

**KB SECURITIES VIETNAM JOINT STOCK COMPANY**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

# KB SECURITIES VIETNAM JOINT STOCK COMPANY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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# KB SECURITIES VIETNAM JOINT STOCK COMPANY

## 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/GPDC-UBCK was issued on 21 February 2019.

### *On the date of the financial statements*

<b>Board of Directors</b>	Mr. Park Chunsoo	Chairman (appointed on 26 March 2018)
	Mr. Cho Nam Hoon	Chairman (resigned on 26 March 2018)
	Mr. Yoon Bob Nyol	Member (appointed on 26 March 2018)
	Mr. Oh Cheol Wu	Member (appointed on 26 March 2018)
	Mr. Nguyen Duc Hoan	Member (appointed on 26 March 2018)
	Mr. Jun Sang Hoon	Member (resigned on 26 March 2018)
	Mr. Rho Seung Joon	Member (resigned on 26 March 2018)
	Mr. Mac Quang Huy	Member (resigned on 26 March 2018)
<b>Board of Management</b>	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
<b>Legal Representative</b>	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)
<b>Registered office</b>	Floor G, 2 <sup>nd</sup> and 7 <sup>th</sup> , Sky City Tower Lang Ha, 88 Lang Ha Dong Da District, Hanoi, Vietnam	
<b>Auditor</b>	Branch of PwC (Vietnam) Limited in Hanoi	

## KB SECURITIES VIETNAM JOINT STOCK COMPANY

### 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:

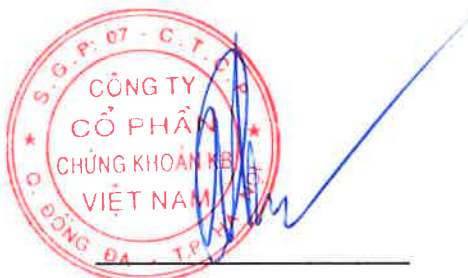
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



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



Bui Phuong Hanh  
Audit Practising Licence No.  
3823-2018-006-1

Report reference number: HAN 2161  
Hanoi, 21 March 2019

## STATEMENT OF FINANCIAL POSITION

Code	ITEMS	Note	As at 31 December	
			2018 VND	2017 VND
	<b>ASSETS</b>			
<b>100</b>	<b>CURRENT ASSETS</b>		<b>2,020,115,996,556</b>	<b>676,739,670,897</b>
<b>110</b>	<b>Financial assets</b>		<b>2,012,838,552,300</b>	<b>675,106,363,041</b>
111	Cash and cash equivalents	3.1	105,406,769,560	28,687,105,624
111.1	<i>Cash</i>		10,255,536,683	28,687,105,624
111.2	<i>Cash equivalents</i>		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)
<b>130</b>	<b>Other current assets</b>		<b>7,277,444,256</b>	<b>1,633,307,856</b>
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
<b>200</b>	<b>NON-CURRENT ASSETS</b>		<b>219,755,852,004</b>	<b>22,620,547,012</b>
<b>210</b>	<b>Non-current financial assets</b>		<b>180,000,000,000</b>	<b>-</b>
212	Held-to-maturity (HTM) investments	3.3(b)	180,000,000,000	-
<b>220</b>	<b>Fixed assets</b>		<b>15,367,546,799</b>	<b>14,032,455,255</b>
221	Tangible fixed assets	3.8(a)	10,119,421,572	8,741,166,690
222	<i>Historical cost</i>		20,371,068,055	16,349,521,055
223a	<i>Accumulated depreciation</i>		(10,251,646,483)	(7,608,354,365)
227	Intangible fixed assets	3.8(b)	5,248,125,227	5,291,288,565
228	<i>Historical cost</i>		15,743,822,915	13,945,895,915
229a	<i>Accumulated amortisation</i>		(10,495,697,688)	(8,654,607,350)
<b>240</b>	<b>Construction in progress</b>	3.8(c)	<b>5,492,736,000</b>	<b>-</b>
<b>250</b>	<b>Other non-current assets</b>		<b>18,895,569,205</b>	<b>8,588,091,757</b>
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
<b>270</b>	<b>TOTAL ASSETS</b>		<b>2,239,871,848,560</b>	<b>699,360,217,909</b>

