

| | |
|------------------------------------|---|
| Directors | Mark Stephen Malhotra Samlal Lawrence Pushpam Simon Forrester |
| Registered office | 10 Anson Road #31-06 International Plaza Singapore 079903 |
| Company registration number | 200614858K |
| Auditors | YFK Public Accounting Corporation Chartered Accountants of Singapore |
| Secretary | Yzelman Virginia Juliana Nee Rappa |

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PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

DIRECTORS' STATEMENT

The directors of the Company present this statement to the members together with the audited financial statements of the Company and of the Group for the financial year ended 31 March 2016.

Directors

The directors in office at the date of this report are:

Mark Stephen Malhotra Samlal (appointed on 21.01.2015)

Lawrence Pushpam

Simon Forrester (appointed on 21.01.2015)

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

The directors holding office at the end of the financial year who had interests in the shares and debentures of the Company and its related corporations as recorded in the register of directors' shareholdings were as follows:

| <u>Name of director</u> | <u>Shares held by directors</u> | |
|-------------------------|---------------------------------|----------------------|
| | <u>At 01.01.2015</u> | <u>At 31.03.2016</u> |
| Lawrence Pushpam | 5,124 | 5,124 |

| <u>Name of directors</u> | <u>Shares in which the director is deemed to have an interest</u> | |
|------------------------------|---|----------------------|
| | <u>At 01.01.2015</u> | <u>At 31.03.2016</u> |
| Mark Stephen Malhotra Samlal | 16,044 | 16,044 |
| Simon Forrester | 1,764 | 1,764 |

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

DIRECTORS' STATEMENT

Share options granted

- (a) No option was granted to any person during the financial year to take up unissued shares of this Company.
- (b) No shares were issued by the Company during the financial year by virtue of the exercise of options to take up unissued shares of the Company.
- (c) At the end of the financial year, there were no unissued shares of the Company under option.

Auditors

The auditors, YFK Public Accounting Corporation, have expressed their willingness to accept re-appointment.

Directors' Opinion

In the opinion of the directors, the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2016, and the financial performance, changes in equity and the cash flows of the Company for the year then ended; and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors



Mark Stephen Malhotra Samlal
Director



Lawrence Pushpam
Director

Singapore: 11 February 2017

INDEPENDENT AUDITORS' REPORT TO MEMBERS OF
PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

Report on the Financial Statements

We have audited the accompanying financial statements of **Pay Asia Pte Ltd** (the "Company") **and its subsidiary companies** (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2016 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT TO MEMBERS OF
PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

YFK Public Accounting Corporation
YFK PUBLIC ACCOUNTING CORPORATION
Public Accountants &
Chartered Accountants of Singapore

Singapore: 11 February 2017

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2016**

| | Note | The Group | |
|--|------|------------------------|------------------------|
| | | 01.01.15 - 31.03.16 | 01.01.14 - 31.12.14 |
| | | \$ | \$ |
| Revenue | 4 | 24,182,598 | 10,701,301 |
| Other income | 5 | 140,063 | 42,697 |
| | | 24,322,661 | 10,743,998 |
| Subcontractors | | (6,283,124) | (1,037,506) |
| Employee benefits expense | 6 | (15,520,284) | (8,242,170) |
| Depreciation & amortisation | | (369,642) | (120,995) |
| Other operating expenses | 7 | (1,515,681) | (1,282,143) |
| Profit before taxation | | 633,930 | 61,184 |
| Taxation | 8 | (189,532) | (155,821) |
| Profit / (loss) after taxation | | 444,398 | (94,637) |
| Other comprehensive income: | | | |
| Foreign currency translation | | (7,229) | 11,027 |
| Other comprehensive (loss) / income net of tax | | (7,229) | 11,027 |
| Total comprehensive income for the year | | 437,169 | (83,610) |
| Profit attributable to: | | | |
| Equity holders of the Company | | 444,398 | (99,439) |
| Non-controlling interests | | - | 4,802 |
| | | 444,398 | (94,637) |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | 437,169 | (88,470) |
| Non-controlling interests | | - | 4,860 |
| | | 437,169 | (83,610) |

The annexed notes form an integral part of these financial statements.

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

| | | <u>The Group</u> | |
|--|-------------|------------------|------------------|
| | <u>Note</u> | <u>2016</u> | <u>2014</u> |
| | | \$ | \$ |
| ASSETS | | | |
| Non-current assets | | | |
| Plant & equipment | 9 | 122,082 | 347,808 |
| Intangible assets | 10 | 688,843 | 427,843 |
| | | 810,925 | 775,651 |
| Current assets | | | |
| Trade & other receivables | 13 | 2,320,593 | 1,423,783 |
| Cash & cash equivalents | 14 | 3,241,101 | 2,496,693 |
| | | 5,561,694 | 3,920,476 |
| Total assets | | 6,372,619 | 4,696,127 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Share capital | 15 | 50,400 | 50,400 |
| Treasury shares | | (183,000) | (38,000) |
| Retained earnings | | 1,977,434 | 1,674,007 |
| Other reserves | | 20,000 | 20,000 |
| Foreign currency translation reserves | | (78,103) | (70,874) |
| Equity attributable to shareholders of the Company | | 1,786,731 | 1,635,533 |
| Non-controlling interests | | - | 9,029 |
| Total equity | | 1,786,731 | 1,644,562 |
| Non-current liabilities | | | |
| Deferred taxation | 11 | 51,595 | 63,003 |
| | | 51,595 | 63,003 |
| Current liabilities | | | |
| Trade & other payables | 16 | 4,534,293 | 2,957,726 |
| Provision for taxation | | - | 30,836 |
| | | 4,534,293 | 2,988,562 |
| Total liabilities | | 4,585,888 | 3,051,565 |
| Total equity & liabilities | | 6,372,619 | 4,696,127 |

The annexed notes form an integral part of these financial statements.

