

MASTERCARD ASIA/PACIFIC PTE LTD
(Incorporated in Singapore. Registration Number: 199306324E)

ANNUAL REPORT
For the financial year ended 31 December 2017

MASTERCARD ASIA/PACIFIC PTE LTD

(Incorporated in Singapore)

ANNUAL REPORT

For the financial year ended 31 December 2017

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MASTERCARD ASIA/PACIFIC PTE LTD

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The directors present their statement to the member together with the audited financial statements of Mastercard Asia/Pacific Pte Ltd ("the Company") for the financial year ended 31 December 2017.

In the opinion of the directors,

- (a) the financial statements as set out on pages 7 to 43 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Company for the financial year then ended;
- (b) the Company is a wholly-owned subsidiary of Mastercard Incorporated, a company incorporated in the United States of America, which prepares consolidated financial statements, and is therefore exempt from having to prepare one set of consolidated financial statements under Singapore Financial Reporting Standard No. 110, Consolidated Financial Statements; and
- (c) 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. The intermediate holding company has undertaken to provide continuing financial support to the Company to enable the Company to meet its liabilities as and when they fall due for a period of 12 months from the date of the financial statements.

Directors

The directors of the Company in office at the date of this statement are as follows:

Arijit Ranjan Sarker
Naushaza Molu (appointed on 30 August 2017)
Ling Hai
Mohammed Shafi Shaik

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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, other than as disclosed under "Directors' interests in shares or debentures".

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had interests in stock options ("options"), restricted stock units ("RSUs") and performance stock units ("PSUs") to subscribe for ordinary shares of its ultimate holding company, Mastercard Incorporated ("MA"), granted pursuant to the Employee Long-Term Incentive Plan ("LTIP") as set out below, except as follows:

MASTERCARD ASIA/PACIFIC PTE LTD

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

Directors' interests in shares or debentures (continued)

	No. of unissued ordinary shares of its ultimate holding company under RSUs	
	At 31 December 2017	At 1 January 2017 or date of appointment if later
Arijit Ranjan Sarker	1,587	2,896
Mohammed Shafi Shaik	3,343	3,336
Ling Hai	1,700	3,565
Felix Marx (resigned 13 March 2018)	6,595	11,914

	No. of unissued ordinary shares of its ultimate holding company under PSUs	
	At 31 December 2017	At 1 January 2017 or date of appointment if later
Arijit Ranjan Sarker	4,162	2,181
Ling Hai	4,905	2,726

	No. of issued ordinary shares of its ultimate holding company	
	At 31 December 2017	At 1 January 2017 or date of appointment if later
Arijit Ranjan Sarker	2,239	1,155
Ling Hai	18,475	16,610

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interests, except as disclosed in the accompanying financial statements and in this statement, and except that certain directors have received remuneration as a result of their employment with related corporations.

Share options

(a) Long-Term Incentive Plan (the "LTIP")

In May 2006, the ultimate holding company, MA, implemented the Mastercard Incorporated 2006 Long-Term Incentive Plan, which was amended and restated as of 13 October 2008 (the "LTIP"). The LTIP is a shareholder-approved omnibus plan that permits the grant of various types of equity awards to employees.

MASTERCARD ASIA/PACIFIC PTE LTD

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

Share options (continued)

(a) Long-Term Incentive Plan (the "LTIP") (continued)

MA has granted non-qualified options, RSUs and PSUs under the LTIP. The options, which expire ten years from the date of grant, generally vest rateably over four years from the date of grant. The RSUs vest after three to four years. The PSUs vest after three years. MA uses the straight-line method of attribution for expensing equity awards. Compensation expense is recorded net of estimated forfeitures. Estimates are adjusted as appropriate.

Options granted to directors holding office at the end of the financial year are as follows:

	Number of unissued ordinary shares of its ultimate holding company under options held by director			
	Granted in financial year ended 31 December 2017	Aggregate granted since commencement of scheme to 31 December 2017	Aggregate exercised since commencement of scheme to 31 December 2017	Aggregate outstanding as at 31 December 2017
Arijit Ranjan Sarker	11,776	22,540	-	22,540
Ling Hai	12,952	86,296	25,990	60,306
Felix Marx (resigned 13 March 2018)	7,656	16,332	4,338	11,994

(b) Share Options outstanding

The number of unissued ordinary shares of Mastercard Incorporated under option in relation to the LTIP outstanding at the end of the financial year is as follows:

	No. of unissued ordinary shares at 31 December 2017	Exercise price	Exercise period
2011 Options	2,810	US\$24.04	1 March 2011 to 28 February 2021
2012 Options	4,220	US\$42.04	1 March 2012 to 28 February 2022
2013 Options	8,220	US\$51.83	1 March 2013 to 28 February 2023
2014 Options	9,972	US\$77.72	1 March 2014 to 28 February 2024
2015 Options	13,014	US\$90.13	1 March 2015 to 28 February 2025
2016 Options	24,220	US\$90.10	1 March 2016 to 28 February 2026
2017 Options	32,384	US\$112.31	1 March 2017 to 28 February 2027

No options were exercised during the year.

MASTERCARD ASIA/PACIFIC PTE LTD

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors



Mohammed Shafi Shaik
Director



Naushaza Molu
Director

29 AUG 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MASTERCARD ASIA/PACIFIC PTE LTD

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements of Mastercard Asia/Pacific Pte Ltd (the "Company"), set out on pages 7 to 43, are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs"), so as to give a true and fair view of the financial position of the Company as at 31 December 2017, and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the year ended 31 December 2017;
- the balance sheet as at 31 December 2017;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement included in pages 1 to 4 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 Management and Directors 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 Act and FRSs, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
MASTERCARD ASIA/PACIFIC PTE LTD (continued)**

Responsibilities of Management and Directors for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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 financial statements.

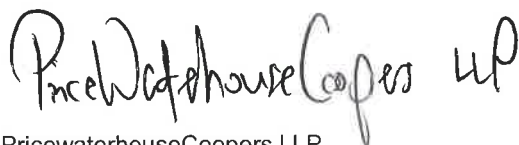
As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, 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.

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 have been properly kept in accordance with the provisions of the Act.



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 29 August 2018

MASTERCARD ASIA/PACIFIC PTE LTD**STATEMENT OF COMPREHENSIVE INCOME***For the financial year ended 31 December 2017*

	Notes	2017 US\$	2016 US\$
Revenue	4	2,508,194,689	2,179,166,002
Other gains/(losses) – net	5	51,265,847	(69,512,326)
Expenses			
- Employee compensation	6	(109,551,836)	(96,527,839)
- Advertising and marketing		(423,627,734)	(350,188,160)
- Travelling		(10,262,693)	(9,658,236)
- Depreciation	15	(3,307,578)	(1,443,832)
- Other operating expenses	7	(1,273,092,167)	(1,395,943,437)
Total expenses		(1,819,842,008)	(1,853,761,504)
Profit before income tax		739,618,528	255,892,172
Income tax expense	8(a)	(24,233,195)	(17,429,811)
Profit after tax		715,385,333	238,462,361
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value losses	10	(54,862)	(27,366)
- Reclassification upon sale of available-for-sale financial assets		27,366	189,870
Total comprehensive income		715,357,837	238,624,865

