



ANNUAL REPORT

2018

 **KB Securities**



“WE ASPIRE TO BECOME ONE OF THE TOP-TIER SECURITIES COMPANIES IN VIETNAM WITH THE MISSION TO CREATE AN EXCELLENT TRADING PLATFORM FOR CUSTOMERS”.

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Mr. Park Chunsoo
Chairman

MESSAGE FROM THE CHAIRMAN

Dear shareholders, clients, and employees!

2018 was considered as a successful year for Vietnam in terms of economic growth. Economic growth, in 2018, reached the highest speed in the past 11 years, thanks to the major contribution of the manufacturing and processing industry, while the agriculture, forestry and fishery sector also grew quite well. According to data from the General Statistics Office of Vietnam (GSO), in 2018, estimated GDP increased by 7.08% YoY, the highest level since 2008.

In contrast to the stable growth trend of the 2016-2017 period, Vietnam stock market in 2018 experienced numerous strong fluctuations. Domestic factors remained positive and supportive for the market. However, the strong impact of peripheral risk factors caused major indexes to adjust simultaneously in 2018. Notably, foreign investors had a record year of net buying on Vietnam stock market in 2018 (contrary to the trend of net withdrawal in the emerging markets), with the buying value concentrated on large deals in VHM, VRE, YEG, MSN For the whole year of 2018, Vnindex and Hnxindex decreased by -9.3% and -10.8% respectively, while the trading value increased by +28.8% and +22.5% compared to 2017.

Since 17th January 2018, Maritime Securities Corporation (MSI) has officially changed its name to KB Vietnam Securities Joint Stock Company (abbreviated as KBSV). In December 2018, KBSV completed the first increase in charter capital to VND 1,107 billion. KBSV, in the first quarter of 2019, increased its charter capital for the second phase to VND 1,675 billion to be in the Top 10 securities companies with the largest charter capital in the market.

It is forecasted that in 2019, monetary policy will continue to be prudently governed by SBV, M2 growth and credit are forecasted at 11-13% and 13-15% respectively. Vietnam's GDP growth prospect remained positive following the rise during 2018, in spite of at a lower pace, forecasted at 6.6 - 6.8% for the whole year of 2019.

Thanks to the absolute support from KB Financial Group (Korea), with our experience and potential, KBSV will focus on developing both wholesale and retail, securities services as well as securities depository in Vietnam market. In 2019, KBSV officially opened another branch in Ho Chi Minh City and continued many activities to expand its business network.

On behalf of the Board of Directors, I would like to express my sincere thanks to all valued shareholders, clients and partners, who have been and will always stand by, share difficulties and successes with us through the years and in the future. I am very grateful to you, all my colleagues for your positive and creative contribution for the development of KBSV. I am confident that KBSV will be the best place for all of you to continue to place trust and build on success.

Best Regards,

Chairman
Park Chunsoo

INTRODUCTION

KB Securities Vietnam Joint Stock Company ("KBSV"), a member of KB Securities and KB Financial Group (Korea) that is a highly quality investment banking securities services firm in Vietnam, which provides a wide range of financial services to a substantial and diversified client base, including corporations, institutional and individual investors.

Founded in 2008, KBSV operates out of a headquarter in Hanoi and a branch in Hanoi and two branches in Ho Chi Minh City. With a great team of 200 experienced employees, KBSV's brand is increasingly affirmed.

KBSV has won award by HSX for "Securities Company with strongest growth in client trading accounts in 2014 & 2015" and award by Vietnam M&A 2015 Forum for "Outstanding M&A Advisor 2014 - 2016". KBSV is proud to be in Top 10 broker in listed stocks at Hanoi Stock Exchange (HNX) and UPCOM, also in Top 10 broker in listed bonds at Ho Chi Minh Exchange (HSX) in 2016.

KBSV has become a member of KB Securities and KB Financial Group (Korea) since 09th October 2017. Since 17th January 2018, Maritime Securities Corporation (MSI) has officially changed its name to KB Vietnam Securities Joint Stock Company (abbreviated as KBSV).

Our vision

We aspire to be one of the top-tier investment banking and securities firms in Vietnam, driven by commitment to our core philosophies and values.

Our mission

We aim to create an excellent trading platform for individual/institutional investors and to bring sensible business solutions to corporate clients.

The core values of KBSV include:

1. Client first: listening to our clients and putting their needs first.
2. Creativity: encourage creativity and always pay attention to new ideas to constantly bring clients smart and valuable products.
3. Diligence: pursue to complete the assigned work, cautious attention to the smallest details.
4. Professionalism: set the professional standards following the industry best practices and compliance with standards in all actions.
5. Integrity: honest and sincere in what we do.
6. Teamwork: respect for the individuals and their contribution to the overall team success.

Headquarter

Address: Floor G, 2&7, Sky City Tower Lang Ha, 88 Lang Ha, Dong Da, Hanoi.

Tel: (+84) 24 7303 5333 - Fax: (+84) 24 3776 5928

Website: <https://www.kbsec.com.vn>

Ha Noi Branch

Address: Floor 1, Office Building, 5 Dien Bien Phu, Ba Dinh District, Ha Noi.

Tel: (+84) 24 7305 3335 - Fax: (+84) 24 3822 3131

Ho Chi Minh Branch

Address: Floor 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru, District 1, Ho Chi Minh.

Tel: (+84) 28 7303 5333 - Fax: (+84) 28 3914 1969

Sai Gon Branch

Address: Floor 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, Ho Chi Minh.

Tel: (+84) 28 7306 3338 - Fax: (+84) 28 3910 1611

Legal information

KB Vietnam Securities Joint Stock Company (KBSV) was formerly known as Standard Securities Joint Stock Company (founded under original License No. 77/UBCK-GPHDKD issued by the State Securities Commission dated 11 June 2008).

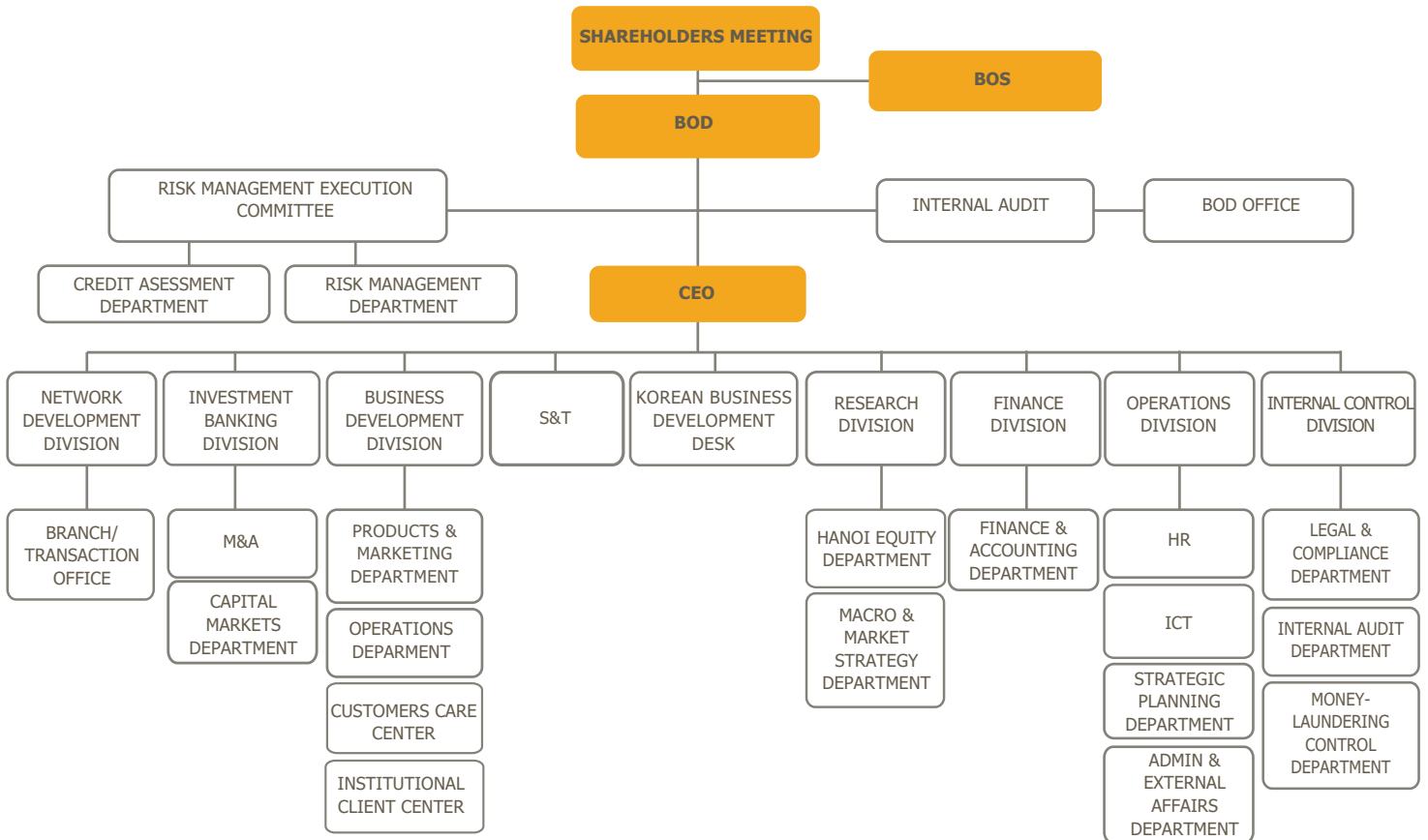
KBSV is licensed to operate the following services:

- Securities brokerage;
- Proprietary trading;
- Securities underwriting;
- Investment banking advisory;
- Securities depository; and
- Managing investment accounts for individual investors.

- 2008** ● Officially started operations in June 2008 under the old name of Standard Securities Joint Stock Corporation ("SSJ") with an initial capital of VND 35 billion (USD 2 million).
- 2010** ● Increased chartered capital to VND 300 billion (USD 15 million). Granted license for additional services: Proprietary Trading, Investment Banking Advisory and Securities Underwriting.
- 2011** ● Renamed the Company as Maritime Bank Securities ("MSBS") under approval of the State Securities Commission in March 2011. Moved headquarter from Vung Tau City to Hanoi. MSBS has been then headquartered at 88 Lang Ha Street, Dong Da district, Hanoi as it is today.
- 2012** ● MSI Exchange was officially opened at 1st floor, Sky City, 88 Lang Ha, Dong Da, Hanoi, and suited the convenience of investors with spacious and modern facilities.
- 2013** ● In July 2013, Ho Chi Minh branch was officially opened at level 2, TNR Tower, 182-190 Nguyen Cong Tru, District 1, Ho Chi Minh City.
- 2014** ● Opened third branch in Hanoi CBD at Level 9, 115 Tran Hung Dao St, Hoan Kiem, Hanoi. Established another investment banking division in Ho Chi Minh City. MSI successfully raised over VND 12,000 billion (US\$ 600million) value corporate bonds for its corporate clients in 2014. Number of retail client accounts reached 32.000 and market share in listed securities trading value surpassed 2,5%, ranking 15th on both HSX and HNX. MSI was awarded by HSX as the securities company with strongest growth in client trading account in 2014.
- 2015** ● Renamed the Company as Maritime Securities Incorporation ("MSI") as approved under Adjustment License No.35/GPDC-UBCK dated 07thAugust 2015 of the State Securities Commission (SSC).
Became a Top 10 broker in listed stock at Hanoi Stock Exchange (HNX) and UPCOM and Top 10 broker in listed bond at Ho Chi Minh Securities Exchange (HSX).
Awarded a winner by Vietnam M&A Forum for Outstanding M&A advisor 2014-2015. For a second year, MSI was awarded by HSX as the securities company with strongest growth in client trading accounts.
- 2016** ● Maintained a Top 10 broker ranking in listed securities at Hanoi Stock Exchange 2016. Awarded a winner by Vietnam M&A Forum for Outstanding M&A advisor 2015-2016 for the second year.
- 2017** ● 9th October 2017: MSI became a member of KB Securities and KB Financial Group (Korea).
- 2018** ● Renamed as KB Securities Vietnam (KBSV) as approved under Adjustment License No. 07/GPDC - UBCK dated 17th January 2018 of the State Securities Commission (SSC).
KBSV officially increased its charter capital to VND 1,107,078,600,000 on 14th Dec 2018.

MANAGEMENT INFORMATION

Organizational structure



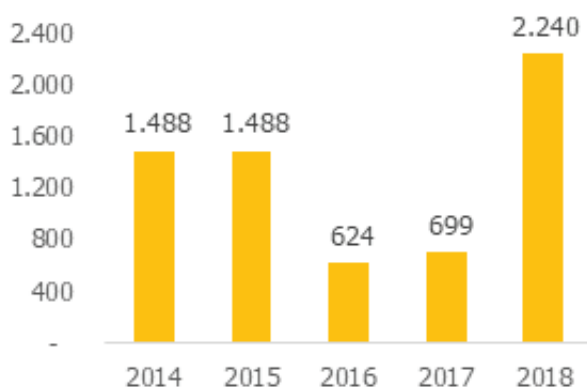
GOAL ORIENTATION

With the goal of maintaining KBSV's current position as a leading financial institution in the Vietnam stock market and reaching out the global market, KBSV will continue to innovate its operation and product diversification. We recognize that customer is a key driver of our success with a long-term commitment and co-development. Many technological solutions will be added to increase utility for our clients.

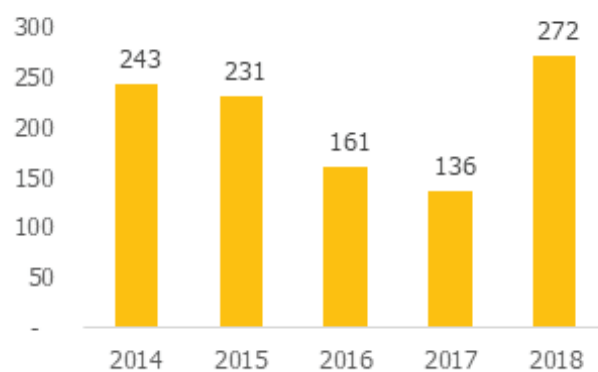
KBSV will also focus on developing quality of human resources to meet the increasingly changing demands of the market; creating a working environment in which each individual is encouraged to contribute their best work to the company. Cost and risk management should be practiced more tightly to improve financial performance. KBSV believes that building a reputable brand together with operational efficiencies is the best practice to maximize shareholders' benefits. With the absolute support from the holding company, KB Financial Group, KBSV expects to become one of the leading firms in Vietnam's stock market and international market.

