MPU

Better Way to Pay

Annual Report

2017~18

E-COMMERCE

POS

ATM

ပေးချေလွယ်ကူ MPU

Myanmar Payment Union Public Co., Ltd

26 Member Banks

Message from the Chairman

Dear Esteemed Shareholders and partners;

Myanmar is still in the early stage of evolution of digital payments but the explosive growth of mobile and internet penetration has a major impact to our financial industry in recent year. We understand that payment sector development is crucial to improve our financial industry. We are living largely on a cash based economy and cash is used most of time for all transactions in our people's daily life.

We are strongly confident that newer technologies such as payment card and electronic payment channels like internet/ mobile banking, e-commerce, NFC technology and QR code payment will only lead to decline in use of cash in future and also easy and convenient way to access banking services for our people.

This year, MPU has been already five years old organization and we have seen the electronic card payment and mobile payment have gradually developed to some extent in those years. MPU has taken some steps to improve operational efficiency based on the guidance of Central Bank of Myanmar (CBM) and consultation by the World Bank (WB). At the same time we are modernizing our system by using an internationally reputable s witch solution service provider Fedility (FIS) together with the implementation support from FPT and NAPAS, Vietnam.

As a main objective and commitment of MPU to serve as a National Payment Switch (NPS), we try proactively to deliver products and services to our people with innovation. The economies of scale and scope are also important aspects that have to be considered for Myanmar by providing additional payment instruments with reasonable costs and efforts.

This is our third annual report and we can see the development and achievements year on year such as revenue higher than expenses, increasing usage at POS transactions and the volumes growing on POS tran actions aswellas ATM transactionsand e-commerce. On behalf of the Board, I would like to express my appreciation for those achievements to the management and employees of MPU, member banks, all the directors, our cardholders, POS merchants who accept our MPU card, all stakeholders and partners for their contributions and hard work to introduce digital payment eco system in Myanmar.

I also would like to take this opportunity to express my sincere gratitude to the responsible officials from the Central Bank of Myanmar for their guidance and continuous support to MPU.

As the payments sector continues its rapid evolution in Myanmar, we are looking forward to working closely with all of you.

Kyi Kyi Than
Chairman

Our Organization

CHAIRMAN

U Maung Maung Win
(2011~2013)

U Mya Than
(2014~2016)

U Zaw Win
(2016~2017)

Daw Kyi Kyi Than
(2017~Present)

CEO
U Zaw Linn Htut
(2012~Present)