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

MASTERCARD ASIA/PACIFIC PTE LTD

BALANCE SHEET

As at 31 December 2017

	Note	2017 US\$	2016 US\$
ASSETS			
Current assets			
Cash and cash equivalent	9	723,563,321	572,407,626
Trade receivables	11	313,940,058	250,724,260
Available-for-sale financial assets	10	33,000,267	29,503,901
Due from intermediate holding company	12	2,007,544	2,117,002
Due from subsidiaries and related companies	12	46,077,490	24,683,339
Intercompany loans	16	84,384,395	289,215,395
Other receivables	13	176,555,180	188,556,388
		1,379,528,255	1,357,207,911
Non-current assets			
Investments in subsidiaries	14	251,946,055	242,948,836
Available-for-sale financial assets	10	65,235,083	67,677,203
Property, plant and equipment	15	14,465,865	4,207,224
Deferred income tax assets	17	243,243	343,479
Club memberships		523,760	324,214
Intercompany loans	16	932,297,297	224,114,900
Other receivables	13	485,879,893	206,214,364
		1,750,591,196	745,830,220
Total assets		3,130,119,451	2,103,038,131
LIABILITIES			
Current liabilities			
Due to intermediate holding company	18	78,417,395	116,969,142
Due to related companies and subsidiaries	18	92,197,147	72,594,815
Tax payables	8(b)	18,210,947	11,698,390
Trade payables	19	989,950,567	777,633,188
Other payables	20	262,266,113	204,447,086
Intercompany loan	16	124,700,000	-
		1,565,742,169	1,183,342,621
Non-current liabilities			
Provision for reinstatement	21	22,549	123
Trade payables	19	58,444,956	36,899,744
		58,467,505	36,899,867
Total liabilities		1,624,209,674	1,220,242,488
NET ASSETS		1,505,909,777	882,795,643
EQUITY			
Capital and reserves			
Share capital	22	28,852,416	28,852,416
Translation reserve		702,677	522,157
Equity compensation reserve		11,880,722	10,123,415
Fair value reserve		(54,862)	(27,366)
Retained profits		1,464,528,824	843,325,021
		1,505,909,777	882,795,643

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

MASTERCARD ASIA/PACIFIC PTE LTD

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Share capital US\$	Translation reserve US\$	Equity compensation reserve US\$	Fair value reserve US\$	Retained profits US\$	Total equity US\$
2017						
Beginning of financial year	28,852,416	522,157	10,123,415	(27,366)	843,325,021	882,795,643
Currency translation differences	-	180,520	-	-	-	180,520
Share-based compensation for the year (Note 6)	-	-	10,669,564	-	-	10,669,564
Reversal upon settlement with intermediate holding company	-	-	(8,912,257)	-	-	(8,912,257)
Dividend distribution to immediate holding company (Note 26)	-	-	-	-	(94,181,530)	(94,181,530)
Total comprehensive income	-	-	-	(27,496)	715,385,333	715,357,837
End of financial year	28,852,416	702,677	11,880,722	(54,862)	1,464,528,824	1,505,909,777
2016						
Beginning of financial year	28,852,416	605,356	12,208,131	(189,870)	655,642,175	697,118,208
Currency translation differences	-	(83,199)	-	-	-	(83,199)
Share-based compensation for the year (Note 6)	-	-	8,662,071	-	-	8,662,071
Reversal upon settlement with intermediate holding company	-	-	(10,746,787)	-	-	(10,746,787)
Dividend distribution to immediate holding company (Note 26)	-	-	-	-	(50,779,515)	(50,779,515)
Total comprehensive income	-	-	-	162,504	238,462,361	238,624,865
End of financial year	28,852,416	522,157	10,123,415	(27,366)	843,325,021	882,795,643

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

MASTERCARD ASIA/PACIFIC PTE LTD

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Notes	2017 US\$	2016 US\$
Cash flows from operating activities			
Profit after tax		715,385,333	238,462,361
Adjustments for:			
- Income tax expense	8(a)	24,233,195	17,429,811
- Depreciation	15	3,307,578	1,443,832
- (Gain)/loss on disposal of property, plant and equipment	5	(16,832)	5,558
- Interest income	5	(43,450,026)	(14,522,046)
- Loss from AFS financial asset		(27,496)	-
- Currency translation differences		586,272	856,758
- Share-based compensation expense	6	10,669,564	8,662,071
- Impairment loss on investments in subsidiaries	5	-	90,000,000
- Loss on disposal of investments in subsidiaries	5	3,662,897	-
		<u>714,350,485</u>	<u>342,338,345</u>
Change in working capital			
- Other receivables		(267,763,631)	(79,223,361)
- Trade receivables		(63,215,798)	(68,561,560)
- Available-for-sale financial assets		(1,054,246)	(15,407,250)
- Due from/to intermediate holding company, subsidiaries and related companies		(49,146,365)	(3,474,331)
- Trade payables		233,862,591	203,002,008
- Other liabilities		57,841,453	18,129,803
Cash generated from operations		<u>624,874,489</u>	<u>396,803,654</u>
Income tax paid	8(b)	(17,410,835)	(16,400,473)
Net cash provided by operating activities		<u>607,463,654</u>	<u>380,403,181</u>
Cash flows from investing activities			
Loans to related parties	16	(503,351,397)	(204,831,000)
Purchase of property, plant and equipment	15	(14,283,933)	(4,549,051)
Proceeds from disposal of property, plant and equipment		18,991	-
Proceeds from disposal of subsidiaries		448,250	-
Addition in investments in subsidiaries		(13,108,366)	(18,697,453)
Interest received		43,450,026	21,105,472
Net cash used in investing activities		<u>(486,826,429)</u>	<u>(206,972,032)</u>
Cash flows from financing activities			
Dividend distribution to immediate holding company	26	(94,181,530)	(50,779,515)
Loan from related company		124,700,000	-
Net cash provided by/(used in) financing activities		<u>30,518,470</u>	<u>(50,779,515)</u>
Net increase in cash and cash equivalent		<u>151,155,695</u>	<u>122,651,634</u>
Cash and cash equivalent at beginning of financial year	9	572,407,626	449,755,992
Cash and cash equivalent at end of financial year	9	<u>723,563,321</u>	<u>572,407,626</u>

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

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

1. General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 3 Fraser Street DUO Tower Level #17-21/28, Singapore 189352. The Company has registered branches in Malaysia and Thailand and a representative office in Vietnam.

The principal activities of the Company are those relating to the payment technology that connects consumers, financial institutions, merchants, and businesses worldwide, enabling them to use electronic forms of payment and investment holding. The Company earns fees from customers in the Asia Pacific, Middle East and Africa ("APMEA") region for providing transaction processing and other payment-related services to customers.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

As at 31 December 2017, the Company's current liabilities exceeded its current assets by USD 186,213,914. The financial statements have been prepared on a going concern basis as the intermediate holding company has undertaken to provide financial support to the Company to enable the Company to meet its liabilities as and when they fall due for a period of 12 months from the date of the financial statements.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

The Company's revenue is comprised principally of fees charged to customers for providing transaction processing and other payment related services and by assessing customers based on dollar volume of activity on the cards and other devices that carry its brands.

Domestic assessment fees are charged to issuers and acquirers based primarily on the volume of activity on cards that carry its brands where the merchant country and the issuer country are the same.