FINANCIAL POSITION

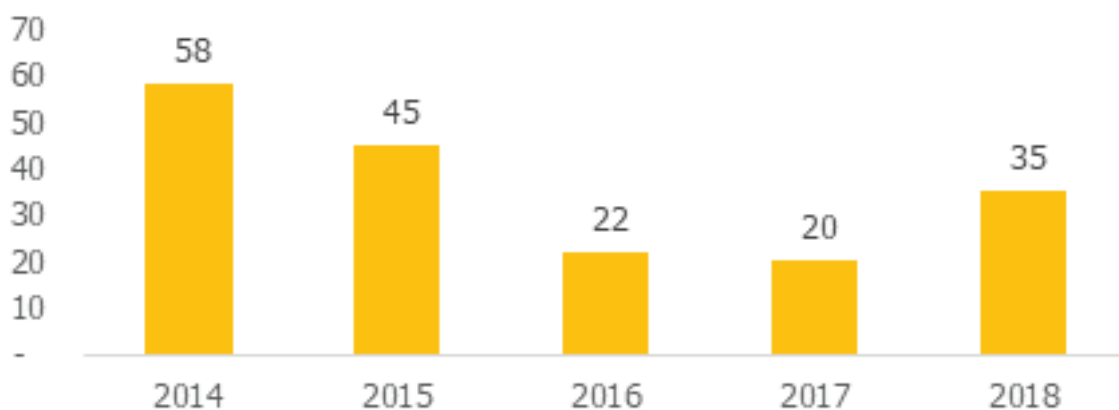
Total Assets (VND bn)



Net revenue (VND bn)



Net profit after tax (VND bn)



Profitability ratios, Liquidity ratios

Items	Unit	2016	2017	2018
Assets structure				
Long-term Assets/ Total Assets	%	3,8	3,2	9,8
Short-term Assets/ Total Asset	%	96,2	96,8	90,2
Capital structure				
Liabilities/ Total liabilities and equity	%	22,4	28,0	39,9
Equity/ Total liabilities and equity	%	77,5	72,0	60,1
Liquidity indicators				
Quick ratio	Time	2,0		
Current ratio	Time	4,3	3,5	2,8
Profitability ratio				
ROA	%	3,5	2,9	1,6
ROE	%	4,6	4,0	2,6
NPAT/Net Revenue Ratio	%	13,7	14,8	12,9

Book value

As at 31 Dec 2018, the book value of the Company is VND 16,767 per Share.

Amount of Shares/Bonds

No.	Items	Unit	2016	2017	2018
1	Ordinary shares (VND 10,000 per share)	Shares	30,000,000	30,000,000	110,707,860
2	Issued Bonds (VND 1,000,000,000 per bond)	Bonds	0	0	0

BUSINESS PERFORMANCE & PROSPECTS**2018 ECONOMY & 2019 FORECAST****The economy in 2018**

Economic growth, in 2018, reached the highest speed in the past 11 years, thanks to the main motivation of the manufacturing and processing industry, while the agriculture, forestry and fishery sector also grew quite well. According to data from the General Statistics Office of Vietnam (GSO), in 2018, estimated GDP increased by 7.08% YoY, the highest level since 2008.

Foreign investors had a record year of net buying on Vietnam stock market, reaching over VND 41 trillion on HoSE (contrary to the trend of net withdrawal from emerging markets). The buying value of foreign investors focused on large put-through transactions such as VHM, MSN, YEG, VRE ... (excluding the put-through transaction, foreign investors actually net sold 16 trillion on HoSE in 2018).

In 2018, the market witnessed strong growth in profits of listed companies with an increase of + 24,2% in the first 9 months. Following the trend in 2017, business performance on both stock exchanges continued to achieve outstanding growth. Accordingly, the net profit margin of enterprises on both stock exchanges increased to 9,4% in the first 9 months of 2018 compared to 8,7% in the same period of 2017. However, the above figure mainly came from the profit increase in VHM (+ 311%) and the banking sector (+ 38%). Accounting for more than 30% of the market capitalization, the strong growth of VHM and banking sector contributed mainly to total profits of enterprises on stock exchanges. The profit of the remainings grew at a moderate level (+ 12,2%).

VIETNAMESE ECONOMY AND STOCK MARKET PROSPECTS IN 2019

Economic growth in 2019 is forecasted to achieve a high growth rate

- According to the macro report in 2019, Vietnam's economy is forecasted to slow down, but still remain at a high level. Thanks to the orientation of the Government in prioritizing the stability criteria, domestic macro risks have decreased significantly compared to the period of 2000-2007.
- The monetary policy of the SBV in 2019 remains supportive for economic growth.
- Vietnam's economy is entering a "late growth" period according to a typical economic cycle. It means that the recovery cycle of Vietnam's economy will last at least until 2020. However, the stock market often reflects earlier than the economic cycle and hits a peak before economic recession. This early reflection is expected to last a few quarters. Therefore, if the market is followed by the forecasted scenario, at the end of the year, it may experience numerous fluctuations and represent a sign of medium and long-term peaks.

An escalation of Trade tension - A factor influences global stock market

- The trade war continues to be the leading risk factor for Vietnam stock market and global stock market.
- In the short term, trade war has a negative impact on Vietnam's stock market due to depreciation of the Yuan and negative volatility of global stock market.
- Trade war will negatively affect the volatility of Vietnam's stock market in both middle and long-term.

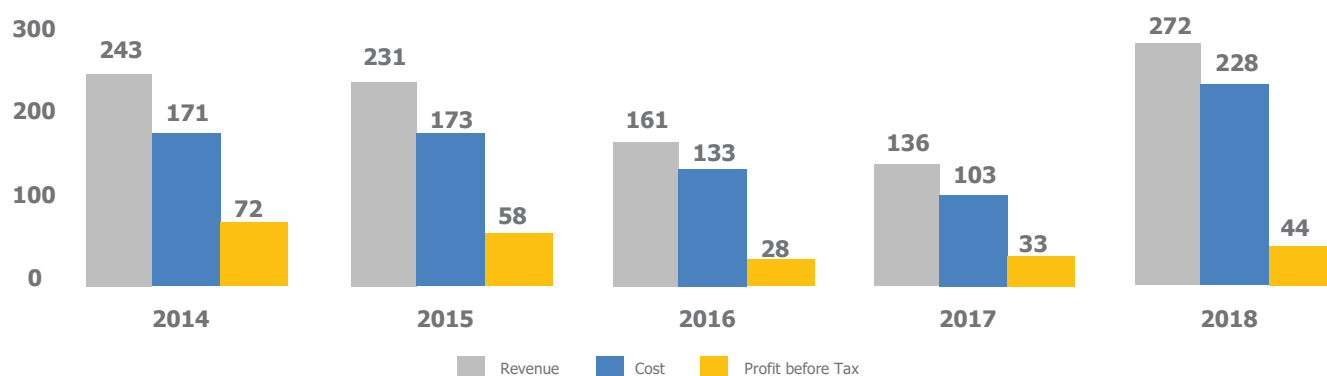
Amended securities law, if passed at the 2nd National Assembly in 2019, will have positive impact on the volatility of Vietnam's stock market.

The profit of enterprises will not increase dramatically compared to 2017-2018 period, but still at a positive level (13,5% -14 %).EPS correspondingly increases approximately 10%. In spite of the fact that inflation and exchange rates are potential risk factors, the market generally is not expected to experience any extreme shocks together with a supportive monetary policy of the SBV (but more cautious than the past few years). The amended securities law is expected to attract foreign investors' capital and support for Vietnam stock market. In general, domestic factors in 2019 are forecasted to be positive for Vietnam stock market.

BUSINESS OPERATION EVALUATION AND DEVELOPMENT PLAN

In 2018, KBSV's business performance was relatively positive, revenue reached VND 272 billion, the highest speed in the past 5 years and doubled than 2017. Total profit before tax of KBSV reached VND 44 billion, increased to 33% compared to 2017. In the end of 2018, total assets of KBSV hit the level of VND 2,240 billion, tripled than 2017.

KBSV'S BUSINESS PERFORMANCE (UNIT: VND BN)



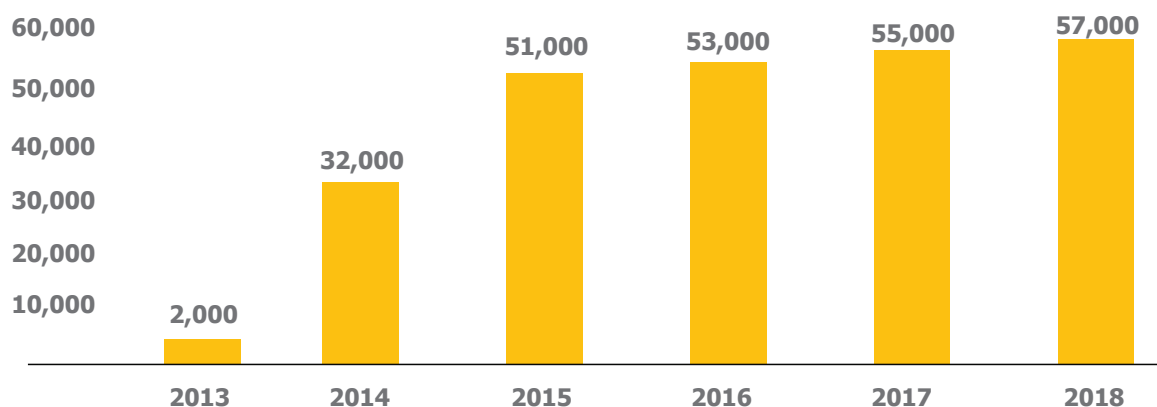
In the first quarter of 2019, KBSV increased its charter capital to VND 1,675 billion in order to expand its business network, existing operations together with derivative services and covered warrants in Vietnam.

SECURITIES SERVICES

In 2018, KBSV concentrated on its sustainable development, improved the quality of securities depository for local and international clients, especially targeted to the retail clients and institutional clients/ investment funds from Korea. The results are:

- The number of accounts reached over 57,000 accounts in the end of 2018.

Total accounts



- The goal of KBSV in 2019 is to focus on improving brokerage service, adding value and services to customers. A number of action plans for the securities services in 2019 include:

	Promote the development of all customer groups, especially group of VIP customers and foreign customers (Korea);		Organize seminars related to investment opportunities in Vietnam for foreign institutional clients;
	Continue to train team staff and standardize procedures to ensure professionalism, recruit new personnel to meet the objectives of KBSV;		Prepare funding sources to meet the demand of margin loans of customers
	Improve the quality of consulting reports for clients;		Launch a derivative system

INVESTMENT BANKING SERVICE

In 2018, revenue from Investment Banking division reached VND 112 billion, out performed the last year performance. Fixed income underwriting, corporate restructuring and M&A advisory work continue to be our focus and achieve positive outcomes.

In 2019, KBSV will complete bond trading system, which will bring better experience for both domestic and foreign investors.

INFORMATION TECHNOLOGY

In 2018, KBSV has upgraded the system and improved trading tools for clients such as KB-Mobile and KB-Trade. In addition, KBSV completed trading system through Bloomberg – Phase 1 for clients, especially foreign clients.

In 2019, KBSV will continue to complete the second phase of trading system through Bloomberg and launch a derivative system for customers in the second quarter.

HR & LABOUR POLICY

In 2018, KBSV focused on building the title system and personnel assessment in accordance with global standards of Korean KB Financial Group. At the same time, KBSV also implemented a new health insurance regime with more benefits for all employees.

In 2019, KBSV continues to focus on recruiting well qualified personnel, adjusting and updating the salary, bonus, welfare and treatment system for staff according to global standards and commensurate with level of competition in the labour market.

SHAREHOLDERS

SHAREHOLDERS STRUCTURE AND SHAREHOLDING RATIO

Category	Number of shares	Ratio (%)	Number of Shareholders
A. SHAREHOLDING RATIO			
Total number of common shares	110,707,860	100%	24
Major shareholders (holding more than 5% of the charter capital with voting rights)	110,337,330	99,67%	1
Shareholders holding less than 5% of the charter capital with voting rights	370,530	0,33%	23
Including			
State shareholders	0	0	0
Foreign shareholders	1	0	0
B. CHARTER CAPITAL STRUCTURE			
State shareholders	0	0	0
Foreign shareholders	110,342,524	99,67%	0
Institutional shareholders	110,342,524	99,67%	1
Individual shareholders	365,336	0,33%	23
C. Number of shares	110,707,860	100%	24
Number of common shares	110,707,860	100%	24
Number of restricted shares		0	0

SHARE TRANSACTION OF INTERNAL SHAREHOLDERS

No Transaction

ENVIRONMENTAL AND SOCIAL REPORT

SOCIAL ACTIVITIES

KBSV is always aware of its commitment to the community and society in which it operates. We understand that human resource training is not only educational institutions' responsibility but also the enterprises'. Therefore, together with universities, KBSV is actively involved in organizing career guidance and training programs, exposing students to the real working environments. Internships are organized at KBSV every year and many excellent students have joined and become KBSV-er after the internship.

In addition to taking responsibility for human resources training, KBSV is also actively participated in philanthropy programs by making donations for facial deformities surgeries of children; as well as making charitable donations for orphans and poor children in different regions of the country.

In October 2018, KBSV implemented the program "KB Rainbow Library" at Huu Nghi Primary School in Hoa Binh City. "KB Rainbow Library" was a part of the project of providing teaching equipment for Huu Nghi Primary School, run by the Korean NGO WECA and sponsored by KBSV. The total donation of the project was VND 1 billion. The project provided equipment including: library equipment, teaching equipment to ensure standards, support library activities and teaching for Huu Nghi School. Especially, the project provided 14,000 books, comics for students; reference books for teachers and primary students. This project has been implemented in different countries.