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

STATEMENT OF FINANCIAL POSITION  
(CONTINUED)

Code	ITEMS	Note	As at 31 December	
			2018 VND	2017 VND
<b>300</b>	<b>LIABILITIES</b>		<b>894,826,023,596</b>	<b>195,821,671,517</b>
<b>310</b>	<b>Current liabilities</b>		<b>724,365,611,639</b>	<b>195,696,789,887</b>
311	Short-term borrowings and finance lease liabilities		665,431,382,950	135,500,000,000
312	<i>Short-term borrowings</i>	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
<b>340</b>	<b>Non-current liabilities</b>		<b>170,460,411,957</b>	<b>124,881,630</b>
341	Long-term borrowing and finance lease liabilities		170,325,000,000	-
342	<i>Long-term borrowings</i>	3.11(b)	170,325,000,000	-
356	Deferred income tax liabilities	3.15	135,411,957	124,881,630
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>1,345,045,824,964</b>	<b>503,538,546,392</b>
<b>410</b>	<b>Capital and reserves</b>		<b>1,345,045,824,964</b>	<b>503,538,546,392</b>
411	Owners' capital		1,107,078,600,000	300,000,000,000
411.1	<i>Share capital</i>	3.16	1,107,078,600,000	300,000,000,000
411.1a	<i>Ordinary shares</i>		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	<i>Realised post-tax profits</i>		217,886,391,786	184,344,824,330
417.2	<i>Unrealised (losses)/profit</i>		(663,654,968)	457,089,658
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>2,239,871,848,560</b>	<b>699,360,217,909</b>

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



## OFF STATEMENT OF FINANCIAL POSITION ITEMS

Code	ITEMS	Note	As at 31 December	
			2018	2017
<b>A</b>	<b>ASSETS OF THE COMPANY AND ASSETS IN TRUST</b>			
005	Foreign currency (original currency) US Dollar		30,314	-
006	Number of shares in issue (share)	3.16	110,707,860	30,000,000
			<b>Par value (VND)</b>	
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>B</b>	<b>ASSETS OF AND LIABILITIES TO CUSTOMERS</b>			
021	Securities listed/registered to Vietnam Securities Depository (VSD)		4,745,222,170,000	4,251,215,080,000
021.1	<i>Freely traded securities</i>		4,559,773,500,000	4,040,179,400,000
021.2	<i>Restricted securities</i>		7,197,580,000	4,503,960,000
021.3	<i>Mortgaged securities</i>		87,730,000,000	79,208,000,000
021.5	<i>Securities awaiting settlement</i>		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	<i>Securities custodied at VSD but not yet traded – freely traded securities</i>		3,838,110,000	51,680,740,000
022.2	<i>Securities custodied at VSD but not yet traded – restricted securities</i>		546,580,000	108,000,000
<b>026</b>	<b>Customers' deposits</b>		<b>292,095,528,768</b>	<b>360,798,716,058</b>
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	<i>Domestic investors' deposits for clearing and settlement of trading securities</i>		1,190,257,726	395,906,128
029.2	<i>Foreign investors' deposits for clearing and settlement of trading securities</i>		527,374,154	967,847,159

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OFF STATEMENT OF FINANCIAL POSITION ITEMS  
(CONTINUED)

Code	ITEMS	As at 31 December	
		2018 VND	2017 VND
<b>B</b>	<b>ASSETS OF AND LIABILITIES TO CUSTOMERS (continued)</b>		
031	Payables to customers relating to their deposits at the Company for securities trading	291,857,620,674	360,533,409,890
031.1	<i>Payables to domestic customers relating to their deposits at the Company for securities trading</i>	291,811,058,528	360,533,409,890
031.2	<i>Payables to foreign customers relating to their deposits at the Company for securities trading</i>	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

