led to certain initiatives being suspended or terminated as at the end of the first half of the year. In addition, cost savings have been facilitated by a management restructure in the third quarter leaving a smaller senior team, more appropriate to the current business size.

A post recessionary improvement in trading trends in the second half of the year, combined with a lower cost base, returned the Group to profitable trading throughout the fourth quarter.

Working Capital

The Group's trading losses, combined with current macro economic factors, has put a strain on working capital. Accordingly, continued emphasis was placed on working capital management with increased attention to credit control and taking full advantage of suppliers' credit terms where possible.

Within the first quarter of the period, the Group arranged a sales ledger credit facility with Commonwealth Bank in Australia. This was used throughout the period and we anticipate this will continue to be used.

In addition, in May 2009, the Group raised £500,000 by way of a convertible loan note, issued to a company controlled by John Porter, the Group's former Chairman.

In October 2009, as a result of the tightening of supplier terms from one of the Group's largest suppliers and to further strengthen the balance sheet, the Group successfully raised £1.275 million (gross of expenses) via a placing of new ordinary shares.

A key focus of the Group was to achieve a positive trading cash flow at the earliest opportunity. Though this has now been achieved, there will remain a continued focus on working capital management to ensure sufficient strength in the balance sheet to allow the Group to participate fully in the sector and economic upturn.

Group Offering

The Group continues to operate business units covering three distinct areas of supply in the digital advertising sector. These businesses are currently managed along geographical lines but it is anticipated that as the Group evolves a more business unit based management approach will be adopted.

DGM - a specialist online direct marketing company focusing on the delivery of consumers to advertisers through search engine marketing, affiliate marketing and display advertising, servicing both agencies and clients direct. This is the largest part of the Group in terms of headcount, sales and profitability.

AKTIV - advertising sales network working with digital media owners to monetise their inventory of advertising slots (banners, emails, SMS) through an in-house team selling to both agencies representing advertisers, and advertisers direct. This is the second largest part of the Group in terms of headcount, sales and profitability.

Deploy Digital - A digital communications planning and implementation agency. This part of the Group is not material in the sales mix, is operating at or around breakeven and has no dedicated resource.

Markets

Steven Noble, a respected commentator from Forrester Research, concluded in his 2009 paper on Asia Pacific Interactive Marketing Predictions that “APAC’s incredible rates of economic growth, urbanization, and Internet adoption merely hint at the digital transformation that’s underway in this region”

The Group’s Asian expansion was originally driven by recognition that the region was experiencing material growth in internet users and digital advertising spend, combined with a limited supply of experienced digital marketers.

The region currently has 755 million people online and represented 42% of world internet users. Furthermore, the region generated \$14 billion of internet advertising or 23% of global internet advertising spend. (Source: *InternetWorldStats; ZenithOptimedia December 2009 Report*)

Asia Pacific represented only 1.1% of global digital advertising in 2000 and this grew to 13.4% in 2009. It is expected to grow to 17.3% in 2012.

Only 19% of the Asia Pacific population were online in 2009 compared to 74% in the USA and 76% in the UK. This suggests that further material growth can be expected, which will in turn stimulate further significant growth in digital advertising.

Only 1% of total advertising budgets in the region were allocated to the internet in 2000 when the internet reach was at 25% of the population. By 2009, internet reach was at 76% of the population and the percentage of advertising allocated online rose to 26%.

Though the supply side has developed since 2007 when the Group entered the Asian market, the management considers the market opportunity to remain attractive. The core skill sets of the two main businesses DGM and AKTIV are highly relevant to market needs.

Outlook

Asia Digital currently operates in territories that represent less than 15% of Asia Pacific, and less than 2.5% of Asia internet advertising spend.

Within this small part of the regional market, and in the midst of a global recessionary climate, the Group has extended an existing successful business from Australia into India and the South East Asia region proving concept, building a brand and returning the Group as a whole to positive earnings trading throughout the fourth quarter of 2009.

Further material growth in digital advertising spend is expected within current operating territories however launching in additional territories will facilitate access to a significantly larger share of regional digital budgets.. Entering the Chinese market place for example would give the Group exposure to a market estimated to be worth over \$4 billion in 2010 and representing over 25% of Asia Internet advertising spend.

With this in mind, the Group is presently completing its Chinese corporate formation with staff, offices and launch clients already contracted. We are cautiously optimistic that this expansion will deliver incremental cash flows within the current period. We expect to be operating from Shanghai by June 2010

Staff

The Directors wish to extend their gratitude to the worldwide team of management and staff whose endeavours have helped the Group to return to positive EBITDA.