BOARD OF DIRECTORS (BOD)

Mr. Park Chunsoo	Chairman (Appointed on 24th March, 2018)
Mr. Yoon Bob Nyol	Member (Appointed on 24th March, 2018)
Mr. Oh Cheol Wu	Member (Appointed on 24th March, 2018)
Mr. Nguyen Duc Hoan	Member (Appointed on 24th March, 2018)

Mr. Park Chunsoo - Chairman

Mr. Park Chunsoo is currently Managing Director of KB Securities, Korea. Mr. Park graduated in International Economics from Seoul National University, Korea in 1995. Mr. Yoon has joined KB Financial Group for many years and has extensive experience in various positions in the Group as well as its subsidiaries such as KB Bank, KB Investment & Securities.

Mr. Park Chunsoo has assumed the BOD Chairman position of KB Securities Vietnam Joint Stock Company since 24th March 2018.

Mr. Oh Cheolwu – Member

Mr. Oh Cheolwu is currently a Senior President of KB Securities Korea. Mr Oh graduated in Economics from Seoul National University, Korea in 1999. Prior to joining KB Financial Group, Mr. Oh held the leadership position at Deawoo Securities Korea for 16 years.

Mr. Oh Cheolwu officially became a member of the BOD of KBSV since 24th March 2018.

Mr. Yoon Bob Nyol – Member

Mr. Yoon Bob Nyol is currently a Director of KB Securities Korea. Mr. Yoon held a PhD candidate of Law, Seoul National University, Korea in 2007. Mr. Yoon also held a MBA of Business Administration of Yonsei University, Korea in 2012. Mr. Yoon has joined KB Securities from 2008.

Mr. Yoon Bob Nyol officially became a member of the BOD of KB Securities Vietnam Joint Stock Company since 24th March 2018.

Mr. Nguyen Duc Hoan – Member

Mr. Nguyen Duc Hoan is an experienced financial professional with 20 years in the financial market. He has eight years working with Barclays Bank in London (UK) and four years as the Head of fixed income trading at Maritime Bank, one of the Top 5 private commercial banks in Vietnam.

He is currently CEO of Trust Principle Fund Management Company (TPF), managing accounts for a number of institutional clients including Maritime Bank and other financial institutions. TPF is a major shareholder and has been working with KBSV in a number of landmark investment banking deals. Since 24th March 2018, he has taken a new role as a member of BOD of KBSV.

SHAREHOLDING RATIO OF BOD MEMBERS

No.	Full name	Position	Ratio (%)
1	Mr. Park Chunsoo	Chairman	0%
2	Mr. Yoon Bob Nyol	Member	0%
3	Mr. Nguyen Duc Hoan	Member	0%
4	Mr. Oh Cheolwu	Member	0%

COMMITTEES UNDER BOD

1. Audit Committee

The Audit Committee and Internal Audit were established in November 2013 as a unit directly under the Board and completely independent from the Executive Board according to advanced practices of corporate governance. The Audit Committee is responsible for independent assessment of the conformity and compliance with policies and laws, rules, and the decisions of General Meeting of Shareholders and the Board of Directors; assessing the compliance with laws, internal regulations of the company's operations through internal audit activities.

The Audit Committee is responsible for establishing the internal audit groups to conduct the internal audit activities of the company periodically or thematically. The audit reports are directly reported to the Board of Directors.

2. Risk Committee

The Risk Committee is a responsible unit under the Board of Directors to assist in undertaking the risk management role, including the making of operational risk policy and management; assessing the appropriateness and effectiveness of risk management system established in the company.

ACTIVITIES OF THE BOD

No.	Member	Position	Number of meetings attended	Ratio
1	Mr. Park Chunsoo	Chairman	19	100%
2	Mr. Yoon Bob Nyol	Member	19	100%
3	Mr. Nguyen Duc Hoan	Member	19	100%
4	Mr. Oh Cheolwu	Member	19	100%

Board of Directors always keeps abreast to the Company's business operations, directly issues decisions and resolutions in order to provide timely guidance and creates favorable conditions for the Executive Board to regulate business operations of the Company.

In addition to overseeing Executive Board's activities, BOD has always been actively operating within the framework, includes:

- Deploy the works related to the holding of the Annual General Meeting of Shareholders in 2018
- Approves regulations in line with actual situations, providing a clear framework for operation and business, such as salary scale, financial regulations;
- Holds meetings in order to issue timely decisions on business operations as proposed by the CEO.

BOARD EVALUATION OF THE COMPANY PERFORMANCE

EVALUATION ON PERFORMANCE OF 2018

KBSV has performed well in 2018 according to the Company's long-term orientation, including:

- The Company's business operations have achieved encouraging results and awards as:
 - Profit before tax increased by 33% compared to 2017.
 - Managing more than 57,000 clients' accounts;
 - Total assets of KBSV hit the level of VND 2,240 billion, tripled than 2017..
- Excellent employees have worked efficiently to accomplish the tasks set;
- Risk management system is monitored and strictly adhered to;
- KBSV's culture has become more clearly defined;
- Actively involved in social activities.

OPERATIONAL PLAN FOR 2019

KBSV's Board of Directors in 2019 will focus on the following matters:

- Strengthen inspection and supervision; enhance and improve the capacity of the internal inspection, internal control and audit to improve efficiency and preserve capital;
- Continue to supplement and improve the system of regulations, operational procedures, management reporting systems and managing information, focus on risk management progress;
- Enhance the brand value;
- Strengthen the relationship with shareholders in order to provide information for the public quickly, promptly and transparently;
- Adhere to the Charter, Regulations on the organization and operation of the Board of Directors and other internal regulations of the Company.

BOARD OF DIRECTORS' EVALUATION ON THE OPERATIONS OF THE MANAGEMENT TEAM

- The Management Team has earnestly implemented BOD's decisions and resolutions in order to achieve the business tasks set;
- Implement periodical reporting, periodic disclosure to the SSC, Hanoi Stocks Exchange, Ho Chi Minh Stocks Exchange about operations of the Company according to regulations;
- The Company's activities and events are always informed by the Management Team to its clients, partners and shareholders through the Company's website. The information about the typical events such as financial reports, corporate governance, BOD appointment is punctually disclosed.
- The Management Team has implemented and ensured the legitimate rights and interests of employees in accordance with the State policies and regulations. In addition, the regime of salary increases and allowances for employees is also considered by KBSV.

SUPERVISORY BOARD

SUPERVISORY BOARD ORGANIZATIONAL STRUCTURE OF 2018

<i>Full name</i>	<i>Position</i>	<i>Appointment/Resignation date</i>
Ms. Pham Thi Bich Thuy	Head of Supervisory Board	Appointed on 09 Oct 2017
Ms. Dinh Thi Lien Huong	Member	Appointed on 09 Oct 2017
Mr. Lee Hwang In	Member	Appointed on 24 Mar 2018

SUPERVISORY BOARD'S SHAREHOLDING RATIO

No.	Full name	Position	Tỷ lệ (%)
1	Ms. Pham Thi Bich Thuy	Head of Supervisory Board	0%
2	Ms. Dinh Thi Lien Huong	Member	0%
3	Mr. Lee Hwang In	Member	0%

SUPERVISORY BOARD'S OPERATION

The operation of the Supervisory Board complies with laws and charters of the Company. The operations of the Supervisory Board include:

- Monitor the compliance with the law, the Company's charter and the resolutions of the Annual General Meeting of Shareholders;
- Verify quarterly, semi-annual and annual financial statements in 2018 of the Company. Monitor the compliance with the financial safety regulations in accordance with Circular 87 issued by the Ministry of Finance on 15 August 2017;
- Join the Board of Directors and the Management Team in checking the validity of newly promulgated procedures and regulations;
- In 2018, Supervisory Board did not receive any complaints from shareholders about the performance of KBSV.



**TOP 10 SECURITIES COMPANIES WITH
THE LARGEST CHARTERED CAPITAL IN VIETNAM**

CORPORATE INFORMATION

ESTABLISHMENT AND OPERATION LICENCE

No. 77/UBCK-GPHDKD dated 11 June 2008 issued by the State Securities Commission. The Establishment and Operation Licence was amended several times and the latest amendment No. 10/GP-DC-UBCK was issued on 21 February 2019.

On the date of the financial statements

BOARD OF DIRECTORS

Mr. Park Chunsoo	Chairman (appointed on 24 March 2018)
Mr. Cho Nam Hoon	Chairman (resigned on 24 March 2018)
Mr. Yoon Bob Nyol	Member (appointed on 24 March 2018)
Mr. Oh Cheol Wu	Member (appointed on 24 March 2018)
Mr. Nguyen Duc Hoan	Member (appointed on 24 March 2018)
Mr. Jun Sang Hoon	Member (resigned on 24 March 2018)
Mr. Rho Seung Joon	Member (resigned on 24 March 2018)
Mr. Mac Quang Huy	Member (resigned on 24 March 2018)

BOARD OF MANAGEMENT

Mr. Nguyen Duc Hoan	General Director (appointed on 30 June 2018)
Mr. Mac Quang Huy	General Director (resigned on 30 June 2018)
Mr. Oh Cheol Wu	Deputy General Director (appointed on 30 January 2018)
Ms. Le Thi Quyen	Acting Deputy General Director

LEGAL REPRESENTATIVE

Mr. Park Chunsoo	Chairman
Mr. Nguyen Duc Hoan	General Director (appointed on 30 June 2018)
Mr. Mac Quang Huy	General Director (resigned on 30 June 2018)

REGISTERED OFFICE

Floor G, 2nd and 7th, Sky City Tower Lang Ha, 88 Lang Ha Dong Da District, Hanoi, Vietnam

AUDITOR

Branch of PwC (Vietnam) Limited in Hanoi

STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT OF THE COMPANY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Management of KB Securities Vietnam Joint Stock Company ("the Company") is responsible for preparing the financial statements which give a true and fair view of the financial position of the Company as at 31 December 2018 and of the result of its operations, cash flows and changes in equity for the year then ended. In preparing these financial statements, the Board of Management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable the financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the financial statements. The Board of Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other errors.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements as set out on pages 5 to 57 which give a true and fair view of the financial position of the Company as at 31 December 2018 and of the results of its operations, cash flows and changes in equity for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and prevailing regulations on the preparation and presentation of financial statements applicable to securities companies operating in Vietnam.

On behalf of the Board of Management

A red circular stamp of KB Securities Vietnam Joint Stock Company. The text inside the stamp includes "S.G.P. 07 - C.T.C.P", "CÔNG TY CỔ PHẦN CHỨNG KHOAN KB VIỆT NAM", and "Đ. ĐÔNG ĐÀ - T. HÀ NỘI". A blue ink signature is written over the stamp.

Nguyen Duc Hoan
General Director

Hanoi, SR Vietnam
21 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KB SECURITIES VIETNAM JOINT STOCK COMPANY

We have audited the accompanying financial statements of KB Securities Vietnam Joint Stock Company ("the Company") which were prepared on 31 December 2018 and approved by the Board of Management on 21 March 2019. The financial statements comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and explanatory notes to the financial statements including significant accounting policies, as set out on pages 5 to 57.

THE BOARD OF MANAGEMENT'S RESPONSIBILITY

The Board of Management of the Company is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and prevailing regulations on the preparation and presentation of financial statements applicable to securities companies operating in Vietnam and for such internal control which the Board of Management determines necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and true and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the financial statements.

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

AUDITOR'S OPINION

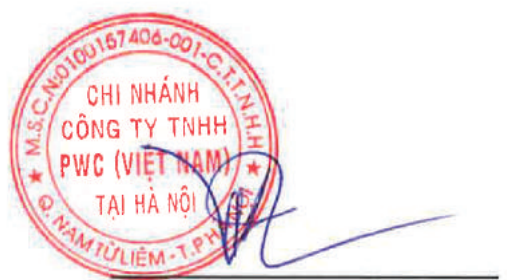
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, the results of its operations, cash flows and changes in equity for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and prevailing regulations on preparation and presentation of financial statements applicable to securities companies operating in Vietnam.

OTHER MATTER

The financial statements of the Company for the year ended 31 December 2017 were audited by another audit firm who issued an unmodified opinion on 28 February 2018.

The independent auditor's report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English copies, the Vietnamese copy shall take precedence.

For and on behalf of Branch of PwC (Vietnam) Limited in Hanoi



Tran Hong Kien

Audit Practising Licence No.
0298-2018-006-1
Authorised signatory

A blue ink signature of Bui Phuong Hanh.

Bui Phuong Hanh

Audit Practising Licence No
3823-2018-006-1

Report reference number: HAN 2161
Hanoi, 21 March 2019

FORM B 01 – CTCK

STATEMENT OF FINANCIAL POSITION

As at 31 December

CODE	ITEMS	NOTE	2018/VND	2017/VND
ASSETS				
100	CURRENT ASSETS		2,020,115,996,556	676,739,670,897
110	Financial assets		2,012,838,552,300	675,106,363,041
111	Cash and cash equivalents	3,1	105,406,769,560	28,687,105,624
111.1	Cash		10,255,536,683	28,687,105,624
111.2	Cash equivalents		95,151,232,877	—
112	Financial assets at fair value through profit or loss (FVTPL)	3,2	431,388,748,420	11,467,758,995
113	Held-to-maturity (HTM) investments	3,3(a)	272,005,479,452	94,500,000,000
114	Loans	3,4(a)	1,146,395,557,032	543,624,586,722
115	Available-for-sale (AFS) financial assets	3,5	897,376,000	897,376,000
116	Provisions for impairment of financial assets and mortgages	3,4(b)	(14,882,925,413)	(15,025,131,108)
117	Receivables	3,6(a)	15,391,662,148	3,659,356,836
118	Prepayments to suppliers	3,6(b)	4,179,693,195	1,945,312,000
119	Receivables from services provided by the Company	3,6(c)	50,407,800,000	544,800,000
122	Other receivables	3,6(d)	1,686,556,517	4,843,362,583
129	Provision for impairment of receivables	3,6(d)	(38,164,611)	(38,164,611)
130	Other current assets		7,277,444,256	1,633,307,856
131	Advances		338,465,870	44,651,000
133	Short-term prepaid expenses	3,7(a)	4,028,212,352	1,162,487,419
134	Short-term pledges, mortgages, collateral and deposit		2,910,766,034	426,169,437
200	NON-CURRENT ASSETS		219,755,852,004	22,620,547,012
210	Non-current financial assets		180,000,000,000	—
212	Held-to-maturity (HTM) investments	3,3(b)	180,000,000,000	—
220	Fixed assets		15,367,546,799	14,032,455,255
221	Tangible fixed assets	3,8(a)	10,119,421,572	8,741,166,690
222	Historical cost		20,371,068,055	16,349,521,055
223a	Accumulated depreciation		(10,251,646,483)	(7,608,354,365)

The notes on pages 15 to 57 are an integral part of these financial statements.