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## STATEMENT OF COMPREHENSIVE INCOME

Code	ITEMS	Note	For the year ended 31 December	
			2018 VND	2017 VND
	<b>OPERATING INCOME</b>			
01	Gains from financial assets at fair value through profit or loss (FVTPL)		3,254,146,197	4,258,576,150
01.1	<i>Realised gains on disposals of financial assets at FVTPL</i>	4.1	3,180,676,610	3,625,829,733
01.2	<i>Increase in revaluation gains of financial assets at FVTPL</i>	4.2	52,651,641	624,408,148
01.3	<i>Dividends and interest income from financial assets at FVTPL</i>		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	<b>TOTAL OPERATING INCOME</b>		<b>269,800,259,019</b>	<b>133,785,307,801</b>
	<b>OPERATING EXPENSES</b>			
21	Losses from financial assets at fair value through profit or loss (FVTPL)		(1,174,400,069)	(66,627,169)
21.1	<i>Realised losses on disposals of financial assets at FVTPL</i>	4.1	(1,003,802)	(13,581,094)
21.2	<i>Increase in revaluation losses of financial assets at FVTPL</i>	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	<b>TOTAL OPERATING EXPENSES</b>		<b>(181,343,060,939)</b>	<b>(77,238,698,158)</b>

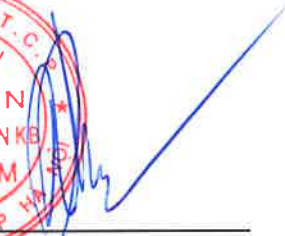
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STATEMENT OF COMPREHENSIVE INCOME  
(CONTINUED)

Code	ITEMS	Note	For the year ended 31 December	
			2018 VND	2017 VND
	<b>FINANCIAL INCOME</b>			
42	Dividend income and interest income from demand deposits		2,681,787,427	2,266,083,654
<b>50</b>	<b>TOTAL FINANCIAL INCOME</b>		<b>2,681,787,427</b>	<b>2,266,083,654</b>
52	Borrowing cost		(23,931,120,585)	(10,392,373,145)
55	Other financial expenses		(1,884,148,845)	(745,338,156)
<b>60</b>	<b>TOTAL FINANCIAL EXPENSES</b>		<b>(25,815,269,430)</b>	<b>(11,137,711,301)</b>
<b>62</b>	<b>GENERAL AND ADMINISTRATION EXPENSES</b>	4.7	<b>(21,276,615,142)</b>	<b>(13,133,095,260)</b>
<b>70</b>	<b>OPERATING PROFIT</b>		<b>44,047,100,935</b>	<b>34,541,886,736</b>
	<b>OTHER INCOME AND EXPENSES</b>			
71	Other income		10,050	10,470,234
72	Other expenses		(162,080,920)	(1,672,842,508)
<b>80</b>	<b>NET OTHER EXPENSES</b>		<b>(162,070,870)</b>	<b>(1,662,372,274)</b>
<b>90</b>	<b>NET ACCOUNTING PROFIT BEFORE TAX</b>		<b>43,885,030,065</b>	<b>32,879,514,462</b>
91	Realised profit		45,005,774,691	32,308,152,389
92	Unrealised (loss)/profit		(1,120,744,626)	571,362,073
<b>100</b>	<b>BUSINESS INCOME TAX</b>	4.8	<b>(8,853,994,771)</b>	<b>(12,800,957,037)</b>
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)
<b>200</b>	<b>NET PROFIT AFTER TAX</b>		<b>35,031,035,294</b>	<b>20,078,557,425</b>
<b>500</b>	<b>EARNINGS PER SHARE</b>			
501	Basic earnings per share (VND/share)	4.9	1,029	669

  
 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.