David Lees
Chairman
27 April 2010

Consolidated income statement
For the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Continuing operations			
Revenue	2	18,873	14,700
Cost of sales		(14,265)	(10,511)
Gross profit		4,608	4,189
Administrative expenses			
– amortisation		(404)	(274)
– depreciation		(90)	(148)
– share-based payments		(150)	(179)
– other administrative expenses		(6,325)	(6,021)
		(6,969)	(6,622)
Loss from operations	3	(2,361)	(2,433)
Interest received		4	4
Interest payable		(109)	(25)
Share of loss of associates		(135)	(343)
Loss before tax		(2,601)	(2,797)
Income tax		(27)	(41)
Total loss after taxation from continuing operations		(2,628)	(2,838)
Discontinued operations			
Profit before tax from discontinued operations		54	-
Income tax		-	-
Profit after tax from discontinued operations		54	-
Total loss		(2,574)	(2,838)
Attributable to:			
Equity holders of the parent		(2,574)	(2,838)
Minority interest		-	-
		(2,574)	(2,838)
Earnings per share			
Basic and diluted loss per share		(0.36p)	(0.62p)
Basic and diluted loss per share from continuing operations		(0.37p)	(0.62p)
Basic and diluted loss per share from discontinued operations		0.01p	-
		2009	2008
		£'000	£'000

Consolidated statement of comprehensive Income
For the year ended 31 December 2009

Loss for the year	(2,574)	(2,838)
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Other comprehensive income		
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Exchange differences on translation of foreign operations	(145)	(524)
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Total comprehensive income for the year	(2,719)	(3,362)
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Attributable to:		
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Equity holders of the parent	(2,719)	(3,362)
Minority interest	-	-
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	(2,719)	(3,362)
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**Consolidated balance sheet
As at 31 December 2009**

	Notes	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property, plant and equipment		126	190
Other intangible assets		-	404
Investment in associates		-	135
		126	729
Current assets			
Trade and other receivables		5,572	4,230
Cash and cash equivalents		1,617	528
		7,189	4,758
Total assets	2	7,315	5,487
Equity and liabilities			
Equity			
Called up share capital		4,792	4,537
Capital redemption reserve		13,188	13,188
Share-based payment reserve		1,033	883
Share premium account		23,703	22,683
Translation reserve		(615)	(470)
Retained earnings		(44,234)	(41,660)
Total equity		(2,133)	(839)
Current liabilities			
Trade and other payables		8,317	5,677
Convertible Loan Notes		546	-
Lease commitments provision		183	91
Corporation tax		68	41
		9,114	5,809
Non-current liabilities			
Lease commitments provision		334	517
Total liabilities	2	9,448	6,326
Total equity and liabilities		7,315	5,487

These financial statements were approved by the Board, authorised for issue and signed on their behalf on 27 April 2010 by:

**Consolidated balance sheet
As at 31 December 2009**

Adrian Moss

Chief Executive Director

Consolidated cash flow statement
For the year ended 31 December 2009

	2009	2008
	£'000	£'000
Operating activities		
Loss after tax	(2,574)	(2,838)
Depreciation	91	148
Amortisation	404	274
Share-based payment	150	179
Increase in receivables	(1,342)	(1,063)
Increase in payables	2,595	3,402
Foreign exchange differences	(145)	(524)
Finance income	105	21
Share of loss from associated undertakings	135	343
Loss on disposal of property, plant and equipment	2	-
Tax charge	27	41
Net cash flow from operations	(552)	(17)
Investing activities		
Purchase of property, plant and equipment	(29)	(104)
Purchase of shares in associated undertakings	-	-
Consideration for disposal of subsidiary (net of cash disposed)	-	-
Disposal of subsidiary net assets	-	-
Purchase of intangible assets	-	-
Interest received	4	4
Net cash used in investing activities	(25)	(100)
Financing activities		
Issue of ordinary share capital	255	-
Share premium on the Issue of ordinary share	1,020	-
Issue of Convertible Loan Notes	500	-
Interest paid	(109)	(25)
Net cash (used)/generated from financing activities	1,666	(25)
Net (decrease)/increase in cash and cash equivalents	1,089	(142)
Cash and cash equivalents at start of period	528	670
Cash and cash equivalents at end of period	1,617	528

Consolidated statement of changes in equity
For the year ended 31 December 2009

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2009	4,537	22,683	13,188	883	(470)	(41,660)	(839)
Dividends	-	-	-	-	-	-	-
Share options issued in share-based payments	-	-	-	150	-	-	150
Issue of share capital	255	1,020	-	-	-	-	1,275
Transactions with owners	4,792	23,703	13,188	1,033	(470)	(41,660)	586
Loss for the year	-	-	-	-	-	(2,574)	(2,574)
Other comprehensive income:							
Exchange difference on translation of foreign operations	-	-	-	-	(145)	-	(145)
Total comprehensive income for the year	-	-	-	-	(145)	(2,574)	(2,719)
Balance at 31 December 2009	4,792	23,703	13,188	1,033	(615)	(44,234)	(2,133)
Balance at 1 January 2008	4,537	22,683	13,188	704	54	(38,823)	2,343
Dividends	-	-	-	-	-	-	-
Share options issued in share-based payments	-	-	-	179	-	-	179
Issue of share capital	-	-	-	-	-	-	-
Transactions with owners	4,537	22,683	13,188	883	54	(38,823)	2,522
Loss for the year	-	-	-	-	-	(2,838)	(2,838)
Other comprehensive income :							
Exchange difference on translation of foreign operations	-	-	-	-	(524)	-	(524)
Total comprehensive income for the year	-	-	-	-	(524)	(2,838)	(3,362)
Balance at 31 December 2008	4,537	22,683	13,188	883	(470)	(41,660)	(839)

Notes to the financial information

For the year ended 31 December 2009

1 Publication of non-statutory accounts

The financial information set out in this announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 2006.