Cross-border volume fees are charged to issuers and acquirers based on the volume of activity on cards that carry its brands where the merchant country and the issuer country are different.

Transaction processing fees are calculated by multiplying the number and type of transactions by the contractual price for each service.

Other revenues for other payment-related services are primarily dependent on the nature of the product or service provided to the customer and comprise mainly of fees such as cardholder service fees for benefits provided with Mastercard-branded cards, and fees associated with fraud products and services used to prevent or detect fraudulent transactions.

Service fee income is for services rendered to the Company's immediate holding company and related companies. It is calculated based on cost plus a percentage mark-up adjusted for selected items in accordance with the service agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

Volume-based revenue (domestic assessments and cross-border volume fees) is recorded as revenue in the period it is earned, which is when the related volume is generated on the cards. Transaction-based fees are recognised as revenue in the same period as the related transactions occur. Other payment-related products and services are recognised as revenue in the same period as the related transactions occur or services are rendered.

2.3 Group accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on that control ceases.

(b) Consolidation

These financial statements are separate financial statements of the Company. The Company is exempted from the preparation of consolidated financial statements as the Company is a wholly-owned subsidiary of Mastercard Incorporated, a United States-incorporated company which produces consolidated financial statements available for public use. The significant subsidiaries of the Company are disclosed in Note 14. The registered office of Mastercard Incorporated is 2000 Purchase Street, Purchase NY 10577-2509, United States of America.

2.4 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Useful lives</u>
Leasehold improvements	Over the remaining lease period
Motor vehicles	5 years
Furniture and fixtures	5 years
Office equipment	3 - 5 years
Software	3 years

The residual values, estimated useful lives and depreciation method of property and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the profit or loss when the changes arise.

2.5 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.6 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever there is any indication that these assets may be impaired.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss.

An impairment loss for an asset 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 the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.7 Bank balances, trade receivables, other receivables, intercompany loans, due from intermediate holding company, subsidiaries and related companies

Bank balances, trade receivables, other receivables, intercompany loans, due from intermediate holding company, subsidiaries and related companies are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet which are presented as non-current assets.

2.8 Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at their fair values plus transaction costs and subsequently carried at their fair values. Changes in fair values are recognised in other comprehensive income and accumulated under the fair value reserve within equity.

These financial assets are recognised on the date which the Company commits to purchase the asset. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired. Significant or prolonged decline in the fair value of an equity security below its cost is objective evidence that the security is impaired.

If there is evidence of impairment, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. Impairment losses on available-for-sale equity securities are not reversed through the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.8 Available-for-sale financial assets (continued)

On disposal, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the other comprehensive income relating to that asset is transferred to profit or loss.

2.9 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities, carried at amortised cost approximate their fair values.

The fair values of non-current financial assets and liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

2.10 Operating leases payments

Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the profit or loss when incurred.

When an operating lease is terminated before the lease period expires, any payment made by the Company as penalty is recognised as an expense when termination takes place.

2.11 Other payables, due to intermediate holding company and related companies and subsidiaries

Other payables, due to intermediate holding company, related companies and subsidiaries are initially recognised at their fair value, and subsequently carried at amortised cost, using the effective interest method.

2.12 Income taxes

Current income tax is recognised at the amount expected to be paid to or recovered from the tax authorities.

Deferred income tax is recognised for all temporary differences except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.12 Income taxes (continued)

Deferred income tax is measured based on the tax consequence that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

2.13 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Company recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Reinstatement

Provision for reinstatement is recognised in accordance with the applicable contractual requirements to reinstate leasehold building back to its original condition upon expiry of the lease.

2.14 Employee compensation

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The Company's contribution to defined contribution plans are recognised as employee compensation expense when the contributions are due, unless they can be capitalised as an asset.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.14 Employee compensation (continued)

(c) Equity-settled share-based compensation

The Company's ultimate holding company operates an equity-based share-based compensation plan and grants various types of equity awards to the Company's employees. The fair value of the employees services received in exchange for the grant of equity awards is recognised as an expense in the profit or loss with a corresponding increase in equity compensation reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of equity awards granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At each balance sheet date, the Company revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognised the impact of the revision of the estimates in the profit or loss with a corresponding adjustment to the equity compensation reserve over the remaining vesting period.

2.15 Currency translation

(a) Transactions and balances

The financial statements are presented in United States Dollars ("US\$"), which is the functional currency of the Company.

Transactions in a currency other than the US\$ ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

(b) Translation of the Company's overseas branches' and representative office's financial statements

The results and financial position of all the Company's overseas branches and representative office (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

2. Significant accounting policies (continued)

2.15 Currency translation (continued)

(b) Translation of the Company's overseas branches' and representative office's financial statements (continued)

- (i) Assets and liabilities are translated at the closing exchange rates at the date of the balance sheet;
- (ii) Income and expenses are translated at average exchange rates (unless the 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 using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in the currency translation reserve.

2.16 Cash and cash equivalent

For the purpose of presentation in the statement of cash flows, cash and cash equivalent include cash on hand and deposits with financial institutions, which are subject to an insignificant risk of change in value.

2.17 Share capital

Ordinary shares are classified as equity.

Preference shares which are redeemable on a specific date or at the option of the shareholder, or which carry non-discretionary dividend obligations, should be classified as liabilities. The dividends on these preference shares are taken to the profit or loss as interest expense. Non-redeemable preference shares with discretionary dividends should be classified as equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates or assumptions that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Rebates and incentives

The Company has business agreements with certain customers that provide for fee rebates when the customers meet certain volume hurdles as well as other support incentives such as marketing, which are tied to performance. Rebates and incentives are recorded as a reduction of revenue in the same period as the revenue is earned or performance has occurred. Rebates and incentives are calculated on a monthly basis based upon estimated performance and the terms of the related business agreements. In addition, the Company may incur costs directly related to the acquisition of the contract, which are deferred and amortised over the life of the contract.

In addition, certain incentives are prepaid and amortised over the life of the agreement or based on the terms of the related agreements. In the event of customer or merchant business failure, these prepayment and incentives may not have future economic benefits for the business. Impairment analysis is performed quarterly or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

(b) Income taxes

The Company is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses at each tax jurisdiction. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2017***4. Revenue**

	2017 US\$	2016 US\$
Fees for services rendered to:		
- Immediate holding company	5,239,275	8,005,898
- Related companies	<u>45,597,567</u>	<u>27,991,386</u>
	<u>50,836,842</u>	<u>35,997,284</u>
Revenue from customers		
- Domestic assessment fees	661,134,572	503,908,431
- Cross-border volume fees	1,248,448,390	1,144,271,490
- Transaction processing fees	1,558,688,499	1,249,949,138
- Rebates and incentives	<u>(1,010,913,614)</u>	<u>(754,960,341)</u>
	<u>2,457,357,847</u>	<u>2,143,168,718</u>
	<u>2,508,194,689</u>	<u>2,179,166,002</u>

5. Other gains/(losses) - net

	2017 US\$	2016 US\$
Gain/(loss) on disposal of property, plant and equipment	16,832	(5,558)
Interest income from intercompany loans	43,450,026	14,522,046
Gain on sale of available-for-sale financial assets	107,642	189,870
Impairment loss on investments in subsidiaries	-	(90,000,000)
Loss on disposal of subsidiaries	<u>(3,662,897)</u>	-
Other	<u>11,354,244</u>	<u>5,781,316</u>
	<u>51,265,847</u>	<u>(69,512,326)</u>

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

6. Employee compensation

	2017 US\$	2016 US\$
Wages and salaries	55,796,597	53,750,143
Employer's contribution to defined contribution plans including Central Provident Fund	4,009,446	3,130,492
Share-based compensation expense	10,669,564	8,662,071
Other benefits	39,076,229	30,985,133
	109,551,836	96,527,839

Key management personnel compensation is disclosed in Note 27.