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES EQUITY FOR THE PERIOD ENDED 31 MARCH 2016

| | Share capital | Retained earnings | Treasury shares | Currency translation reserves | Other reserves | Non-controlling interests | Total equity |
|---|---------------|-------------------|-----------------|-------------------------------|----------------|---------------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance as at 01.01.15 | 50,400 | 1,674,007 | (38,000) | (70,874) | 20,000 | 9,029 | 1,644,562 |
| Comprehensive income: | | | | | | | |
| Net gain | - | 444,398 | - | - | - | - | 444,398 |
| Currency translation difference | - | - | - | (7,229) | - | - | (7,229) |
| Total comprehensive income | - | 444,398 | - | (7,229) | - | - | 437,169 |
| <i>Contributions by and distributions to owners</i> | | | | | | | |
| Dividends paid (Note 18) | - | (150,000) | - | - | - | - | (150,000) |
| Transfer | - | 9,029 | - | - | - | (9,029) | - |
| Purchase (Note 14) | - | - | (145,000) | - | - | - | (145,000) |
| Total contributions by and distributions to owners | - | (140,971) | (145,000) | - | - | (9,029) | (295,000) |
| Balance as at 31.03.16 | 50,400 | 1,977,434 | (183,000) | (78,103) | 20,000 | - | 1,786,731 |
| Balance as at 01.01.14 | 50,400 | 1,923,446 | (57,000) | (81,843) | 13,000 | 4,169 | 1,852,172 |
| Comprehensive income: | | | | | | | |
| Net profit | - | (99,439) | - | - | - | 4,802 | (94,637) |
| Currency translation difference | - | - | - | 10,969 | - | 58 | 11,027 |
| Total comprehensive income | - | (99,439) | - | 10,969 | - | 4,860 | (83,610) |
| <i>Contributions by and distributions to owners</i> | | | | | | | |
| Dividends paid (Note 18) | - | (150,000) | - | - | - | - | (150,000) |
| Employee compensation (Note 14) | - | - | 19,000 | - | 7,000 | - | 26,000 |
| Total contributions by and distributions to owners | - | (150,000) | 19,000 | - | 20,000 | - | (124,000) |
| Balance as at 31.12.14 | 50,400 | 1,674,007 | (38,000) | (70,874) | 20,000 | 9,029 | 1,644,562 |

The annexed notes form an integral part of these financial statements.

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2016**

| | <u>The Group</u> | |
|---|------------------|------------------|
| | <u>2016</u> | <u>2014</u> |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Profit before taxation | 633,930 | 61,184 |
| Adjustments for: | | |
| Depreciation & amortisation | 369,642 | 120,995 |
| Issue of treasury shares as employee benefits | - | 26,000 |
| Operating profit before working capital changes | 1,003,572 | 208,179 |
| Total changes in working capital, net of effects from: | | |
| Trade & other receivables | (896,810) | (192,523) |
| Trade & other payables | 1,284,078 | 230,876 |
| Cash generated from operating activities | 1,390,840 | 246,532 |
| Tax (paid) | (88,124) | (26,553) |
| Net cash generated from operating activities | <u>1,302,716</u> | <u>219,979</u> |
| Cash flow from investing activities | | |
| Purchase of plant & equipment | (45,148) | (174,845) |
| Increase in intangibles | (355,637) | (27,290) |
| Purchase of treasury shares | (145,000) | - |
| Net cash used in investing activities | <u>(545,785)</u> | <u>(202,135)</u> |
| Cash flows from financing activities | | |
| Dividends paid to shareholders | - | (150,000) |
| Net cash used in financing activities | <u>-</u> | <u>(150,000)</u> |
| Net increase/ (decrease) in cash & cash equivalents | 756,931 | (132,156) |
| Add: Cash & cash equivalents at beginning of the year | 2,496,693 | 2,622,058 |
| Effects of exchange rate changes on cash & cash equivalents | (12,523) | 6,791 |
| Cash & cash equivalents as at end of the year | <u>3,241,101</u> | <u>2,496,693</u> |
| Cash & cash equivalents included in the statement of cash flows comprise the following: | | |
| Cash & bank balances | <u>3,241,101</u> | <u>2,496,693</u> |

PAY ASIA PTE LTD

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

| | | The Company | |
|---|------|------------------|------------------|
| | Note | 2016 | 2014 |
| | | \$ | \$ |
| ASSETS | | | |
| Non-current assets | | | |
| Plant & equipment | 9 | 52,655 | 87,906 |
| Intangible assets | 10 | 675,999 | 427,843 |
| Interests in subsidiaries | 12 | 680,060 | 280,060 |
| | | 1,408,714 | 795,809 |
| Current assets | | | |
| Trade & other receivables | 13 | 1,428,571 | 1,464,353 |
| Cash & cash equivalents | 14 | 2,181,028 | 1,495,974 |
| | | 3,609,599 | 2,960,327 |
| Total assets | | 5,018,313 | 3,756,136 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to shareholders of the Company | | | |
| Share capital | 15 | 50,400 | 50,400 |
| Treasury shares | | (183,000) | (38,000) |
| Retained earnings | | 2,141,731 | 1,687,770 |
| Other reserves | | 20,000 | 20,000 |
| Total equity | | 2,029,131 | 1,720,170 |
| Non-current liabilities | | | |
| Deferred taxation | 11 | 94,500 | 49,500 |
| Current liabilities | | | |
| Trade & other payables | 16 | 2,894,682 | 1,986,466 |
| | | 2,894,682 | 1,986,466 |
| Total liabilities | | 2,989,182 | 2,035,966 |
| Total equity & liabilities | | 5,018,313 | 3,756,136 |

The annexed notes form an integral part of these financial statements.

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is domiciled and incorporated as a limited liability company in Singapore. Its registered office is located at 10 Anson Road, International Plaza, #31-06, Singapore 079903.

The principal activities of the Company in the course of the financial period are to provide payroll, human resource and consulting services. The principal activities of the subsidiary companies are disclosed in Note 12 to the financial statements.

During the financial period, the Company changed its financial year end from 31 December to 31 March. The financial statements cover fifteen months from 1 January 2015 to 31 March 2016. The comparative figures cover the twelve months ended 31 December 2014.

2. Critical accounting judgements and key sources of estimation uncertainty

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3, the Group is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

The Group believes that there are no key assumptions made 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, except as disclosed below:

(a) *Depreciation*

Plant & equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. Changes in the expected level of use and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. Any changes in the economic useful lives or residual values could impact the depreciation charges and consequently affect the Group's results.

The carrying amount of the Group's plant & equipment as at 31 March 2016 and the annual depreciation charge for the financial year ended 31 March 2016 are disclosed in Note 10.

(b) *Impairment of trade receivables*

The Group evaluates whether there is any objective evidence that trade receivables are impaired and determines the amount of impairment losses as a result of the inability of the customers to make required payments. The Group determines the estimates based on the aging of the trade receivables balance, credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

3. Significant accounting policies

(a) Basis of preparation & functional currency

The financial statements are prepared in accordance with the provisions of the Companies Act, Cap.50 and the Singapore Financial Reporting Standards (FRS) and have been applied consistently.