Team MPU

Shop From Home

Ready to Go Cashless

Pay With MPU

Vision

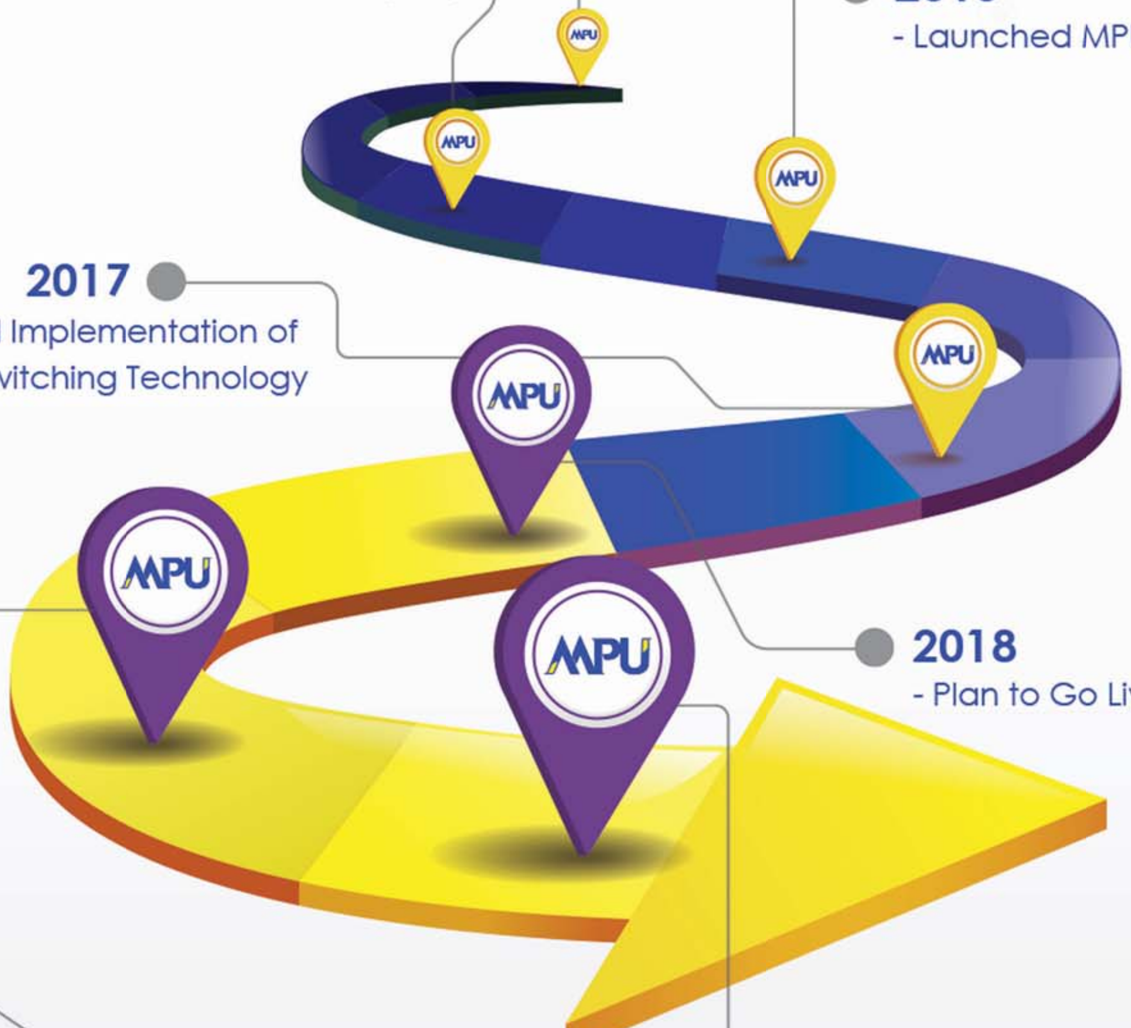
- Creating a successful and well developed digital payment system in Myanmar.

Mission

- Establishing a reliable national payment network in the country.
- Building the cashless payment culture by transforming the consumer's behavior.
- Introducing innovative and value added payment products to consumers through optimizing resources among our members.

Objectives

- Stand as National Payment Switch (NPS) for Myanmar.
- Share the bank service among the member banks.
- To Reduce cash based payment in retail and micro payment.
- To improve existing payment system.
- To connect with international payment system.



2012
- Establishement of MPU
- Started Issuing MPU Debit Card

2015
- Launched MPU E-commerce
- Transformed to Public Company

2016
- Launched MPU Credit Card

2017
- Started Implementation of
- New Switching Technology

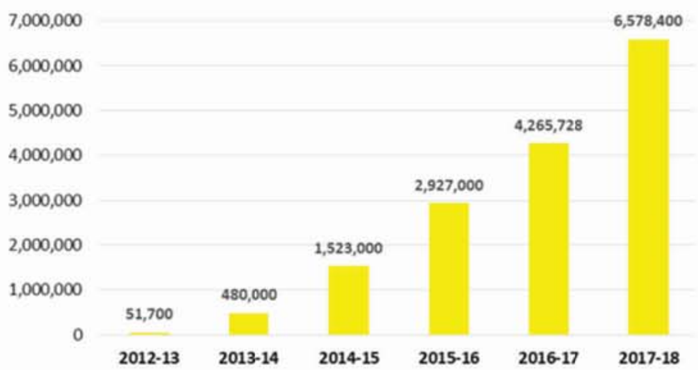
2018
- Plan to Go Live new switch

2019
- Plan to migrate all member banks to new switch
- Plan to introduce mobile interoperability