Long Term Incentive Plan (the "LTIP")

In May 2006, the ultimate holding company, Mastercard Incorporated ("MA"), implemented the Mastercard Incorporated 2006 Long-Term Incentive Plan, which was amended and restated as of 13 October 2008 (the "LTIP"). The LTIP is a shareholder-approved omnibus plan that permits the grant of various types of equity awards to employees.

The Company has granted non-qualified stock options ("Options"), restricted stock units ("RSUs") and performance stock units ("PSUs") under the LTIP. The options, which expire ten years from the date of grant, generally vest rateably over four years from the date of grant. The RSUs and PSUs vest after three to four years. The Company uses the straight-line method of attribution for expensing equity awards. Compensation expense is recorded net of estimated forfeitures. Estimates are adjusted as appropriate.

Upon termination of employment, excluding retirement, all of a participant's unvested awards are forfeited. However, when the participants terminate employment due to retirement, the participants retain all of their awards without providing additional service to the Company.

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

6. Employee compensation (continued)

Long Term Incentive Plan (the "LTIP") (continued)

The summary of RSUs, PSUs and options as of 31 December 2017 and changes during the year are presented below:

	Restricted Stock Units		Performance Stock Units		Options	
	No. of Shares as at year end	Weighted Average Share Price US\$	No. of Shares as at year end	Weighted Average Grant Price US\$	No. of Shares as at year end	Weighted Average Exercise Price US\$
2017						
Outstanding at the beginning of year	168,434		4,182		325,229	
Granted during the year	56,752	110.5	-	-	35,332	112.3
Exercised/vested during the year	(52,329)	110.6	-	-	(42,065)	113.0
Cancelled/forfeited during the year	(16,031)	95.6	-	-	(7,064)	112.3
Outstanding at the end of year	<u>156,826</u>		<u>4,182</u>		<u>311,432</u>	
2016						
Outstanding at the beginning of year	147,723		1,320		285,944	
Granted during the year	92,206	88.3	2,862	91.7	42,924	90.1
Exercised/vested during the year	(62,190)	87.9	-	-	(3,639)	100.2
Forfeited during the year	(9,305)	88.7	-	-	-	-
Outstanding at the end of year	<u>168,434</u>		<u>4,182</u>		<u>325,229</u>	

Restricted Stock Units

The fair value of each RSU is the closing stock price on the New York Stock Exchange of MA Class A common stock on the date of grant. In the case of RSUs granted upon the IPO, the fair value was MA's US\$3.90 IPO price. The weighted average grant-date fair value granted during the year ended 31 December 2017 was US\$112 (2016: US\$91).

Performance Stock Units

Performance measures used to determine the actual number of shares that vest after three years include net revenue growth, EPS growth, and relative total shareholder return ("TSR"). Relative TSR is considered a market condition, while net revenue and EPS growth are considered performance conditions. The Monte Carlo simulation valuation model is used to determine the grant-date fair value. The PSUs contain performance conditions based on MA's performance against an annually predetermined return on equity goal, with an average return on equity per year over the three-year period commencing on January 1 of the grant year.

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

6. Employee compensation (continued)

Long Term Incentive Plan (the "LTIP") (continued)

Performance Stock Units (continued)

The initial fair value of each PSU is the closing price on the New York Stock exchange of MA's Class A common stock on the date of issuance. Given that the performance conditions are subjective and not fixed on the date of issuance, these PSUs will be remeasured at the end of each reporting period, at fair value, until the time the performance conditions are fixed and the ultimate number of shares to be issued is determined. Compensation expenses for PSUs are recognized over the requisite service period if it is probable that the performance target will be achieved and subsequently adjusted if the probability assessment changes.

Stock Options

The fair value of each stock option is estimated on the date of grant using a Black-Scholes option pricing model with the following assumptions were used arriving at the fair value of stock options granted during the year:

	31 December 2017	31 December 2016
Risk-free rate of return	2.0%	1.3%
Expected term (in years)	5.00	5.00
Expected volatility	19.3%	23.3%
Expected dividend yield	0.8%	0.8%

The risk-free rate of return was based on the U.S. Treasury yield curve in effect on the date of grant. In 2017 and 2016, the expected term and the expected volatility were based on historical Mastercard information. The expected dividend yields were based on MA's expected annual dividend rate on the date of grant.

The weighted average grant-date fair value per option of MA granted in the year ended 31 December 2017 was US\$21.23 (2016: US\$18.58).

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2017***7. Other operating expenses**

The following items have been included in other operating expenses:

	2017	2016
	US\$	US\$
Royalty fees to intermediate holding company	874,172,793	1,085,682,588
Service fee expenses	163,554,146	136,165,483
Data processing fees	146,316,652	127,879,758
Cardmembers' expenses	12,887,985	11,585,356
Professional fees expense	19,245,343	14,783,828
Rental expense – Operating leases	6,079,155	3,887,151
Net foreign exchange losses/(gains)	31,103,168	(660,204)
Telecommunications	1,750,313	2,090,200
Hologram expenses	3,184,981	4,059,017
Miscellaneous expenses	2,409,900	2,315,992
Administrative expenses	1,307,319	1,704,858
Other	11,080,412	6,449,410
	<u>1,273,092,167</u>	<u>1,395,943,437</u>

8. Income taxes**(a) Income tax expense**

	2017	2016
	US\$	US\$
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	10,723,537	7,410,287
- Foreign	13,514,818	9,471,743
Deferred income tax (Note 17)	(29,561)	(217,949)
	<u>24,208,794</u>	<u>16,664,081</u>
Under provision in preceding financial year		
- Current income tax	24,401	765,730
	<u>24,233,195</u>	<u>17,429,811</u>

In 2011, the Company received an incentive grant from the Singapore Ministry of Finance, at the recommendation of the Singapore Economic Development Board. The incentive had provided the Company with, among other benefits, a reduced income tax rate on excess taxable income of a fixed base amount commencing 1 July 2011.

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

8. Income taxes (continued)

(a) Income tax expense (continued)

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax as follows:

	2017 US\$	2016 US\$
Profit before tax	<u>739,618,528</u>	255,892,172
Tax calculated at a tax rate of 17%	125,735,150	43,501,669
Effects of:		
- Profits being taxed at a concessionary rate	(109,393,352)	(51,845,266)
- Expenses not deductible for tax purposes	1,921,823	18,596,731
- Non-taxable income	(8,223,362)	(3,170,009)
- Other	683,278	327,162
Tax charge	<u>10,723,537</u>	<u>7,410,287</u>

The Company's tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date.