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The Group has not applied any new/revised FRS or interpretations that have been issued but not yet effective. The initial application of these standards and interpretations are not expected to have any material impact on the Group's financial statements.

The financial statements are prepared in Singapore dollars which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

(b) Adoption of new & revised FRS

In the current year, the Group has adopted all the new & revised FRS issued by the Accounting Standards Council (ASC) that are relevant to its operations and effective for accounting periods beginning on 1 January 2014. The adoption of these new & revised FRS has no significant changes to the Group's accounting policies.

(c) Revenue recognition

Revenue from services rendered is recognised when services are billed which generally coincides with delivery and acceptance by customers.

Revenue from HR & Staffing and HR & Consulting are the amounts received or receivable for the services of candidates, including the salary and salary-related employment costs of those employees.

(d) Plant & equipment

Plant & equipment are stated at cost, less accumulated depreciation and provision for impairments. Depreciation is calculated on a straight line basis so as to write off the cost over their expected useful lives. The estimated useful lives are as follows:

| | <u>The Group & The Company</u> |
|----------------------|------------------------------------|
| Software | 10 years |
| Renovation | 3 years |
| Furniture & fittings | 3 years |
| Office equipment | 3 - 10 years |
| Computers | 3 years |

Fully depreciated plant & equipment are retained in the financial statements until they are no longer in use. The residual values and useful lives of plant & equipment are reviewed at the end of each financial year end and adjusted prospectively, if appropriate.

3. Significant accounting policies - cont'd

(e) Amortisation of intangible assets

Intangible assets with finite useful lives are measured at cost less accumulated amortization and impairment losses. They are amortised in the profit or loss on a straight-line basis over their estimated useful lives of 10 years, from the date on which they are available for use.

Intangible assets with indefinite useful lives are not amortised and are measured at cost less impairment losses.

(f) Foreign currency translation

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of comprehensive income.

Foreign currency translations

The results and financial position of all the Group entities are translated into Singapore dollars as follows:

- Assets and liabilities are translated at the closing rates at the date of the statement of financial position.
- Income and expenses are translated at average rates for the year, which approximates the exchange rates at the dates of the transactions.
- All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On consolidation, currency translation differences arising from the net investment in foreign operations are taken to the currency translation reserve

(g) Investment in subsidiaries

Investment in subsidiaries is stated at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of these investments, the differences between net disposal proceeds and the carrying amount of the investments are taken to the statement of comprehensive income.

3. Significant accounting policies - cont'd

(h) Group accounting

Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly holds more than 50% of the issued share capital.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of the acquisition, irrespective of the extent of any minority interest. Please refer to Note 3(i) for the Group's accounting policy on goodwill.

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. They are presented in the consolidated statement of financial position within equity separately from the parent shareholder's equity and are separately disclosed in the consolidated statement of comprehensive income.

(i) Financial assets

(i) Classification

Financial assets within the scope of FRS 39 are classified as financial assets at fair value through profit or loss, loans & receivables, held-to-maturity or available-for-sale financial assets, as appropriate. Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any financial assets at fair value through profit and loss.

All financial assets are recognised on their trade date - the date on which the Company is committed to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3. Significant accounting policies - cont'd

(i) Financial assets - cont'd

(i) *Classification – cont'd*

Loans & receivables

Loans & receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are carried at amortised cost using the effective interest rate method less any impairment losses.

(ii) *Impairment of financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Impairment losses are recognised in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the statement of comprehensive income.

(iii) *Impairment of non-financial assets*

Goodwill

Goodwill is tested annually for impairment as well as when there is any indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units (CGU) expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use.

An impairment loss on goodwill is recognised in the statement of comprehensive income and is not reversed in the subsequent year.

(iv) *Plant & equipment* *Interest in subsidiaries*

Plant & equipment and interest in subsidiaries are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less costs to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

3. Significant accounting policies - cont'd

(i) Financial assets - cont'd

(iv) *Plant & equipment - cont'd* *Interest in subsidiaries*

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The impairment loss is recognised in the statement of comprehensive income.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of comprehensive income.

(j) Goodwill

Goodwill arose from the acquisition of a previous business. The goodwill will only be capitalized when it fulfil the criteria of identifiability, control over resource and existence of future economic benefits. Where any of the above conditions are not fulfilled, the goodwill is amortised fully over the year.

(k) Trade & other receivables

Trade & other receivables, including amounts owing by related party are classified and accounted for as loans and receivables under FRS 39. An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified.

(l) Investment in subsidiaries

Investment in subsidiaries that is intended to be held for long term purposes, is stated at cost less provision. This provision is made in recognition of a diminution in value of the investments which is other than temporary, determined on an individual basis.

(m) Financial liabilities

Financial liabilities include trade payables and other amounts payable. Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method where appropriate. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

3. Significant accounting policies - cont'd

(n) Taxation

Current taxation is provided based on the tax payable on the income for the year that is chargeable to tax.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(o) Employee benefits expense

As required by law, the Group contributes to defined contribution plans, primarily the Central Provident Fund (CPF). The Group's contribution to CPF is recognised in the financial year to which it relates.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave due to employees up to the end of the reporting period.

Share award

The fair value of equity related compensation is measured using the comparative transaction method to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties.

The compensation cost is charged to profit or loss with a corresponding change in equity.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate.

(q) Equity

Ordinary shares, treasury shares, retained earnings and other reserves are classified as equity.

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

3. Significant accounting policies - cont'd

(q) Equity – cont'd

Where the company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as Treasury shares reserves, until they are sold or reissued. When treasury shares are subsequently sold or reissued pursuant to a share award, the cost of the treasury shares is reversed from the Treasury shares reserves and the realized gain or loss on sale or reissue, net of any directly attributable incremental transaction costs is recognised as a change in equity of the Company in "Other reserves". No gain or loss is recognised in the statement of comprehensive income.