The financial information for the year ended 31 December 2009 has been extracted from the Group's financial statements to that date which have been prepared in accordance with IFRS as adopted in the EU and which have received an unmodified auditor's report but have not yet been delivered to the Registrar of Companies.

2 Revenue and segmental information

The Group is principally engaged in the provision of online marketing services. Revenue is attributable to the principal activity, which is mainly carried out in Australia and the Asia Pacific region. In addition to these geographical segments, management also considers the business from an operating segment perspective.

The main operating segments are DGM and AKTIV. The other operating segments do not meet the quantitative thresholds required by IFRS 8 to be reported as separate segments.

The DGM segment is a specialist online marketing operation focusing on the delivery of customers to advertisers through search engine marketing, affiliate and display advertising, servicing both agencies and direct clients.

The AKTIV segment is an advertising sales network working with digital media owners to monetise their inventory of advertising slots (banner, emails, SMS) through an in-house team selling to both agencies representing advertisers and direct advertisers.

An analysis of revenue and segment result by geography and operating segment is shown below.

	Asia			Operating	** Holding	
	Australia	Pacific	*Other	Central costs	Company	Total
Year ended 31 December 2009	£'000	£'000	£'000	£'000	£'000	£'000
External revenue						
- DGM	12,437	4,698	-	-	-	17,135
- AKTIV	-	1,466	-	-	-	1,466
- OTHER	-	272	-	-	-	272
	12,437	6,436	-	-	-	18,873
Segment result						
- DGM	815	55	-	(697)	-	173
- AKTIV	-	286	-	(203)	-	83
- OTHER	-	(146)	(528)	(24)	(1,220)	(1,918)
	815	195	(528)	(924)	(1,220)	(1,662)
Amortisation						(404)
Depreciation						(91)
Share based payment						(150)
Interest						(105)
Share of loss of associates						(135)
Tax						(27)
Total Loss for the year						(2,574)
Segmental Assets	4,209	2,682	81	-	343	7,315
Segmental Liabilities	5,413	2,247	234	-	1,554	9,448
Number of customers that generated more than 10% of segment revenue	1	3	-	-	-	-

* Included in 'Other' segment result is £382,000 in non-recurring senior management settlement cost

** Included in Holding company costs is £79,000 in placing costs

**Notes to the financial information
For the year ended 31 December 2009**

	Australia	Asia Pacific	*Other	Operating Central costs	** Holding Company costs	Total
Year ended 31 December 2008	£'000	£'000	£'000	£'000	£'000	£'000
External revenue						
- DGM	11,391	1,882	-	-	-	13,273
- AKTIV	-	895	-	-	-	895
- OTHER	-	163	369	-	-	532
	11,391	2,940	369	-	-	14,700
Segment result						
- DGM	1,060	(147)	-	(768)	-	145
- AKTIV	-	59	-	(156)	-	(97)
- OTHER	-	(91)	(368)	(25)	(1,396)	(1,880)
	1,060	(179)	(368)	(949)	(1,396)	(1,832)
Amortisation						(274)
Depreciation						(148)
Share based payment						(179)
Interest						(21)
Share of loss of associates						(343)
Tax						(41)
Total Loss for the year						(2,838)
Segmental Assets	2,854	1,573	125	-	935	5,487
Segmental Liabilities	3,732	1,213	245	-	1,136	6,326
Number of customers that generated more than 10% of segment revenue	1	2	-	-	-	-

* This relates to discontinued operations

** Holding company costs for the year ended 31 December 2008 includes £727,000 in leasehold and other provisions

3 Loss from operations

Loss from operations is stated after charging:

	2009	2008
	£'000	£'000
Foreign exchange (gains)/losses	299	(478)
Amortisation of intangible assets	404	274
Depreciation of property, plant and equipment	91	148
Auditor's remuneration for auditing of accounts	76	68
Auditor's remuneration for non-audit services*	32	45
Operating lease rentals	244	461
Lease commitment provision	-	608
Share-based payment costs	150	179
Total	1,296	1,305

* Auditor's remuneration for non-audit services comprised other services relating to taxation of £32,389 (2008: £42,000) and all other services £Nil (2008: £3,000).

Copies of the financial statements will be sent to sent to shareholders and are available from the Company's registered office at 19 Cavendish Square, London, W1A 2AW.

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