(b) Movements in current income tax liabilities

	2017 US\$	2016 US\$
Beginning of financial year	11,698,390	11,180,537
Currency translation differences	(339,364)	(729,434)
Income tax paid	(17,410,835)	(16,400,473)
Tax payable on profit for the current financial year	24,238,355	16,882,030
Under provision in preceding financial year	24,401	765,730
End of financial year	<u>18,210,947</u>	<u>11,698,390</u>

9. Cash and cash equivalent

	2017 US\$	2016 US\$
Cash at bank and on hand	<u>723,563,321</u>	<u>572,407,626</u>

The carrying value of cash and cash equivalent approximates its fair value.

MASTERCARD ASIA/PACIFIC PTE LTD**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2017***10. Available-for-sale financial assets**

	2017 US\$	2016 US\$
Beginning of financial year	97,181,104	81,611,350
Purchases in the year	48,614,728	59,936,238
Matured/sale in the year	(47,505,620)	(44,339,118)
Fair value loss	(54,862)	(27,366)
End of financial year	<u>98,235,350</u>	<u>97,181,104</u>
Less: Current portion	33,000,267	29,503,901
Non-current portion	<u>65,235,083</u>	<u>67,677,203</u>

Available-for-sale financial assets are analysed as follows:

- Corporate securities	46,598,101	52,115,920
- Government and agency securities	39,124,239	18,069,532
- Asset-backed securities	12,513,010	26,995,652
	<u>98,235,350</u>	<u>97,181,104</u>

Government and agency securities are primarily invested in U.S. government treasury bills and bonds and U.S. government sponsored agency bonds. Corporate securities are comprised of commercial paper and corporate bonds. The asset-backed securities are investments in bonds which are collateralised primarily by automobile loan receivables.

11. Trade receivables

Trade receivables comprise domestic assessment fees, cross-border volume fees and transaction processing fees receivable from customers and issuers.

The carrying value of trade receivables approximates their fair value.

12. Due from intermediate holding company, subsidiaries and related companies

	2017 US\$	2016 US\$
Due from intermediate holding company	2,007,544	2,117,002
Due from subsidiaries	-	10,862,204
Due from related companies	46,077,490	13,821,135
	<u>48,085,034</u>	<u>26,800,341</u>

The amounts due from intermediate holding company, subsidiaries and related companies are unsecured, interest-free and repayable upon demand.

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

13. Other receivables

	2017 US\$	2016 US\$
<i>Current</i>		
Rental and other deposits	1,707,139	2,108,353
Prepayments	5,100,923	1,548,136
Prepaid customer and merchant incentives	146,114,941	171,296,222
Interest receivables - intercompany loans	13,281,660	1,619,853
Input tax receivables	5,892,627	5,602,106
Other	4,457,890	6,381,718
	176,555,180	188,556,388
<i>Non-current</i>		
Prepaid customer incentives	449,621,758	184,424,159
Other	36,258,135	21,790,205
	485,879,893	206,214,364

The carrying amount of other receivables approximates their fair value.

14. Investments in subsidiaries

	2017 US\$	2016 US\$
Equity investment at cost		
Beginning of financial year	341,588,837	322,891,384
Additions	13,108,366	18,697,453
Disposals	(4,111,147)	-
End of financial year	350,586,056	341,588,837
Accumulated impairment loss		
Beginning of financial year	(98,640,001)	(8,640,001)
Impairment loss during the financial year	-	(90,000,000)
End of financial year	(98,640,001)	(98,640,001)
Net book value	251,946,055	242,948,836

Details of the subsidiaries are as follows:

Subsidiaries	Principal activities	Country of incorporation and business	Equity holding	
			2017 %	2016 %
Mastercard International Korea Ltd	Providing services to its related companies	Korea	100	100
Mastercard Japan KK	Providing services to its related companies	Japan	100	100
Mastercard New Zealand Limited	Providing services to its related companies	New Zealand	100	100

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

14. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

<u>Subsidiaries</u>	<u>Principal activities</u>	<u>Country of incorporation and business</u>	<u>Equity holding</u>	
			<u>2017</u> %	<u>2016</u> %
Mastercard Asia/Pacific (Hong Kong) Limited	Providing services to its related companies	Hong Kong	100	100
Mastercard West Africa Limited	Providing services to its related companies	Nigeria	99.9	99.9
PT Mastercard Indonesia	Providing card based payment products and services to customers	Indonesia	99	99
Mastercard Southern Africa Proprietary Limited	Providing services to its related companies	South Africa	100	100
Mastercard East Africa Limited	Providing services to its related companies	Kenya	99.98	99.98
Mastercard Middle East Africa FZ-LLC	Providing services to its related companies	Dubai, UAE	100	100
Mastercard Egypt LLC	Providing services to its related companies	Egypt	99.9	99.9
Mastercard Gulf LLC	Providing services to its related companies	Qatar	100	100
Mastercard India Services Private Limited	Providing services to its related companies	India	99	99
Mastercard AP Holding BV	Providing services to its related companies	Netherlands	-	100
Mobile Payment Solutions Pte Ltd	Providing mobile payment solutions to financial institutions and mobile network operators	Singapore	100	100
Mastercard Technology Private Limited (previously known as ElectraCard Services Private Limited)	Providing software solutions for electronic payment and credit card processing	India	99.53	99.53
Mastercard Shanghai Business Consulting Ltd	Providing services to its related companies	China	99	99
Asia C-SAM Pte Ltd	Providing sale, delivery and design of software for mobile phone and related services	Singapore	100	100
Mastercard Asia/ Pacific Pte Limited	Providing services to its related companies	Jordan	100	100

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. Property, plant and equipment

	<u>Leasehold improvements</u> US\$	<u>Motor vehicles</u> US\$	<u>Furniture and fixtures</u> US\$	<u>Office equipment</u> US\$	<u>Software</u> US\$	<u>Total</u> US\$
2017						
Cost						
Beginning of financial year	2,136,186	769,555	1,029,972	2,502,169	2,142,455	8,580,337
Additions	6,354,239	103,502	1,403,468	3,475,469	2,947,255	14,283,933
Disposals	(1,553,041)	(162,502)	(662,284)	(154,099)	-	(2,531,926)
Write offs	(32,233)	-	-	(762,048)	(141,160)	(935,441)
Currency translation differences	274,231	70,023	13,697	(127,809)	42,762	272,904
End of financial year	<u>7,179,382</u>	<u>780,578</u>	<u>1,784,853</u>	<u>4,933,682</u>	<u>4,991,312</u>	<u>19,669,807</u>
Accumulated depreciation						
Beginning of financial year	1,860,542	385,442	926,890	1,194,746	5,493	4,373,113
Disposals	(1,584,106)	(159,719)	(639,799)	(146,143)	-	(2,529,767)
Depreciation charge	1,099,530	143,596	266,698	882,192	915,562	3,307,578
Currency translation differences	38,141	44,671	7,399	(37,193)	-	53,018
End of financial year	<u>1,414,107</u>	<u>413,990</u>	<u>561,188</u>	<u>1,893,602</u>	<u>921,055</u>	<u>5,203,942</u>
Net book value						
End of financial year	<u>5,765,275</u>	<u>366,588</u>	<u>1,223,665</u>	<u>3,040,080</u>	<u>4,070,257</u>	<u>14,465,865</u>
2016						
Cost						
Beginning of financial year	1,787,602	565,003	1,064,853	1,455,583	708,232	5,581,273
Additions	1,589,781	227,965	6,963	1,124,825	1,599,517	4,549,051
Disposals	-	-	(63,130)	(42,705)	-	(105,835)
Write offs	(1,280,000)	-	-	-	(230,830)	(1,510,830)
Currency translation differences	38,803	(23,413)	21,286	(35,534)	65,536	66,678
End of financial year	<u>2,136,186</u>	<u>769,555</u>	<u>1,029,972</u>	<u>2,502,169</u>	<u>2,142,455</u>	<u>8,580,337</u>
Accumulated depreciation						
Beginning of financial year	1,189,327	254,201	656,404	922,336	-	3,022,268
Disposals	-	-	(57,454)	(42,705)	-	(100,159)
Depreciation charge	651,592	141,194	321,199	324,354	5,493	1,443,832
Currency translation differences	19,623	(9,953)	6,741	(9,239)	-	7,172
End of financial year	<u>1,860,542</u>	<u>385,442</u>	<u>926,890</u>	<u>1,194,746</u>	<u>5,493</u>	<u>4,373,113</u>
Net book value						
End of financial year	<u>275,644</u>	<u>384,113</u>	<u>103,082</u>	<u>1,307,423</u>	<u>2,136,962</u>	<u>4,207,224</u>