**STATEMENT OF CASH FLOWS**  
 (Indirect method)

Code	ITEMS	Note	For the year ended 31 December	
			2018 VND	2017 VND
	<b>Cash flows from operating activities</b>			
01	<b>Profit before tax</b>		<b>43,885,030,065</b>	<b>32,879,514,462</b>
02	<b>Adjustments for:</b>			
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	<b>Increase in non-cash expenses</b>		<b>1,173,396,267</b>	-
11	Revaluation losses of financial assets at FVTPL		1,173,396,267	-
18	<b>Decrease in non-cash income</b>		<b>(52,651,641)</b>	-
19	Revaluation gains of financial assets at FVTPL		(52,651,641)	-
30	<b>Profit from operating activities before changes in working capital</b>		<b>60,511,968,906</b>	<b>42,028,422,738</b>
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)
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	<b>Net cash outflows from operating activities</b>		<b>(1,421,562,706,397)</b>	<b>(78,267,266,749)</b>
	<b>Cash flows from investing activities</b>			
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	<b>Net cash (outflows)/inflows for investing activities</b>		<b>(9,052,612,617)</b>	<b>619,707,148</b>

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

**STATEMENT OF CASH FLOWS**  
**(Indirect method)**  
**(CONTINUED)**

Code	ITEMS	Note	For the year ended 31 December	
			2018 VND	2017 VND
	<b>Cash flows from financing activities</b>			
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)
<b>80</b>	<b>Net cash inflows from financing activities</b>		<b>1,507,334,982,950</b>	<b>60,933,805,862</b>
<b>90</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>76,719,663,936</b>	<b>(16,713,753,739)</b>
<b>101</b>	<b>Cash and cash equivalents at beginning of year</b>		<b>28,687,105,624</b>	<b>45,400,859,363</b>
101.1	Cash and cash equivalents	3.1	28,687,105,624	45,400,859,363
<b>103</b>	<b>Cash and cash equivalents at end of year</b>		<b>105,406,769,560</b>	<b>28,687,105,624</b>
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.

STATEMENT OF CASH FLOWS  
(Indirect method)  
(CONTINUED)

## CASH FLOWS OF BROKERAGE AND TRUSTING ACTIVITIES

Code	ITEMS	For the year ended 31 December	
		2018 VND	2017 VND
	<b>Cash flows of brokerage and trusting activities</b>		
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)	-
<b>20</b>	<b>Net (decrease)/increase in customers' deposits</b>	<b>(68,703,187,290)</b>	<b>232,867,367,641</b>
<b>30</b>	<b>Customers' deposits at beginning of year</b>	<b>360,798,716,058</b>	<b>127,931,348,417</b>
31	Cash at bank	360,798,716,058	127,931,348,417
32	<i>Customers' deposits at the Company for securities trading</i>	359,434,962,771	122,713,553,814
34	<i>Deposits for clearing and settlement of trading securities</i>	1,363,753,287	5,217,794,603
<b>40</b>	<b>Customers' deposits at end of year</b>	<b>292,095,528,768</b>	<b>360,798,716,058</b>
41	Cash at bank	292,095,528,768	360,798,716,058
42	<i>Customers' deposits at the Company for securities trading</i>	290,377,896,888	359,434,962,771
44	<i>Deposits for clearing and settlement of trading securities</i>	1,717,631,880	1,363,753,287



Nguyen Thanh Huyen  
Chief Accountant



Nguyen Duc Hoan  
General Director  
21 March 2019

KB VIETNAM SECURITIES JOINT STOCK COMPANY

Form B 04 – CTCK

STATEMENT OF CHANGES IN EQUITY

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 risk reserve	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	217,886,391,766
8.2 Unrealised profits/(losses)	-	457,089,658	457,089,658	-	-	(1,120,744,626)	457,089,658	(663,654,968)
<b>Total</b>	<b>484,121,972,009</b>	<b>503,538,546,392</b>	<b>22,285,167,563</b>	<b>(2,868,593,180)</b>	<b>846,341,540,731</b>	<b>(4,834,262,159)</b>	<b>503,538,546,392</b>	<b>1,345,045,824,964</b>



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, 2<sup>nd</sup> and 7<sup>th</sup> 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 2<sup>nd</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****1 GENERAL INFORMATION (CONTINUED)*****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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.4 Currency (continued)**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.6 Financial assets (continued)****(a) Classification (continued)****(i) Financial assets carried at FVTPL (continued)**

- 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).