4. Revenue

| | <u>The Group</u> | |
|------------------|--------------------------------------|--------------------------------------|
| | <u>01.01.15 -</u> <u>31.03.16</u> | <u>01.01.14 -</u> <u>31.12.14</u> |
| | \$ | \$ |
| Payroll services | 5,806,054 | 4,448,108 |
| HR & staffing | 17,581,742 | 5,164,405 |
| HR & consulting | 794,802 | 1,088,788 |
| | <u>24,182,598</u> | <u>10,701,301</u> |

5. Other income

| | <u>The Group</u> | |
|--------------------------------------|--------------------------------------|--------------------------------------|
| | <u>01.01.15 -</u> <u>31.03.16</u> | <u>01.01.14 -</u> <u>31.12.14</u> |
| | \$ | \$ |
| Others | 873 | 1,048 |
| Reversal of doubtful debts provision | 54,762 | - |
| Government grant | 84,428 | 41,649 |
| | <u>140,063</u> | <u>42,697</u> |

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

6. Employee benefits expenses

| | The Group | |
|---------------------------------------|------------------------|------------------------|
| | 01.01.15 - 31.03.16 | 01.01.14 - 31.12.14 |
| | \$ | \$ |
| Directors' remuneration | 559,028 | 477,594 |
| Directors' CPF | 26,011 | 13,462 |
| CPF contribution and SDL | 1,341,863 | 550,074 |
| Foreign workers levy | 11,637 | 13,372 |
| Salaries and wages | 13,586,430 | 7,140,110 |
| Staff training and welfare | 106,270 | 37,558 |
| Staff incentives | 1,580 | 10,000 |
| | 15,632,819 | 8,242,170 |
| Less: amounts capitalised as software | (112,535) | - |
| | 15,520,284 | 8,242,170 |

The key management personnel of the Company are the directors of the Company, and the benefits received are disclosed as above.

7. Other operating expenses

| | The Group | |
|------------------------|------------------------|------------------------|
| | 01.01.15 - 31.03.16 | 01.01.14 - 31.12.14 |
| | \$ | \$ |
| Hosting service | 215,507 | 138,673 |
| Repair & maintenance | 78,899 | 15,098 |
| Reimbursement expenses | - | 225,204 |
| Office rental | 360,666 | 192,207 |
| Printing & stationary | 30,680 | 14,561 |
| Professional fee | 155,853 | 240,374 |
| Travelling | 153,763 | 122,456 |
| Doubful debts - trade | 4,913 | 32,949 |
| Exchange loss | 10,274 | 865 |
| Others | 505,126 | 299,756 |
| | 1,515,681 | 1,282,143 |

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

8. Taxation

| | The Group | |
|-------------------|------------------------|------------------------|
| | 01.01.15 - 31.03.16 | 01.01.14 - 31.12.14 |
| | \$ | \$ |
| Current year tax | 200,948 | 46,590 |
| Deferred taxation | (13,534) | 103,519 |
| Withholding tax | 2,118 | 5,712 |
| | <u>189,532</u> | <u>155,821</u> |

The income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to profit before taxation due to the following factors:

| | The Group | |
|--|------------------------|------------------------|
| | 01.01.15 - 31.03.16 | 01.01.14 - 31.12.14 |
| | \$ | \$ |
| Profit before taxation | <u>633,930</u> | <u>61,184</u> |
| Tax calculated at the rates applicable to profits in the countries concerned | 109,795 | 5,836 |
| Adjustment for: | | |
| Expenses not deductible for tax purposes | 85,223 | 39,876 |
| Withholding tax | 2,118 | 5,712 |
| Income not subject to tax | (3,173) | (24,606) |
| DTD for internationalisation | - | (10,710) |
| Deferred tax assets not recognised | 63,334 | 89,567 |
| Enhanced tax deduction | (61,405) | (3,576) |
| Utilisation of unabsorbed allowances | (6,402) | - |
| Others | 41 | 53,722 |
| | <u>189,531</u> | <u>155,821</u> |

As at 31 March 2016, the Group has unabsorbed tax losses amounting to \$180,000 (2014: \$104,000) for which deferred tax assets have not been recognised as it may not be certain that future taxable profit will be available against which the subsidiary company may utilise the benefits. The utilisation of such tax losses is subject to the provisions of the income tax regulations in the country which the subsidiary operates.

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

9. Plant and equipment

The Group

| <u>Cost</u> | <u>Office equipment</u> | <u>Computers</u> | <u>Furniture and fittings</u> | <u>Renovation</u> | <u>Total</u> |
|------------------------|-----------------------------|------------------|-----------------------------------|-------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance as at 01.01.14 | 84,676 | 63,825 | 13,272 | 243,031 | 404,804 |
| Additions | 13,140 | 36,067 | 3,976 | 121,662 | 174,845 |
| Written off | (17,705) | - | (13,272) | (27,812) | (58,789) |
| Translation | 595 | 1,477 | - | 4,235 | 6,307 |
| Balance as at 31.12.14 | 80,706 | 101,369 | 3,976 | 341,116 | 527,167 |
| Additions | 36,199 | 3,357 | - | 5,592 | 45,148 |
| Written off | (4,605) | (43,609) | - | (2,232) | (50,446) |
| Translation | 4,032 | (203) | - | (9,756) | (5,927) |
| Balance as at 31.03.16 | 116,332 | 60,914 | 3,976 | 334,720 | 515,942 |

Accumulated Depreciation

| | | | | | |
|------------------------|----------|---------|----------|----------|----------|
| Balance as at 01.01.14 | 64,651 | 21,418 | 13,272 | 65,121 | 164,462 |
| Charge for the year | 7,485 | 10,855 | 1,326 | 51,948 | 71,614 |
| Written off | (17,705) | - | (13,272) | (27,157) | (58,134) |
| Translation | 189 | 478 | - | 749 | 1,416 |
| Balance as at 31.12.14 | 54,620 | 32,751 | 1,326 | 90,661 | 179,358 |
| Charge for the year | 28,274 | 25,775 | 1,656 | 177,722 | 233,427 |
| Written off | (4,605) | (4,151) | - | (1,670) | (10,426) |
| Translation | (972) | (1,441) | - | (6,086) | (8,499) |
| Balance as at 31.03.16 | 77,317 | 52,934 | 2,982 | 260,627 | 393,860 |

Net Book Value

| | | | | | |
|------------------------|--------|--------|-------|---------|---------|
| Balance as at 31.03.16 | 39,015 | 7,980 | 994 | 74,093 | 122,082 |
| Balance as at 31.12.14 | 26,086 | 68,618 | 2,650 | 250,455 | 347,809 |