2020
- Plan to build DR Data Center in Nay Pyi Taw
- Plan to get PCI/DSS Certificate for MPU Data Center

Progress of ATM, POS & Card Deployment

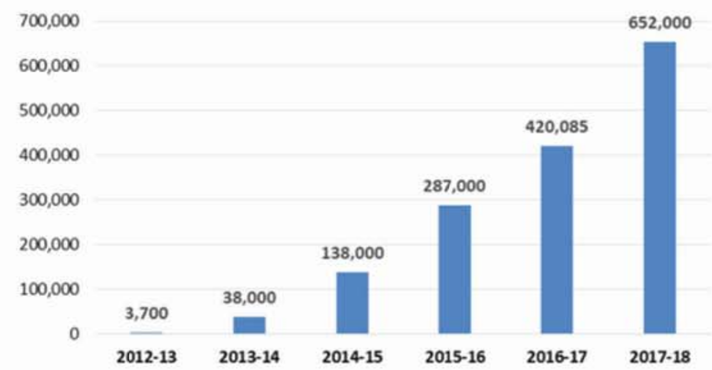
Nos. of ATM Transaction



Avg. No. of Transactions at ATM ~ 550,000 /Month

Vol. of ATM Transaction

(MMK in Million)



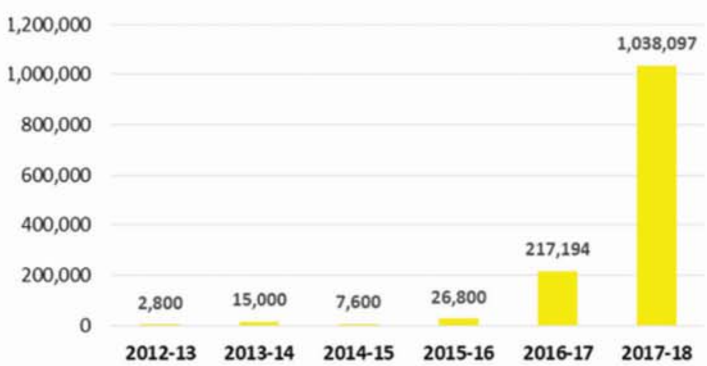
Avg. Vol. of Transactions at ATM ~ 55,000 m(MMK)/Month

Number of MPU cards are increasing year on year and card usages at ATM are also growing. We expected more and more card usage in future due to good colloboration and co-ordination between our member banks by sharing their resources.

POS & E-commerce Progress

- Transaction are growing year on year and people has more confident to use payment cards especially at POS. It is a good signal for our payment industy to transform to cashless economy.
- Having a domestic scheme is benefit for our people (no need to pay high interchange fee) & good for nation (tax receiving), MPU is contributing to our payment system development as well as to create digital payment eco-system for the Nation.