227	Intangible fixed assets	3,8(b)	5,248,125,227	5,291,288,565
228	Historical cost		15,743,822,915	13,945,895,915
229a	Accumulated amortisation		(10,495,697,688)	(8,654,607,350)
240	Construction in progress	3,8(c)	5,492,736,000	
250	Other non-current assets		18,895,569,205	8,588,091,757
251	Long-term pledges, mortgages, collateral and deposit		15,000,000	15,000,000
252	Long-term prepaid expenses	3,7(b)	8,106,168,957	298,691,509
254	Deposits in the Settlement Supporting Fund	3,9	10,774,400,248	8,274,400,248
270	TOTAL ASSETS		2,239,871,848,560	699,360,217,909
300	LIABILITIES		894,826,023,596	195,821,671,517
310	Current liabilities		724,365,611,639	195,696,789,887
311	Short-term borrowings and finance lease liabilities		665,431,382,950	135,500,000,000
312	Short-term borrowings	3,11(a)	665,431,382,950	135,500,000,000
320	Short-term trade accounts payable	3.10	3.347.931.400	52.289.800
321	Short-term advances from customers		205.000.000	205.000.000
322	Tax and other payables to the State Budget	3,12	3,131,190,312	7,472,337,712
323	Payables to employees		6,816,743,225	4,499,313,742
324	Employee welfare payables		484,943,262	385,287,178
325	Short-term accrued expenses	3,13	43,297,669,970	6,753,256,156
329	Other short-term payables	3,14	1,650,750,520	38,745,144,457
331	Bonus and welfare funds			2,084,160,842
340	Non-current liabilities		170,460,411,957	124,881,630
341	Long-term borrowing and finance lease liabilities		170,325,000,000	
342	Long-term borrowings	3,11(b)	170,325,000,000	
356	Deferred income tax liabilities	3,15	135,411,957	124,881,630
400	OWNERS' EQUITY		1,345,045,824,964	503,538,546,392
410	Capital and reserves		1,345,045,824,964	503,538,546,392
411	Owners' capital		1,107,078,600,000	300,000,000,000
411.1	Share capital	3,16	1,107,078,600,000	300,000,000,000
411.1a	Ordinary shares		1,107,078,600,000	300,000,000,000
414	Supplementary capital reserve		2,937,033,810	829,800,870
415	Financial and operational risk reserve		17,807,454,336	17,906,831,534

417	Undistributed earnings	3,17	217,222,736,818	184,801,913,988
417.1	Realised post-tax profits		217,886,391,786	184,344,824.330
417.2	Unrealised (losses)/profit		(663,654,968)	457,089,658
440	TOTAL RESOURCES		2,239,871,848,560	699,360,217,909

The notes on pages 15 to 57 are an integral part of these financial statements.

FORM B 01 – CTCK

OFF STATEMENT OF FINANCIAL POSITION ITEMS

As at 31 December

CODE	ITEMS	NOTE	2018/VND	2017/VND
A	ASSETS OF THE COMPANY AND ASSETS IN TRUST			
005	Foreign currency (original currency) US Dollar		30,314	—
006	Number of shares in issue (share)	3,16	110,707,860	30,000,000
			Par value (VND)	
008	Securities listed/registered to Vietnam Securities Depository (VSD)		2,622,960,000	10,100,590,000
009	Securities custodied at VSD but not yet traded		90,000	—
012	Securities not custodied at VSD		336,000,000	336,000,000
B	ASSETS OF AND LIABILITIES TO CUSTOMERS			
021	Securities listed/registered to Vietnam Securities Depository (VSD)		4,745,222,170,000	4,251,215,080,000
021.1	Freely traded securities		4,559,773,500,000	4,040,179,400,000
021.2	Restricted securities		7,197,580,000	4,503,960,000
021.3	Mortgaged securities		87,730,000,000	79,208,000,000
021.5	Securities awaiting settlement		90,521,090,000	127,323,720,000
022	Securities custodied at VSD but not yet traded		4,384,690,000	51,788,740,000
022.1	Securities custodied at VSD but not yet traded – freely traded securities		3,838,110,000	51,680,740,000
022.2	Securities custodied at VSD but not yet traded – restricted securities		546,580,000	108,000,000
026	Customers' deposits		292,095,528,768	360,798,716,058
027	Customers' deposits for securities trading		290,377,896,888	359,434,962,771
029	Deposits for clearing and settlement of trading securities		1,717,631,880	1,363,753,287
029.1	Domestic investors' deposits for clearing and settlement of trading securities		1,190,257,726	395,906,128
029.2	Foreign investors' deposits for clearing and settlement of trading securities		527,374,154	967,847,159

The notes on pages 15 to 57 are an integral part of these financial statements.

031	Payables to customers relating to their deposits at the Company for securities trading	291,857,620,674	360,533,409,890
031.1	Payables to domestic customers relating to their deposits at the Company for securities trading	291,811,058,528	360,533,409,890
031.2	Payables to foreign customers relating to their deposits at the Company for securities trading	46,562,146	—
032	Payables to stock issuers	—	90,000,000
035	Payables on dividends, principal and interest of bond	—	—

Nguyen Thanh Huyen

Chief Accountant



Nguyen Duc Hoan

General Director
21 March 2019

FORM B 02 – CTCK

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

CODE	ITEMS	NOTE	2018/VND	2017/VND
OPERATING INCOME				
01	Gains from financial assets at fair value through profit or loss (FVTPL)		3,254,146,197	4,258,576,150
01.1	Realised gains on disposals of financial assets at FVTPL	4,1	3,180,676,610	3,625,829,733
01.2	Increase in revaluation gains of financial assets at FVTPL	4,2	52,651,641	624,408,148
01.3	Dividends and interest income from financial assets at FVTPL		20,817,946	8,338,269
02	Gains from held-to-maturity (HTM) investments		16,316,892,106	5,971,316,669
03	Interest income from loans and receivables	4,3	78,527,971,275	49,156,006,452
06	Revenue from brokerage services		51,145,880,723	58,207,418,509
07	Revenue from securities underwriting and issuance agency services	4,4	112,587,200,000	2,249,298,000
09	Revenue from custodian services		2,019,219,532	1,996,214,396
10	Revenue from financial consultancy services activities		4,340,816,666	11,363,135,803
11	Revenue from other operating activities		1,608,132,520	583,341,822
20	TOTAL OPERATING INCOME		269,800,259,019	133,785,307,801
OPERATING EXPENSES				
21	Losses from financial assets at fair value through profit or loss (FVTPL)		(1,174,400,069)	(66,627,169)
21.1	Realised losses on disposals of financial assets at FVTPL	4,1	(1,003,802)	(13,581,094)
21.2	Increase in revaluation losses of financial assets at FVTPL	4,2	(1,173,396,267)	(53,046,075)
24	Provisions for diminution in value of financial assets and impairment losses and borrowing costs to finance lending activities		142,205,695	1,648,899,713
26	Expenses for proprietary securities trading		—	(26,108,907)
27	Expenses for brokerage services	4,5	(63,528,439,662)	(60,146,586,733)
28	Expenses for securities underwriting and agency services	4,6	(103,440,700,000)	(1,300,000,000)
30	Expenses for custodian services		(4,018,131,581)	(3,878,802,575)
31	Expenses for financial consultancy services	4,6	(9,323,595,322)	(13,469,472,487)
40	TOTAL OPERATING EXPENSES		(181,343,060,939)	(77,238,698,158)

The notes on pages 15 to 57 are an integral part of these financial statements.

FINANCIAL INCOME			
42	Dividend income and interest income from demand deposits	2,681,787,427	2,266,083,654
50	TOTAL FINANCIAL INCOME	2,681,787,427	2,266,083,654
52	Borrowing cost	(23,931,120,585)	(10,392,373,145)
55	Other financial expenses	(1,884,148,845)	(745,338,156)
60	TOTAL FINANCIAL EXPENSES	(25,815,269,430)	(11,137,711,301)
62	GENERAL AND ADMINISTRATION EXPENSES	(21,276,615,142)	(13,133,095,260)
70	OPERATING PROFIT	44,047,100,935	34,541,886,736
OTHER INCOME AND EXPENSES			
71	Other income	10,050	10,470,234
72	Other expenses	(162,080,920)	(1,672,842,508)
80	NET OTHER EXPENSES	(162,070,870)	(1,662,372,274)
90	NET ACCOUNTING PROFIT BEFORE TAX	43,885,030,065	32,879,514,462
91	Realised profit	45,005,774,691	32,308,152,389
92	Unrealised (loss)/profit	(1,120,744,626)	571,362,073
100	BUSINESS INCOME TAX	4,8 (8,853,994,771)	(12,800,957,037)
100.1	Business income tax – current	(8,843,464,444)	(12,676,075,407)
100.2	Business income tax – deferred	(10,530,327)	(124,881,630)
200	NET PROFIT AFTER TAX	35,031,035,294	20,078,557,425
500 EARNINGS PER SHARE			
501	Basic earnings per share (VND/share)	4,9	1,029

Nguyen Thanh Huyen
Chief Accountant

Nguyen Duc Hoan
General Director
21 March 2019

The notes on pages 15 to 57 are an integral part of these financial statements.

FORM B 03B – CTCK

STATEMENT OF CASH FLOWS

(INDIRECT METHOD)

For the year ended 31 December

CODE	ITEMS	NOTE	2018/VND	2017/VND
CASH FLOWS FROM OPERATING ACTIVITIES				
01	Profit before tax		43,885,030,065	32,879,514,462
02	Adjustments for:			
03	Depreciation and amortisation		4,484,382,456	4,690,313,890
04	Provisions		(142,205,695)	—
06	Interest expenses		23,931,120,585	10,392,373,145
07	Profits from investing activities		(2,681,787,427)	(2,274,421,923)
08	Accrued interest income		(10,085,315,704)	(3,659,356,836)
10	Increase in non-cash expenses		1,173,396,267	—
11	Revaluation losses of financial assets at FVTPL		1,173,396,267	—
18	Decrease in non-cash income		(52,651,641)	—
19	Revaluation gains of financial assets at FVTPL		(52,651,641)	—
30	Profit from operating activities before changes in working capital		60,511,968,906	42,028,422,738
31	(Increase)/decrease in financial assets at FVTPL		(421,041,734,051)	107,591,587,202
32	(Increase)/decrease in held-to-maturity (HTM) investments		(357,505,479,452)	20,800,000,000
33	Increase in loans		(602,770,970,310)	(256,762,043,963)
35	Decrease in financial assets receivables		—	40,004,500,000
36	(Increase)/decrease in dividends and interests accrued and receivables on financial assets		(1,646,989,608)	3,659,356,836
37	Increase in services provided receivables		(49,863,000,000)	(368,800,000)
39	Decrease/(increase) in other receivables		879,814,596	(2,246,991,514)
40	Increase in other assets		(293,814,870)	(1,564,085,830)
41	Increase in accrued expenses (excluding interest expenses)		31,527,049,273	2,470,793,280
42	(Increase)/decrease in prepaid expenses		(10,673,202,381)	269,228,558
43	Business income tax paid		(12,236,441,721)	(7,302,246,715)

The notes on pages 15 to 57 are an integral part of these financial statements.

44	Interest paid		(18,913,756,044)	(9,071,742,314)
45	Increase/(decrease) in trade account payable		3,295,641,600	(15,427,977,700)
46	(Decrease)/increase in employee welfare payables		(2,586,861,480)	61,448,000
47	(Decrease)/increase in tax and other payables to the State Budget (excluding corporate income tax paid)		(948,170,123)	1,038,062,804
48	Increase in payables to employees		2,317,429,483	780,396,938
50	(Decrease)/increase in other short-term payables		(37,094,393,937)	465,629,736
52	Other payments for operating activities		(4,519,796,278)	(4,692,804,805)
60	Net cash outflows from operating activities		(1,421,562,706,397)	(78,267,266,749)
CASH FLOWS FROM INVESTING ACTIVITIES				
61	Purchases of fixed assets		(11,269,599,725)	(1,487,722,500)
65	Proceeds from interest earned, dividends and profits received from long-term investments		2,216,987,108	2,107,429,648
70	Net cash (outflows)/inflows for investing activities		(9,052,612,617)	619,707,148
CASH FLOWS FROM FINANCING ACTIVITIES				
71	Proceeds from issuance of shares		807,078,600,000	—
73	Proceeds from borrowings	5,2	2,392,257,105,526	485,598,691,192
74	Repayments of borrowings	5,3	(1,692,000,722,576)	(424,664,885,330)
80	Net cash inflows from financing activities		1,507,334,982,950	60,933,805,862
90	Net increase/(decrease) in cash and cash equivalents		76,719,663,936	(16,713,753,739)
101	Cash and cash equivalents at beginning of year		28,687,105,624	45,400,859,363
101.1	Cash and cash equivalents	3,1	28,687,105,624	45,400,859,363
103	Cash and cash equivalents at end of year		105,406,769,560	28,687,105,624
103.1	Cash and cash equivalents	3,1	105,406,769,560	28,687,105,624

Major non-cash transactions in the year were presented in Note 5.1

The notes on pages 15 to 57 are an integral part of these financial statements.