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016

9. Plant and equipment - cont'd

The Company

| <u>Cost</u> | <u>Office equipment</u> | <u>Furniture & fittings</u> | <u>Renovations</u> | <u>Total</u> |
|---------------------------------|-----------------------------|-------------------------------------|--------------------|--------------|
| | \$ | \$ | \$ | \$ |
| Balance as at 01.01.2014 | 60,581 | 13,272 | 27,157 | 101,010 |
| Additions | 6,548 | 3,976 | 119,996 | 130,520 |
| Written off | (17,705) | (13,272) | (27,157) | (58,134) |
| Balance as at 31.12.2014 | 49,424 | 3,976 | 119,996 | 173,396 |
| Additions | 20,289 | - | - | 20,289 |
| Balance as at 31.03.2016 | 69,713 | 3,976 | 119,996 | 193,685 |
| <u>Accumulated depreciation</u> | | | | |
| Balance as at 01.01.2014 | 55,963 | 13,272 | 27,157 | 96,392 |
| Charge for the year | 5,566 | 1,326 | 40,340 | 47,232 |
| Written off | (17,705) | (13,272) | (27,157) | (58,134) |
| Balance as at 31.12.2014 | 43,824 | 1,326 | 40,340 | 85,490 |
| Charge for the year | 3,459 | 1,656 | 50,425 | 55,540 |
| Balance as at 31.03.2016 | 47,283 | 2,982 | 90,765 | 141,030 |
| <u>Net book value</u> | | | | |
| Balance as at 31.03.2016 | 22,430 | 994 | 29,231 | 52,655 |
| Balance as at 31.12.2014 | 5,600 | 2,650 | 79,656 | 87,906 |

10. Intangible assets

The Group

| <u>Cost</u> | <u>Software</u> | <u>Software under development</u> | <u>Total</u> |
|---------------------------------|-----------------|---------------------------------------|--------------|
| | \$ | \$ | \$ |
| Balance as at 01.01.14 | 520,630 | 54,884 | 575,514 |
| Additions | 22,075 | 5,216 | 27,291 |
| Balance as at 31.12.14 | 542,705 | 60,100 | 602,805 |
| Additions | 296,244 | 59,393 | 355,637 |
| Balance as at 31.03.16 | 838,949 | 119,493 | 958,442 |
| <u>Accumulated amortisation</u> | | | |
| Balance as at 01.01.14 | 125,581 | - | 125,581 |
| Charge for the year | 49,381 | - | 49,381 |
| Balance as at 31.12.14 | 174,962 | - | 174,962 |
| Charge for the year | 94,637 | - | 94,637 |
| Balance as at 31.03.16 | 269,599 | - | 269,599 |
| <u>Net Book Value</u> | | | |
| Balance as at 31.03.16 | 569,350 | 119,493 | 688,843 |
| Balance as at 31.12.14 | 367,743 | 60,100 | 427,843 |

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016

10. Intangible assets – cont'd

The Company

| <u>Cost</u> | <u>Software</u> | <u>Software under development</u> | <u>Total</u> |
|---------------------------------|-----------------|-----------------------------------|--------------|
| | \$ | \$ | \$ |
| Balance as at 01.01.2014 | 520,630 | 54,884 | 575,514 |
| Additions | 22,075 | 5,216 | 27,291 |
| Balance as at 31.12.2014 | 542,705 | 60,100 | 602,805 |
| Additions | 283,363 | 59,393 | 342,756 |
| Balance as at 31.03.2016 | 826,068 | 119,493 | 945,561 |
| <u>Accumulated amortisation</u> | | | |
| Balance as at 01.01.2014 | 125,581 | - | 125,581 |
| Charge for the year | 49,381 | - | 49,381 |
| Balance as at 31.12.2014 | 174,962 | - | 174,962 |
| Charge for the year | 94,600 | - | 94,600 |
| Balance as at 31.03.2016 | 269,562 | - | 269,562 |
| <u>Net book value</u> | | | |
| Balance as at 31.03.2016 | 556,506 | 119,493 | 675,999 |
| Balance as at 31.12.2014 | 367,743 | 60,100 | 427,843 |

11. Deferred tax asset / (liability)

| | <u>The Group</u> | |
|---|------------------|-------------|
| | <u>2016</u> | <u>2014</u> |
| | \$ | \$ |
| Balance as at beginning of the year | (63,003) | 39,893 |
| Transferred to statement of comprehensive income | 13,354 | (103,519) |
| Translation difference | (1,946) | 623 |
| Balance as at end of the year | (51,595) | (63,003) |
| Represented by: | | |
| Excess of net book value over tax written down value of property, plant & equipment | (71,595) | (69,405) |
| Unutilised capital allowances | 20,000 | 6,402 |
| | (51,595) | (63,003) |

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

11. Deferred tax asset / (liability) – cont'd

| | <u>The Company</u> | |
|---|--------------------|-----------------|
| | <u>2016</u> | <u>2014</u> |
| | \$ | \$ |
| Balance as at beginning of the year | (49,500) | 50,000 |
| Transferred to statement of comprehensive income | (45,000) | (99,500) |
| Balance as at end of the year | <u>(94,500)</u> | <u>(49,500)</u> |
| Represented by: | | |
| Excess of net book value over tax written down value of property, plant & equipment | (114,500) | (55,902) |
| Unutilised capital allowances | 20,000 | 6,402 |
| | <u>(94,500)</u> | <u>(49,500)</u> |

12. Interests in subsidiaries

| | <u>The Company</u> | |
|--|--------------------|----------------|
| | <u>2016</u> | <u>2014</u> |
| | \$ | \$ |
| Unquoted equity shares, at cost | 280,060 | 164,060 |
| Amount owing by subsidiary - non-trade | 400,000 | 116,000 |
| | <u>680,060</u> | <u>280,060</u> |

The amounts owing are unsecured, interest free and settlement is neither planned nor likely to occur in the foreseeable future.

| <u>Name of subsidiary companies</u> | <u>Country of incorporation and business</u> | <u>Principal activities</u> | <u>Investment cost</u> | | <u>Percentage of equity held</u> | |
|-------------------------------------|--|-------------------------------------|------------------------|-------------|----------------------------------|-------------|
| | | | <u>2016</u> | <u>2014</u> | <u>2016</u> | <u>2014</u> |
| | | | \$ | \$ | % | % |
| Pay Asia Management Private Limited | India | Payroll, hiring & staffing services | 275,299 | 159,299 | 99% | 98% |
| Pay Asia Ltd | Hong Kong | Payroll services | 1,664 | 1,664 | 100% | 100% |
| Pay Asia Services Limited, Inc | Philippines | Payroll services | 3,086 | 3,086 | 100% | 100% |
| Pay Asia Australia Pty Ltd | Australia | Payroll services | 11 | 11 | 100% | N/A |

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

13. Trade & other receivables

| | <u>2016</u> | <u>2014</u> |
|--|------------------|------------------|
| | \$ | \$ |
| <u>The Group</u> | | |
| Trade receivables | 1,806,681 | 1,000,999 |
| Prepayments | 183,409 | 222,514 |
| Deposit | 119,858 | 87,055 |
| Amount owing by related party - non-trade | 94,061 | 59,227 |
| Other receivables | 116,584 | 127,641 |
| Less: Provision for doubtful debts - trade | - | (18,891) |
| Provision for doubtful debts - non-trade | - | (54,762) |
| | <u>2,320,593</u> | <u>1,423,783</u> |