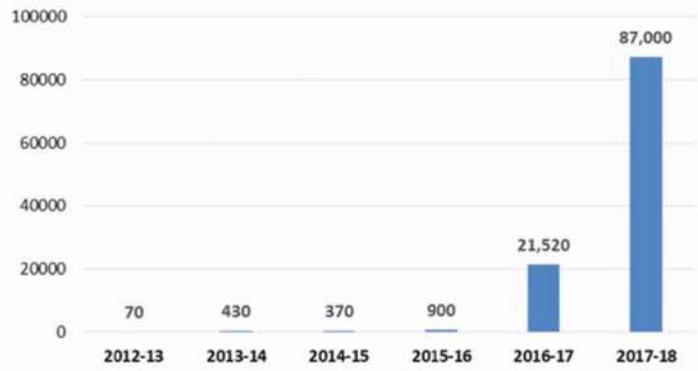
Nos. of POS Transaction



Avg. No. of Transactions at POS ~ 87,000/Month

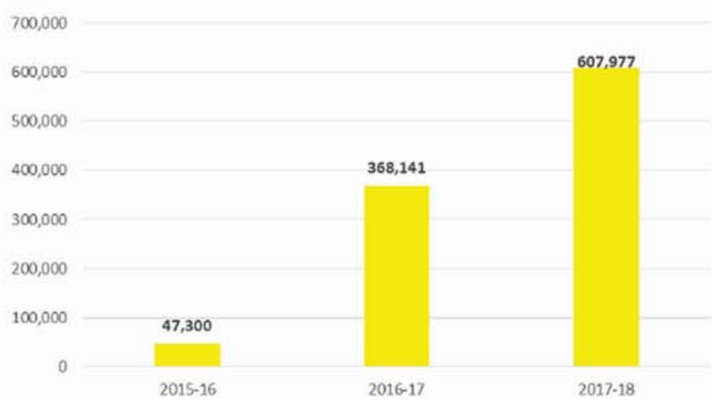
Vol. of POS Transaction

(MMK in Million)



Avg. Vol. of Transactions at POS ~ 7250 m(MMK)/Month

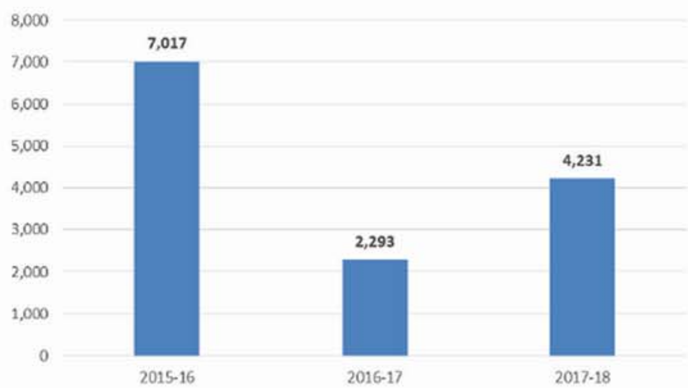
Nos. of E-com Transaction



Avg. No. of Transactions at E-com ~ 50,000/Month

Vol. of E-com Transaction

(MMK in Million)



Avg. Vol. of Transactions at E-com ~ 353 m(MMK)/Month

New Switching Technology Implementation

When we started our operation in 2012, the communication infrastructure was not stable and lost connection often. It was our major challenges to establish a reliable payment network. In 2015, telecom sector opened up, the connectivity has gradually stable and the telecom infrastructure is improving in those year. This lead to decline the unsuccessful transaction rate.

TRANSFORMING TO DIGITAL PAYMENT

This year, we are focusing to upgrade our switching technology by using an internationally reputable solution provider FIS (Fidelity). We expected to be able to complete migration at the end of 2019. We plan to offer new services like IBFT (Inter Bank Fund Transfer), Cash withdrawl services at POS and other value added services with new switching technology. We strongly believe that the new technology will lead to decline in use of cash and can achieve our mission to create cashless payment in future.

CPA Part.1

Dip in Business Management

Diploma in Banking

Master of Banking & Finance

Acct & Auditing on job Traing

Future Leader Congress 2018 Program Fee

Commercial Design

Workshop (Internal Audit Practise)

Business Management

Customer Service

General Management

Real Life in English Course

Intro Level (4 Skill)

Dip in Marketing

Graphic Design Course

HR Management

Office Management

Single Subject Diploma in Financial Management (ICM-UK)

Business Management & Adminstration

Diploma in International Financial Reporting Standard(DIFR)