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 2.6 Financial assets (continued)

(a) *Classification (continued)*(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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.6 Financial assets (continued)****(a) Classification (continued)***(v) Available-for-sale financial assets (AFS) (continued)*

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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.6 Financial assets (continued)****(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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.6 Financial assets (continued)****(e) Determination of market value/fair value (continued)****(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.



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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.6 Financial assets (continued)**

**(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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.17 Equity (continued)****(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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.18 Revenue and income recognition (continued)****(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.

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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**

	<b>2018</b>	<b>2017</b>
	<b>VND</b>	<b>VND</b>
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	-
	<u>105,406,769,560</u>	<u>28,687,105,624</u>

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

KB VIETNAM SECURITIES JOINT STOCK COMPANY

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

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.2 Financial assets at FVTPL

	Ticker symbol	2018		2017	
		Cost VND	Market value/ Fair value VND	Cost VND	Market value/ Fair value VND
<b>Listed shares and shares traded on UPCoM</b>					
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
<b>Unlisted bond</b>					
Vietnam Technological and Commercial Joint Stock Bank		349,470,626,500	350,000,000,000	-	-
<b>Cash certificate</b>					
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



KB VIETNAM SECURITIES JOINT STOCK COMPANY

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

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.2 Financial assets at FVTPL (continued)

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

As at 31 December 2018	Cost VND	Revaluation differences		Market price/ Fair value 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
	<u>431,938,130,973</u>	<u>677,059,789</u>	<u>(1,226,442,342)</u>	<u>431,388,748,420</u>
As at 31 December 2017				
Listed shares and shares traded on UPCoM	10,896,396,922	624,408,148	(53,046,075)	11,467,758,995

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

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.3 Investments held-to-maturity (HTM)

	2018 VND	2017 VND
<b>(a) Deposits with term over 3 months to under 1 year</b>		
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	-
	<u>272,005,479,452</u>	<u>94,500,000,000</u>
<b>(b) Deposits with term over 1 year</b>		
Bank for Investment and Development of Vietnam	80,000,000,000	-
Vietnam Maritime Commercial Joint Stock Bank	100,000,000,000	-
	<u>180,000,000,000</u>	<u>-</u>

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	-
	<u>1,146,395,557,032</u>	<u>(14,882,925,413)</u>	<u>543,624,586,722</u>	<u>(15,025,131,108)</u>

(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.

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

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.4 Loans and provision for impairments of financial assets and mortgages (continued)

(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	<u>14,882,925,413</u>	<u>15,025,131,108</u>

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	<u>897,376,000</u>	<u>897,376,000</u>	<u>897,376,000</u>	<u>897,376,000</u>

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

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.6 Receivables

	2018		2017	
	Book value VND	Doubtful amount VND	Book value VND	Doubtful amount VND
<b>(a) Receivables</b>				
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	-
	<u>15,391,662,148</u>	<u>-</u>	<u>3,659,356,836</u>	<u>-</u>
<b>(b) Prepayments to suppliers</b>				
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	-
	<u>4,179,693,195</u>	<u>-</u>	<u>1,945,312,000</u>	<u>-</u>
<b>(c) Receivables from services provided</b>				
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	-
	<u>50,407,800,000</u>	<u>-</u>	<u>544,800,000</u>	<u>-</u>
<b>(d) Other receivables</b>				
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)
	<u>1,686,556,517</u>	<u>(38,164,611)</u>	<u>4,843,362,583</u>	<u>(38,164,611)</u>