CASH FLOWS OF BROKERAGE AND TRUSTING ACTIVITIES

CASH FLOWS OF BROKERAGE AND TRUSTING ACTIVITIES			
01	Trade proceeds	15,983,172,714,441	17,053,858,661,250
02	Trade payments	(21,780,828,309,925)	(16,820,991,293,609)
07	Receipts for settlement of customers' transactions	6,376,948,673,875	—
08	Payments for customers' transactions	(647,996,265,681)	—
20	Net (decrease)/increase in customers' deposits	(68,703,187,290)	232,867,367,641
30	Customers' deposits at beginning of year	360,798,716,058	127,931,348,417
31	Cash at bank	360,798,716,058	127,931,348,417
32	Customers' deposits at the Company for securities trading	359,434,962,771	122,713,553,814
34	Deposits for clearing and settlement of trading securities	1,363,753,287	5,217,794,603
40	Customers' deposits at end of year	292,095,528,768	360,798,716,058
41	Cash at bank	292,095,528,768	360,798,716,058
42	Customers' deposits at the Company for securities trading	290,377,896,888	359,434,962,771
44	Deposits for clearing and settlement of trading securities	1,717,631,880	1,363,753,287


Nguyen Thanh Huyen

Chief Accountant

**General Director oan**General Director
21 March 2019

The notes on pages 15 to 57 are an integral part of these financial statements.

FORM B 04 – CTCK

STATEMENT OF CHANGES IN EQUITY

CODE	ITEMS	AS AT		2017		2018		AS AT	
		1.1.2017	1.1.2018	INCREASE	DECREASE	INCREASE	DECREASE	31.12.2017	31.12.2018
1.	Owners' capital	300,000,000,000	300,000,000,000	—	—	807,078,600,000	—	300,000,000,000	1,107,078,600,000
1.1	Ordinary shares	300,000,000,000	300,000,000,000	—	—	807,078,600,000	—	300,000,000,000	1,107,078,600,000
3.	Supplementary capital reserve	829,800,870	829,800,870	—	—	2,107,232,940	—	829,800,870	2,937,033,810
4.	Financial and operational	15,700,221,396	17,906,831,534	2,206,610,138	—	1,003,927,871	(1,103,305,069)	17,906,831,534	17,807,454,336
8.	Undistributed earnings	167,591,949,743	184,801,913,988	20,078,557,425	(2,868,593,180)	36,151,779,920	(3,730,957,090)	184,801,913,988	217,222,736,818
8.1	Realised profits	167,591,949,743	184,344,824,330	19,621,467,767	(2,868,593,180)	36,151,779,920	(2,610,212,464)	184,344,824,330	217,886,391,786
8.2	Unrealised profits/(losses)	—	457,089,658	457,089,658	—	—	(1,120,744,626)	457,089,658	(663,654,968)
TOTAL		484,121,972,009	503,538,546,392	22,285,167,563	(2,868,593,180)	846,341,540,731	(4,834,262,159)	503,538,546,392	1,345,045,824,964



Nguyen Thanh Huyen
Chief Accountant



Nguyen Duc Hoan
General Director
21 March 2019

The notes on pages 15 to 57 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

Establishment and Operation Licence

KB Vietnam Securities Joint Stock Company (“the Company”) is a joint stock company incorporated in Vietnam under the Establishment and Operation Licence No. 77/UBCK-GPHDKD issued by the State Securities Commission on 11 June 2008. The Establishment and Operation Licence was amended several times and the latest amendment No. 10/GPDC-UBCK was issued on 21 February 2019.

Head office and branches

The Company is located at G, 2nd and 7th floor, Sky City Tower Lang Ha, 88 Lang Ha, Dong Da District, Hanoi, Vietnam. At the date of the financial statements, the Company has three branches:

Ho Chi Minh Branch was established under the Decision No. 401/QD-UBCK issued by the State Securities Commission on 2 July 2013. The branch is located at 2nd floor, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru, District 1, Ho Chi Minh City, Vietnam.

Hanoi Branch was established under the Decision No. 379/QD-UBCK issued by the State Securities Commission on 7 August 2015. The branch is located at 1st floor, Office Building, 5 Dien Bien Phu, Ba Dinh, Hanoi, Vietnam.

Saigon Branch was established under the Decision No. 08/QD-UBCK issued by the State Securities Commission on 4 January 2019. The branch is located at 1st floor, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe ward, District 1, Ho Chi Minh City, Vietnam.

Charter

The Company’s latest charter was approved by the Board of Management and effective from 27 February 2019.

Principal activities

The principal activities of the Company are to provide securities brokerage service, securities investment consultancy service, financial consultancy service, underwriting, securities custodian services and other services allowed under Securities Law.

Charter capital

The Company’s charter capital as at 31 December 2018 is VND 1,107,078,600,000 according to Establishment and Operation Licence No. 102/GPDC-UBCK issued on 14 December 2018. Subsequently, the Company’s charter capital according to its latest Establishment and Operation Licence is increased to VND 1,675,020,900,000.

Investment restrictions

The Company’s investment portfolio and its investment restrictions shall be in compliance with the investment objectives and strategies as stipulated in its charter and applicable securities rules.

Other information

The normal business cycle of the Company is 12 months.

As at 31 December 2018, the Company had 195 employees (as at 31 December 2017: 123 employees).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System, Circular 210/2014/TT-BTC dated 30 December 2014 ("Circular 210/2014/TT-BTC") and Circular 334/2016/TT-BTC dated 27 December 2016 ("Circular 334/2016/TT-BTC") which were issued by the Ministry of Finance, and prevailing regulations on the preparation and presentation of financial statements applicable to securities companies operating in Vietnam. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss ("FVTPL") and available-for-sale ("AFS") financial assets based on market value or fair value (in case market value is indeterminable).

The accompanying financial statements are not intended to present the financial position, results of operations, cash flows and changes in equity in accordance with accounting principles generally accepted in jurisdictions other than Vietnam. The accounting principles and practices utilised in Vietnam may differ from those generally accepted in countries and jurisdictions other than Vietnam.

The financial statements in Vietnamese language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Vietnamese language financial statements

2.2 Form of records applied

The Company uses the accounting software tailored in general journal to record its transactions.

2.3 Fiscal year

The Company's fiscal year is from 1 January to 31 December.

2.4 Currency

The financial statements are measured and presented in Vietnamese Dong ("VND").

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in profit or loss of the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are respectively translated at the buying and selling exchange rates at the reporting date of the commercial bank where the Company regularly trades. Foreign currencies deposited in bank at the reporting date are translated at the buying exchange rate of the commercial bank where the Company opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised as income or expenses in the statement of comprehensive income.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit and other short-term investments with an original maturity of three months or less that are subject to an insignificant risk of conversion into cash.

Cash of investors for securities trading activities and cash of issuers are accounted for off statement of financial position.

2.6 Financial assets

(a) Classification

(i) Financial assets carried at fair value through profit or loss

Financial assets at FVTPL are financial assets held for trading or designated by the Board of Management at initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if meeting one of the following conditions:

- It is purchased or created for resale/repurchase in the short term; or
- At initial recognition, it constitutes a part of an identified portfolio of financial instruments which are traded for short-term profits; or
- It is a derivative (except those defined as financial guarantees or effective hedges).

At initial recognition, the Board of Management designates a financial asset at FVTPL if such designation promotes the fairness of its presentation due to one of the following reasons:

- Such designation eliminates or significantly reduces measurement or recognition inconsistency (also called as "accounting inconsistency") that would otherwise arise due to different bases; or
- It gives rise to a group of financial assets whose performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and internally disseminated to the Company's key management (as defined in Vietnamese Accounting Standard on Related parties disclosure) such as Board of Directors, Board of Management and major shareholders.

Financial assets at FVTPL comprise listed securities, unlisted securities and derivatives including embedded derivatives separated from their host contracts except for those designated as hedges.

Financial assets at FVTPL are initially recorded at cost exclusive of transaction costs. Transaction costs related to purchases of financial assets at FVTPL are expensed off.

Financial assets at FVTPL are subsequently measured at market value or fair value (in case market value is indeterminable). All gains or losses from change in fair value of financial assets at FVTPL are recognised in the statement of comprehensive income.

(ii) Held-to-maturity (HTM) financial assets

Held-to-maturity financial assets are non-derivative financial assets with the followings characteristics:

- Payments are fixed or determinable;
- Maturity is fixed; and
- The Company has positive intention and ability to hold the assets to maturity.

The following assets are excluded from HTM financial assets:

- Non-derivatives financial assets classified as FVTPL financial assets at initial recognition;

- Non-derivatives financial assets classified as AFS financial assets; and
- Non-derivatives financial assets meeting conditions to be classified as loans and receivables.

HTM financial assets are initially recorded at cost inclusive of cost of purchase, and subsequently measured at amortised cost using the effective interest rate ("EIR") method.

Amortised cost of HTM financial assets is determined at historical cost less principal repayments, plus (or less) accumulated amortisation using the EIR method between historical cost and maturity value, less impairment loss (if any).

(iii) Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, excluding the followings:

- Items that the Company intends to dispose of shortly or in the foreseeable future and as such classified as held for trading, or designated as FVTPL financial assets at initial recognition;
- Items that the Company classified as AFS financial assets at initial recognition; or
- Items that the holders could probably not recover the majority of initial investments not due to impairment of credit quality, and are classified as AFS financial assets.

Loans are initially recorded at cost inclusive of cost of purchase and subsequently measured at amortised cost using the effective interest rate method ("EIR")

Amortised cost of loans is determined at historical cost less principal repayments, plus (or less) accumulated amortisation using the EIR method of the difference between historical cost and maturity value, less impairment loss (if any).

(iv) Receivables

Receivables comprise receivables from disposal of financial assets, dividend and interest receivable, receivables from services provided, receivables from failed trades and other receivables. Receivables are recorded on an accrual basis and presented at cost less provision for impairment or doubtful debts (if any).

Receivables are classified as current and non-current assets in the statement of financial position based on their remaining maturity as at the reporting date.

(v) Available-for-sale financial assets (AFS)

Available-for sale financial assets are non-derivative financial assets that are not classified as FVTPL, HTM nor loans and receivables. AFS financial assets are initially recorded at cost inclusive of directly attributable cost of purchase. At reporting date, AFS financial assets are measured at fair value. Those shares not traded on an active market or those whose fair value is not reliably determined are accounted for at cost.

All gains or losses from revaluation of AFS financial assets are accounted for directly in equity (other comprehensive income) through the statement of changes in equity, exclusive of impairment losses. Such recognition is applied until the asset is de-recognised.

At de-recognition, accumulated gains or losses in equity are recognised in the statement of comprehensive income as a reclassification. Gains using the effective interest rate method are recognised in the statement of comprehensive income in accordance with accounting standard on revenue recognition.

Impairment loss of AFS financial asset is recorded directly to previously recognised revaluation gain in equity (if any). When there is objective evidence that an AFS financial asset is impaired, accumulated revaluation loss in equity is reclassified into the statement of comprehensive income despite that asset not being de-recognised.

(b) Reclassification

(i) Reclassification of non-FVTPL financial assets upon disposal

Non-FVTPL financial assets are reclassified to FVTPL financial assets before disposal.

(ii) Reclassification due to change in intention/ability to hold the financial assets

Reclassification of financial assets due to change in intention/ability to hold is permitted, provided that:

- Non-derivative financial assets at FVTPL that are not required to be classified as FVTPL at initial recognition may be reclassified as loans and receivables in limited circumstances or cash and cash equivalents if meeting certain conditions for reclassification.
- Gains and losses from revaluation of financial assets at FVTPL arising before the reclassification are not reversed.
- If the change in intention/ability to hold a financial asset results in it being inappropriately reclassified as an HTM asset, that asset must be reclassified into AFS group and remeasured at fair value. Difference between its carrying value and fair value is recognised in the statement of comprehensive income – Changes in fair value of reclassified assets

(c) Recognition/de-recognition

Purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the financial assets. Financial assets are de-recognised when the right to receive cash flows from the financial assets has expired or the Company has transferred substantially all risks and rewards of ownership of the assets.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, but has neither transferred substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(d) Initial recognition

Financial assets carried at fair value through profit or loss are initially recognised at cost exclusive of transaction costs. Other financial assets are initially recorded at historical cost.

Bonus issues and stock dividends are initially recognised as financial assets at zero value.

(e) Determination of market value/fair value

The Company follows the prevailing regulations in determining the market value/fair value in accordance with Circular 87/2017/TT-BTC dated 15 August 2017 by the Ministry of Finance on capital adequacy ratios applied for Securities companies and Circular 146/2014/TT-BTC dated 6 October 2014 on finance regulations for Securities companies and Assets management companies as the practiced basis for value determination of financial assets, in particular:

(i) Shares listed on stock exchanges, shares of the public companies registered for trading on the Unlisted Public Company Market (“UPCoM”)

These shares are revalued at the closing price of the latest trading date prior to the valuation date.

(ii) Unlisted securities registered/unregistered to Vietnam Securities Depository (“VSD”)

These shares are revalued based on the average of transacted prices announced by the three (03) independent quoting entities at the latest trading date within one (01) month prior to the reporting date. Management and executives of the Company must not be related to management and executives of the quoting entities in accordance with Securities Law.

(iii) Certificates of open-ended funds/exchanged traded fund (“ETF”)

These certificates are revalued at net asset value per fund unit as at the fund’s last reporting date prior to the valuation date of the Company.

(iv) Unlisted bond

Unlisted bonds are measured at their purchase prices plus accumulated accrued interests.

(v) Delisted shares/shares suspended from 6 days or longer

The fair values of these shares are determined at its book value as at latest reporting date.

(vi) Term deposits

Value of term deposits is determined by principals amount and accrued interest income to the date of financial statements.

Unless otherwise stated above, securities are measured at fair value based on review of financial position and book value of the issuers as at valuation date.

(f) Provision for impairment of loans

Provision for loans is made when there are indicators of decline in the recoverability of the margin loans and trading advances. Provision is determined at the difference of market value of collateral assets and carrying value of margin loans and trading advances at reporting date. Provision/reversal of provision for loans is debited/credited to expenses in profit or loss of the statement of comprehensive income.

(g) Provision for impairment of receivables

Receivables are subject to impairment assessment based on the overdue status of the receivables or the expected loss arising from undue debts of which the indebted economic entities declare bankruptcy or undergo liquidation procedures; debtors are missing, deceased, prosecuted or in litigation.

The Company makes provision for overdue receivables in accordance with Circular 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009 ("Circular 228/2009/TT-BTC"). Accordingly, the provision rates for overdue receivables are as follows:

Overdue period	Provision rate
From 6 months to less than 1 year	30%
From 1 year to less than 2 years	50%
From 2 years to less than 3 years	70%
Over 3 years	100%

Provision/(reversal of provision) incurred during the year for impairment is debited/(credited) to expenses in the statement of comprehensive income.