Dip in Business Studies

DMA

CCNA

LCCI .3

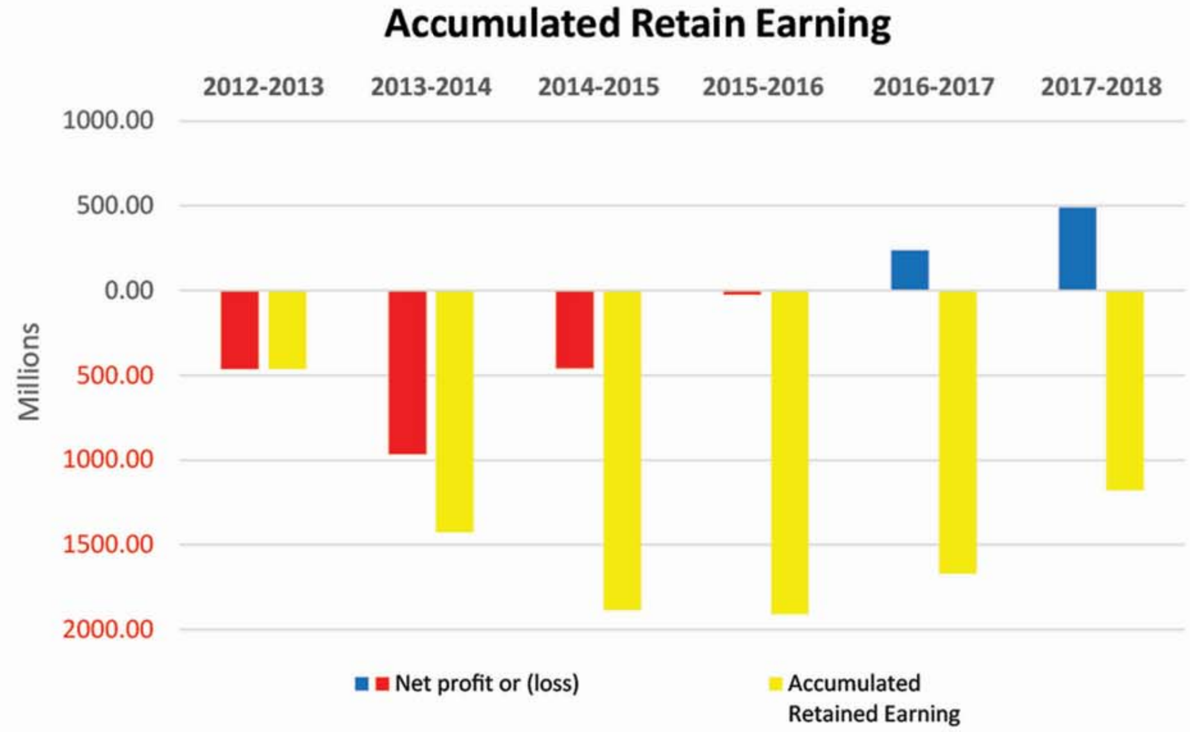
ACCA UK Exam Fee

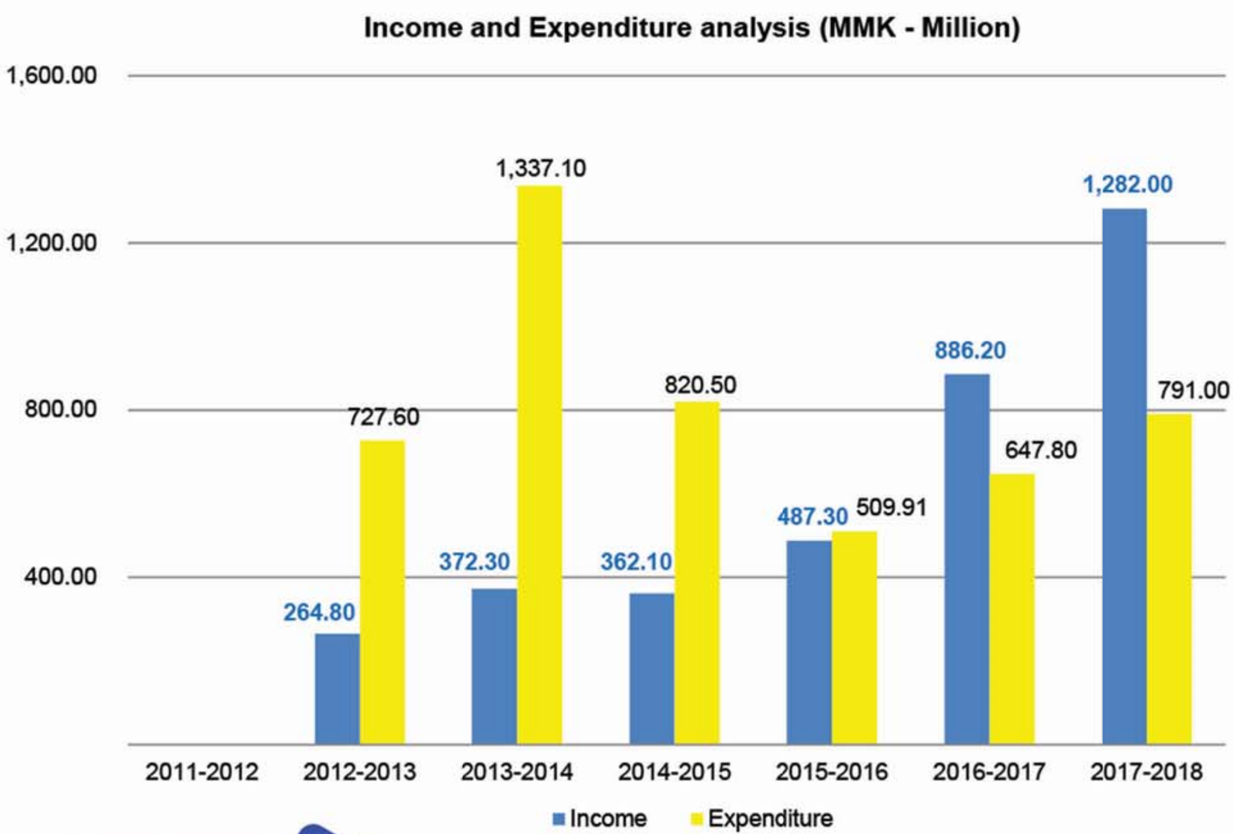
Basic Linux

Logistic & Supply Change Management)

Dispute & Chargeback

Promotion & Social Activities





Tax paid

2017~2018	2015~2016	2016~2017
163,712,502.00	2,618,994.00	81,276,226.00

Myanmar Vigour

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MYANMAR PAYMENT UNION PUBLIC COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Myanmar Payment Union Public Company Limited (the "Company"), which comprise the statement of financial position of the Company as at March 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 24.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the financial position of the company as at 31 March 2018 and of the financial performance, changes in equity and cash flows for the financial year from 1 April 2017 to 31 March 2018 in accordance with the provisions of the Myanmar Companies Law (the "Law") and Myanmar Financial Reporting Standards ("MFRSs").

Basis for Opinion

We conducted our audit in accordance with Myanmar Standards on Auditing ("MSAs"). 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Myanmar, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Report of the Directors set out on pages 1 to 2.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

Myanmar Vigour

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MYANMAR PAYMENT UNION PUBLIC COMPANY LIMITED

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 Law and MFRSs, 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.

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 MSAs 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 MSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