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

## 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

## 3.7 Prepaid expenses

	2018 VND	2017 VND
<b>(a) Short-term</b>		
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
	<u>4,028,212,352</u>	<u>1,162,487,419</u>
<b>(b) Long-term</b>		
Office renovation fees	4,766,964,666	-
Office supplies	3,324,518,670	272,195,259
Others	14,685,621	26,496,250
	<u>8,106,168,957</u>	<u>298,691,509</u>

## 3.8 Fixed assets

## (a) Tangible fixed assets

	Office equipment VND
<b>Historical cost</b>	
As at 1 January 2018	16,349,521,055
New purchases	4,021,547,000
As at 31 December 2018	<u>20,371,068,055</u>
<b>Accumulated depreciation</b>	
As at 1 January 2018	(7,608,354,365)
Charge for the year	(2,643,292,118)
As at 31 December 2018	<u>(10,251,646,483)</u>
<b>Net book value</b>	
As at 1 January 2018	8,741,166,690
As at 31 December 2018	<u>10,119,421,572</u>

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).

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

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.8 Fixed assets (continued)

(b) Intangible fixed assets

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

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	-
	<u>5,492,736,000</u>	<u>-</u>

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

**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**3.9 Deposits in the Settlement Supporting Fund**

According to Decision No. 45/QD-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.

	<b>2018</b> VND	<b>2017</b> 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
	<u>10,774,400,248</u>	<u>8,274,400,248</u>

**3.10 Short-term trade accounts payable**

	<b>2018</b> VND	<b>2017</b> VND
Sao Bac Dau Technology JSC.	3,295,641,600	-
Other suppliers	52,289,800	52,289,800
	<u>3,347,931,400</u>	<u>52,289,800</u>

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

### 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
	<u>135,500,000,000</u>	<u>2,221,932,105,526</u>	<u>(1,692,000,722,576)</u>	<u>665,431,382,950</u>

- (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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)****3.11 Borrowings (continued)****a) Short-term borrowings (continued)**

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.

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

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

3.11 Borrowings (continued)

(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/XNGD-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
	<u>7,472,337,712</u>	<u>27,906,111,183</u>	<u>(32,247,258,583)</u>	<u>3,131,190,312</u>

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

## 3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

## 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
	<u>43,297,669,970</u>	<u>6,753,256,156</u>

## 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
	<u>1,650,750,520</u>	<u>38,745,144,457</u>

## 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	<u>135,411,957</u>	<u>124,881,630</u>

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	<u>135,411,957</u>	<u>124,881,630</u>

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

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

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.

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

3 NOTES TO THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

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	<u>217,222,736,818</u>	<u>184,801,913,988</u>

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

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

4 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

4.1 Net realised gains on disposals of financial assets at FVTPL (continued)

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
<b>Financial assets at FVTPL</b>					
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	-
	<u>1,070,605</u>	<u>3,056,767,565,878</u>	<u>3,053,586,889,268</u>	<u>3,180,676,610</u>	<u>3,625,829,733</u>

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
<b>Financial assets at FVTPL</b>					
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.

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

4 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

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)
	<u>(1,120,744,626)</u>	<u>571,362,073</u>

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	-	-	-
	<u>431,938,130,973</u>	<u>431,388,748,420</u>	<u>(549,382,553)</u>	<u>571,362,073</u>	<u>(1,120,744,626)</u>

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

4 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

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
	<u>78,527,971,275</u>	<u>49,156,006,452</u>

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	-
	<u>112,587,200,000</u>	<u>2,249,298,000</u>

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
	<u>63,528,439,662</u>	<u>60,146,586,733</u>

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
	<u>112,764,295,322</u>	<u>14,769,472,487</u>



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

4 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

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
	<u>21,276,615,142</u>	<u>13,133,095,260</u>

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	6,575,902,892
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 (*)	<u>8,853,994,771</u>	<u>12,800,957,037</u>
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
	<u>8,853,994,771</u>	<u>12,800,957,037</u>

(\*) 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.