(h) Recognition of gains/(losses)

Purchasing transaction costs

Transaction costs related to purchases of FVTPL financial assets are expensed off, while transaction costs related to purchases of other financial assets are capitalised.

Selling transaction costs

Selling transaction costs are recognised as expenses in the statement of comprehensive income.

Gains/(losses) on disposals

Gains/(losses) on disposal of financial assets are accounted for as income/(expenses) in profit or loss of the statement of comprehensive income. Costs of shares and fund certificates are determined using the weighted average method up to the end of trading dates, while costs of bonds and derivatives are determined using the specific identification method.

Provision/(reversal of provision) for impairment in value of financial assets

Provision/(reversal of provision) for impairment in value of financial assets is debited/(credited) to operating expenses in the statement of comprehensive income.

2.7 Fixed assets

Tangible and intangible fixed assets

Fixed assets are stated at historical cost less accumulated depreciation/amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

Depreciation and amortisation

Fixed assets are depreciated/amortised using the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates of each asset class are as follows:

Office equipment	20% - 33%
Computer software	25% - 33%

Disposals

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the statement of comprehensive income.

2.8 Leased assets

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.9 Prepaid expenses

Prepaid expenses include prepayments for goods and services, tools and equipment not qualified to be accounted as fixed assets under current regulations. Prepaid expenses include short-term and long-term prepaid expenses on the statement of financial position. Prepaid expenses are recorded at historical cost and allocated using the straight line method over estimated useful lives.

The prepaid expenses included mainly:

- Office renovations;
- Office rentals; and
- Office supplies.

2.10 Short-term/long-term collaterals, security deposits

Short-term/long-term collateral, deposits are recognised when the Company completes its payments in accordance with the contractual terms and classified as other current/non-current assets.

2.11 Liabilities

(a) Recognition/de-recognition

Liabilities are recognised when the Company has an obligation as a result of receipts of assets, commits or becomes a party to the contractual provisions. Liabilities are de-recognised when such obligations are fully discharged. Liabilities are recognised on an accruals basis and on prudent concept.

(b) Classification

Classifications of liabilities are based on their nature as follows:

- Borrowings
- Bonds
- Trading obligations including balances with Clearing House and Securities Depository
- Trade payables arising from purchases of goods or services
- Other payables not arising from purchases of goods and services

Liabilities are classified as current and non-current liabilities in the statement of financial position based on their remaining period from the reporting date to their maturity dates.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company has an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.13 Income tax paid on behalf of customers

According to the prevailing taxation regulations in Vietnam, the Company is required to withhold foreign contractor tax of 0.1% on trading proceeds of foreign institutional investors and pay on their behalf. For individual investors (both residents and non-residents), the Company is required to withhold personal income tax of 0.1% on the trading proceeds. The Company will declare and make tax payment on behalf of these investors. For local institutional investors, the Company is not responsible for withholding tax as these entities are responsible for their own tax payment and declaration.

2.14 Borrowing costs

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the statement of comprehensive income when incurred.

2.15 Accrued expenses

Accrued expenses include liabilities for goods and services received but not yet paid due to pending invoice or insufficient records and documents. Accrued expenses are recorded as expenses of the year.

2.16 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as an interest expense.

2.17 Equity

(a) Share capital

Share capital represents the capital contributed by the shareholders. Share capital is recorded at par value.

(b) Undistributed profits

Undistributed profits represent cumulative undistributed post-tax profits at the reporting date including cumulative realised profits and cumulative unrealised profits.

Unrealised profit/(loss) of the year is the total difference between gain and loss arising from revaluation of financial assets at FVTPL or other financial assets charged into the statement of comprehensive income.

Realised profit during the year is the difference between total revenue, income and total expenses in the statement of comprehensive income of the Company, except for gains or losses arising from revaluation of financial assets recognised in unrealised profit/(loss).

(c) Financial and operational risk reserve and supplementary capital reserve

According to Circular 146/2014/TT-BTC issued by the Ministry of Finance on 6 October 2014, after offsetting with accumulated losses, the Company is required to make annual appropriation to the financial and operational risk reserve and supplementary capital reserve at 5% of the profit after tax of the Company for each reserve in each of its profitable year until the accumulated balance of each reserve reaches 10% of the Company's charter capital.

Financial and operational risk reserve is made to compensate the residual losses and damages arising in operation beyond the indemnification received from the parties causing damages and insurance companies.

(d) Other equity funds

Other equity funds are made in accordance with Resolutions of Annual General Meeting of Shareholders

2.18 Revenue and income recognition**(a) Revenue from provision of services to investors**

Revenue from provision of services to investors comprises securities brokerage fees, securities underwriting fees, financial consultancy fees, securities custody service and entrustment service fees.

Revenue from the provision of services is recognised in the statement of comprehensive income when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue from the provision of services is only recognised when all four following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The percentage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

(b) Income from securities trading and investments in other entities

Income from securities trading and investments in other entities comprises income from proprietary trading and dividend income.

Income from proprietary trading activities is measured as difference between selling price before selling costs and costs of securities disposed. Costs of shares and fund certificates are determined using the weighted average method up to the end of trading dates, while costs of bonds and derivatives are determined using the specific identification method.

Cash dividend is recognised in the statement of comprehensive income when the Company's right to receive dividend is established, while stock dividends is not recognised as income, instead their quantities are added to the Company's securities portfolio.

(c) Income from capital activities

Income from capital activities comprises interest income from deposits at bank, income from margin loans, trading advances and financial support agreements. This income is recognised on an accrual basis unless collectability is in doubt.

(d) Other income

Other income arises from other activities and is recognised on an accruals basis.

2.19 Expenses**(a) Recognition**

Expenses are recognised on an accrual basis, matching with revenue and on prudence concept.

(b) Classification

Expenses are classified by function as follows:

- Operating expenses;
- Financial expenses;
- General and administration expenses; and
- Other expenses.

2.20 Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profit and the current tax rates. Current and deferred tax should be recognised as an income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

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

2.21 Dividend distribution

Dividend of the Company is recognised as a liability in the Company's statement of financial position in the year in which the dividends are declared in accordance with the Company's charter and prevailing applicable regulations.

2.22 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering the related party relationship, the Company considers the substance of the relationship not merely the legal form.

2.23 Nil balances

Items or balances required by Circular 210/2014/TT-BTC and Circular 334/2016/TT-BTC that are not presented in these financial statements indicate nil balances.

3. NOTES TO THE STATEMENT OF FINANCIAL POSITION

3.1 Cash and cash equivalents

	2018 VND	2017 VND
Cash at bank for the business operation	10,022,059,497	28,619,301,857
Bank deposits for clearing and settlement of trading securities	233,477,186	67,803,767
Cash equivalents (*)	95,151,232,877	—
	105,406,769,560	28,687,105,624

(*) Cash equivalents represents deposits at banks with the original maturity of three months or less.

3.2 Financial assets at FVTPL

	Ticker symbol	2018		2017	
		Cost VND	Market value/ Fair value VND	Cost VND	Market value/ Fair value VND
Listed shares and shares traded on UPCoM					
Saigon Securities Investment	SSI	2,222,767	2,185,300	5,419,194,567	5,762,188,800
Bamboo Capital	BCG	280,181,064	262,535,060	3,576,984,454	3,732,856,170
F.I.T Group	FIT	1,643,242,061	486,837,760	1,643,082,141	1,606,775,950
Other shares		541,858,581	637,190,300	257,135,760	365,938,075
Unlisted bond					
Vietnam Technological and Commercial Joint Stock Bank		349,470,626,500	350,000,000,000	—	—
Cash certificate					
Joint Stock Commercial Bank for Investment and Development of Vietnam		80,000,000,000	80,000,000,000	—	—
		431,938,130,973	431,388,748,420	10,896,396,922	11,467,758,995

Movements in the market value of financial assets at FVTPL were as follows:

As at 31 December 2018

	Revaluation differences			Market price/ Fair value VND
	Cost VND	Increase VND	Decrease VND	
Listed shares and shares traded on UPCoM	2,467,504,473	147,686,289	(1,226,442,342)	1,388,748,420
Unlisted bond	349,470,626,500	529,373,500	—	350,000,000,000
Cash certificates	80,000,000,000	—	—	80,000,000,000
	431,938,130,973	677,059,789	(1,226,442,342)	431,388,748,420

As at 31 December 2017

	Revaluation differences			Market price/ Fair value VND
	Cost VND	Increase VND	Decrease VND	
Listed shares and shares traded on UPCoM	10,896,396,922	624,408,148	(53,046,075)	11,467,758,995

3.3 Investments held-to-maturity (HTM)

	2018 VND	2017 VND
(a) Deposits with term over 3 months to under 1 year		
Asia Commercial Joint Stock Bank	110,000,000,000	—
Vietnam Thuong Tin Commercial Joint Stock Bank	20,000,000,000	44,500,000,000
Bank for Investment and Development of Vietnam	—	50,000,000,000
Vietnam Maritime Commercial Joint Stock Bank	90,000,000,000	—
Viet A Joint Stock Commercial Bank	52,005,479,452	—
	272,005,479,452	94,500,000,000
(b) Deposits with term over 1 year		
Bank for Investment and Development of Vietnam	80,000,000,000	—
Vietnam Maritime Commercial Joint Stock Bank	100,000,000,000	—
	180,000,000,000	—

3.4 Loans and provision for impairments of financial assets and mortgages

(a) Loans

	2018		2017	
	Original value VND	Provision VND	Original value VND	Provision VND
Margin loans (i)	1,052,176,983,477	(14,882,925,413)	448,602,794,518	(15,025,131,108)
Trading advances (ii)	94,218,573,555	—	95,021,792,204	—
	1,146,395,557,032	(14,882,925,413)	543,624,586,722	(15,025,131,108)

(i) Margin loans

These represent the amounts lent to investors for their purchases of listed securities in accordance with Decision No. 87/QD-UBCK issued by the State Securities Commission on 25 January 2017.

(ii) Trading advances

These are the amounts advanced to investors at the trading date ("T-date advance"). These amounts were refunded within two (2) working days.

(b) Provision for impairments of financial assets and mortgages

The entire balance of provision for impairments of financial assets and mortgages is provision for impairments of margin loans.

Movements in provision for impairments of financial assets and mortgages during the year were as follows:

	2018/VND	2017/VND
Beginning of year	15,025,131,108	15,025,131,108
Reversal during the year	(142,205,695)	—
End of year	14,882,925,413	15,025,131,108

3.5 Available-for-sale (AFS) financial assets

	2018		2017	
	Cost VND	Market value/ Fair value VND	Cost VND	Market value/ Fair value VND
Shares: Capella Holdings	897,376,000	897,376,000	897,376,000	897,376,000

3.6 Receivables

	2018		2017	
	Book value VND	Doubtful amount VND	Book value VND	Doubtful amount VND
(a) Receivables				
Accrued interest receivables from deposits	6,610,456,033	—	627,750,000	—
Accrued interest receivables from margin loans	8,781,206,115	—	3,031,606,836	—
	15,391,662,148	—	3,659,356,836	—

(b) Prepayments to suppliers				
Financial software solutions Joint Stock Company	2,250,000,000	—	—	—
Lenka Trading & Tourist Services Co., Ltd.	—	—	1,810,215,000	—
Others	1,929,693,195	—	135,097,000	—
	4,179,693,195	—	1,945,312,000	—
(c) Receivables from services provided				
Receivable from securities underwriting and issuance agency services	48,877,300,000	—	—	—
Financial consultancy service fees receivable	1,025,000,000	—	—	—
Receivables from other activities	505,500,000	—	544,800,000	—
	50,407,800,000	—	544,800,000	—
(d) Other receivables				
Receivable from securities purchasing	120,113,693	—	3,776,029,755	—
Depository fees receivable	734,285,981	—	420,210,375	—
Others	832,156,843	(38,164,611)	647,122,453	(38,164,611)
	1,686,556,517	(38,164,611)	4,843,362,583	(38,164,611)

3.7 Prepaid expenses

	2018/VND	2017/VND
(a) Short-term		
Maintenance expenses for trading software	741,684,583	607,305,417
Office rental fees	1,620,912,838	466,082,009
Others	1,665,614,931	89,099,993
	4,028,212,352	1,162,487,419
(b) Long-term		
Office renovation fees	4,766,964,666	—
Office supplies	3,324,518,670	272,195,259
Others	14,685,621	26,496,250
	8,106,168,957	298,691,509

3.8 Fixed assets

(a) Tangible fixed assets

	Office equipment VND
Historical cost	
As at 1 January 2018	16,349,521,055
New purchases	4,021,547,000
As at 31 December 2018	20,371,068,055

	Office equipment VND
Accumulated depreciation	
As at 1 January 2018	(7,608,354,365)
Charge for the year	(2,643,292,118)
As at 31 December 2018	(10,251,646,483)
Net book value	
As at 1 January 2018	8,741,166,690
As at 31 December 2018	10,119,421,572

Historical cost of fully depreciated tangible fixed assets but still in use as at 31 December 2018 was VND 3,944,342,555 (as at 31 December 2017: VND 3,944,342,444).

(b) Intangible fixed assets

	Computer software VND
Historical cost	
As at 1 January 2018	13,945,895,915
New purchases	1,797,927,000
As at 31 December 2018	15,743,822,915
Accumulated amortisation	
As at 1 January 2018	(8,654,607,350)
Charge for the year	(1,841,090,338)
As at 31 December 2018	(10,495,697,688)
Net book value	
As at 1 January 2018	5,291,288,565
As at 31 December 2018	5,248,125,227

Historical cost of fully amortised intangible fixed assets as at 31 December 2018 was VND 8,553,383,415 (as at 31 December 2017: VND 981,812,950).

(c) Construction in progress

	2018 VND	2017 VND
Derivatives trading system under installation	5,492,736,000	—

3.9 Deposits in the Settlement Supporting Fund

According to Decision No. 45/QĐ-VSD dated 22 May 2014 issued by the Vietnam Securities Depository, the Company is required to deposit an initial amount of VND 120,000,000 at the Vietnam Securities Depository and an additional annual contribution equivalent to 0.01% of the total value of brokered securities in the previous year up to the maximum limit of VND 2,500,000,000/year. The maximum amount of contribution is VND 20,000,000,000.