(a) 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.

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Myanmar Vigour

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MYANMAR PAYMENT UNION PUBLIC COMPANY LIMITED

(d) 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.

(e) 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 Law to be kept by the Company have been properly kept in accordance with the provisions of the Law.

Cho Cho Aung Tin
Certified Public Accountant and
Financial Consultant
Yangon, Myanmar

Myanmar Vigour & Associates Ltd.
No...............
Date.............
★Yangon, Myanmar★

Date: January 2, 2019

Member of Deloitte Touche Tohmatsu Limited

MYANMAR PAYMENT UNION PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
March 31, 2018

	Note	2018 MMK	2017 MMK
ASSETS			
Current assets			
Cash and cash equivalents	7	3,163,090,215	2,766,308,646
Accounts receivable		10,212,750	3,473,100
Other receivables and prepayments	8	300,025,188	152,841,847
Other assets	9	24,127,864	24,127,864
Total current assets		3,497,456,017	2,946,751,457
Non-current assets			
Property and equipment	10	189,635,709	143,490,176
Intangible assets	11	13,222,440	19,833,659
Total non-current assets		202,858,149	163,323,835
Total assets		3,700,314,166	3,110,075,292
LIABILITIES AND EQUITY			
Current liabilities			
Other payables	12	115,688,955	100,828,428
Income tax payable		164,204,508	79,471,662
Total current liabilities		279,893,463	180,300,090
Capital and accumulated losses			
Share capital	13	4,600,000,000	4,200,000,000
Advance capital	13	-	400,000,000
Accumulated losses		(1,179,579,297)	(1,670,224,798)
Total equity		3,420,420,703	2,929,775,202
Total liabilities and equity		3,700,314,166	3,110,075,292