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

**4 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**

**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.

	<b>2018</b>	<b>2017</b>
	<b>VND</b>	<b>VND</b>
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)	<u>1,029</u>	<u>669</u>

**(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**

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

**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).

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

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
<b>As at 1 January 2017</b>	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)	-
<b>As at 31 December 2017</b>	300,000,000,000	829,800,870	17,906,831,534	184,801,913,988	503,538,546,392
Share issuance	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)	-
<b>As at 31 December 2018</b>	1,107,078,600,000	2,937,033,810	17,807,454,336	217,222,736,818	1,345,045,824,964

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

**6 NOTES TO THE STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

**6.1 Details of changes in equity (continued)**

- (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:

<b>Related party</b>	<b>Relationship</b>
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

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

7 RELATED PARTIES DISCLOSURES (CONTINUED)

(a) Related party transactions

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

	2018 VND	2017 VND
<b>Kookmin Bank – Ho Chi Minh branch</b>		
Receipt of short-term loan (Note 3.11(a))	78,400,000,000	-
Payment of interests	3,662,246,572	-
	<u>78,400,000,000</u>	<u>-</u>
<b>Kookmin Bank – Hong Kong branch</b>		
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	-
	<u>402,765,000,272</u>	<u>-</u>
<b>Key management</b>		
Gross salaries and other benefits	3,466,488,268	3,180,171,428
	<u>3,466,488,268</u>	<u>3,180,171,428</u>

(b) Year-end balances with related parties

	2018 VND	2017 VND
<b>Kookmin Bank – Ho Chi Minh branch</b>		
Short-term borrowings (Note 3.11(a))	78,400,000,000	-
Accrued interest payable	346,248,767	-
	<u>78,746,248,767</u>	<u>-</u>
<b>Kookmin Bank – Hong Kong branch</b>		
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	-
	<u>402,053,429,594</u>	<u>-</u>
<b>KB Securities Hong Kong Limited</b>		
Accrued commission (*)	388,524,797	-
	<u>388,524,797</u>	<u>-</u>

(\*) 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.

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

NOTES TO THE FINANCIAL STATEMENTS  
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**8 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Credit risk (continued)**

*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	<u>1,319,288,345,257</u>	<u>581,359,211,765</u>

**(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.

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

8 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

- 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
<b>Financial assets</b>		
Cash	30,314	-
<b>Financial liabilities</b>		
Borrowing	(17,300,000)	-
<b>Net financial liabilities</b>	(17,269,686)	-
<b>Net currency exposure</b>	(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).



NOTES TO THE FINANCIAL STATEMENTS  
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8 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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
<b>As at 31 December 2018</b>		
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
	<u>713,727,734,840</u>	<u>170,325,000,000</u>
<b>Total financial liabilities</b>	<b><u>713,727,734,840</u></b>	<b><u>170,325,000,000</u></b>
<b>As at 31 December 2017</b>		
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)	38,745,144,457	-
	<u>181,050,690,413</u>	<u>-</u>
<b>Total financial liabilities</b>	<b><u>181,050,690,413</u></b>	<b><u>-</u></b>

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

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

**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:

	<b>2018 VND</b>	<b>2017 VND</b>
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	<u>3,868,077,985</u>	<u>5,213,967,162</u>

**10 CAPITAL COMMITMENTS**

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

	<b>2018 VND</b>	<b>2017 VND</b>
Property, plants and equipments	1,131,022,325	-
Software	5,250,000,000	-
Total	<u>6,381,022,325</u>	<u>-</u>

**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, 2<sup>nd</sup> and 7<sup>th</sup> Sky City Tower, 88 Lang Ha, Dong Da, Hanoi
- Increased charter capital: VND 1,675,020,900,000.


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

## 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