As at 31 December 2018 and 31 December 2017, the Company fully contributed the maximum limit for the year.

	2018 VND	2017 VND
Initial deposits	120,000,000	120,000,000
Additional deposits	9,502,394,532	7,467,194,851
Interest allocated	1,152,005,716	687,205,397
	10,774,400,248	8,274,400,248

3.10 Short-term trade accounts payable

	2018 VND	2017 VND
Sao Bac Dau Technology JSC.	3,295,641,600	—
Other suppliers	52,289,800	52,289,800
	3,347,931,400	52,289,800

3.11 Borrowings

Movements in the borrowings during the year were as follows:

(a) Short-term borrowings

	As at 1.1.2018 VND	Drawdown VND	Repayment VND	As at 31.12.2018 VND
Vietnam Maritime Commercial Joint Stock Bank (i)	100,000,000,000	1,075,200,105,526	(997,300,722,576)	177,899,382,950
Kookmin Bank – Ho Chi Minh branch (ii)	—	78,400,000,000	—	78,400,000,000
Kookmin Bank – Hong Kong branch (iii)	—	228,732,000,000	—	228,732,000,000
Bank for Investment and Development of Vietnam – Ha Thanh branch (iv)	35,500,000,000	124,100,000,000	(109,700,000,000)	49,900,000,000
Viet A Joint Stock Commercial Bank (v)	—	401,500,000,000	(352,000,000,000)	49,500,000,000
Joint Stock Commercial Bank for Foreign Trade of Vietnam (vi)	—	314,000,000,000	(233,000,000,000)	81,000,000,000
	135,500,000,000	2,221,932,105,526	(1,692,000,722,576)	665,431,382,950

- (i) The year-end balance consists of the following facilities at Vietnam Maritime Commercial Joint Stock Bank:
- The overdraft balances under the Frame contract on providing overdraft facility and its appendices with the overdraft limit of VND 40 billion. These overdrafts are subjected interest rate of 7.6% per annum. The facility is secured by term deposits held at Vietnam Maritime Commercial Joint Stock Bank; and
 - The unsecured loan under the credit facility agreement no. 01/KBS/2018/HDTDHM dated 20 March 2018 with Vietnam Maritime Commercial Joint Stock Bank. The unsecured loan is subject to interest rate of 7.1% per annum with terms of 1 month.

The purpose of these facilities are to supplement working capital for the margin lending activities of the Company.

- (ii) This represents the secured loan under the credit agreement of VND 78.4 billion with Kookmin Bank – Ho Chi Minh branch. The loan is subject to interest rate of 6.2% per annum with the term of 12 months. The loan's purpose is to supplement working capital and facilities. The loan is guaranteed by KB Securities Company Limited in South Korea under an agreement dated 1 March 2018 for a period of 1 year.
- (iii) This represents the secured short-term loan under the Loan agreement of USD 9.8 million with Kookmin Bank – Hong Kong branch. The loan's maturity is 6 months from the draw-down date and is subject to an interest rate of 3-month LIBOR plus marginal interest rate determined for each interest period (3 months). The interest is paid every 3 months. The loan is guaranteed by KB Securities Hong Kong Company Limited under an agreement dated 1 October 2018 for a period of 6 months.

On 4 October 2018, the Company signed a Frame contract on Interest rate Derivatives transactions No. 04102018/TCB-KBSV with Vietnam Technological and Commercial Joint Stock Bank for the above short-term loan with Kookmin Bank – Hong Kong branch. Subsequently, the Company purchased a short-term cross currency swap to swap the amount of USD 9,799,500 for VND using swap exchange rate and interest rate to be determinable on each date of transaction.

- (iv) This represents the overdraft under the overdraft facility agreement signed with the Bank for Investment and Development of Vietnam – Ha Thanh branch for the overdraft limit of VND 49.9 billion for a period of 1 year. The overdraft consists of the drawn-down at the fixed interest rates of 6.5% per annum. The purpose of the facility is to supplement working capital. The overdraft facility is secured by term deposits at the Bank for Investment and Development of Vietnam – Ha Thanh branch with the total amount of VND 50 billion.
- (v) This represents the loan under the credit agreement No. 016-007/18/VAB/CCTG signed between the Company and Viet A Joint Stock Commercial Bank. The loan is subject to interest rate of 9.2% per annum with the term of 1 year. The loan is secured by a term deposit at Viet A Joint Stock Commercial Bank with the total amount of VND 52 billion. The loan's purpose is to supplement working capital for the Company's margin lending activities.
- (vi) This represents the loan under the Loan facilities agreement No. 01/2018/HDCV/KBS signed with Joint Stock Commercial Bank for Foreign Trade of Vietnam – Tay Ho branch with the loan limit of VND 100 billion. The loans are subject to the prevailing interest rate on the date of draw-down. The loan is secured by term deposits at Asia Commercial Joint Stock Bank with the total amount of VND 110 billion. The loan's purpose is to supplement working capital for the Company's margin lending activities.

(b) Long-term borrowings

	As at 1.1.2018 VND	Drawdown VND	Repayment VND	As at 31.12.2018 VND
Kookmin Bank – Hong Kong branch (vii)	—	170.325.000.000	—	170.325.000.000

(vii) This represents the secured middle-term loan of USD 7.5 million under the Loan agreement signed with Kookmin Bank – Hong Kong branch. The loan's maturity is 24 months from the drawn-down date. The interest rate of loan is 3-month LIBOR plus marginal interest rate determined for each interest period (3 months). The interest is paid every 3 months. The loan is guaranteed by KB Securities Company Limited in South Korea under an agreement dated 1 March 2018 for a period of 1 year.

On 6 June 2018, the Company signed the Currency Swap Agreement No. 06062018/X-NGD-TTC/KBSV with Vietnam Maritime Commercial Joint Stock Bank to swap the USD amount received from the above unsecured middle-term loan facility agreement with Kookmin Bank – Hong Kong branch for VND. The swap transaction was conducted on 6 June 2018 and will be matured on 29 April 2020 with the swap rate of 22,830 VND/USD and interest rate of 2.3% per annum. In accordance with the currency swap, the Company is not allowed to early settle the transaction within the first 12 months.

3.12 Tax and other payables to the State Budget

Movements in tax and other payables to the State Budget during the year were as follows:

	As at 1.1.2018 VND	Payable during the year VND	Payment during the year VND	As at 31.12.2018 VND
Business income tax – current	5,399,681,411	8,843,464,444	(12,236,441,721)	2,006,704,134
Personal income tax withheld and paid on behalf of investors	1,412,117,261	14,772,219,908	(15,257,086,700)	927,250,469
Personal income tax withheld and paid on behalf of employees	390.781.190	3.917.725.264	(4,214,211,656)	94,294,798
Value added tax	269.757.850	372.701.567	(539,518,506)	102,940,911
	7,472,337,712	27,906,111,183	(32,247,258,583)	3,131,190,312

3.13 Short-term accrued expenses

	2018 VND	2017 VND
Accrued interest expenses from borrowings	5,017,364,541	320,833,333
Accrued interest expenses from deposits for brokerage services	—	2,303,939,896
Accrued brokerage fee payable	36,578,800,000	1,184,726,150
Others	1,701,505,429	2,943,756,777
	43,297,669,970	6,753,256,156

3.14 Other short-term payables

	2018 VND	2017 VND
Deposits payable for brokerage services	—	37,352,241,509
Dividends paid on behalf of Vietnam Maritime Commercial Joint Stock Bank	345,562,247	345,562,247
Payable to investors	535,196,318	796,559,226
Other payables	769,991,955	250,781,475
	1,650,750,520	38,745,144,457

3.15 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The offset amounts are as follows:

	2018 VND	2017 VND
Deferred tax liabilities payable within 12 months	135,411,957	124,881,630

The gross movement in the deferred income tax, taking into consideration the offsetting of balances within the same tax jurisdiction, during the year is as follows:

	2018 VND	2017 VND
Opening balance	124,881,630	—
Charged to the statement of comprehensive income (Note 4.8)	10,530,327	124,881,630
Closing balance	135,411,957	124,881,630

3.16 Share capital

(a) Number of shares

	2018	2017
Number of shares registered	110,707,860	30,000,000
Number of existing shares in issue	110,707,860	30,000,000

As at 31 December 2018 and as at 31 December 2017, all of the Company's shares are ordinary shares. Each ordinary share has a par value of VND 10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividends as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets.

(b) Movement of share capital

	Ordinary shares
As at 1 January 2017	30,000,000
As at 31 December 2017	30,000,000
New shares issued	80,707,860
As at 31 December 2018	110,707,860

(c) Details of owners' shareholding

	2018		2017	
	Ordinary shares	%	Ordinary shares	%
KB Securities Co., Ltd	110,337,330	99,67	29,820,900	99,40
Other shareholders	370,530	0,33	179,100	0,60
Total shares issued	110,707,860	100.00	30,000,000	100.00

On 14 December 2018, State Securities Committee issued the latest amendment No. 102/GPDC-UBCK to approve the capital contribution from existing shareholders and the Company's charter capital was increased to VND 1,107,078,600,000.

3.17 Undistributed earnings

	2018 VND	2017 VND
Undistributed earnings brought forward	184,801,913,988	167,591,949,743
Realised profit incurred in the year	36,151,779,920	19,621,467,767
Unrealised (losses)/profits incurred in the year	(1,120,744,626)	457,089,658
Appropriations from undistributed earnings:		
To financial and operational risk reserves	(1,003,927,871)	(2,206,610,138)
To supplementary capital reserves	(1,003,927,871)	—
To bonus and welfare funds	(602,356,722)	(661,983,042)
Net amount distributable to shareholders	217,222,736,818	184,801,913,988

4. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME**4.1 Net realised gains on disposal of financial assets at FVTPL**

	2018 VND	2017 VND
Realised gains on disposal of financial assets at FVTPL	3,180,676,610	3,625,829,733
In which:		
- Listed shares and shares traded on UPCoM	1,810,626,422	3,625,829,733
- Unlisted bonds	212,499,900	—
- Cash certificates	1,157,550,288	—
Realised losses on disposal of financial assets at FVTPL	(1,003,802)	(13,581,094)
In which:		
- Listed shares and shares traded on UPCoM	(1,003,802)	(13,581,094)
Net realised gains	3,179,672,808	3,612,248,639

Details of net realised gains from disposals of financial assets at FVTPL by category are as follows:

(a) Gain from disposals of financial assets at FVTPL

	Quantity disposed	Sales proceeds VND	Costs of disposal (*) VND	Realised gains in the year VND	Realised gains in the prior year VND
Financial assets at FVTPL					
Listed shares and shares traded on UPCoM	768,962	10,940,615,500	9,129,989,078	1,810,626,422	3,625,829,733
Unlisted bonds	1,000	1,024,768,055,450	1,024,555,555,550	212,499,900	—
Cash certificates	300,643	2,021,058,894,928	2,019,901,344,640	1,157,550,288	—
	1,070,605	3,056,767,565,878	3,053,586,889,268	3,180,676,610	3,625,829,733

(b) Losses from disposals of financial assets at FVTPL

	Quantity disposed	Sales proceeds VND	Costs of disposal (*) VND	Realised losses in the year VND	Realised losses in the prior year VND
Financial assets at FVTPL					
Listed shares and shares traded on UPCoM	1,500	30,600,000	31,603,802	(1,003,802)	(13,581,094)

(*) Costs of shares are determined using the weighted average method up to the end of trading dates, while costs of bonds and cash certificate are determined using the specific identification method.

4.2 Gains/(losses) from revaluation of financial assets at FVTPL

	2018 VND	2017 VND
Increase in revaluation gains of financial assets at FVTPL	52,651,641	624,408,148
Increase in revaluation losses of financial assets at FVTPL	(1,173,396,267)	(53,046,075)
	(1,120,744,626)	571,362,073

Details of gains/(losses) from revaluation of financial assets at FVTPL by category are as follows:

	Cost VND	Market value/ fair value VND	Accumulated revaluation (losses)/gains as at 31.12.2018 VND	Accumulated revaluation gains/(losses) as at 31.12.2017 VND	Charged to the statement of comprehensive income VND
Listed shares and shares traded on UPCoM	2,467,504,473	1,388,748,420	(1,078,756,053)	571,362,073	(1,650,118,126)
Unlisted bonds	349,470,626,500	350,000,000,000	529,373,500	—	529,373,500
Cash certificates	80,000,000,000	80,000,000,000	—	—	—
	431,938,130,973	431,388,748,420	(549,382,553)	571,362,073	(1,120,744,626)

4.3 Interest income from loans and receivables

	2018 VND	2017 VND
Interest income from margin loans	66,933,635,992	37,539,710,662
Interest income from trading advances	11,594,335,283	11,616,295,790
	78,527,971,275	49,156,006,452

4.4 Revenue from securities underwriting and issuance agency services

	2018 VND	2017 VND
Revenue from securities underwriting services	600,000,000	2,249,298,000
Revenue from issuance agency services	111,987,200,000	—
	112,587,200,000	2,249,298,000

4.5 Expenses for brokerage services

	2018 VND	2017 VND
Staff costs	34,758,844,895	31,556,607,083
Depreciation and amortisation expenses	4,484,382,456	4,690,313,890
Securities brokerage services direct expenses	9,708,715,250	13,925,584,472
Office tools and supplies	465,558,230	292,616,539
Outside service expenses	14,110,938,831	9,681,464,749
	63,528,439,662	60,146,586,733

4.6 Expenses for securities underwriting, issuance agency services and financial consultancy services

	2018 VND	2017 VND
Expenses for securities underwriting and issuance agency services	103,440,700,000	1,300,000,000
Expenses for financial consultancy services	1,292,488,889	7,906,021,450
Staff costs	4,978,435,934	3,640,186,435
Outside service expenses	3,052,670,499	1,923,264,602
	112,764,295,322	14,769,472,487

4.7 General and administration expenses

	2018 VND	2017 VND
Staff costs	12,528,043,118	8,446,687,719
Outside service expenses	8,306,517,468	4,058,132,784
Office tools and supplies	131,532,817	116,574,757
Other expenses	310,521,739	511,700,000
	21,276,615,142	13,133,095,260

4.8 Business income tax

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of 20% as follows:

	2018 VND	2017 VND
Accounting profit before tax	43,885,030,065	32,879,514,462
Tax calculated at a rate of 20%:	8,777,006,013	6,575,90,892
Effect of:		
Income not subject to tax	(4,163,589)	(1,667,653)
Expenses not deductible for tax purposes	81,152,347	442,071,280
Under-provisions in previous years	—	5,784,650,518
Business income tax charge (*)	8,853,994,771	12,800,957,037
Charged to the statement of comprehensive income:		
Business income tax – current	8,843,464,444	12,676,075,407
Business income tax – deferred (Note 3.15)	10,530,327	124,881,630
	8,853,994,771	12,800,957,037

(*) The business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustment by the tax authorities.