16. Intercompany loans

	2017 US\$	2016 US\$
Intercompany loans provided		
Current		
Loan to related company	<u>84,384,395</u>	289,215,395
Non-current		
Loan to immediate holding company	135,000,000	135,000,000
Loan to related company	<u>797,297,297</u>	89,114,900
	<u>932,297,297</u>	224,114,900
Total intercompany loans provided	<u>1,016,681,692</u>	513,330,295

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. Intercompany loans (continued)

	2017 US\$	2016 US\$
Intercompany loan received		
<u>Current</u>		
Loan from related company	124,700,000	-
Total intercompany loan received	124,700,000	-

The Company provided a loan to related company, Mastercard Holdings LP of

- US\$353,124,000 (2016: US\$204,831,000), subject to fixed interest rate of 5.32% (2016: 4.72%) per annum and to be paid on annual basis respectively. The loan is due to be repaid on 1 April 2027 (2016: repayable on demand).
- US\$89,114,900 (2016: US\$89,114,900), subject to fixed interest rate of 3.50% (2016: 3.50%) per annum and to be paid on annual basis respectively. The loan is due to be repaid on 15 December 2023.
- US\$200,780,700 (2016: nil), subject to fixed interest rate of 4.79% (2016: NA) per annum and to be paid on annual basis respectively. The loan is due to be repaid on 24 April 2027.
- US\$76,464,000 (2016: nil), subject to fixed interest rate of 3.18% (2016: NA) per annum and to be paid on annual basis respectively. The loan is due to be repaid on 28 June 2022.
- US\$9,146,928 (2016: nil), subject to fixed interest rate of 2.63% (2016: NA) per annum and to be paid on annual basis respectively. The loan is due to be repaid on 6 November 2022.

The Company provided a loan to related company, Mastercard Europay UK Ltd of

- US\$84,384,395 (2016: US\$84,384,395), subject to fixed interest rate of 5.58% (2016: 5.58%) per annum and to be paid on annual basis respectively. The loan is repayable upon demand.

The Company provided a loan to immediate holding company, Mastercard Singapore Holdings Pte Ltd of

- US\$135,000,000 (2016: US\$135,000,000), subject to fixed interest rate of 4.84% (2016: 4.84%) per annum and to be paid on annual basis respectively. The loan was fully repaid on 16 March 2018.

The Company provided a loan to related company, Mastercard Canada Holdings ULC of

- US\$51,500,077 (2016: nil), subject to fixed interest rate of 5.44% (2016: NA) per annum and to be paid on annual basis respectively. The loan is due to be repaid on 31 March 2027.
- US\$17,166,692 (2016: nil), subject to fixed interest rate of 5.92% (2016: NA) per annum and to be paid on annual basis respectively. The loan is due to be repaid on 31 March 2027.

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. Intercompany loans (continued)

The Company received a loan from a related company, Mastercard Financing UK LP of

- US\$124,700,000 (2016: nil), subject to fixed interest rate of 1.33% (2016: NA) per annum and to be paid on annual basis respectively. The loan is due to be repaid on 15 September 2018.

The fair values of non-current intercompany loans are computed based on cash flows discounted at market borrowing rates. The fair values of the intercompany loans were not materially different from their carrying amounts at year end.

17. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	2017	2016
	US\$	US\$
Deferred income tax assets - net:		
- to be recovered after one year	243,243	343,479

The movement in the deferred income tax assets, prior to offsetting of balances during the financial year is as follows:

Net deferred income tax assets

	<u>Provisions</u>	<u>Other</u>	<u>Total</u>
	US\$	US\$	US\$
2017			
Beginning of financial year	150,141	193,338	343,479
Credited to income statement (Note 8a)	29,561	-	29,561
Other	-	(129,797)	(129,797)
End of financial year	<u>179,702</u>	<u>63,541</u>	<u>243,243</u>
2016			
Beginning of financial year	94,696	18,291	112,987
Credited to income statement (Note 8a)	55,445	162,504	217,949
Other	-	12,543	12,543
End of financial year	<u>150,141</u>	<u>193,338</u>	<u>343,479</u>

At 31 December 2017 and 2016, no deferred tax liability has been recognised for taxes that would be payable on the interest income of the Company's intercompany loans and the investment activities related to available-for-sale financial assets. The Company has no intention of remitting the investment gains and interest income of these intercompany loans to Singapore.

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

17. Deferred income taxes (continued)

Such temporary differences for which no deferred tax liability has been recognised amount to approximately US\$49,704,450 (2016: US\$18,647,113). The deferred tax liability is estimated to be approximately US\$8,449,756 (2016: US\$3,170,009).

18. Due to intermediate holding company, related companies and subsidiaries

	2017 US\$	2016 US\$
Due to intermediate holding company	78,417,395	116,969,142
Due to related companies	82,016,669	72,594,815
Due to subsidiaries	10,180,478	-
	<u>170,614,542</u>	<u>189,563,957</u>

The balances due to the intermediate holding company, related companies and subsidiaries are unsecured, interest-free and repayable upon demand.

19. Trade payables

	2017 US\$	2016 US\$
<i>Current</i>		
Customer and merchant incentive payables	<u>989,950,567</u>	<u>777,633,188</u>
<i>Non-current</i>		
Customer incentive payables	<u>58,444,956</u>	<u>36,899,744</u>

20. Other payables

	2017 US\$	2016 US\$
<i>Current</i>		
Accrual for advertising	14,351,691	11,910,363
Customer contributions for card activities	121,050,300	101,810,581
Accrual for other operating expenses	126,864,122	90,726,142
	<u>262,266,113</u>	<u>204,447,086</u>

21. Provision for reinstatement

The provision for reinstatement is in respect of the Company's obligation to reinstate leasehold building back to its original condition upon expiry of the lease.