The currency profile of trade & other receivables are as follow:

| | | |
|-------------------|------------------|------------------|
| Indian rupees | 1,047,934 | 470,126 |
| Singapore dollars | 1,229,914 | 898,337 |
| Others | 42,745 | 55,320 |
| | <u>2,320,593</u> | <u>1,423,783</u> |

The Company

| | | |
|---|------------------|------------------|
| Trade receivables | 967,316 | 767,106 |
| Prepayments | - | 22,888 |
| Deposit | 66,681 | 46,202 |
| Amount owing by subsidiary - non-trade | 198,657 | 523,125 |
| Amount owing by related party - non-trade | 94,061 | 59,227 |
| Other receivables | 101,856 | 119,458 |
| Less : Provision for doubtful debts - trade | - | (18,891) |
| Provision for doubtful debts - non-trade | - | (54,762) |
| | <u>1,428,571</u> | <u>1,464,353</u> |

The currency profile of trade & other receivables are as follows:

| | | |
|-------------------|------------------|------------------|
| Singapore dollars | 1,375,162 | 1,421,462 |
| Others | 53,409 | 42,891 |
| | <u>1,428,571</u> | <u>1,464,353</u> |

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

13. Trade & other receivables - cont'd

| | <u>2016</u> | <u>2014</u> |
|---------------------------------------|-------------|---------------|
| | \$ | \$ |
| Provision for doubtful debts: | | |
| <u>The Group</u> | | |
| Balance as at beginning of the year | 73,653 | 60,416 |
| (Reversal) / addition during the year | (54,762) | 46,186 |
| Written off | (18,891) | (32,949) |
| Balance as at end of the year | <u>-</u> | <u>73,653</u> |
| <u>The Company</u> | | |
| Balance as at beginning of the year | 73,653 | 60,416 |
| (Reversal) / addition during the year | (54,762) | 18,891 |
| Written off | (18,891) | (5,634) |
| Balance as at end of the year | <u>-</u> | <u>73,653</u> |

Related parties are companies with common shareholders and the directors have significant influence. The amounts are unsecured, interest free and repayable on demand.

14. Cash & cash equivalents

| | <u>2016</u> | <u>2014</u> |
|----------------------|------------------|------------------|
| | \$ | \$ |
| <u>The Group</u> | | |
| Bank & cash balances | 446,458 | 581,059 |
| Clients' monies | 2,794,643 | 1,915,634 |
| | <u>3,241,101</u> | <u>2,496,693</u> |

The currency profile of cash & bank balances are as follows:

| | | |
|--------------------|------------------|------------------|
| Australian dollars | 14,803 | 24,723 |
| Hong Kong dollars | 47,807 | 34,226 |
| Philippines peso | 147,873 | 60,868 |
| Indian rupees | 849,590 | 880,902 |
| Singapore dollars | 2,181,028 | 1,495,974 |
| | <u>3,241,101</u> | <u>2,496,693</u> |

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

14. Cash & cash equivalents – cont'd

| | <u>2016</u> | <u>2014</u> |
|------------------------|------------------|------------------|
| | \$ | \$ |
| <u>The Company</u> | | |
| Cash and bank balances | 51,108 | 242,103 |
| Clients' monies | 2,129,920 | 1,253,871 |
| | <u>2,181,028</u> | <u>1,495,974</u> |

The currency profile of cash & bank balances are as follows:

| | | |
|-------------------|------------------|------------------|
| Singapore dollars | 2,179,768 | 1,493,014 |
| Others | 1,260 | 2,960 |
| | <u>2,181,028</u> | <u>1,495,974</u> |

15. Share capital and treasury shares

| | <u>No of ordinary shares</u> | | | | |
|-------------------------------|------------------------------|------------------------|----------------------|------------------------|-----------------------|
| | <u>Share capital</u> | <u>Treasury shares</u> | <u>Share capital</u> | <u>Treasury shares</u> | <u>Other reserves</u> |
| <u>2015</u> | | | \$ | \$ | \$ |
| Beginning of year | 25,200 | (504) | 50,400 | (38,000) | 20,000 |
| Treasury shares purchased | - | (1,260) | - | (145,000) | - |
| Bonus shares issued | | | | | |
| End of year | <u>25,200</u> | <u>(1,764)</u> | <u>50,400</u> | <u>(183,000)</u> | <u>20,000</u> |
| <u>2014</u> | | | | | |
| Beginning of year | 25,200 | (756) | 50,400 | (57,000) | 13,000 |
| Issued to employee as benefit | - | 252 | - | 19,000 | 7,000 |
| Bonus shares issued | - | - | - | - | - |
| End of year | <u>25,200</u> | <u>(504)</u> | <u>50,400</u> | <u>(38,000)</u> | <u>20,000</u> |

All issued ordinary shares are fully paid. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

Treasury shares

During the year, the company acquired 1,260 treasury shares from an ex-director for \$145,000.

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

16. Trade & other payables

| | <u>2016</u> | <u>2014</u> |
|---------------------------------|------------------|------------------|
| <u>The Group</u> | \$ | \$ |
| Trade payables | 1,111,894 | 640,963 |
| Advances of clients' monies | 2,174,397 | 1,918,456 |
| Advance payments from customers | 25,690 | 19,690 |
| Accruals | 675,830 | 331,661 |
| Other payables | 546,482 | 46,956 |
| | <u>4,534,293</u> | <u>2,957,726</u> |

The currency profile of trade & other payables are as follows:

| | <u>2016</u> | <u>2014</u> |
|--------------------|------------------|------------------|
| <u>The Group</u> | \$ | \$ |
| Australian dollars | 88,177 | 13,460 |
| Hong Kong dollars | 35,823 | 21,713 |
| Indian rupees | 1,650,291 | 1,019,238 |
| Japanese yen | - | 8,788 |
| Philippines peso | 129,864 | 50,760 |
| Singapore dollars | 2,630,138 | 1,689,122 |
| US dollars | - | 82,511 |
| Others | - | 72,134 |
| | <u>4,534,293</u> | <u>2,957,726</u> |

The Company

Trade payables:

| | | |
|-------------------------------|------------------|------------------|
| - third parties | 698,097 | 405,112 |
| - Advances of clients' monies | 2,167,415 | 1,396,187 |
| | <u>2,865,512</u> | <u>1,801,299</u> |