4.9 Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders after deducting the appropriations to bonus and welfare funds by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Company and held as treasury shares.

As at the date of approval of these financial statements, the Resolution of Annual General Meeting of Shareholders regarding the appropriations to bonus and welfare funds from post-tax profits of the current year was not yet available. Therefore, the net profit amount used for calculation of basic earnings per shares for the reporting period is not deducted by the amount to be appropriated to bonus and welfare funds. For comparability purpose, the comparative figure was also not adjusted by the amounts appropriated to bonus and welfare funds.

	2018 VND	2017 VND
Net profit after tax attributable to ordinary shareholders (VND)	35,031,035,294	20,078,557,425
Weighted average number of ordinary shares in issue (shares)	34,035,393	30,000,000
Basic earnings per share (VND/share)	1,029	669

(b) Diluted earnings per share

The Company did not have potentially dilutive ordinary shares.

5. NOTES TO THE STATEMENT OF CASH FLOWS

5.1 Major non-cash transactions affecting the statement of cash flows

	2018 VND	2017 VND
Appropriation to bonus and welfare funds (Note 6.1)	602,356,722	661,983,042

5.2 Proceeds from borrowings

Proceeds from borrowings are bank overdrafts and loan drawdowns (Note 3.11).

5.3 Repayments of borrowings

Repayments of borrowings are bank overdrafts repayments and loan repayments (Note 3.11).

6. NOTES TO THE STATEMENT OF CHANGES IN EQUITY

6.1 Details of changes in equity

	Share capital VND	Supplementary capital reserve VND	Financial reserve VND	Undistributed earnings VND	Total VND
As at 1 January 2017	300,000,000,000	829,800,870	15,700,221,396	167,591,949,743	484,121,972,009
Profit for the year	—	—	—	20,078,557,425	20,078,557,425
Appropriate to bonus and welfare funds (i)	—	—	—	(661,983,042)	(661,983,042)
Appropriate to statutory reserves (Note 2.17(c))	—	—	2,206,610,138	(2,206,610,138)	—
As at 31 December 2017	300,000,000,000	829,800,870	17,906,831,534	184,801,913,988	503,538,546,392
Share issuance (ii)	807,078,600,000	—	—	—	807,078,600,000
Profit for the year	—	—	—	35,031,035,294	35,031,035,294
Reclassification for 2017 reserve appropriation	—	1,103,305,069	(1,103,305,069)	—	—
Appropriate to bonus and welfare funds (iii)	—	—	—	(602,356,722)	(602,356,722)
Appropriate to statutory reserves (Note 2.17(c))	—	1,003,927,871	1,003,927,871	(2,007,855,742)	—
As at 31 December 2018	1,107,078,600,000	2,937,033,810	17,807,454,336	217,222,736,818	1,345,045,824,964

- (i) According to the Resolution of the Annual General Meeting of Shareholders on 20 June 2017, the Board of Directors appropriated to bonus and welfare funds was 3% of post-tax profit of the year 2016;
- (ii) According to the Resolution of the Annual General Meeting of Shareholders on 07 September 2018 and the Resolution of the Board of Directors on 02 October 2018:
- Issuance of 138,000,000 share with par value VND 10,000/share to existing shareholders at rights purchase ratio of 1:2.7 and 1:1.9 over the two stages;

- The offering is performed in two stages, subsequent to approval of the State Securities Commission in fourth quarter of 2018 and the first quarter of 2019;
- The purpose of the issuance is to finance business expansion, invest in fixed assets, instruments and tools and network development and invest in IT systems;

On 14 December 2018, the State Securities Committee issued the latest amendment to the Company's Establishment and Operation Licence No. 102/GPDC-UBCK approving the Company's charter capital to increase to VND 1,107,078,600,000.

- (iii) According to the Resolution of the Annual General Meeting of Shareholders on 24 March 2018, the Board of Directors approved the amount appropriated to bonus and welfare funds was 3% of post-tax profit of the year 2017;

7. RELATED PARTIES DISCLOSURES

Identified related parties and relationships are presented below:

Related party	Relationship
KB Securities Co., Ltd.	Parent company, holding 99.7% of charter capital
KB Securities Hong Kong Co., Ltd.	Fellow group subsidiaries
Kookmin Bank - Hong Kong branch	Fellow group subsidiaries
Kookmin Bank - Ho Chi Minh branch	Fellow group subsidiaries
Board of Directors and Board of Management	Key management

(a) Related party transactions

During the year, the significant transactions with related parties comprise the followings:

	2018 VND	2017 VND
KOOKMIN BANK – HO CHI MINH BRANCH		
Receipt of short-term loan (Note 3.11(a))	78,400,000,000	—
Payment of interests	3,662,246,572	—
KOOKMIN BANK – HONG KONG BRANCH		
Receipt of short-term loan (Note 3.11(a))	228,732,000,000	—
Receipt of long-term loan (Note 3.11(b))	170,325,000,000	—
Payment of interests	3,708,400,272	—
KEY MANAGEMENT		
Gross salaries and other benefits	3,466,488,268	3,180,171,428

(b) Year-end balances with related parties

	2018 VND	2017 VND
KOOKMIN BANK – HO CHI MINH BRANCH		
Short-term borrowings (Note 3.11(a))	78,400,000,000	—
Accrued interest payable	346,248,767	—
KOOKMIN BANK – HONG KONG BRANCH		
Short-term borrowings (Note 3.11(a))	228,732,000,000	—
Long-term borrowings (Note 3.11(b))	170,325,000,000	—
Accrued interest payable	2,996,429,594	—
KB SECURITIES HONG KONG LIMITED		
Accrued commission (*)	388,524,797	—

(*) The commission payable relates to the guarantee given by KB Securities Hong Kong Limited under an agreement dated 1 October 2018 for one of the Company's borrowings (Note 3.11(a)). In accordance with the guarantee providing agreement, the Company receives guarantee limit of USD 9,800,000 for up to six months with a commission rate of 0.69% per annum.

8. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to market risk, credit risk and liquidity risk. The Company's overall risk management strategy seeks to minimise the adverse effect of these risks on the Company's financial performance.

The Board of Management of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Company. The Board of Management establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Financial risk management is carried out by finance personnel. The finance personnel measure actual exposures against the limits set and prepare regular reports for the review of the Board of Management.

The information presented below is based on information received from the Board of Management.

(a) Credit risk

Credit risk is the risk that counterparty to a financial instrument fails to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company. It arises principally from cash at banks, financial assets, receivables and other assets.

Balances with banks

All the bank balances are placed with local financial institutions which have high credit ratings.

Financial assets at FVTPL

The Company's listed and unlisted securities will only be traded on the Ho Chi Minh City Stock Exchange and the Hanoi Stock Exchange or with counterparties which have a specified credit rating. All securities transactions are settled or paid for upon receipt/ delivery of securities via approved brokers. The risk of default is considered minimal since the delivery of securities for sale transaction is made only once payment has been received and delivery of funds for purchase transaction is only made once the securities have been received. If either party fails to meet their obligations, the trade will fail.

Trading advances

The trading advances are collected from Vietnam Securities Depository which is a state-owned entity and has no history of payment defaults.

Margin loans

Margin loans are secured by eligible securities listed on Ho Chi Minh City Stock Exchange and Hanoi Stock Exchange, customers' cash and trading proceeds. Under the prevailing regulations on margin lending, the loan limit is set at 50% of the eligible securities' value. Eligible securities are defined by the Stock Exchanges based on a number of criteria including liquidity and frequently updated.

Customer Services department is responsible for the continuous review of margin loan report which includes balances, collateral assets and margin maintenance ratio. When the margin maintenance ratio falls below the Company's regulated ratio (this ratio is determined following internal policies and not lower than the regulated ratio of 30%), the system alerts and the Company makes margin calls. When the margin maintenance ratio falls below the Company's regulated ratio, the Company forcibly sells out collateral assets to collect the loans.

Receivables and other assets

Credit exposure is restricted by transacting with counterparties with high credit ratings and obtaining security where necessary.

Credit risk exposure includes the following balances:

	2018 VND	2017 VND
Cash at bank (Note 3.1)	105,406,769,560	28,687,105,624
Loans (Note 3.4(a))	1,146,395,557,032	543,624,586,722
Receivables (Note 3.6)	67,486,018,665	9,047,519,419
Total credit risk exposure	1,319,288,345,257	581,359,211,765

(b) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate according to changes in market prices. The Company's market risks include interest rate risk, currency risk and other price risk, such as share price risk.

The Company manages this risk through the diversified and careful approach to the selection of securities and other financial instruments within specified limits.

■ Interest rate risk

The Company is exposed to insignificant interest rate risk on its borrowings. As at 31 December 2018, if the interest rates had increased/decreased by 1% with all other variables being held constant, the Company's profit before tax for the year would have been lower/higher by VND 1,271,039,246 as a result of higher/lower interest expense on these borrowings.

■ Currency risk

Currency risk is the risk that the value of the Company's financial statements will be affected by changes in exchange rates. The Company is incorporated and operates in Vietnam, with its reporting currency being Vietnamese Dong and its transactional currency being also Vietnamese Dong. The Company's business is exposed to foreign currency risk arising primarily from the US Dollar ("USD").

Currency exposure to the USD is as follows:

	2018 USD	2017 USD
Financial assets		
Cash	30,314	—
Financial liabilities		
Borrowing	(17,300,000)	—
Net financial liabilities	(17,269,686)	—
Net currency exposure	(17,269,686)	—

The currency risk against the Company is assessed to be low as the Company manages the risk by entering into cross currency swap contracts for the Company's foreign currency borrowings.

■ Share price risk

Listed and unlisted shares held by the Company are affected by market risk due to the uncertainty in the future value of invested shares that can result in an increase/decrease in the provision for diminution in value of investments. The Company manages its share price risk by setting up investment limits. The Investment Committee also considers and approves decisions on investment in shares.

As at 31 December 2018, if the prices of the securities had increased/decreased by 10% (as at 31 December 2017: 10%) with all other variables being held constant including tax rate, the Company's profit after tax would have been higher/lower by VND 111,099,874 (2017: higher/ lower by VND 917,420,720).

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in performing financial obligations due to capital shortage. The Company's approach to managing liquidity risk is to ensure that it will always have sufficient reserves of cash to meet its liquidity requirements in the short-term and long-term.

The table below presents the Company's financial liabilities at book value:

	Less than one year VND	Between one and two years VND
AS AT 31 DECEMBER 2018		
Short-term borrowings (Note 3.11(a))	665,431,382,950	—
Short-term trade account payables (Note 3.10)	3,347,931,400	—

Short-term accrued expenses (Note 3.13)	43,297,669,970	—
Other short-term payables (Note 3.14)	1,650,750,520	—
Long-term borrowings (Note 3.11(b))	—	170,325,000,000
Total financial liabilities	713,727,734,840	170,325,000,000
AS AT 31 DECEMBER 2017		
Short-term borrowings (Note 3.11(a))	135,500,000,000	—
Short-term trade account payables (Note 3.10)	52,289,800	—
Short-term accrued expenses (Note 3.13)	6,753,256,156	—
Other short-term payables (Note 3.14)	1,650,750,520	—
Total financial liabilities	181,050,690,413	—

(d) Capital risk management

Capital Adequacy Ratio ("CAR") is an indicator that measures the Company's financial safety and ability to meet its financial obligations and absorb certain losses resulting from risks arising during its business operation.

CAR is calculated and presented in the Company's monthly capital adequacy ratio report in accordance with Circular 87/2017/TT-BTC issued by the Ministry of Finance on 15 August 2017 ("Circular 87/2017/TT-BTC") effective from 10 October 2017, regulating requirements of capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on non-compliance. According to Circular 87/2017/TT-BTC, the Company is required to maintain a prescribed minimum level of CAR of 180%.

As at 31 December 2018, the Company's CAR was 433% (as at 31 December 2017: 598%).

9. OPERATING LEASE COMMITMENTS

The Company is currently renting offices under operating leases. The future minimum lease payments under non-cancellable operating leases were as follows:

	2018 VND	2017 VND
Within 1 year	3,385,931,973	3,652,378,309
Between 1 and 5 years	482,146,012	1,561,588,853
Total minimum payments	3,868,077,985	5,213,967,162

10. CAPITAL COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	2018 VND	2017 VND
Property, plants and equipments	1,131,022,325	—
Software	5,250,000,000	—
Total	6,381,022,325	—

11. SUBSEQUENT EVENTS

On 21 February 2019, the State Securities Committee issued the latest amendment to the Company's Establishment and Operation Licence No. 10/GPDC-UBCK, in particular:

- Headquarter location: Floor G, 2nd and 7th Sky City Tower, 88 Lang Ha, Dong Da, Hanoi
- Increased charter capital: VND 1,675,020,900,000.

12. OPERATIONAL FACTS

Volume and value of transactions during the year were as below:

	Volume of transactions during the year	Value of transactions during the year VND
(a) Of the Company		
Shares	775,030	11,296,466,100
(b) Of Investors		
Shares	1,983,015,529	32,839,073,350,860
Bonds	3,900	392,541,500
	1,983,794,459	32,850,762,358,460

The financial statements were approved by the Board of Management on 21 March 2019.



Nguyen Thanh Huyen

Chief Accountant



Nguyen Duc Hoan

General Director

KB Securities



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