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

22. Share capital

	Issued ordinary shares US\$	Issued redeemable non-convertible preference shares US\$	Total share capital US\$
2017			
Beginning and end of financial year	17,468,523	11,383,893	28,852,416
2016			
Beginning and end of financial year	17,468,523	11,383,893	28,852,416

The Company's share capital comprise 19,919,077 (2016: 19,919,077) ordinary shares and 19,741,795 (2016: 19,741,795) redeemable non-convertible preference shares.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The holders of the redeemable non-convertible preference shares shall not be entitled to any dividend. In the event of a reduction of capital or the winding up of the Company, the holders of the redeemable non-convertible preference shares shall be entitled to a preferential return of the capital paid up on the redeemable non-convertible preference shares, such preferential return to be paid in priority to the ordinary shares, and thereafter shall not participate with the holders of the ordinary shares in any return of capital or surplus assets. The Company may at any time by resolution of the Directors and upon 24 hours' written notice to the holders of the redeemable non-convertible preference shares redeem all or any of the redeemable non-convertible preference shares at par value.

23. Lessee - operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	2017 US\$	2016 US\$
Not later than one year	5,061,790	4,316,472
Between one and five years	8,869,114	15,420,727
	13,930,904	19,737,199

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. Financial risk management

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Company's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Company's financial performance.

(i) Foreign exchange risk

The Company's business during the financial year is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Australia dollar and Singapore dollar. This risk is managed by the intermediate holding company.

The Company's currency exposure is as follows:

	US\$ US\$	S\$ US\$	THB US\$	AUD US\$	JPY US\$	Other US\$	Total US\$
2017							
Financial assets							
Cash and cash equivalent	674,195,940	7,156,530	6,335,341	11,103,438	-	24,772,072	723,563,321
Available-for-sale financial assets	98,235,350	-	-	-	-	-	98,235,350
Trade receivables	301,277,500	-	-	5,951,692	515,508	6,195,358	313,940,058
Other receivables – interest receivables	13,281,660	-	-	-	-	-	13,281,660
Intercompany loans	1,016,681,692	-	-	-	-	-	1,016,681,692
Due from intermediate holding company, subsidiaries and related companies	48,085,034	-	-	-	-	-	48,085,034
	<u>2,151,757,176</u>	<u>7,156,530</u>	<u>6,335,341</u>	<u>17,055,130</u>	<u>515,508</u>	<u>30,967,430</u>	<u>2,213,787,115</u>
Financial liabilities							
Due to intermediate holding company, subsidiaries and related companies	(170,614,542)	-	-	-	-	-	(170,614,542)
Trade payables	(964,767,297)	(4,565,727)	(158,609)	(17,076,247)	(2,870,672)	(512,015)	(989,950,567)
Other payables	(95,310,079)	(41,510,647)	(1,752,742)	(72,730,193)	(4,475,655)	(46,486,797)	(262,266,113)
Intercompany loan	(124,700,000)	-	-	-	-	-	(124,700,000)
Trade payables – non-current	(52,692,443)	(265,970)	(53,002)	(3,836,735)	(1,596,806)	-	(58,444,956)
	<u>(1,408,084,361)</u>	<u>(46,342,344)</u>	<u>(1,964,353)</u>	<u>(93,643,175)</u>	<u>(8,943,133)</u>	<u>(46,998,812)</u>	<u>(1,605,976,178)</u>
Net currency position	<u>743,672,815</u>	<u>(39,185,814)</u>	<u>4,370,988</u>	<u>(76,588,045)</u>	<u>(8,427,625)</u>	<u>(16,031,382)</u>	
2016							
Financial assets							
Cash and cash equivalent	459,993,913	12,374,451	6,737,571	25,338,631	-	67,963,060	572,407,626
Available-for-sale financial assets	97,181,104	-	-	-	-	-	97,181,104
Trade receivables	230,818,899	-	-	4,359,146	126,523	15,419,692	250,724,260
Other receivables – interest receivables	1,619,853	-	-	-	-	-	1,619,853
Intercompany loans	513,330,295	-	-	-	-	-	513,330,295
Due from intermediate holding company, subsidiaries and related companies	26,117,225	683,116	-	-	-	-	26,800,341
	<u>1,329,061,289</u>	<u>13,057,567</u>	<u>6,737,571</u>	<u>29,697,777</u>	<u>126,523</u>	<u>83,382,752</u>	<u>1,462,063,479</u>
Financial liabilities							
Due to intermediate holding company and related companies	(178,668,885)	-	(1,502,215)	-	(9,392,857)	-	(189,563,957)
Trade payables	(687,852,184)	(8,559,126)	(856,401)	(35,903,820)	(27,046,232)	(17,415,425)	(777,633,188)
Other payables	(59,850,523)	(35,385,616)	(1,239,183)	(61,699,393)	(4,651,585)	(41,620,786)	(204,447,086)
Trade payables – non-current	(24,204,997)	(265,970)	(26,501)	(4,001,036)	-	(8,401,240)	(36,899,744)
	<u>(950,576,589)</u>	<u>(44,210,712)</u>	<u>(3,624,300)</u>	<u>(101,604,249)</u>	<u>(41,090,674)</u>	<u>(67,437,451)</u>	<u>(1,208,543,975)</u>
Net currency position	<u>378,484,700</u>	<u>(31,153,145)</u>	<u>3,113,271</u>	<u>(71,906,472)</u>	<u>(40,964,151)</u>	<u>15,945,301</u>	

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. Financial risk management (continued)

(i) Foreign exchange risk (continued)

At 31 December 2017, if the AUD or SGD had changed by 7% (2016: 5%) against the US\$ with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset positions will be as follows:

	← Increase/(decrease) →	
	2017	2016
	US\$	US\$
	Profit	Profit
	<u>after tax</u>	<u>after tax</u>
AUD against US\$		
- strengthened	(5,361,163)	(3,595,324)
- weakened	<u>5,361,163</u>	<u>3,595,324</u>
SGD against US\$		
- strengthened	(2,743,007)	(1,557,657)
- weakened	<u>2,743,007</u>	<u>1,557,657</u>

(ii) Interest rate risk

Interest rate risk is the risk to earning and value of financial instruments caused by fluctuation in interest rates. Interest rate risk arises primarily from the differences in the maturities and re-pricing dates of financial assets and liabilities.

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Other than cash and cash equivalents, intercompany loans and available-for-sale financial assets, the Company has no significant interest-bearing assets. The intercompany loans are subject to fixed interest rate. Refer to Note 16 for maturity profile of intercompany loans. The impact of interest rate movement on the available-for-sale financial assets is not material. Other than intercompany loan, the Company has no significant interest-bearing liabilities.

(iii) Credit risk

The Company relies on the credit risk policies and procedures of Mastercard Group as a whole. Mastercard's rules guarantee the payment of certain Mastercard, Cirrus and Maestro branded transactions between its customers ("settlement risk"). Settlement exposure is the outstanding settlement risk to customers under Mastercard's rules due to the difference in timing between the payment transaction date and subsequent settlement. While the term and amount of the guarantee are unlimited, the duration of settlement exposure is short term and typically limited to a few days. Settlement exposure is primarily estimated using the average daily card volume during the quarter multiplied by the estimated number of days to settle.