Other payables:

| | | |
|-----------------------------------|------------------|------------------|
| - Advance payments from customers | 25,690 | 19,690 |
| - Accruals | - | 161,996 |
| - Other payables | 3,480 | 3,480 |
| | <u>2,894,682</u> | <u>1,986,465</u> |

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

16. Trade & other payables - cont'd

| | <u>2016</u> | <u>2014</u> |
|---|------------------|------------------|
| | \$ | \$ |
| The currency profile of trade & other payables is as follows: | | |
| Australian dollars | 23,053 | 11,874 |
| Hong Kong dollars | 4,126 | 121,892 |
| Japanese yen | 8,788 | 13,349 |
| Singapore dollars | 2,704,072 | 1,755,574 |
| South African rand | 31,221 | 23,961 |
| US dollars | 82,511 | 57,885 |
| Others | 40,911 | 1,930 |
| | <u>2,894,682</u> | <u>1,986,465</u> |

17. Related party transactions

An entity or individual is considered a related party of the Company for the purpose of the financial statement if:

- (i) it possess the ability (directly or indirectly) to control or exercise significant influence over the financial and operating decisions of the Company or vice versa;
- (ii) it is subjected to common control or common significant influences.

During the financial year under review, there were the following significant related party transactions:

| | <u>2016</u> | <u>2014</u> |
|---|--------------|--------------|
| | \$ | \$ |
| With companies in which the directors have an interest: | | |
| Services rendered | 53,991 | - |
| Payment on behalf | <u>1,871</u> | <u>3,273</u> |

18. Dividends

During the financial year, dividends of \$6.08 (2014: \$6.08) per share amounting to \$150,000 (2014: \$150,000), in respect of the year ended 31 December 2014 was paid.

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

19. Capital risk commitment

The Group's objectives when managing capital are:

- (a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (b) To support the Group's stability and growth.

The capital structure of the Group comprises only of issued capital, treasury shares, other reserves and retained earnings. The Group overall strategy remains unchanged from 2014. The Group is not subject to any externally imposed capital requirements.

20. Operating lease commitments

Operating lease commitments in respect of leasehold land are as follows:

| | The Group & the Company | |
|--------------------------|-------------------------|---------------|
| | 2016 | 2014 |
| | \$ | \$ |
| Payable within 1 year | 178,213 | 39,396 |
| Payable within 2-5 years | 282,171 | - |
| | <u>460,384</u> | <u>39,396</u> |

21. Financial risk management

Finance risk factors:

The Company is exposed to market risk (including interest rate and foreign currency risks), credit risk and liquidity risk. The Company's overall risk management seeks to minimise potential adverse effects of these risks on the financial performances of the Company.

(a) Credit risk

Management has adopted the policy of only dealing with credit worthy parties.

At the end of the reporting period, there were no significant concentrations of credit risk.

The Maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Financial assets that are neither past due nor impaired

Trade & other receivables that are neither past due nor impaired are creditworthy debtors with good records with the Group. Cash & cash equivalents, investment securities are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

21. Financial risk management - cont'd

(a) Credit risk - cont'd

Financial assets that are past due but not impaired

The Group has trade receivables amounting to \$1,037,778 (2014: \$449,525) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

| | <u>2016</u> | <u>2014</u> |
|-------------------|------------------|----------------|
| | \$ | \$ |
| Current | 768,903 | 532,472 |
| Past due:- | | |
| Less than 30 days | 552,233 | 197,082 |
| 31 - 60 days | 282,786 | 91,277 |
| More than 60 days | 202,758 | 161,277 |
| | <u>1,806,681</u> | <u>982,108</u> |

(b) Liquidity risk

The Group maintains adequate reserves of cash to meet its liquidity requirements.

(c) Interest rate risk

The Group has no significant exposure to interest rate risks.

(d) Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currency giving rise to this risk is primarily the Singapore dollars. There is no formal hedging policy with respect to the foreign exchange exposure. Exposure to exchange risk is monitored on an ongoing basis and the Group endeavors to keep the net exposure at an acceptable level.

Sensitivity analysis for foreign currency risk

The following demonstrates the sensitivity to a reasonably possible change in the exchange rate between the functional currency of the respective subsidiaries and the Singapore dollars on the Group's profit before tax.

A 5% (2014: 5%) strengthening of the Singapore dollar against other currencies at the end of the reporting period would have increased/(decreased) profit before tax by the amounts shown below. The analysis assumes that all other variables remain constant and is performed on the same basis for financial year ended 2013.

| | <u>2016</u> | <u>2014</u> |
|-----------|---------------|-----------------|
| | \$ | \$ |
| The Group | <u>16,938</u> | <u>(13,786)</u> |

A 5% (2014: 5%) weakening of the Singapore dollar against the other currencies at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above on the basis that all other variables remain constant.

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

22. Fair value of financial instruments

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost.

(a) Classification of financial instruments

The following table analyses the financial assets and liabilities in the statement of financial position by the class of the financial instrument to which they are assigned and therefore by the basis of measurement.

| <u>The Group - 2016</u> | | Liabilities at amortised cost | Non financial assets & liabilities | Total |
|---------------------------|-----------------------------------|--|---|------------------|
| <u>Assets</u> | <u>Loan & receivables</u> | | | |
| | \$ | \$ | \$ | \$ |
| Plant & equipment | - | - | 122,082 | 122,082 |
| Intangible assets | - | - | 688,843 | 688,843 |
| Trade & other receivables | 2,320,593 | - | - | 2,320,593 |
| Cash & cash equivalents | 3,241,101 | - | - | 3,241,101 |
| | <u>5,561,694</u> | <u>-</u> | <u>810,925</u> | <u>6,372,619</u> |

| <u>Liabilities</u> | | | | |
|------------------------|----------|------------------|---------------|------------------|
| Trade & other payables | - | 4,534,293 | - | 4,534,293 |
| Deferred taxation | - | - | 51,595 | 51,595 |
| | <u>-</u> | <u>4,534,293</u> | <u>51,595</u> | <u>4,585,888</u> |