Moe Mar Lar
Director

Myanmar Payment Union MPU Yangon

Khin Aye Maw
Director

Date: January 2, 2019

See accompanying notes to financial statements

MYANMAR PAYMENT UNION PUBLIC COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended March 31, 2018

	Note	2018 MMK	2017 MMK
Revenue			
Service revenue	14	987,000	32,024,000
Data processing revenue	15	1,006,132,950	606,018,849
Total revenue		1,007,119,950	638,042,849
Other income	16	271,332,428	248,248,687
Total revenue and other income before operating		1,278,452,378	886,291,536
Staff related expenses	17	(263,356,887)	(155,884,662)
Network and processing expenses	18	(125,489,456)	(122,638,537)
Depreciation and amortization	10, 11	(68,254,595)	(198,829,660)
Postage and telecommunication		(51,911,864)	(36,736,595)
General and administrative expenses	19	(112,621,545)	(54,315,434)
Profit before tax		656,818,031	317,886,648
Income tax expense	20	(166,172,530)	(79,471,662)
Profit for the year representing total comprehensive income for the year		490,645,501	238,414,986

Moe Mar Lar
Director

Myanmar Payment Union
MPU
Yangon

Khin Aye Maw
Director

Date: January 2, 2019

See accompanying notes to financial statements

MYANMAR PAYMENT UNION PUBLIC COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended March 31, 2018

	Note	Share capital	Advance capital	Accumulated losses	Total
		MMK	MMK	MMK	MMK
Balance at April 1, 2016		4,200,000,000	400,000,000	(1,908,639,784)	2,691,360,216
Profit for the year, representing total comprehensive income for the year		-	-	238,414,986	238,414,986
Balance at March 31, 2017		4,200,000,000	400,000,000	(1,670,224,798)	2,929,775,202
Issuance of share capital		400,000,000	(400,000,000)	-	-
Profit for the year, representing total comprehensive income for the year		-	-	490,645,501	490,645,501
Balance at March 31, 2018		4,600,000,000	-	(1,179,579,297)	3,420,420,703

See accompanying notes to financial statements

MYANMAR PAYMENT UNION PUBLIC COMPANY LIMITED

STATEMENT OF CASH FLOWS
Year ended March 31, 2018

	2018 MMK	2017 MMK
Cash flows from operating activities		
Profit before tax	656,818,031	317,886,648
Adjustments for:		
Interest income	(272,574,510)	(226,608,701)
Depreciation of property and equipment	61,643,376	53,451,880
Amortisation of intangible assets	6,611,219	145,377,780
Loss on write off of property and equipment	1,054,001	19,574
Operating cash flows before movements in working capital	453,552,117	290,127,181
Account receivable	(6,739,650)	(3,473,100)
Other receivables and prepayments	(131,832,810)	(94,920,205)
Other assets	-	(10,364,970)
Other payables	14,860,527	998,329
Cash generated from operations	329,840,184	182,367,235
Interest received	257,223,979	196,722,463
Income tax paid	(81,439,684)	(2,455,534)
Net cash provided by operating activities	505,624,479	376,634,164
Cash flows from investing activities		
Purchase of property and equipment	(108,872,910)	(30,250,531)
Disposal of property and equipment	30,000	-
Net cash used in investing activities	(108,842,910)	(30,250,531)
Net increase in cash and cash equivalents	396,781,569	346,383,633
Cash and cash equivalents at beginning of year	2,766,308,646	2,419,925,013
Cash and cash equivalents at end of the year	3,163,090,215	2,766,308,646

See accompanying notes to financial statements

Myanmar Payment Union Public Co., Ltd

ပေးချေလွယ်ကူ

MPU

Better Way to Pay

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