24. Financial risk management (continued)

(iii) Credit risk (continued)

Mastercard has global risk management policies and procedures, which include risk standards, to provide a framework for managing Mastercard's settlement risk. Customer-reported transaction data and the transaction clearing data underlying the settlement exposure calculation may be revised in subsequent reporting periods. In the event that Mastercard effects a payment on behalf of a failed customer, Mastercard may seek an assignment of the underlying receivables. Subject to approval by the Board of Directors, customers may be charged for the amount of any settlement loss incurred during these ordinary course activities of the Company.

Mastercard's global risk management policies and procedures are aimed at managing the settlement exposure. These risk management procedures include interaction with the bank regulators of countries in which Mastercard operates, requiring customers to make adjustments to settlement processes, and requiring collateral from customers. Mastercard requires certain customers that are not in compliance with the Mastercard's risk standards in effect at the time of review to post collateral, typically in the form of cash, letters of credit, or guarantees. This requirement is based on management's review of the individual risk circumstances for each customer that is out of compliance. In addition to these amounts, Mastercard holds collateral to cover variability and future growth in customer programs. Mastercard may also hold collateral to pay merchants in the event of merchant bank/acquirer failure. Although Mastercard is not contractually obligated under their rules to effect such payments to merchants, they may elect to do so to protect brand integrity. Mastercard does not hold any collateral in the name of the Company.

Mastercard monitors its credit risk portfolio on a regular basis and the adequacy of collateral on hand. Additionally, from time to time, Mastercard reviews its risk management methodology and standards. As such, the amounts of estimated settlement exposure are revised as necessary.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet. The Company's major classes of financial assets are cash and cash equivalent, trade receivables, other receivables, intercompany loans, due from intermediate holding company, subsidiaries and related companies, and available-for-sale financial assets.

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. Financial risk management (continued)

(iii) Credit risk (continued)

Financial assets that are neither past due nor impaired

Cash and cash equivalent that are neither past due nor impaired are mainly deposits with banks which have high credit-ratings as determined by international credit-rating agencies. Trade receivables, other receivables and available-for-sale financial assets that are neither past due nor impaired are substantially companies, financial institutions and Government with good collection track records with the Company. Intercompany loans, due from intermediate holding company, subsidiaries and related companies that are neither past due nor impaired are companies within Mastercard Incorporated group.

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired.

(iv) Liquidity risk

The Company has access to funding from its ultimate holding company and related companies in order to manage its liquidity.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The contractual undiscounted cash flows were not materially different from their carrying amount as the impact of discounting is not significant.

	Less than <u>1 year</u> US\$	More than <u>1 year</u> US\$	<u>Total</u> US\$
At 31 December 2017			
Due to intermediate holding company	78,417,395	-	78,417,395
Due to related companies and subsidiaries	92,197,147	-	92,197,147
Trade payables	989,950,567	58,444,956	1,048,395,523
Other payables	262,266,113	-	262,266,113
Intercompany loan	132,934,675	-	132,934,675
	<u>1,555,765,897</u>	<u>58,444,956</u>	<u>1,614,210,853</u>
	Less than <u>1 year</u> US\$	More than <u>1 year</u> US\$	<u>Total</u> US\$
At 31 December 2016			
Due to intermediate holding company	116,969,142	-	116,969,142
Due to related companies	72,594,815	-	72,594,815
Trade payables	777,633,188	36,899,744	814,532,932
Other payables	204,447,086	-	204,447,086
	<u>1,171,644,231</u>	<u>36,899,744</u>	<u>1,208,543,975</u>

MASTERCARD ASIA/PACIFIC PTE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. Financial risk management (continued)

(v) *Capital risk*

The Company's objectives when managing capital are to ensure that the Company is adequately capitalised and to maintain an optimal capital structure by issuing or redeeming additional equity and debt instruments when necessary.

The Company is not subject to any externally imposed capital requirement.

(vi) *Fair value measurements*

The following table presents assets and liabilities measured at fair value and classified by level of fair value measurement hierarchy as follows:

	<u>Level 1</u> US\$	<u>Level 2</u> US\$	<u>Level 3</u> US\$	<u>Total</u> US\$
As at 31 December 2017				
Available-for-sale financial assets	32,394,845	65,840,505	-	98,235,350
As at 31 December 2016				
Available-for-sale financial assets	18,069,532	79,111,572	-	97,181,104

The fair values of the available-for-sale financial assets are based on quoted prices for similar assets in active markets. These instruments are included in Level 2, except for U.S. government treasury bills that are classified as Level 1 as the fair values are based on unadjusted quoted prices for identical assets in active markets.

(vii) *Financial instruments by category*

The aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost are as follows:

	2017 US\$	2016 US\$
Loans and receivables	2,115,551,765	1,364,882,375
Financial liabilities at amortised cost	1,605,976,178	1,208,543,975

MASTERCARD ASIA/PACIFIC PTE LTD

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For the financial year ended 31 December 2017

25. Immediate, intermediate and ultimate holding companies

The Company's immediate holding company is Mastercard Singapore Holding Pte Ltd, incorporated in Singapore. The intermediate holding company is Mastercard International Incorporated, incorporated in the United States of America. The ultimate holding company is Mastercard Incorporated, which is also incorporated in the United States of America.

26. Dividends

	2017 US\$	2016 US\$
<u>Ordinary dividends paid</u>		
Tax exempt 1-tier dividend paid in respect of the current financial year of US\$3.26 (2016: US\$1.76) per US\$1 of share	94,181,530	50,779,515

27. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

Key management personnel compensation

The key management personnel compensation includes salary, fees, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Company.

The key management personnel compensation is analysed as follows:

	2017 US\$	2016 US\$
<u>Directors of the Company</u>		
Salaries and other short-term employee benefits	4,570,617	3,771,343
Employer's contribution to defined contribution plans including Central Provident Fund	100,605	64,751
Share-based compensation expense	132,791	43,789
	4,804,013	3,879,883

28. New or revised accounting Standards and Interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Company's accounting periods beginning on or after 1 January 2018 and which the Company has not early adopted:

- FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 *Financial instruments: Recognition and Measurement* and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of such financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained earnings.

Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

There is also now a new expected credit losses impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 *Revenue from contracts with customers*, lease receivables, loan commitments and certain financial guarantee contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. New or revised accounting standards and interpretations (continued)

- FRS 109 Financial Instruments (effective for annual periods beginning on or after 1 January 2018) (continued)

The new standard also introduces expanded disclosure requirements and changes in presentation:

(i) *Transition*

The Company plans to adopt the new standard retrospectively from 1 January 2018, in line with the transition provisions permitted under the standard. Comparatives for 2017 will not be restated and the Company will recognise any difference between the carrying amounts at 31 December 2017 and 1 January 2018 in the opening retained earnings.

(ii) *Impairment of financial assets*

Intercompany loans will be subjected to the expected credit loss model under FRS 109.

No significant impact on provision for impairment of intercompany loans and corresponding opening retained profits is expected to arise from the application of the expected credit loss impairment model.

- FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or services. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. New or revised accounting Standards and Interpretations (continued)

- FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018) (continued)

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The management has assessed the adoption of the above standard will not have a significant impact on the financial statements of the Company in the period of adoption.

- FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the Company's commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Company has yet to determine to what extent the commitments as at 31 December 2017 will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows.

29. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Mastercard Asia/Pacific Pte Ltd on 29 August 2018.