The Group - 2014

| <u>Assets</u> | | | | |
|---------------------------|------------------|----------|----------------|------------------|
| Plant & equipment | - | - | 347,808 | 347,808 |
| Intangible assets | - | - | 427,843 | 427,843 |
| Trade & other receivables | 1,201,269 | - | 222,514 | 1,423,783 |
| Cash & cash equivalents | 2,496,693 | - | - | 2,496,693 |
| | <u>3,697,962</u> | <u>-</u> | <u>998,165</u> | <u>4,696,127</u> |

| <u>Liabilities</u> | | | | |
|------------------------|----------|------------------|---------------|------------------|
| Trade & other payables | - | 2,957,726 | - | 2,957,726 |
| Provision for taxation | - | - | 30,836 | 30,836 |
| Deferred taxation | - | - | 63,003 | 63,003 |
| | <u>-</u> | <u>2,957,726</u> | <u>93,839</u> | <u>3,051,565</u> |

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

22. Fair value of financial instruments - cont'd

| <u>The Company - 2016</u> | <u>Loan & receivables</u> | <u>Liabilities at amortised cost</u> | <u>Non financial assets & liabilities</u> | <u>Total</u> |
|---------------------------|-----------------------------------|--|---|------------------|
| | \$ | \$ | \$ | \$ |
| <u>Assets</u> | | | | |
| Plant & equipment | - | - | 52,655 | 52,655 |
| Intangible assets | - | - | 675,999 | 675,999 |
| Interests in subsidiaries | - | - | 680,060 | 680,060 |
| Trade & other receivables | 1,428,571 | - | - | 1,428,571 |
| Cash & cash equivalents | 2,181,028 | - | - | 2,181,028 |
| | <u>3,609,599</u> | <u>-</u> | <u>1,408,714</u> | <u>5,018,313</u> |

Liabilities

| | | | | |
|------------------------|----------|------------------|---------------|------------------|
| Trade & other payables | - | 2,894,682 | - | 2,894,682 |
| Deferred taxation | - | - | 94,500 | 94,500 |
| | <u>-</u> | <u>2,894,682</u> | <u>94,500</u> | <u>2,989,182</u> |

The Company - 2014

| | | | | |
|---------------------------|------------------|----------|----------------|------------------|
| <u>Assets</u> | | | | |
| Plant & equipment | - | - | 87,906 | 87,906 |
| Intangible assets | - | - | 427,843 | 427,843 |
| Interests in subsidiaries | - | - | 280,060 | 280,060 |
| Trade & other receivables | 1,441,465 | - | 22,888 | 1,464,353 |
| Cash & cash equivalents | 1,495,974 | - | - | 1,495,974 |
| | <u>2,937,439</u> | <u>-</u> | <u>818,697</u> | <u>3,756,136</u> |

Liabilities

| | | | | |
|------------------------|---|-----------|---|-----------|
| Trade & other payables | - | 1,986,465 | - | 1,986,465 |
| (b) Fair value | | | | |

The carrying value of the financial instruments reported on the statement of financial position approximate their respective fair value due to the relatively short term maturity of these financial instruments.

PAY ASIA PTE LTD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

23. Reclassification

The following comparative have been reclassified to conform with current year's presentation, which is a better reflection of Non-Current Assets of the Company.

| <u>The Group - 2014</u> | <u>As reclassified</u> | <u>As previously reported</u> | <u>Increase/ (decrease)</u> |
|--|------------------------|-------------------------------|---------------------------------|
| | \$ | \$ | \$ |
| <u>Statement of financial position</u> | | | |
| Plant & equipment | 347,808 | 775,651 | (427,843) |
| Intangible assets | 427,843 | - | 427,843 |
| <u>The Company - 2014</u> | | | |
| <u>Statement of financial position</u> | | | |
| Plant & equipment | 87,906 | 515,749 | (427,843) |
| Intangible assets | 427,843 | - | 427,843 |

24. Authorisation of financial statements

The board of directors authorise these financial statements for issue on 11 February 2017.

THE FOLLOWING STATEMENT DOES NOT FORM PART OF THE
AUDITED FINANCIAL STATEMENTS OF THE COMPANY

PAY ASIA PTE LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2016

| | 2016 S\$ | 2014 S\$ |
|--|-------------|-------------|
| Revenue | 6,578,525 | 5,326,909 |
| <u>Other income</u> | | |
| Exchange gain | 5,247 | - |
| Others | 131,333 | 41,660 |
| | 136,580 | 41,660 |
| <u>Subcontractors</u> | | |
| Partner fees | 2,054,309 | 1,830,669 |
| Professional services | 222,096 | 189,321 |
| | (2,276,405) | (2,019,990) |
| <u>Employee benefits expense</u> | | |
| CPF contribution and SDL | 209,256 | 124,318 |
| Directors' remuneration | 683,036 | 403,295 |
| Directors' CPF | 32,131 | 12,412 |
| Directors' housing rental | 62,061 | - |
| Foreign workers levy | 11,638 | 13,372 |
| Salaries and wages | 1,725,469 | 1,758,438 |
| Staff incentives | 1,580 | 10,000 |
| Staff training and welfare | 6,492 | 9,561 |
| | (2,731,663) | (2,331,396) |
| Depreciation of plant & equipment | (150,140) | (96,613) |
| <u>Other operating expenses</u> | | |
| Accounting fee | 3,858 | 3,578 |
| Advertisement & promotion | 31,910 | - |
| Amount owing by subsidiary written off | - | 78,941 |
| Auditors' remuneration | 10,600 | 10,000 |
| Bank charges | 28,077 | 24,062 |
| Courier | 3,548 | 4,473 |
| Doubtful debts - trade | - | 18,891 |
| Entertainment | 9,172 | 5,596 |
| Exchange loss | - | 3,944 |

PAY ASIA PTE LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2016

| | 2016 S\$ | 2014 S\$ |
|----------------------------|-------------|-------------|
| General expenses | 2,052 | 2,293 |
| Hosting services | 191,022 | 122,839 |
| Income tax fee | - | - |
| Insurance | 27,238 | 27,922 |
| Office rental | 238,695 | 131,685 |
| Penalty | 276 | 595 |
| Postage and stamps | - | 137 |
| Printing and stationery | 16,165 | 8,311 |
| Professional fee | 141,681 | 215,365 |
| Recruitment expenses | 2,186 | 810 |
| Renovation general work | - | 7,899 |
| Rental of office equipment | 8,093 | 6,477 |
| Repair and maintenance | 7,740 | 3,399 |
| Secretarial fee | 7,291 | 1,090 |
| Subscription | 2,007 | 1,063 |
| Telecommunications | 51,265 | 27,866 |
| Training | 2,215 | 535 |
| Transport | 12,161 | 12,275 |
| Travelling | 97,914 | 83,461 |
| Water and electricity | 5,279 | 6,531 |
| | (900,445) | (810,038) |
| Profit before taxation | 656,452 | 110,532 |